

2012 SUSTAINABILITY
REPORT



ARAUCO[®]

Growing the Future

Our Vision

TO BE A GLOBAL LEADER IN THE DEVELOPMENT OF SUSTAINABLE FOREST PRODUCTS.

Our Business

To maximize the value of our forests in a sustainable way, integrating excellence in forestry production with efficiency in industrial transformation of value-added products, for their worldwide distribution in accordance with our customers' needs.

Our Values

• Safety

Always First: The safety of people is a priority in all our decisions. Only in this way do we consider a job to be well done. Our target is zero accidents.

• Commitment

We Work with Passion: We accept challenges and work with passion and effort to rise to them. At ARAUCO, we are hard-working and honest people whose word is their bond.

• Excellence and Innovation

We Want to Be the Best: We are leaders in what we do because we challenge our own capabilities. We must be demanding in our targets and efficient and innovative in achieving them.

• Teamwork

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

• Good Citizenship

We Respect our Surroundings and Create Value: We act from a long-term perspective. Through our work, we contribute to social wellbeing and respect our neighbors and the environment.

Our Undertakings

- To maximize shareholders' returns through the efficient, responsible and high-quality management of all our processes, applying for this purpose systems and procedures that ensure maximization of the value of our business.
- To promote the sustainable use of the natural resources in our surroundings, investing in research, technological innovation and training in order to prevent and progressively, continuously and systematically reduce the environmental impacts of our activities, products and services.
- To provide all our customers with high-quality products and services and to do so in a sustained way over time, encouraging our suppliers to form part of ARAUCO's value and quality chain.
- To protect the safety and occupational health of both our own and contractors' workers by seeking to continuously and progressively reduce safety risks in our operations and services.
- To foster conditions for the development of all the members of our company by promoting workplaces based on respect, honesty, professionalism, training and teamwork
- To build permanent relations of mutual collaboration with communities where we have operations, taking account of their concerns and needs in our decisions and supporting their development.
- To maintain transparent and honest communication with all our stakeholders.
- To comply with all legislation in force and other commitments that regulate our business and, whenever possible, to surpass established standards.
- To have in place and apply systems and procedures that enable us to manage the risks of our business, regularly evaluating our performance in all our processes, taking the necessary corrective measures opportunistically and providing transparent and timely information about our progress.
- To inform our workers, contractors and suppliers about these undertakings and train and involve them in compliance, thereby ensuring that this policy is implemented with the collaboration and effort of all.

GRI
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4,8

For further information, please contact:

María Soledad Vial
Assistant Communications Manager

☎ Telephone: 56-2-24617406
@ E-mail: reporte@arauco.cl
🏠 Av. El Golf 150, 14th Floor, Las Condes, Santiago, Chile

We would also like to invite you to visit the following websites:
www.arauco.cl
www.araucosoluciones.com
www.fundacionarauco.cl
www.foroabierto.cl
www.nuevohorcones.cl
www.innovarauco.cl

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SUSTAINABILITY REPORT

2012



ARAUCO[®]
Growing the Future

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ARAUCO AT A GLANCE

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ARAUCO is a Chilean forestry company which was established 45 years ago. During this time it has become one of the largest forestry companies in the world, not only in terms of forest area, industrial facilities, efficiency and quality production, but also in terms of innovation, environmental responsibility and social commitment. The company has maximized the value of its forest plantations, a natural renewable resource, by applying global best practices on long-term sustainability, while at the same time caring for its land, native forests and biodiversity, for the benefit of this and future generations.

The company maintains industrial and forestry operations in Chile, Argentina, Brazil, Uruguay, the United States and Canada. At the end of 2012, ARAUCO owned six pulp mills, 14 panel mills, nine saw mills, five remanufacturing facilities, one plywood mill, 12

cogeneration power plants and 1.7 million hectares of forestland. ARAUCO also works with an extensive network of suppliers, service providers and a number of different organizations to strengthen its practices in economic, social and environmental areas.

ARAUCO's products are sold on five continents through representatives, sales agents and sales offices established in eleven countries. These sales are backed by efficient management of the logistics and distribution services which includes transport, shipping, storage, country trade requirements and distribution. This allows ARAUCO products to reach 204 ports on five continents.

ARAUCO finished the year with 13,227 direct employees and more than 27,000 contract workers. In 2012, the company generated a total profit of US\$141 million and sales of US\$4,280 million.

**US\$4,280
MILLION**

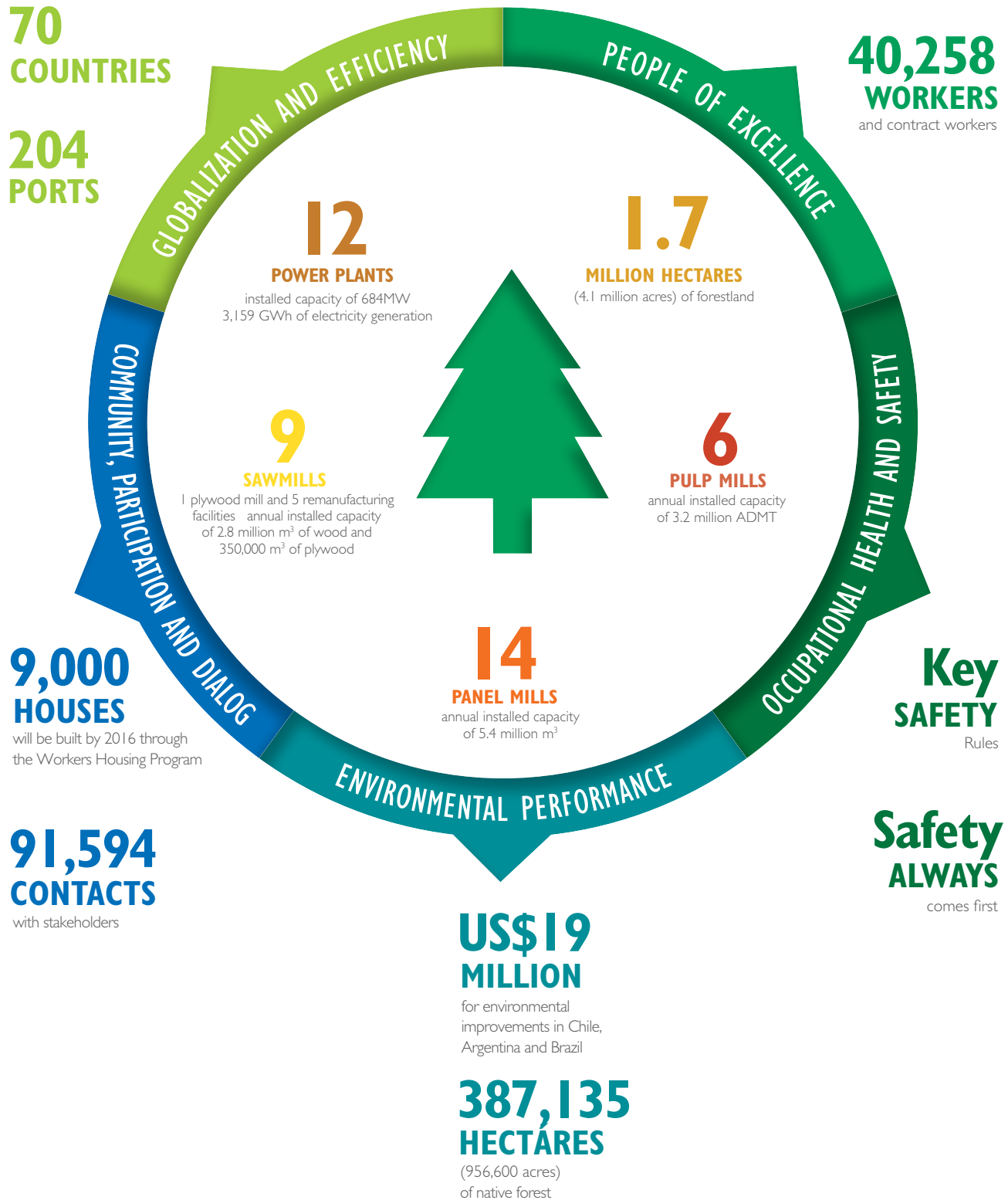
in sales

**344,412
MAN HOURS**
of training

**70
COUNTRIES**

**204
PORTS**

**40,258
WORKERS**
and contract workers



ARAUCO believes that operating sustainably is at the core of the company's strategy, which is why it manages the impacts and performance of all its activities in the economic, environmental and social areas. This strategy is based on the understanding that to be successful, an organization must balance the value generated for its shareholders with the value provided for its workers, neighboring communities and interested stakeholders. At the same time, the company has a responsibility to protect the environment, establish constructive relationships with its stakeholders and provide transparent reports of progress made and difficulties faced.

The development of good labor relations, greater care for the environment and for people's safety as well as more dialog and participation with society are as important to the company as generating greater operational stability, efficiency and production.

ARAUCO's challenge is to Grow Well and develop a plan for action for years to come, centered on its corporate values and its strategic key concepts, which are described below:



People of Excellence

In order to Grow Well, it is essential to have work teams that are committed and motivated, aligned with the company's culture and strategy. During 2012, ARAUCO strengthened its Human Resources area, which works with the company's businesses to empower team leaders, improve the work climate, promote better practices in performance assessments, establish appropriate compensation policies, increase internal communication and define and support training plans that meet the company's needs and reinforce technical skills, among others. ARAUCO seeks to attract and retain talented people in order to stimulate innovation and address future challenges.



Business Model

ARAUCO makes full use of the resources in its plantations to produce pulp, panels, wood

and energy. This is the business model that has supported the company's growth in the past decades and will continue to do so in the future. In order to Grow Well, it is essential that this model be optimized through continuous improvement to add value to each business unit and reinforce the company's competitiveness. In 2012, ARAUCO focused on understanding its customers' needs in order to generate a better value proposition, covering the entire supply chain, from plantation to end-user. The company also focused on identifying new business opportunities.



Cost Leadership Focused on Production

In order to sustain growth in highly competitive markets, ARAUCO has made cost efficiency its signature, allowing the company to be more profitable and to increase market share in businesses that are not highly differentiated. Some of ARAUCO's businesses faced difficulties in 2012 which affected the company's competitive position. Therefore, to Grow Well, the company needs to continue to improve productivity, maximize the value of its plantations and maintain cost leadership. To do so, the company must concentrate on: improving priority setting; modifying the organizational structure; strengthening its information systems; improving productivity and introducing automated processes and new technologies, among others.



Good Citizenship

To Grow Well means to develop zero-fault processes in terms of labor, the environment and regulations. It also involves improving relationships with stakeholders. To a large extent, the consultations conducted during 2012 as part of the FSC™ (Forest Stewardship Council) forest-management certification process for Chile and Argentina contributed to this goal. In addition, the company has invested in projects that generate Shared Value through development and collaboration, creating a virtuous circle that can benefit everyone.

THE COMPANY SEEKS TO MAXIMIZE THE VALUE OF ITS PLANTATIONS BY MAKING FULL USE OF ITS FORESTS, EXPANDING TO NEW MARKETS AND WITH PRODUCT DEVELOPMENT BASED ON INNOVATION, RESPONSIBILITY AND SOCIAL AND ENVIRONMENTAL COMMITMENT.

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

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.

GRI
4.8

CHALLENGES

GROW WELL

People of excellence

Business model

Cost leadership
focused on productivity

Good Citizenship

**FOCAL POINTS
OF THE
SUSTAINABILITY
STRATEGY**

Globalization and efficiency:

We ensure the development and growth of ARAUCO by generating value for each business and a greater return on assets, through efficient and stable operations.

People of excellence:

We recognize people to be the company's most important resource and we further their personal and professional growth, as well as their development.

Occupational Health and Safety:

We are convinced that safety is a value to be respected and practiced by each person in the organization; we promote a culture based on safety and safe work places for our workers.

Environment:

Our commitment is to sustainably manage our resources which includes using best practices in production, understanding and protecting ecosystems and using international management standards that ensure continuous improvement. In addition, we foster scientific research programs and innovation, and invest in technology to save energy and use our resources efficiently.

Community, participation and dialog:

We build permanent relationships based on trust and mutual benefits within the company and with communities, by furthering their development and generating an ongoing dialog.

VALUES

SAFETY

COMMITMENT

EXCELLENCE AND INNOVATION

TEAMWORK

GOOD CITIZENSHIP

AWARDS AND ACKNOWLEDGEMENTS

GRI
2.10

FIRST PLACE IN THE FORESTRY SECTOR IN RANKING OF BUSINESSES WITH GREATEST VALUE GENERATION (CHILE)

ARAUCO attained first place for Economic Value Added in the forestry sector, according to the Business Performance Ranking conducted by Econsult¹, a financial and economic consulting firm, and Qué Pasa² magazine.

FIRST PLACE, 2012 INACAP HUMAN CAPITAL DEVELOPMENT AWARD (CHILE)

INACAP³ (National Institute of Professional Training in Chile) awarded ARAUCO's Panel Business the "2012 Human Capital Development Award" in recognition of their training, improvement and commitment to the environment and the community. Special mention was made of the Teno Training School and the course on "Industrial Maintenance and Operation", which had 180 participants.

EFFECTIVE ACTION IN SAFETY AWARD (CHILE)

The Chilean Safety Association (Asociación Chilena de Seguridad, ACHS)⁴ presented Forestal Arauco with the "Effective Action Award" in recognition of the company's reduction of the Frequency and Severity accident rates registered in recent years.

2012 OPERATIONAL INNOVATION AWARD (CHILE)

The workers of the Trupán-Cholguán Mill received second place in the "2012

Operational Innovation Awards"⁵ for their project "Optimization in stacking thin panels on tables (2.125 MDF II)". Awarded by CEOP Consulting, this award recognizes innovative ideas presented by workers in the most outstanding businesses in Chile.

HUMAN CAPITAL FOR CHILE AWARD (CHILE)

Duoc UC awarded ARAUCO's Sawn Timber business with the "Human Capital for Chile Award"⁶ for supporting internships, hiring technical-professional employees, conducting research and collaborating in the creation of course tracks to meet market needs.

SAFETY PRACTICES AWARD (CHILE)

For the third consecutive year, Nueva Aldea plywood mill was awarded by the National Safety Council of Chile⁷ for having the lowest Accident Frequency Rate in its group-category.

RECOGNITION FOR CONTRIBUTION TO EMPLOYMENT (CHILE)

During Expo Empleo, an employment fair held in Talca, Chile, ARAUCO received a special recognition for the company's ongoing contribution to employment. The award was presented by the Municipality of Talca⁸ and Professional Institute AIEP⁹.

RECOGNITION FOR SUPPORT OF INTERNSHIPS AND QUALIFICATION PROCESS (CHILE)

The industrial school Liceo Industrial Víctor Bezanilla Salinas, located in Estación Central,

1 www.econsult.cl

2 www.quepasa.cl

3 INACAP: Instituto Nacional de Capacitación Profesional. www.inacap.cl

4 www.achs.cl

5 www.pio.cl

6 www.duoc.cl

7 www.cnsdechile.cl

8 www.talca.cl

9 www.aiep.cl

Chile, presented Arauco Distribution with an award to show the school's appreciation for the company's support during the internship and qualification process for the Wood Products major.

JOINT COMMITTEE AWARDED FOR ITS WORK IN SAFETY (CHILE)

The Chilean Safety Association presented Viñales Sawmill joint committee with the "Chilean Safety Association Joint Action Award" for its performance in 2011. This award is given to five joint committees of Chile's southern area, belonging to different economic sectors. The winners are chosen among more than 4,000 participating joint committees.

2012 EFFECTIVE EXECUTIVE AWARD (CHILE)

Horcones Remanufacturing Facility manager, Víctor Huerta, was presented the "2012 Effective Executive Award" by the Chilean Safety Association, for achieving "World Class" rates, with a Frequency Rate of less than 1 and a Severity Rate of less than 10.

PULP MILL OPERATOR WAS ELECTED "2012 BEST WORKER" OF THE INDUSTRY (CHILE)

Héctor Comejo, Recovery Boiler Operator at the Nueva Aldea pulp mill, was honored with the "2012 Best Worker Award". Chosen among workers from twelve businesses, this award is presented annually by the Chamber of Commerce and Production of Concepción (CPCC in Spanish)¹⁰.

ARAUCO WORKERS ARE RECOGNIZED FOR THEIR JOB PERFORMANCE (CHILE)

The Chilean Wood Corporation (CORMA in Spanish)¹¹ recognized ten ARAUCO workers

and contract workers during the annual awards ceremony honoring the best workers, supervisors and businessmen of 2011. These employees were recognized for their job performance and management in production, safety, the environment and community relations.

RECOGNITION FOR CONTRIBUTING TO SOCIAL INCLUSION (ARGENTINA)

Compromiso Foundation¹² recognized Alto Paraná for its contributions during 2012 in generating and implementing actions aimed at the sustainable development of social inclusion.

EXEMPLAR BUSINESS OF MISIONES AWARD (ARGENTINA)

Online newspaper Diario Misiones¹³ recognized Alto Paraná among the ten Exemplary Businesses in the Misiones Province. This award considers the economic, environmental and social aspects of the businesses so honored. Alto Paraná was ranked in seventh place.

RECOGNITION FOR SUPPORT OF MILLENNIUM GOALS (BRAZIL)

Citizens' movement Nosotros Podemos Paraná¹⁴ recognized Arauco do Brasil for the company's practices in support of the United Nations Millennium Development Goals¹⁵.

BUSINESS CITIZEN AWARD (BRAZIL)

Pequeño Cottolengo (The Little House of Divine Providence), a global charity, presented Arauco do Brasil with the "Business Citizen Award" for its support of social projects in Brazil.

COMMUNITY SCHOOL AWARD (BRAZIL)

The Curitiba Prefecture recognized Arauco do Brasil with the "Community School Award", for setting an example in Corporate Social Responsibility.

¹⁰ www.cpcc.cl

¹¹ CORMA: Corporación Chilena de la Madera (CORMA) or the Chilean Wood Corporation in English is the forest industry trade association. www.corma.cl

¹² www.compromiso.org

¹³ www.misionesonline.net

¹⁴ www.fiepr.org.br

¹⁵ www.un.org/spanish/millenniumgoals/

CHAIRMAN'S STATEMENT

GRI
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1.2

During the mid-1960s, CORFO (Corporación de Fomento de la Producción de Chile, the Chilean Economic Development Agency) launched the creation of a pulp business to make industrial use of Chile's forest resource and further the country's economic and social progress. This project came to fruition in 1972, when Line I began to operate at our Arauco Mill, in Chile's Bío Bío Region. Over time, we began to add value through new projects and new businesses, including sawn timber, panels and energy.

To enumerate ARAUCO's milestones would take too many pages. But, in the end, there would be only one conclusion: in 45 years, ARAUCO has become a global-scale actor, with sustainability at the core of its business, a company seeking to grow and increase value for society, its workers and its shareholders.

Attaining world-class stature has required the application of global standards of excellence in all of our processes. One has only to look at the work we have performed to seek and maintain FSC certification in all of the countries in which we operate, or our participation in the Santiago Climate Exchange, and in the international Forest Footprint Disclosure to see these standards in action. Also, this commitment to excellence has led us to confirm our adherence to the United Nations Global Compact, and to sign-on to it in Brazil as well.

ARAUCO's reputation has grown beyond efficiency and quality production, and now includes other values that are equally important, such as transparency, generating employment, the production of quality goods, the development of our workers and neighboring communities, increased dialog and participation with

stakeholders, research and innovation, care for the environment and, the welfare of all of our collaborators.

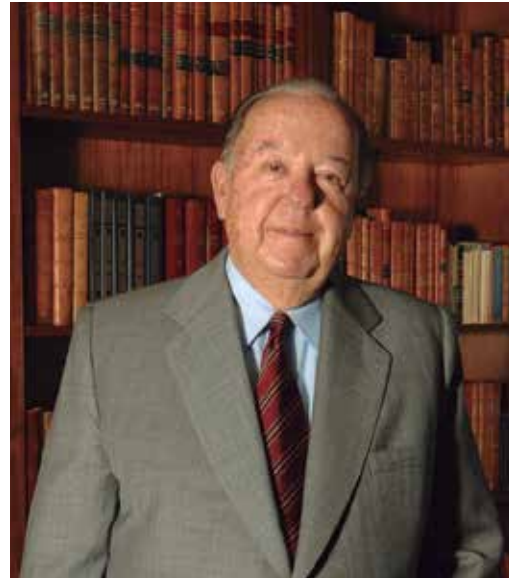
Our vision is to be a global leader in the development of sustainable forest products. Today, we are taking new steps in that direction, and this has led us to develop production capacities in six countries in North and South America in order to Grow Well.

During 2012, our internationalization and the consolidation of new investments allowed us to: start production at our medium-density particleboard mill in Teno and our Viñales cogeneration power plant, both located in Chile's Maule Region; purchase the composite-panel production assets of Flakeboard in North America and Uniboard's Moncure, North Carolina mill in the United States; and continue with the construction of the Montes del Plata pulp mill in Uruguay and the expansion to Line II in Jaguariáiva, Brazil.

These projects challenge us to go beyond production factors alone, and to focus on continued growth, maintaining the values that inspire us, and implementing our sustainability strategy, which provides us with a solid framework in which to work.

The heart of our business lies in making full and sustainable use of our forest plantations and in creating work-teams of excellence. Our personnel are the main driving force behind our company's innovation and growth, and together we understand that the practice of ARAUCO's core values at each one of our locations is the key to making a difference and creating permanent, positive change.

ARAUCO took a major step forward in 2012, with the establishment of our Grow Well initiative. In



In addition, we reaffirmed our corporate values: Safety, Commitment, Excellence and Innovation, and Teamwork and Good Citizenship, enabling each of us to renew our commitment to ARAUCO and to better position the company for long-term growth. The occupational health and safety of our people is, and always will be, a priority. We are deeply sorry for the loss of four workers during 2012, and we are committed to improving our safety performance and to continually review and improve our procedures to protect the people that directly or indirectly work for ARAUCO.

ARAUCO's commitment to its corporate values and our experience over time has led us to put a high premium on maintaining a dialog with the communities in which we operate. The process of obtaining FSC forest-management certification in Chile and Argentina has empowered us to improve our relationships with stakeholders. For example, the design and implementation of plans to protect High Value Conservation Areas were achieved in collaboration with our neighbors. In addition, we implemented an extensive stakeholder consultation initiative for the modernization and extension of our Arauco facility, a process through which we contacted more than 35,000 people during 2012. In Chile, Argentina and Brazil alike, we conduct consultations before we perform any significant forestry operations.

Our commitment to stakeholder engagement, in addition to various social and economic projects implemented within communities neighboring our operations, has allowed us to develop valuable, mutually beneficial, collaborative relationships. Programs such as PRES Constitución and Housing for Workers, which began a few years ago, have already begun to yield their first

results. We take pride in these positive outcomes, and are inspired to continue in this direction, much as we were more than 20 years ago, when we established the Arauco Educational Foundation, a program that has benefitted more than 4,750 teachers and 85,000 students in 33 communes in Chile. During 2012, we were, once again, very satisfied with the academic results of the schools we finance and operate in Constitución, Cholguán and Arauco. In fact, the school in Constitución produced one of the best scores in Chile's SIMCE standardized test for fourth and eighth graders, and ranked 48th out of 663 institutions among PSU test results.

These achievements have involved the efforts of many people and years of hard work. Each of these results reflect the responsibility and dedication with which we act. With each new and greater challenge, we renew our commitment to succeed with the same sense of responsibility and dedication.

This is the growth that we want. We are certain that our business model, combined with the commitment of our people, their motivation, and their effort, empower us to maintain and strengthen the foundation of ARAUCO's growth for many more years.

May the good Lord keep us company, and guide our aspirations and efforts.

José Tomás Guzmán Dumas
Chairman of the Board of Directors ARAUCO

CORPORATE MANAGEMENT STATEMENT

GRI
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1.2



A stylized, handwritten signature in black ink, consisting of several sweeping, connected strokes.

Matías Domeyko
Chief Executive Officer ARAUCO

2012 was an especially significant year for ARAUCO, not just because we've reached milestones that will become part of the history of this company, but also because we've learned new things that will allow us to continue on our path towards growth.

This year was strongly influenced by our desire to Grow Well, which was expressed in our internationalization initiatives as well as in the development and

implementation of a strategy to maximize the value of our plantations, the expansion to new markets, and the development of new projects. These strategic directions have been, and will continue to be, the driving force behind our growth. However, continued growth is not possible without our sustainability strategy, which is based on four pillars: people of excellence, business model, cost leadership and production, and good citizenship.

The year 2012 was marked by high instability, in operations as well as in the market, with new tax regulations, and with an exchange rate that has caused difficulties for the industry as a whole. It was also a period in which we kept developing our business based on the full use of our plantations, seeking to generate value and innovation in all of our business areas, and initiating a number of strategic investment processes.

For ARAUCO, the year got off to a rough start, with a fire that destroyed our Nueva Aldea plywood mill. We were affected by this incident, not just because we lost this asset, but because it provided employment for more than 600 people. In a joint effort with the Government, ARAUCO launched an Employment Support Program, creating training courses for our workers and contract workers alike. Towards the middle of the year, we began the construction of a new US\$167 million plywood mill that will have an annual production capacity of 350,000 m³.

During the year, we continued construction on the Montes del Plata pulp mill in Uruguay, which is being developed in a joint venture with Stora Enso. This mill is expected to begin operating by mid-2013. In Chile, we submitted an Environmental Impact Assessment for the Modernization and Extension project of Arauco Mill, in the Horcones Complex. When operational, these investments will position us in the mid-term as one of the main pulp producers of the world.

We also developed projects designed to increase our competitiveness by adding value throughout all levels of our operations, from production to sale. The power of these value-added initiatives can be seen in our Panel business which, during 2012, experienced ARAUCO's greatest growth in terms of production, from 2.9 million m³ to 5.4 million m³. This exceptional growth resulted from the start-up of operations at our Teno mill, the construction of Line II at Jaguariaíva mill in Brazil, and our internationalization initiative through which we acquired the production assets of Uniboard's Moncure, North Carolina, facility and the Flakeboard Company with operations throughout North America. Combined, these acquisitions add eight panel mills to ARAUCO's global operations, making us now the third-largest panel producer in the world.

Part of this process has also been marked by innovation in product development. The Teno mill, for example, produced its first antimicrobial panel, enabling the company to enter a new and expanding market.

In order to secure the growth of the Panel business, this business area was reorganized to focus on the production of hardboard, medium-density fiberboard and particleboard, intended, in large part, for the interior design and furniture industries. The production of plywood was integrated into the Sawn Timber business.

This reorganization created significant synergies for the Sawn Timber business, particularly in the Sawmills, Remanufacturing and Plywood processes. In addition, we internalized the operation of 14 industrial facilities that had been managed by third parties. Both actions are aligned with ARAUCO's determination to add greater value, increase competitiveness and improve the price-to-value offer for end customers, all while seeking to maintain efficiency and a foundation on which to Grow Well.



A handwritten signature in black ink that reads "Cristián Infante". A vertical line extends downwards from the end of the signature, pointing towards the name below.

Cristián Infante
President and Chief Operating Officer ARAUCO

In 2012, our Energy business increased its installed capacity in Chile to 606 MW, with the start-up of operations at our new Viñales cogeneration plant in Constitución. In addition to supplying our energy needs, we are able to provide an energy surplus of 231 MW to the Central Interconnected System (SIC, Chile's energy grid), making us a significant actor as a supplier of Non-Conventional Renewable Energy (NCRE) in the Chilean market.

To Grow Well means to develop zero-fault processes in the areas of labor, environment and regulations. It also implies improving relationships with stakeholders. To a great extent, the process we have undertaken during 2012 to achieve FSC forest-management certification in Chile and Argentina has produced part of this effect. The enhanced stakeholder engagement required by the FSC process also has stimulated in ARAUCO an interest for the development of collaborative projects that generate Shared Value and creating lasting, valuable, mutually beneficial relationships.

Because we are committed to the FSC Principles and Criteria, we take pride in the work conducted to achieve FSC forest-management certification in Chile and Argentina and to maintain it in Brazil. During 2012, we developed more than 40 new forest-management practices in Chile, all of which were produced as a result of an unprecedented participatory process and our commitment to reach agreements with the community within a framework of transparency.

During 2012, we strengthened our Human Resources area, focusing on the development of work teams and their leaders and promoting best practices throughout the organization. The definition of our corporate values has been a fundamental step to Grow Well. These values have allowed us to renew our commitment to ARAUCO and to better position the company for long-term growth. These initiatives have yielded positive results, especially in terms of improved work environment and job-satisfaction levels.

Safety became a top-of-mind issue in a year in which we experienced four fatalities. As a result, we reviewed all of our procedures and implemented campaigns to create awareness among our workers on the importance of personal safety. These initiatives will continue in the future, helping to ensure the on-the-job welfare of our people –our most important asset–. We will continue to work tirelessly to reinforce the idea that safety always comes first. This is the only way that we can reduce our accident rates over time and achieve our goal of zero accidents.

We also will continue to work with equal zeal to build permanent, trusting and collaborative relationships with our stakeholders and neighboring communities. To date, this commitment to maintain robust open dialogs has allowed us to strengthen our ties in Chile, Argentina and Brazil. During 2012, we engaged with some 91,594 people on stakeholder-related matters through issue-based Forums, Open Houses, visits to industrial facilities, forestry operations and parks, and other forms of contact.

Enhanced stakeholder engagement and the improved quality of information about community needs has

redefined the nature of the dozens of programs we conduct in neighboring areas. In Chile, for example, we have established outstanding vocational-training schools. During 2012, we trained a total of 460 individuals through the initiative. There included young people in Teno who were trained in panel manufacturing, unskilled workers in Constitución and Los Álamos who were trained in entry-level carpentry, and individuals in Horcones who will become operators at our new seedling nursery. Of these trainees, 185 are now working at ARAUCO. Another initiative stemming from stakeholder consultation is our Housing for Workers Program, through which we will provide 9,000 houses by 2016.

In Argentina, we engaged neighboring communities in our efforts to develop programs that meet local needs. These include a volunteerism program and a children's environmental education program, which was attended by more than 1,000 students of schools in the Misiones area during 2012. In Brazil, we attained the United Nations Millennium Development Goals certification seal, an attestation to our adherence to best practices related to the achievement of the eight goals.

In Chile, we have paid special attention to our engagement with communities of native people. In 2012, we drafted a Policy for Relating with Mapuche Communities. In addition ARAUCO made the decision to increase the number of designated High Conservation Value Areas from 19 to 57, with the additional designations based primarily on the presence of cultural and religious values. In Argentina, we commissioned a research study of the Mbya Guaraní indigenous communities.

ARAUCO's concern for the environment was manifest in an investment of US\$19 million during 2012, covering programs in Chile, Argentina and Brazil. We are conducting initiatives to monitor and manage plantations, as well as others that study energy efficiency and soil and landscape management. Also, we conduct and support research related to our operations through our research and development group, Bioforest, other research entities, and in joint work with universities and research centers of excellence.

None of these initiatives or positive outcomes would be possible without the individual commitment of our workers. The team leaders and work teams are the driving force behind our innovation and growth, and they are the people that execute the company's Grow Well strategy on a daily basis. We are grateful to them for their dedication to continuous improvement, to promoting excellence, and to having the determination to position ARAUCO as a global leader in the development of sustainable forest products.

CORPORATE GOVERNANCE



CORPORATE GOVERNANCE

GRI 2.6

99.97% OF ARAUCO IS OWNED BY EMPRESAS COPEC.

ARAUCO is a closely held Chilean corporation that is subject to certain information and disclosure requirements which apply to publicly traded companies. The company was established in September, 1979, through the merger of Celulosa Arauco S.A. and Celulosa Constitución S.A., both of which were founded by CORFO¹⁶, the Chilean Economic Development Agency. The company's legal name is Celulosa Arauco y Constitución S.A.

Today, 99.97% of ARAUCO is owned by Empresas Copec S.A., a holding company with primary interests in the forestry sector, in the fuel-distribution business, and in the fishing and mining sectors.

The Board of Directors of Celulosa Arauco y Constitución S.A. is its highest governance body. The Board's mission is to maximize the company's value through socially, environmentally and economically responsible management. The Board has nine Members who hold office for three years. No Board Member simultaneously

holds an executive position within the company.

The Board regularly meets with the Chief Executive Officer and the President & Chief Operating Officer, who provide updated information on the company's performance and its different business areas. Under Chile's Corporation Law, ARAUCO must hold a Shareholders' Meeting¹⁷ at least once a year. In 2012, after 26 years serving as Board Director, Mr. Carlos Croxatto resigned his position and Mr. Nicolás Majluf took office as the new Board Director.

For more than two decades Mr. Carlos Croxatto supported the development and progress of the company, with an emphasis on research and growth, and with a clear and determined vision of the importance of the industry and its plantation forests.

The company's gratitude for the valuable contribution made by Mr. Carlos Croxatto to ARAUCO's development was recorded in the company's Board meeting minutes.

ARAUCO SHAREHOLDERS

COMPANY	Number of shares	Ownership Percentage (%)
Empresas Copec S.A.	113,127,605	99.97805
Chilur S.A.	24,746	0.02187
Antarchile S.A.	95	0.00008

¹⁶ www.corfo.cl Corporación de Fomento de la Producción de Chile

¹⁷ For more information on how the Board operates, visit the corporate website or the 2011 Sustainability Report.



From left to right: Robinson Tajmuch, Gonzalo Zegers, Antonio Luque, Charles Kimber, Cristián Infante, Matías Domeyko, Camila Merino, Felipe Guzmán, Gianfranco Truffello, Álvaro Saavedra, Franco Bozzalla.

DIRECTORS*

CHAIRMAN

José Tomás Guzmán Dumas

FIRST VICE CHAIRMAN

Roberto Angelini Rossi

SECOND VICE CHAIRMAN

Manuel Bezanilla Urrutia

DIRECTORS

Jorge Andueza Fouque
 José Rafael Campino Talavera
 Alberto Etchegaray Aubry
 Nicolás Majluf Sapag
 Eduardo Navarro Beltrán
 Timothy C. Purcell

(*) The Board of Directors was appointed in April, 2010. Since a Director resigned during 2012, the Board's current membership must be confirmed at the Shareholders Meeting in 2013.

CHIEF EXECUTIVE OFFICER

Matías Domeyko

PRESIDENT & CHIEF OPERATING OFFICER

Cristián Infante

CHIEF FINANCIAL OFFICER

Gianfranco Truffello

SENIOR VICE-PRESIDENT WOODPULP

Franco Bozzalla

SENIOR VICE-PRESIDENT COMMERCIAL & CORPORATE AFFAIRS

Charles Kimber

SENIOR VICE-PRESIDENT FORESTRY

Álvaro Saavedra

SENIOR VICE-PRESIDENT SAWN TIMBER

Antonio Luque

SENIOR VICE-PRESIDENT PANELS

Gonzalo Zegers

SENIOR VICE-PRESIDENT COMPTROLLER

Robinson Tajmuch

GENERAL COUNSEL

Felipe Guzmán

SENIOR VICE-PRESIDENT HUMAN RESOURCES

Camila Merino

THE BOARD REGULARLY MEETS WITH THE CHIEF EXECUTIVE OFFICER AND THE PRESIDENT & CHIEF OPERATING OFFICER, WHO PROVIDE UPDATED INFORMATION ON THE COMPANY'S PERFORMANCE AND THAT OF ITS VARIOUS BUSINESS AREAS.

CORPORATE MANAGEMENT

ARAUCO's Board designates members of the company's Corporate Management. These individuals are responsible for the implementation of actions relating to the company's economic, environmental and social performance, including labor relations and the occupational health and safety of its workers.

Corporate Management is headed by a Chief Executive Officer and a President & Chief Operating Officer and is comprised of nine corporate manager positions, four holding responsibility for the business areas and five providing support across the organization:

- ➔ Forestry Business Corporate Management
- ➔ Pulp Business Corporate Management
- ➔ Panel Business Corporate Management
- ➔ Sawn Timber Business Corporate Management, which has responsibility for the Energy Business
- ➔ Commercial and Corporate Affairs Management, which has responsibility for Risk, Environment, Occupational Health and Safety, Community Relations, Marketing and

Innovation, Communication, Distribution and Logistic Services.

- ➔ Comptrollership Corporate Management, which is responsible for company structuring, accounting and tax planning and compliance, internal auditing and risk management.
- ➔ Human Resources Corporate Management, which has responsibility for attracting and developing people of excellence and aligning them under the same organizational culture and shared projects, in order to achieve the company's strategic goals.
- ➔ Legal Affairs Corporate Management, which is responsible for the company's legal matters.
- ➔ Finance Corporate Management, which is responsible for Corporate Finances, Treasury, Credits and Collection, Management Control, Procurement, IT Systems and Insurance.

In addition, the businesses in Argentina, Brazil and North America are led by managers that report to an appointed Responsible Director:

Pablo Mainardi, Alto Paraná, Argentina.
Pablo Franzini, Arauco do Brasil, Brazil.
Francisco Figueroa, United States and Canada.





GRI
4.6
4.8
HR10
SO2
SO3
SO4

CORPORATE ETHICS MANAGEMENT

Directors, executives and workers of the company and all its subsidiaries must comply with the vision, values, commitments and guidelines of ARAUCO's Code of Ethics¹⁸, the practices described in the Management Handbook¹⁹, and the General Policy for Customary Operations²⁰.

In Chile, Law N°20.393 sets forth the criminal responsibilities of a legal entity. In response to this law, ARAUCO developed a Crime Prevention Model (CPM) for Celulosa Arauco y Constitución S.A., and its subsidiaries²¹. This model includes: the creation of the position Head of CPM, which reports to the Board; the publication and communication of the Crime Prevention Policy; a Crime Prevention System; and the identification of the risk matrix for each of ARAUCO's corporations²² for each illegal activity included in the law.

During 2012, implementation of the CPM focused on including provisions for Crime Prevention in the contracts of company and third-party workers. During 2012, ARAUCO provided CPM training for 102 people from all of its businesses, and the Model

was certified by BH Compliance, a third-party auditor.

The company also has an internal anti-corruption risk-control model. This model is applied on a specifically tailored basis in each country where the company does business. The anti-corruption risk-control model has more than 1,500 controls for subsidiaries, which are revised and evaluated every year by internal and external auditing processes. To date, no significant findings have been detected, either by an individual or by a group²³. Training courses on these management practices continued to be provided to all company workers throughout 2012.

Fraud Reporting Procedures

Corporate ethics mechanisms include confidential fraud-reporting systems. The company's Code of Ethics and Crime Prevention Model have fraud-reporting structures in place for each of the countries in which ARAUCO operates. The procedure for reporting fraud by company workers or executives is available to all company workers and to persons outside the company²⁴.

18 ARAUCO's Code of Ethics is available at the company's corporate website: www.arauco.cl

19 The Management Handbook describes situations that may result in conflicts of interest.

20 The General Policy for Customary Operations defines the limits of the company's operations with third parties.

21 The Crime Prevention Model seeks to control and monitor the business's processes and activities that could present potential risks related to asset laundering, financing terrorism and bribing national or foreign public servants.

22 Arauco Educational Foundation is included among these corporations.

23 For more details on the anti-corruption internal control model, visit www.arauco.cl

24 For more information, visit the corporate website.

RISKS AND CHALLENGES

ARAUCO defined Risk Management as an essential element to ensure business continuity. During 2012, the company worked on designing a framework to develop and implement systems and procedures to manage business risks. This framework will allow the company to regularly assess the performance of all of its processes, adopt the needed corrective measures and provide transparent and timely information regarding progress to the appropriate stakeholders. The company's goal is to reduce the occurrence of unexpected events and to reduce the level of impact on people, the environment and the company's assets, better ensuring the continuity of all of its operations.

This risk-management framework will apply to all ARAUCO entities and investments controlled by the company in order to ensure a reduction in the possible occurrence of undesirable events and, if these events were to occur, reduce their level of impact. In addition, the framework has provisions to provide for adequate preparation for events that could result in business discontinuity.

IMPACTS

During 2012, the company experienced a particularly difficult year in the three South American countries in which it has manufacturing facilities. Four ARAUCO workers lost their lives in work-related accidents. One of the fatal accidents took place at the mill in Puerto Piray, Argentina; two occurred at an Arauco plywood plant and a pulp mill in Chile; and one fatal accident occurred in the Tunas forestry unit in Brazil. The results of the accident investigations were shared with all of the company's businesses to prevent the occurrence of similar events.

The fatality in Argentina occurred on January 9, when the steam boiler in the power plant at the Puerto Piray Industrial Complex exploded. Nine people were hurt by the explosion, and one of them died. The power plant was shut down for two months in order to make the needed improvements to ensure the facility's safe operation.

Another significant event began on December 31, 2011, when fires in the Bío Bío Region in Chile destroyed 29,000 hectares (71,650 acres) of forested area. This fire created

During 2012, work focused on three areas:

- ➔ Developing drafts of the essential aspects of a Risk Management Policy and a proposed corporate structure for risk management within the organization.
- ➔ Developing a definition of the key elements of Risk Management in relation to Corporate Governance. This includes: the processes and organization structure needed to manage all threats and risks; high-level guidelines for business areas, countries and corporate functions; and key business processes categorized to facilitate reporting risks and determining mitigation strategies.
- ➔ Defining and detailing threats, critical business processes, strategies and recovery actions to be improved in case of a business discontinuity event.

one of the most complex situations to be addressed by ARAUCO in 2012, as the fire completely destroyed the plywood mill in the Nueva Aldea Industrial Forestry Complex, as well as 8,000 hectares (19,750 acres) of company forestland. The loss of these industrial assets had a significant impact on the mill workers, who no longer had a place to work. A few days after the fire, ARAUCO announced the construction of a new mill and restitution measures, including an employment-support program and job relocation for employees and workers who were directly affected. Also, in a joint effort with the government's Labor Department, terminated workers were provided with training to gain access to new jobs.

In addition, a Forestry Restoration and Recovery Program is underway for the land affected by the fire, in a joint effort with companies belonging to CORMA (the forest industry trade association in Chile) and the public sector. The program is aimed at recovering the soil, preventing erosion, re-establishing water cycles and recovering flora and fauna.

GLOBALIZATION AND EFFICIENCY

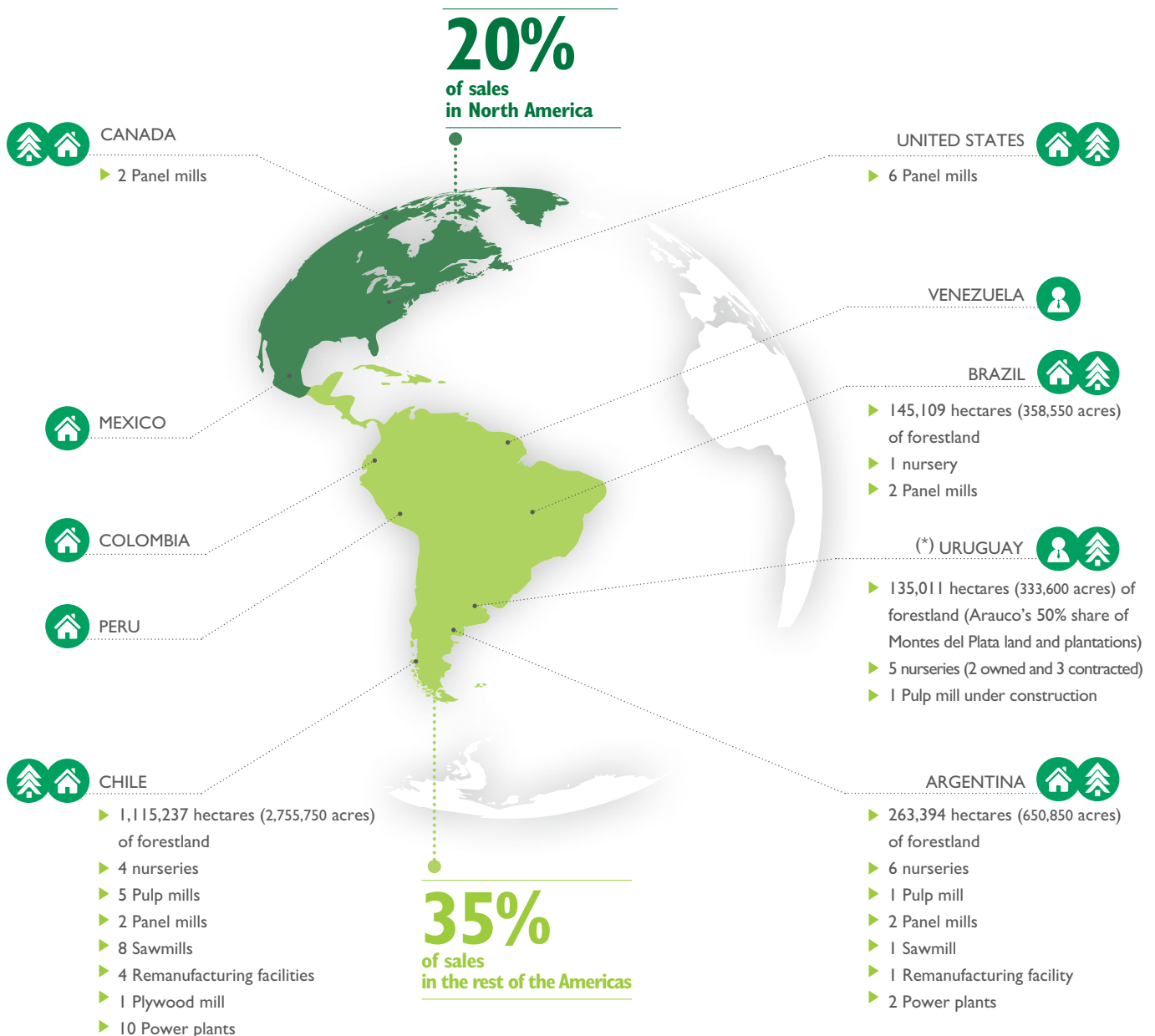


ARAUCO AROUND THE WORLD

ARAUCO has based its growth on generating economies of scale and competitive advantages that are sustainable over time. Today, the company serves customers in 70 countries with a variety of sustainable forest products for the paper, construction, packaging and furniture industries. The company

sells its products through sales agents and representatives around the world, sales offices in eleven countries, and a maritime and land logistics supply chain serving distribution centers and points of sale through 204 ports in Europe, Asia, North America, Oceania and Latin America.

GRI
2.2
2.5
2.7



* Arauco and Stora Enso each own 50% in a joint venture company, Montes del Plata in Uruguay

-  SALES OFFICES
-  REPRESENTATIVES
-  INDUSTRIAL / FORESTRY OPERATIONS

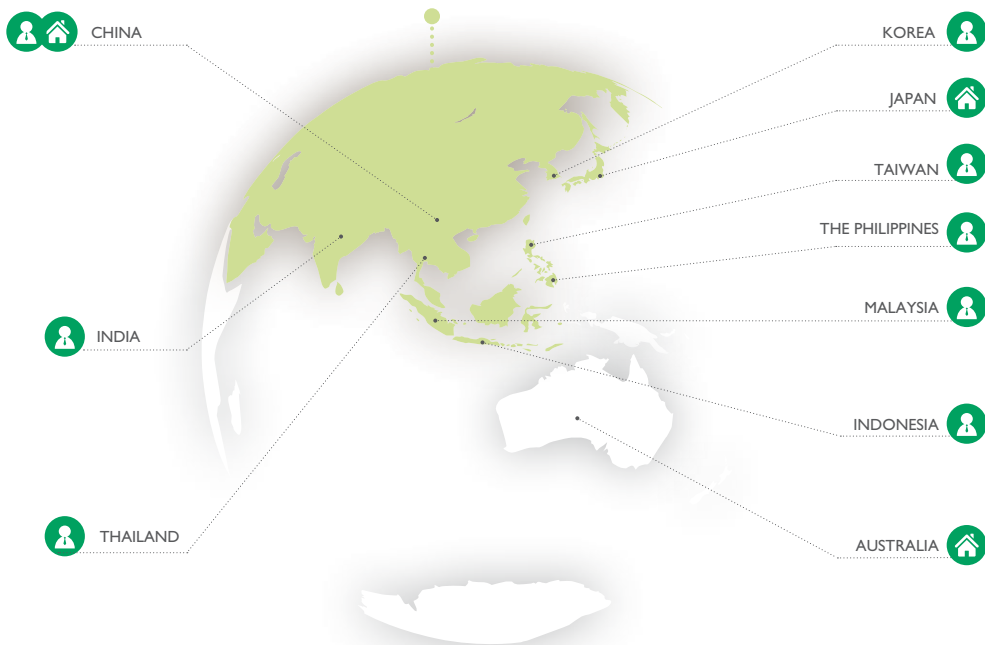


ARAUCO'S REMAINING SALES ARE DISTRIBUTED TO OTHER COUNTRIES

10%
of sales go to Europe, the Middle East and Africa



32%
of sales go to Asia



During 2012, ARAUCO generated a profit of US\$141 million, 77% less than in 2011. This was due primarily to an increase in production costs and administrative and sales expenses, in addition to an extra income tax charge

of US\$129 million due to new tax legislation (Law n°20.630) enacted in Chile in 2012. Total sales for the year were US\$4,280 million, which represents a 2.2% decrease from 2011 sales levels. EBITDA for 2012 was US\$879 million.

FINANCIAL INDICATORS

(In US\$ million)

INDICATORS	2009	2010	2011	2012
Sales	3,113	3,767	4,374	4,280
EBITDA	766	1,390	1,308	879
EBITDA MARGIN	24.6%	36.9%	29.9%	20.5%
Net Income	305	701	621	141
Financial Debt	3,203	3,450	3,308	4,401
Net Financial Debt*	2,669	2,406	2,992	4,005
Financial Costs	194	208	196	234
Investments	722	688	1,165	1,019
Total Debt / EBITDA	4.2	2.5	2.5	5.0
Net Debt / EBITDA	3.5	1.7	2.3	4.6
EBITDA / Interest	3.9	6.7	6.7	3.8

GRI
EC1

* During 2012, ARAUCO placed two bonds. The first was a 21-year placement in the Chilean bond market, for US\$232 million, and the second was a 10-year bond in the United States for US\$500 million.

ECONOMIC VALUE GENERATED AND DISTRIBUTED

In 2012, ARAUCO'S economic value generated was US\$4,308 million and its economic value distributed was US\$4,743 million, meaning that the value distributed was greater than sales plus income. For this reason, the accompanying pie chart displays economic value distributed

instead of economic value created as shown in prior years. During the period, operational costs accounted for 57.2%, payment to capital suppliers accounted for 29.7%, and corporate responsibility investments in communities accounted for 0.32% of the total.

ECONOMIC VALUE GENERATED AND DISTRIBUTED

(In US\$ million, consolidated for all business areas)

	2010	2011	2012
Net sales	3,767	4,374	4,280
Income from financial investments	16	25	17
Income from sales of fixed and intangible assets	12	14	11
ECONOMIC VALUE GENERATED	3,795	4,413	4,308
Operational costs / Production costs ⁽¹⁾	1,958	2,507	2,715
Payment to capital suppliers ⁽²⁾	1,000	1,389	1,407
Wages and benefits	295	341	434
Taxes ⁽³⁾	198	152	171
Investments in the community ⁽⁴⁾	12	14	15
ECONOMIC VALUE DISTRIBUTED	3,464	4,404	4,743
ECONOMIC VALUE RETAINED (LOST)	331	9	

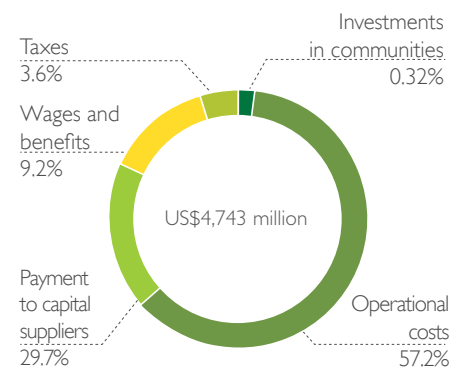
(1) Cost of goods sold net of depreciation and salaries.

(2) Payments to debt holders accounted for 87.4%, 84.1% and 79%, for years 2010, 2011 and 2012, respectively.

(3) Payment of income taxes.

(4) Includes donations, contributions and scholarships

ARAUCO'S ECONOMIC VALUE DISTRIBUTED IN 2012





INVESTMENTS

In 2012, the company invested US\$1,019 million in the purchase and maintenance of assets in the countries in which it operates. For example, the company spent nearly US\$75 million on roads in 2012.

INVESTMENTS IN ROAD CONSTRUCTION AND MAINTENANCE IN 2012 (in US\$)

COUNTRIES	Construction of company roads	Maintenance of company roads	Maintenance of public roads	TOTAL
Chile	43,265,510	13,222,526	2,284,422	58,772,458
Argentina	4,837,971	3,386,581	1,451,390	9,675,942
Brazil	2,682,883	3,682,830	-	6,365,713
ARAUCO TOTAL	50,786,364	20,291,937	3,735,812	74,814,113

LOCAL SUPPLIERS

ARAUCO promotes the purchase of goods and services from local suppliers through a Local Supplier Development Program and a Business Improvement Program. These programs focus on suppliers located near its production facilities and forests in the South American countries in which it operates.

The Woodpulp Preferred Suppliers Program, which began in 2011, is an example of ARAUCO's efforts to support local suppliers. During 2012, the relationship with seven suppliers for the Valdivia and Arauco mills was strengthened, and the Nueva Aldea pulp mill was added to the program. This initiative delivered concrete results for ARAUCO, improving efficiency and optimizing service time, among other benefits. As a result of their participation in the program, local suppliers were able to rethink their business strategies for the next five years, and were able to invest in areas such as occupational health and safety,

the environment, work force organization and company reputation and branding.

During 2012, ARAUCO made US\$1,515 million in purchases from local suppliers. In addition, progress was made in improving programs such as support for small sawmills in Chile through a donation of 120,000 m³ of saw logs available through open bidding. In Argentina, the company initiated the Stevia Production Project to help small producers grow this natural sweetener.

COUNTRIES	Purchases from local suppliers (In US\$ million)	% of total purchases from ARAUCO suppliers in 2012
Chile	1,072	58
Argentina	180	41
Brazil	263	63
TOTAL	1,515	

ARAUCO'S BUSINESS AREAS

ARAUCO'S businesses are divided into five strategic areas: Forestry, Woodpulp, Panels, Sawn Timber and Energy.

FORESTRY

ARAUCO's forestland in Chile, Argentina, Brazil and Uruguay (50% ownership), is managed using Sustainable Forest Management practices and is the primary source of fiber for the company's industrial needs²⁵. In addition, the company protects and conserves its native forests and forested areas identified as having high social and environmental value. ARAUCO's forestry activities are the foundation of its competitiveness, since they provide the raw materials (eucalyptus pulp logs, pine pulp logs, pine saw logs and pine peeler logs for plywood) for all of the products produced and sold by the company.

At the end of 2012, ARAUCO held title to 1,658,751 hectares (4,098,750 acres) of forestland. This total was divided into 1,019,639 hectares (2,519,525 acres) of plantation forests; 387,135 hectares (956,600 acres) of native forest and protection areas; and 191,789 hectares (473,900 acres) of land for other uses. Of this total, 23% of ARAUCO's forest estate consists of native forest, which is permanently protected and conserved (see page 29).

In 2012, the company planted 77,021 hectares (190,300 acres) and harvested 50,670 hectares (125,200 acres),

producing 19.6 million m³ of logs and chips. ARAUCO purchased 7.6 million m³ of logs and chips from third parties and the company's own industrial facilities. Of the available total, 22.3 million m³ were consumed by ARAUCO's pulp, panel and saw mills, and 2.8 million m³ were sold to other facilities. Over the long term, the company's objective is to attain a planting-harvesting equilibrium at about 67,000 hectares (165,550 acres) per year.

During 2012, ARAUCO began to explore ways to add more value to the native forest through its innovation department, InnovArauco. Work was conducted on business plans for non-timber forest products such as maqui (a Patagonian fruit), honey, mushrooms and the development of culinary specialties using flora species from Oncol Park. The company also began a new training cycle for 30 people on the use of innovation tools to discover new ways to create value. In addition, a new program was initiated with forestry managers to challenge them to find ways to innovate. This will be worked on during the third innovation cycle.

SUPPORT OF LOCAL SUPPLIERS

Three initiatives were conducted in Brazil for the development of ARAUCO's forestry suppliers. The first consisted of technical consulting to help a key supplier improve production and accelerate the growth of eucalyptus species in its nursery. As a result, the nursery increased its production by 40%, securing its position as the main supplier of seedlings for Arauco do Brasil.

The second initiative consisted of transferring the company's knowledge on safety to one of its main contract forestry companies at the Campo do Tenente unit, in Paraná, in order to reduce sawmill accidents.

The third initiative was the sharing of company knowledge and networks to help enhance business prospects for 53 young entrepreneurs in the cities of Arapoti and Jaguariaíva, Brazil.

²⁵ More information on the Forestry Business is contained in the Public Overview of the Operation's master Plan for Chile, Argentina and Brazil, available at the website www.arauco.cl



BIOFOREST

Research and innovation are essential to the company, which is why, in 1990, ARAUCO established Bioforest, its own scientific-technology research center. Bioforest's mission is to develop and apply technologies that maximize the production of ARAUCO's forest and industrial resources.

Bioforest currently conducts research on processes for the Forestry and Woodpulp businesses. In Forestry, it applied Sustainable Precision Clonal Silviculture to plantations established in 2010 to achieve a 25% increase in the Radiata Pine growth rate and a 40% increase in the growth rate of Eucalyptus. The center also conducts in-depth research on the properties of wood to optimize and maximize the use of the forest resource from ARAUCO's plantations in Chile, Argentina and Brazil. In addition, Bioforest establishes guidelines, plans and procedures to meet the company's environmental objectives.

Bioforest also participates in the development and implementation of standards for the protection,

conservation and monitoring of biodiversity in ARAUCO's 387,135 hectares (956,600 acres) of native forest.

During 2012, Bioforest worked with ARAUCO's forestry subsidiaries in Chile to: implement new forest-management practices, as part of the FSC certification process; continue work on Sustainable Precision Clonal Silviculture; designate new High Value Conservation Areas and develop a native forest restoration plan; develop proposals for landscape management; and conduct research on invasive species and weed management, impacts on watersheds and water courses, and soil management.

In the Pulp business area, Bioforest conducted research to optimize the woodpulp production process and to increase its knowledge of different applications for pulp fiber by researching new possibilities for product development. In this area Bioforest promotes environmental improvements in pulp production, particularly in regard to effluents and solid waste. Bioforest has a world-class research laboratory for this purpose, in which it simulates the pulp production process and analyzes critical parameters of processes and products.

During 2012, Bioforest implemented technologies that reduce chemical consumption during the pulp bleaching process and techniques to increase the productivity of digesters in the pulp production process. Bioforest also initiated a project to add value to ARAUCO by incorporating new knowledge and understanding into existing production processes.

ARAUCO LAND OWNERSHIP BY USE (In hectares, by December 2012)

COUNTRY	Pine	Eucalyptus	Other species	Plantation total	Land to be planted	Native forest	Other uses	TOTAL
Chile*	601,539	131,942	3,157	736,637	37,100	204,878	136,622	1,115,237
Argentina**	102,322	12,709	15,070	130,101	15,693	112,189	5,411	263,394
Uruguay***	14,710	63,247	277	78,234	5,985	6,225	44,567	135,011
Brazil****	54,036	20,479	152	74,667	1,410	63,843	5,190	145,109
Forestry Total	772,607	228,377	18,655	1,019,639	60,188	387,135	191,789	1,658,751

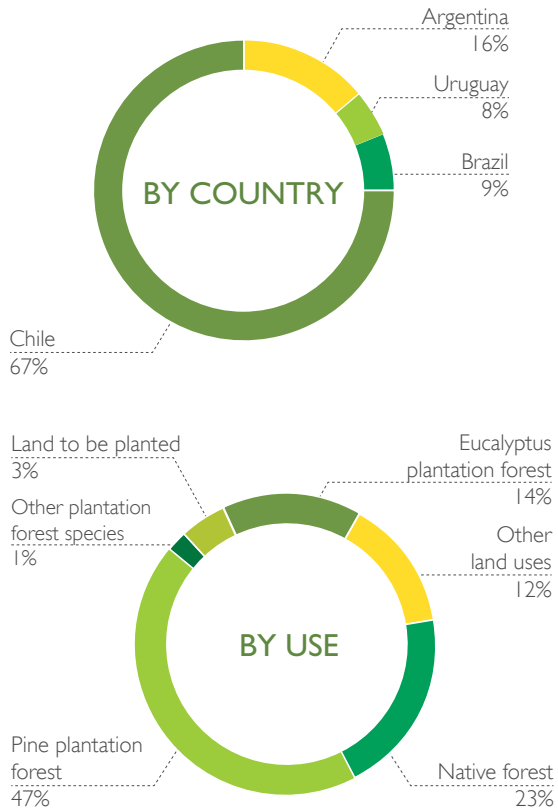
* Includes 80% of Forestal Los Lagos (FLL)

** Includes Alto Paraná SA (APSA) and FAPLAC plantations

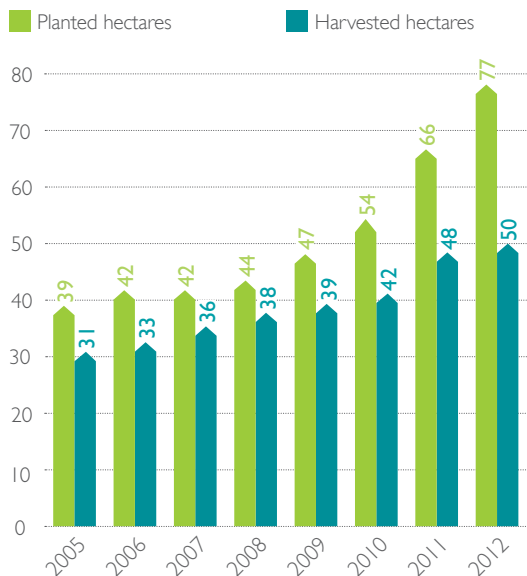
*** Includes 50% of land and plantations of Montes del Plata.

**** Includes 100% AFB, 80% of AFA, 100% MAHAL

ARAUCO LAND OWNERSHIP
(1,658,751 HECTARES – 4,098,750 ACRES)



AREA HARVESTED AND PLANTED BY YEAR
(Thousands of hectares)



2012 FORESTRY BUSINESS MILESTONES

- ➔ Implemented new forest-management practices for workers, the environment and for new community participation and dialog practices in Chile.
- ➔ Developed and communicated the Biodiversity and Ecosystem Services Policy in Chile.
- ➔ Developed and communicated the Policy for Relationships with the Mapuche Community for operations in Chile. This policy seeks to promote mutual understanding, to provide a means for participation, to identify and conserve sites of cultural interest and to generate dialog regarding land-use plans.
- ➔ Implemented the Shuttle to Forestry Operations Program and developed the Social Management Plan to strengthen relationships with communities and workers in Chile.
- ➔ Completed a third-party audit of 1.1 million hectares (2.7 million acres) of forest in Chile for compliance with the FSC forest-management standards (see page 79).
- ➔ Maintained ISO 14001, OHSAS 18001, CERFLOR/ CERFLOR SFM and CoC and FSC CoC and CW certifications for ARAUCO's operations in Chile, Argentina and Brazil. In Brazil, FSC forest-management certification was maintained for three forestry units: Campo do Tenente, Morungava and Arapotí. An FSC forest-management certification pre-assessment was conducted in the Tunas do Paraná forestry unit.
- ➔ Initiated construction of a nursery in Arauco province in Chile. With an investment of US\$24 million, the nursery will be operating by 2015.
- ➔ Inaugurated a eucalyptus nursery in Alto Paraná, Argentina, which will produce 3 million plants a year.
- ➔ Determined the area of native forest that would be included in a Restoration Plan, in accordance with the FSC standard.



Certifications

In 2005, ARAUCO began a process to attain FSC forest-management certification for its operations in Argentina. The same process was started in Chile in 2009. In 2012, Woodmark/Soils Association, a UK-based certification body, conducted a full, formal audit of ARAUCO's forest management practices in Chile against the FSC standard. The

auditor's report identified one Major Non-compliance, 21 Minor Non-compliances and 14 Observations. The company continues to work on correcting the non-compliances reported by the auditor.

The audit of forest operations against FSC standards for ARAUCO's forests in Argentina is scheduled for March, 2013.

FORESTRY BUSINESS CERTIFICATIONS

(By December 31, 2012)

STANDARD	CHILE	ARG	BRA	URU
ISO 14001	✓	✓	✓	
OHSAS 18001	✓	✓		
PEFC CERTFOR / CERFLOR SFM	✓		✓	
PEFC CERTFOR / CERFLOR CoC	✓		✓	
FSC CoC and CW	✓	✓	✓	*** ✓
FSC Forest Management	* ✓	** ✓	✓	*** ✓

SFM: Sustainable Forest Management

CoC: Chain of Custody

CW: Controlled Wood

* Only Forestal Los Lagos. Forestal Arauco is undergoing the SFM auditing process.

** Forests managed by FAPLAC are certified. The remaining forests are in the process of attaining certification.

*** FSC certifications (FM and CoC) of Montes del Plata (MdP) are registered under the legal name Eufores S.A. which includes the forest areas of the companies Eufores S.A. and Stora Enso Uruguay S.A., both members of the Montes del Plata group. The certified area covers proprietary land and land leased from third parties, which is managed by Montes del Plata.

WOODPULP

ARAUCO operates five pulp mills in Chile and one in Argentina, which produced 2,969,725 ADMTs in 2012. The company's rated annual capacity for market pulp is 3,217,500 ADMTs and its products are distributed to more than 350 customers around the world. Today, the company is one of the world's three largest producers of market pulp. Woodpulp sales in 2012 totaled US\$1,856 million, and accounted for 43% of ARAUCO's total sales for the year. The largest market was China, followed by Europe.

the entire production process, improving logistic capabilities and using technical developments to add value to the supply chain, thereby increasing the company's competitiveness in the pulp market. A significant step in this process has been the development of a work team through training, assessments and internal promotion.

In 2009, ARAUCO announced a joint venture with Stora Enso in Uruguay, which began with the construction of the Montes del Plata industrial complex. This new business will operate a pulp mill, a biomass-based power plant, and port facilities for pulp exports and incoming supplies. At the end of 2012, the construction of this facility was 72% complete, and operation of the facilities is expected to commence by mid-2013.

In Chile, the environmental assessment of the modernization and expansion of the Arauco mill complex (MAPA project) was initiated. This project consists of the modernization and expansion of the Arauco pulp mill and a new biomass-based power plant. The Environmental Impact Assessment (EIA) for this project was submitted to authorities in mid-2012.

GRI
2.7

The company's Woodpulp business produces unbleached and bleached softwood paper pulp and bleached hardwood Eucalyptus paper pulp that are used to manufacture printing and writing papers, tissue paper, packaging roll stock, filter paper and fiber cement, among other products. At the Alto Paraná mill in Argentina, the company produces fluff pulp, which is used in the absorbent cores of diapers and personal-hygiene products.

In 2012, in order to strengthen its leadership position in the business and to Grow Well, the company began a number of projects focused on revising

WOODPULP PRODUCTION BY PRODUCT (in ADMT)

PRODUCT	2009	2010	2011	2012
Bleached Pine (BSK = BKPR+BKPT)	1,627,338	1,163,459	1,458,204	1,426,008
Bleached Eucalyptus (EKP)	866,484	670,785	843,738	945,004
Unbleached Pine (UKP)	407,904	420,675	406,431	443,705
Fluff	97,926	110,154	107,507	155,008
TOTAL	2,999,652	2,365,073	2,815,880	2,969,725

BSK = bleached softwood kraft
BKPR = bleached kraft Pinus radiata

BKPT = bleached Pinus taeda
EKP = eucalyptus kraft pulp

UKP = unbleached kraft pulp

2012 PULP PRODUCTION CAPACITY BY MILL

MILL	Country	Capacity (in ADMT)	Type of Production
Arauco	Chile	790,000	BKPR + BEK
Constitución	Chile	355,000	UKP
Licancel	Chile	145,000	BKPR + UKP
Valdivia	Chile	550,000	BKPR + BEK
Nueva Aldea	Chile	1,027,000	BKPR + BEK
Alto Paraná	Argentina	350,000	BKPT + Fluff
TOTAL		3,217,000 ADT/per year	

Air Dry Metric Ton (ADMT): One ADMT is equal to a metric ton of pulp, which contains a maximum of 10% moisture.



MONTES DEL PLATA

- ➔ 1.3 million ADMT
- ➔ 170 MW of biomass-based energy
- ➔ 1 port facility
- ➔ Start-up in 2013



MAPA PROJECT

The modernization and expansion of the Arauco mill includes a new pulp line with state-of-the-art technology, the optimization of Line 2 and shutdown of the current Line 1. The project includes a new 306 MW power plant.

2012 WOODPULP BUSINESS MILESTONES

- ➔ Submitted the Environmental Impact Assessment (EIA) for the MAPA project.
- ➔ Began fluff pulp production at Line 2 of the Alto Paraná mill.
- ➔ Maintained certification for ISO9000, ISO14001, FSC Chain of Custody and PEFC CERTFOR management standards.
- ➔ Implemented the Operational Effectiveness Program to improve the company's competitiveness in the pulp market.
- ➔ Invested US\$ 4.97 million in the Constitución pulp mill, in Chile, to reduce odor generated by the mill's production process. This initiative complements investments made since 2006, when an Improvement Plan was implemented which included, among other environmental initiatives, investing in an Odor Treatment System. At the time, US\$7 million was invested, and in 2010, as part of the PRES Constitución community stakeholder participation process, the company committed to make additional new investments in odor control.
- ➔ Implemented technology to reduce the consumption of chemicals during the pulp bleaching process, and initiated projects that will allow the application of knowledge that adds value to ARAUCO through research conducted by Bioforest.
- ➔ Initiated projects to reduce the generation of non-hazardous waste and the consumption of chlorine dioxide and water by pulp mills in Chile.
- ➔ Completed a Clean Development Mechanism project at the Arauco mill, which required a US\$2 million investment.
- ➔ Completed (by year-end) 72% of the construction work on the Montes del Plata pulp mill in Punta Pereira, Uruguay.

WOODPULP BUSINESS CERTIFICATIONS

(By December 31, 2012)

STANDARD	CHILE	ARG
ISO 14001	✓	✓
ISO 9001	✓	✓
ISO 17025	* ✓	
OHSAS 18001		✓
PEFC CERTFOR CoC	✓	
FSC CoC	✓	✓
FSC CW	✓	✓

* Only includes Nueva Aldea pulp mill.

PANELS

The Panel business produces Hardboard (HB), Medium Density Fiberboard (MDF), MDF mouldings and Particleboard (PB), primarily for the construction, furniture, architecture and design industries. Its products are sold under the following brand names: Trupán; VESTO Melamine; TruChoice; Faplac; Cholguán; and Durolac. Sales are concentrated in the Americas, with a small percentage exported to Europe, South Africa and Asia. In 2012, Panel business production totaled 2.9 million m³ and sales of US\$1,321 million accounted for 31% of the company's consolidated sales. North America accounted for 36% of sales.

GRI
2.7

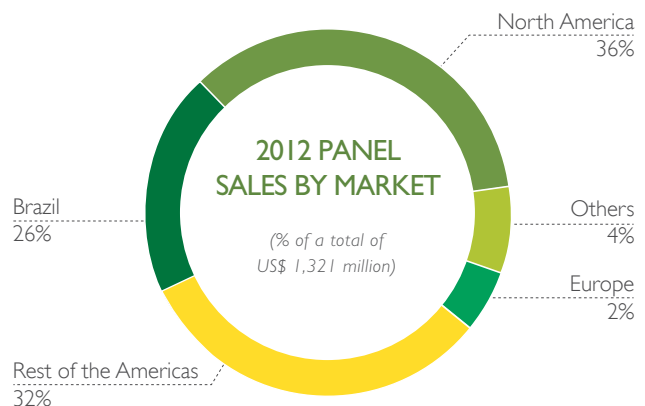
This business has experienced sustained growth through the construction and acquisition of new facilities and expansion focused on Argentina, Brazil, the United States and Canada. In 2012, the Panel business experienced its greatest growth to date, in terms of production capacity. Today, ARAUCO's Panel business has an annual production capacity of 5.4 million m³, as a result of the start-up of the new Teno panel mill in Chile and the acquisition of two businesses in North America.

Given the international expansion of this business and the need to maintain efficiency and strengthen its foundation to Grow Well, the company reorganized the Panel business during 2012. With a focus on the production of Hardboard, MDF and Particleboard, the primary markets for panels are the design and furniture industries. During 2012, the Plywood business was integrated into the Sawn Timber business.

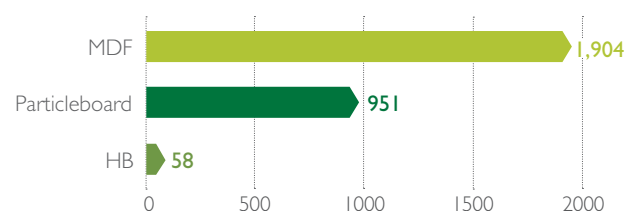
In January 2012, as a result of a fire that affected part of the company's Nueva Aldea Industrial Forestry Complex in Chile, ARAUCO lost its entire plywood panel mill, which had produced 450,000 m³ a year. The mill will be rebuilt, and is expected to have an annual production capacity of 350,000 m³.

In the Panel business, InnovArauco worked on a prototype of the Naturalply Project, organizing a work team and preparing a plan to validate the projects' assumptions. In addition, an innovation process was started with the business managers, who will determine new innovation challenges for their businesses. Results will be available in April, 2013.

IN ORDER TO MAINTAIN EFFICIENCY AND STRENGTHEN THE FOUNDATION TO GROW WELL, IN 2012, THE PANEL BUSINESS FOCUSED ON THE PRODUCTION OF HARDBOARD, MEDIUM DENSITY FIBERBOARD AND PARTICLEBOARD.



2012 PANEL PRODUCTION BY PRODUCT (Thousands of m³)





2012 PANEL BUSINESS MILESTONES

- ➔ Acquired assets in Moncure, North Carolina, USA.
- ➔ Acquired Flakeboard company, with five MDF and particleboard mills in the United States and two in Canada.
- ➔ Started production of Medium Density Particleboard (MDP) panel mill in Teno, Chile.
- ➔ Developed an antimicrobial product in a joint effort with the Chilean copper mining company Codelco. ARAUCO will produce this new product, VESTO Melamine, at the Teno mill. The antimicrobial properties are imparted by the copper in the melamine coating.
- ➔ Started construction on the new Nueva Aldea plywood mill, which will have a production capacity of 350.000 m³.
- ➔ Signed an agreement with UNILIN Flooring, a leading laminate flooring company in Europe and North America, to create a joint venture to manufacture and sell floating wood floors in Brazil.
- ➔ Closed the industrial operation of Arauco do Brasil's PB mill in Curitiba, Brazil.
- ➔ Started a project to optimize the paint line in the Piên mill, in Brazil.
- ➔ Inaugurated a distribution center in Arapoti, Paraná, in Brazil, to improve the level of service.
- ➔ Continued construction on Line 2 at the MDF mill in Jaguariáiva, Brazil. Start-up is scheduled for the beginning of 2013.
- ➔ Started producing with new Burkle lacquer panel-coating machines, in Chile and in Brazil.
- ➔ Started operating a melamine-coating process for a new PB line at the Piray mill, in Alto Paraná, Argentina.

PANEL BUSINESS CERTIFICATIONS (By December 31, 2012)

STANDARD	CHILE	ARG	BRA
ISO 14001	✓	✓	✓
ISO 9001		✓	✓
OHSAS 18001	✓	✓	✓
PEFC CERTFOR CoC	✓		
FSC CoC		* ✓	** ✓
CARB	*** ✓		✓

* Zárte Particleboard mill.

** Jaguariáiva MDF mill.

*** Only for Trupán mill.

THE GLOBALIZATION PROCESS OF THE PANEL BUSINESS

Early in 2012, and after analyzing new business opportunities to Grow Well, ARAUCO took two important steps in the Panel business. The acquisition of the Uniboard facility in Moncure, North Carolina, U.S. was followed by the acquisition of the Flakeboard company and its seven production facilities, five of which are in the United States and two in Canada.

Another significant event was the start-up of the Teno panel mill, located in the south-central area of Chile, which allowed the company to position itself among the primary producers and sellers of melamine through its Medium Density Particleboard panel brand, "VESTO Melamine." The additional production capacity of the Teno mill solidifies ARAUCO's participation in the melamine market in Chile, Peru, Colombia and Mexico.

These milestones took ARAUCO's panel production from 2.9 million m³ in 2011, to 5.4 million m³ in 2012, substantially strengthening its position in the marketplace. The company became the leading panel producer in the United States and Canadian markets, and the world's third-largest panel producer (after the Austrian company, Kronospan and the Portuguese company, Sonae).

In addition, capacity will increase again next year with the start-up of Line 2 at Jaguariáiva, Brazil, which will have a production capacity of 500,000 m³.



THROUGH THE PURCHASE OF THE MONCURE FACILITY AND THE FLAKEBOARD BUSINESS IN NORTH AMERICA, ARAUCO BECAME THE WORLD'S THIRD-LARGEST PANEL PRODUCER.

MONCURE

(UNITED STATES)

270,000

m³
of PB

330,000

m³
of MDF

150,000

m³
of melamine

US\$62

MILLION
investment

FLAKEBOARD

(NORTH AMERICA)

7
PANEL
mill

634,000
m³
of melamine

1.2

MILLION
m³ of MDF

US\$242

MILLION
investment

1.2

MILLION
m³ of PB panels

TENO

(CHILE)

300,000

m³
of MDF

240,000

m³
of melamine

US\$166

MILLION
investment

JAGUARIAÍVA

(BRAZIL)

315,000

m³
of MDF

280,000

m³
of melamine

LINE 2

UNDER CONSTRUCTION

with an annual installed capacity of 500,000 m³, and a second melamine line

US\$161

MILLION
investment

SAWN TIMBER

The Sawn Timber business operates 15 facilities: nine saw mills, five remanufacturing plants and one plywood mill. In 2012, production totaled 2.6 million m³ of sawn wood and 333,000 m³ of plywood, positioning ARAUCO as the leading sawn timber producer in the Southern Hemisphere. Sawn Timber business sales in 2012 were US\$757 million, which represents 18% of the company's consolidated sales. North America accounted for 32% of total sales, followed by the rest of the Americas, Asia and Oceania. Sawn Timber products are marketed in 59 countries, serving the furniture, packaging, construction and remodeling industries.

The year 2012 was marked by important events. First, ARAUCO's plywood mills were integrated into the Sawn Timber business, to strengthen the synergies between the Saw Mill, Remanufacturing and Plywood processes, which have a number of elements in common. These elements are: the use of raw material with similar features (logs); "batch" production processes; similar distribution channels and customers; and production facilities that are located in the same Industrial Complexes. The second event was the addition of 2,900 employees to the company's direct workforce at 14 industrial facilities that were previously managed by third-party businesses. Both of these events are aligned with ARAUCO's business model in terms of adding greater value, increasing competitiveness and improving the value proposition for customers, while maintaining efficiency and strengthening the foundation to Grow Well.

During 2012, despite the typical market fluctuations, the year ended with average prices that were higher than in 2011, while demand remained stable. Direct costs remained within expectations for the year.

For the Sawn Timber business, InnovArauco launched the Innovation Management course, using an online-class training format, to help participants address the challenges of the Sawn Timber business in years to come. The process included the formation of eight teams from all areas of the organization that



will present their innovation prototypes. During the year, 74 people were trained in the identification of opportunities for innovation. In addition, progress was made on three prototype projects that had been approved during the previous period, and work was undertaken to define future challenges.

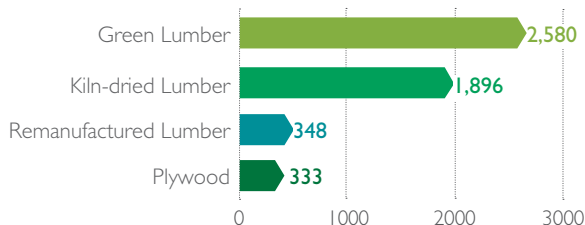
GRI
2.7
2.9

2012 SAWN TIMBER BUSINESS MILESTONES

- ➔ Hired 2,900 employees at 14 industrial facilities that were previously managed by third-party businesses in order to generate synergies and greater efficiency (see page 46).
- ➔ Integrated the company's plywood mills, which had been managed by the Panel business, into the Sawn Timber business.
- ➔ Achieved forecasted growth at the El Colorado saw mill.
- ➔ Initiated the Sales & Operations Planning (S&OP) project for the Panels, Sawn Timber, and Distribution and Logistics areas. This business-management process provides more efficient coordination between the business units and work areas in order to improve customer service levels.
- ➔ Began selling structural engineered wood products in Chile and Australia, within a framework of new-product development.
- ➔ Developed production programs aimed at increasing raw material performance by about 10%.
- ➔ Achieved recertification to applicable ISO, OHSAS and PEFC CERTFOR standards at the saw mills and remanufacturing facilities in Chile and Argentina.

2012 SAWN TIMBER PRODUCTION BY PRODUCT

(Thousands of m³)



SAWN TIMBER BUSINESS CERTIFICATIONS

(By December 31, 2012)

STANDARD	CHILE	ARG
ISO 14001	✓	✓
ISO 9001		✓
OHSAS 18001	✓	✓
PEFC CERTFOR CoC	✓	

BIOENERGY

In order to power production and meet its own energy needs, ARAUCO's facilities have power boilers, most of which are fueled by biomass from forestry byproducts. Arauco Bionergía (Arauco Bioenergy), ARAUCO's energy business, sells the surplus electricity generated by its industrial facilities in Chile to the national electric grid.

ARAUCO uses its forest biomass as renewable fuel for its boilers, cogenerating the steam and electricity required for its industrial operations. Biomass-based cogeneration produces thermal efficiency which, under certain conditions, is close to 80%.

By December 2012, ARAUCO had an installed capacity of 606 MW in Chile. This allowed the company to meet its own energy needs, and provide an energy surplus of 231 MW to Chile's energy grid, the Central Interconnected System (SIC)²⁶. This energy surplus accounts for 1.7% of total SIC energy generation in 2012, transforming the company into a relevant supplier of Non-Conventional Renewable Energy (NCRE) in the Chilean market.

In Chile, ARAUCO's electric energy is produced by ten power plants. The newest plant, Viñales, began operation in 2012. In addition to meeting internal energy requirements, it will be able to provide a maximum of 31 MW to the SIC.

ARAUCO'S INSTALLED CAPACITY

(As of December 2012)

PLANT	Installed capacity	Maximum power generated	Average power used	Maximum available to the grid
	[MW]	[MW]	[MW]	[MW]
CHILE				
Arauco	127	105	81	24
Constitución	40	30	22	8
Cholguán	29	28	15	13
Licancel	29	18	14	4
Valdivia	140	106	45	61
Horcones (gas/diesel)	24	24	0	24
Nueva Aldea I *	30	24	5	19
Nueva Aldea II (diesel) **	10	10	0	10
Nueva Aldea III	136	100	63	37
Bioenergía Viñales ***	41	41	10	31
ARGENTINA				
Piray	38	23	15	8
Esperanza	40	35	40	0
TOTAL	684	544	310	239

Observations:

* The increase in Nueva Aldea I's surplus to 19 MW is due to a reduction in the internal consumption of electric energy.

** The Nueva Aldea II power station is being repaired. An estimated date for resuming operation is not yet available.

*** The Viñales bioenergy plant is in start-up mode. Normal operations are forecast to be achieved during the first quarter. During start-up, no surplus energy will be available for sale to the SIC.

²⁶ www.cdec-sic.cl

In 2012, total energy generation of ARAUCO's power plants in Chile increased as compared to 2011, producing 2,946 GWh. The total consumption by the company's industrial operations increased to 2,275 GWh in 2012, resulting in a net surplus of 671 GWh which was sold to Chile's SIC. This surplus was 58% higher than that of 2011, due, primarily, to the contributions from the Viñales cogeneration power plant and an increase in the energy available from the remaining power plants.

In Argentina, ARAUCO operates two biomass-based cogeneration power plants, both located in Misiones province. Power plants at the Puerto Piray and Esperanza facilities have a combined installed capacity of 78 MW, which meet the electric and thermal energy requirements of those operations.

2012 BIOENERGY BUSINESS MILESTONES

- ➔ Started operation of the Viñales cogeneration power plant located in Chile's Maule Region.
- ➔ Submitted an Environmental Impact Assessment (EIA) for the construction and operation of a large new biomass-based electric energy plant, as part of the MAPA Project. This new plant will meet internal electricity needs and produce 140 MW of surplus energy which will be available for sale to the grid.
- ➔ Evaluated a project to build a wind farm with 41 wind turbines in the city of Arauco.
- ➔ Issued 632,197 Certified Emission Reduction Credits (CERs) in 2012, which bring the total CERs issued by ARAUCO since 2008 to 1,702,984.
- ➔ Transferred 3,030 CERs to the Ministry of Foreign Affairs to offset ARAUCO's emissions from air travel in 2011.
- ➔ Registered the cogeneration power plant at the Punta Pereira pulp mill in Uruguay as a Clean Development Mechanism emission-reduction project. The Punta Pereira facility is part of the Montes del Plata joint venture between ARAUCO and Stora Enso.
- ➔ Continued construction of the cogeneration energy project that will supply energy to Punta Pereira facility in Uruguay, and provide surplus energy to the grid. This power plant will have a capacity of 178 MW.

THE ENERGY SURPLUS THAT ARAUCO DELIVERS TO THE CHILEAN ENERGY GRID IS EQUIVALENT TO THE ANNUAL ENERGY CONSUMPTION OF 135,000 HOMES.

VIÑALES POWER PLANT

- ➔ Generation capacity of 41 MW
- ➔ US\$130 million investment
- ➔ Fuel: Biomass



GRI
EC2

Clean Development Mechanism

ARAUCO has five cogeneration power plants registered as greenhouse gas (GHG) emission-reduction projects with the Clean Development Mechanism (CDM) of the Kyoto Protocol. These five plants offset about 650,000 tons of CO₂e (carbon dioxide equivalent) on an annual basis. Towards the end of 2012, a sixth CDM project was registered in Uruguay, at the Punta Pereira facility near Conchillas (part of a 50/50 joint venture with Stora Enso). In addition, the company has two biomass-based cogeneration projects that are in different stages of the registration process. When registered, these will increase the company's annual GHG emissions offset to 1,000,000 tons of CO₂e.

Electric energy generation based on carbon neutral, renewable biomass has allowed ARAUCO to issue Certified Emission Reduction credits (CERs), which can be traded in the international market.



INNOVATION

In 2010 ARAUCO created InnovaArauco, which has an Innovation Committee comprised of managers from different areas in the company. The purpose of this program is to address innovation systematically, using a specially designed methodology, in order to add value to the company in the mid- and long-term through new products, new business models or a combination of both.

The innovation model focuses on three aspects: new product offerings for current and future markets; sustainability and social impact; and excellence in operations (see pages 28, 34, 37 and 87).

The first Innovation Fair, held in March 2012, was the culmination of the innovation process's first cycle, in which 13 projects were approved to

2011 - 2012 INNOVATION PROCESS ACHIEVEMENTS



**CONSTITUCIÓN
INNOVATION
COMMITTEE**



150

PEOPLE

from the company, as well as from outside the company, participated in the innovation process



936

IDEAS GENERATED



121

PROJECTS

with high potential



19

INITIATIVES

developed in 2012



13

IDEAS

went on to become prototypes

enter the prototype phase. These projects, evaluated for economic viability, are related to five areas of business: the Forestry Business, the Sawn Timber Business, the Panel Business, social innovation, and the use of wood in construction²⁷. The results of the second Innovation cycle will be presented in 2013.

During 2012, the InnovArauco initiative was launched in Brazil. For two days, more than 120 people were introduced to the innovation model, receiving the knowledge tools with which to apply it. The group worked to identify the strategic challenges for Brazil and which of those could be addressed using the Innovation method. More than 1,500 opportunities for innovation were identified, and four challenges were selected. These will be worked on during the third innovation cycle.

RESPONSIBLE MARKETING

ARAUCO invests in resources, technology and training to provide its customers with excellence in service. ARAUCO's corporate brand imparts leadership, credibility, innovation, quality, sustainability and reliability to its product brands²⁸.

Product labeling

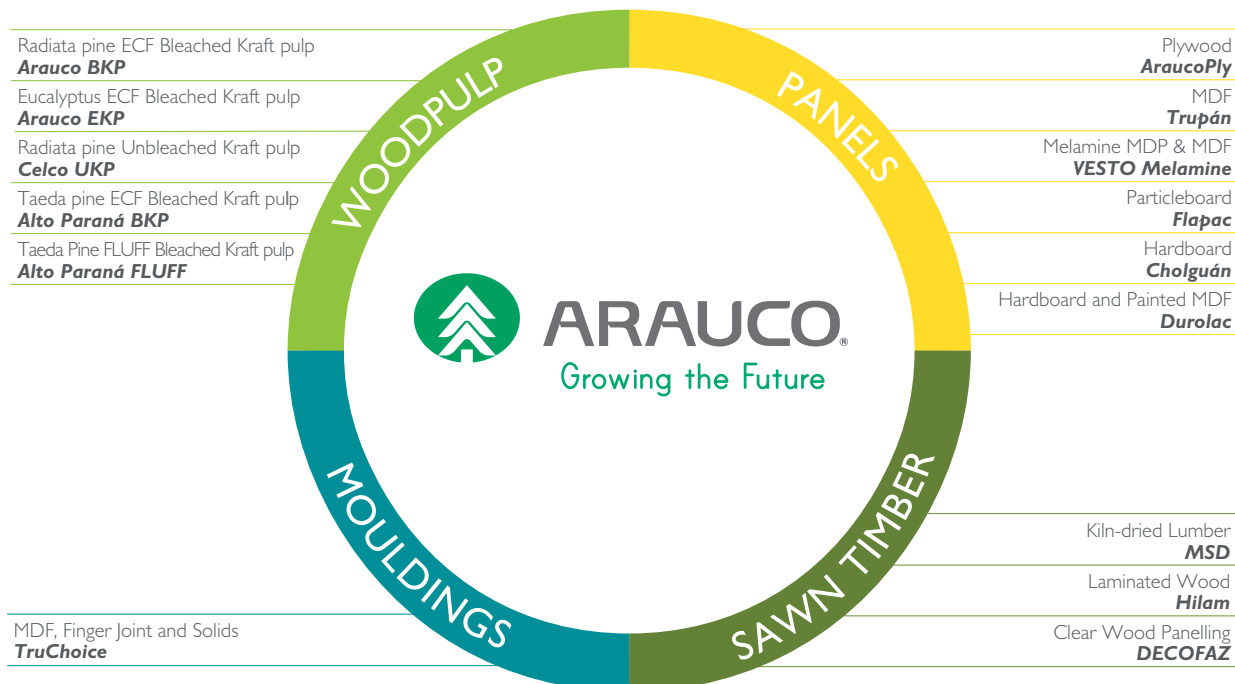
The labeling and marketing communication processes related to ARAUCO's products conforms to the regulations of the country of origin as well as those of the product's destination. The purpose of the company's labels is to communicate the features, composition and technical specifications of its products. In addition, ARAUCO complies with marketing standards, regulations, and guidelines of each country²⁹.

Customer satisfaction

All of ARAUCO's businesses in Chile, Argentina and Brazil have developed Complaint management systems to respond to customer concerns.

BRANDS

ARAUCO uses a number of brand names in various product-market categories. Each of these product brands are subordinate to the corporate "umbrella" brand ARAUCO, which is recognized as leader in the segments in which it participates. This brand structure is intended to make brand-preference product selection easier for customers.



²⁷ For more details on innovation challenges, visit www.innovarauco.cl

²⁸ For more details on the products of each business in relation to market needs, go to www.arauco.cl

²⁹ More information on labeling can be found in the 2011 Sustainability Report.



Communication mechanisms range from telephone calls to direct contact. All business units have standardized systems in place to measure customer satisfaction, enabling follow-up and improvement in systems, products and services, strengthening the brand.

During 2012, Panel business units in Chile and Brazil conducted customer satisfaction surveys. The results were

positive for all levels, products and services. In addition, ARAUCO's Distribution business conducted a customer satisfaction survey of clients in Colombia, Chile, Mexico and Peru. The survey showed that 70% had a positive evaluation of the service provided by this unit.

ARAUCO Sustainable Solutions Program

The company developed its "ARAUCO Sustainable Solutions" program to support end-users so that their furniture and construction projects would be efficient and environmentally friendly. This initiative supplies customers with information about the products and services offered by ARAUCO to the construction and furniture markets, as well as information about the sustainability attributes of the wood being used. At the point-of-sale of primary distributors in Argentina, Brazil, Colombia, Chile, Mexico and Peru, ARAUCO Sustainable Solutions presents a value proposition that makes purchase decisions easier for end-users. The program also includes an online component, consisting of a website and presence on a number of social networks. This generates a community of interested people who have access to product information, books, handbooks, videos and essays developed by the company. During 2012, 16,358 people received information through the program. By the end of 2012, the total number of registered website members was 34,270.

New products

In 2012, the company began production at the Teno panel mill. Products manufactured at this mill will be sold under the company's new brand, VESTO Melamine.



PEOPLE OF EXCELLENCE



PEOPLE OF EXCELLENCE

GRI
DMA

THE COMPANY SEEKS TO FURTHER THE NECESSARY CONDITIONS TO ATTRACT AND DEVELOP PEOPLE OF EXCELLENCE WHO WILL CONTRIBUTE TO THE ACHIEVEMENT OF THE COMPANY'S OBJECTIVES.

ARAUCO's sustainable development strategy promotes an organizational culture driven by the values of Safety, Commitment, Excellence and Innovation, Teamwork and Good Citizenship, with the understanding that activities based on these values should be at the core of all decisions aimed towards fulfilling the company's Vision and achieving its short-, mid-, and long-term goals.

The company seeks to foster the necessary conditions to attract and develop people of excellence who will contribute to the achievement of the company's objectives. In order to do so, ARAUCO promotes a work environment based on respect, mutual collaboration and open communication. While striving for ongoing improvement, the company facilitates the overall development of its workers through selection,

development, and training programs that result in highly qualified teams.

During 2012, the main focus of the activities of Corporate Human Resources management was to breathe life and consistency into these values by incorporating them into the company's growth strategy, into the development of ARAUCO's most important projects, and into all processes related to the management of our people.

In addition, the company encouraged activities aimed at facilitating worker involvement and participation, as well as initiatives for the evaluation and management of talent performance, development and retention, and recognition programs. All of these initiatives were accompanied by internal communication programs, guaranteeing their dissemination and promoting understanding among the workforce.





RENEWING CORPORATE COMMITMENTS

In order to renew workers' commitment and better position the company for long-term growth, corporate values were defined and promoted internally. Five activities became the focus of this process:

- **Creation of the values forum:** Twenty-four employees participated in five eight-hour sessions to define the values. This work was complemented with input from the corporate managers' team, and was later approved by the Board.
- **Values workshop for leaders:** About 300 people, mostly ARAUCO executives, participated in 23 workshops that were held to discuss the level of adoption of these values in each of their respective areas.
- **Presentation of the values:** In March, 2012, ARAUCO's Chief Executive Officer reviewed the alignment of the corporate values with the company's challenges during a meeting with executives.
- **Meetings with workers:** More than 30 meetings with workers were organized, during which corporate values and related activities were presented. It is estimated that more than 600 people participated in these meetings.
- **Implementation of the Acknowledgement Program, "ARAUCO Spirit":** A program was organized in Chile and Brazil which allowed workers to nominate for recognition fellow workers who best represented the company's corporate values.

300

LEADERS

participated in 23 workshops on values

600

WORKERS

participated in more than 30 workshops in which the values were communicated

EMPLOYMENT

During 2012, ARAUCO provided jobs to 13,227 workers, representing a 37% increase in staffing due to the internalization of 2,900 employees into the

Sawn Timber business and another 993 workers from Flakeboard's North American panel business. In addition, ARAUCO employed 27,031 contract workers.

ARAUCO'S TOTAL WORKFORCE

	2010	2011	2012
Employees	9,034	9,688	13,227
Contract workers	26,670	25,456	27,031
TOTAL WORKERS	35,704	35,144	40,258

ARAUCO WORKFORCE BY TYPE OF EMPLOYMENT

	2010	2011	2012
Executives	302	295	354
Professionals and Technicians*	3,086	3,296	5,046
Workers	5,646	6,093	7,827
TOTAL	9,034	9,684	13,227

* Professionals and Technicians includes all persons holding job positions at a professional level (whether 100% are or not). This includes supervisors, managers and analysts.

2012 AVERAGE EMPLOYEE TURNOVER

COUNTRY	Organization	Women	Men
Chile*	32.4	25.7	33.2
Argentina	-4	0	-4
Brazil	-1.89	10	-3.3

Turnover formula: Entry rate – Separation Rate

* Includes total workforce of 8,359 people, including employees of Arauco Educational Foundation.

DIRECT WORKERS BY COUNTRY AND GENDER

	2010		2011		2012	
	WOMEN	MEN	WOMEN	MEN	WOMEN	MEN
CHILE						
Executives	14	171	18	182	19	195
Professionals and Technicians	302	1,177	333	1,285	394	2,456
Workers	321	3,219	360	3,538	534	4,761
TOTAL CHILE	637	4,567	711	5,005	947	7,412
ARGENTINA						
Executives	17	194	24	194	3	38
Professionals and Technicians	132	551	136	473	163	686
Workers	18	857	10	883	7	772
TOTAL ARGENTINA	167	1,602	170	1,550	173	1,496
BRAZIL						
Executives	0	33	1	32	1	31
Professionals and Technicians	103	459	122	487	141	465
Workers	35	1,168	30	1,143	38	1,016
TOTAL BRAZIL	138	1,660	153	1,662	180	1,512
NORTH AMERICA						
Executives					13	90
Professionals and Technicians					75	133
Workers					83	884
TOTAL NORTH AMERICA					171	1,107

THE INFORMATION OBTAINED IN THE PERFORMANCE ASSESSMENT PROCESS SERVES AS THE FOUNDATION FOR SALARY/WAGE REVIEWS, DETECTING NEEDS FOR TRAINING, PROMOTIONS, AND THE DEVELOPMENT AND IDENTIFICATION OF PEOPLE WITH POTENTIAL FOR ADVANCEMENT.

GRI
LA8
LA12

COMPREHENSIVE DEVELOPMENT

In all countries in which it operates, ARAUCO's Human Resources department furthers comprehensive growth of its workers through programs for selection, development, and training. These programs contribute to the formation of teams that are prepared to address corporate challenges as they arise, with solutions that are aligned with the company's global strategy.

These initiatives flow from ARAUCO's performance management process, which is conducted with the company's leadership positions, in order to identify individual promotion and succession opportunities, as well as opportunities for improvement. The information obtained in this process serves as the foundation for salary and wage reviews, the detection of needs for training, and the development and identification of people with potential for advancement.

Performance Assessment

During 2012, a new Performance Assessment system was applied in Chile to align the skills and desired behaviors of workers with the company's corporate

values. This methodology was extended to company executives, unit leaders and professionals, with a total of 2,410 people participating in the program during the year. In addition, in order to communicate this new system's features and guarantee its effectiveness, 36 eight-hour workshops were conducted for assessors, which were attended by 648 people. Eighty-three four-hour workshops were conducted for workers under evaluation. These were attended by 2,142 people.

As in 2011, the Performance Assessment process was conducted in Argentina as well. Nearly 900 workers attended, with managers and assistant managers participating in "360° evaluations" in which they are graded by their peers and collaborators.

Both of these activities also were conducted in Brazil. The entire staff participated in the performance assessments and every manager and assistant manager participated in the "360° evaluations."

PERFORMANCE ASSESSMENTS

COUNTRY	Workers evaluated in 2011		% of total workers	Workers evaluated in 2012		% of total workers
	WOMEN	MEN		WOMEN	MEN	
Chile	310	1,029	24.1	468	1,942	28.8
Argentina	163	717	51.2	168	725	51.2
Brazil	157	1,588	100	180	1,512	100

IN CHILE, ARAUCO LAUNCHED ITS FIRST SCHOLARSHIP PROGRAM FOR WORKERS.

Training and Learning

To better develop its workforce, ARAUCO conducts a variety of training programs ranging from instruction on specific technical issues to the development of soft skills. These courses have been designed in response to information obtained during the performance assessment process.

The training courses, which are designed for workers at all levels of the company, are mainly focused on safety and the environment. During 2012, the company conducted 344,412 hours of training.

In addition, ARAUCO launched its first Scholarship Program for workers in Chile during 2012. Through this program, workers receive financial aid to pursue technical, university or post-graduate degrees. During this initial year, 103 ARAUCO workers received financial support to further their education. In Argentina, the company continued its Leadership Training Program, launched in

2011, to strengthen leadership skills among middle managers. In 2012, 134 people participated in the program. Participants received supplemental training throughout the year to review the issues addressed in the program. In addition, the management group and a few team leaders received support in the form of individual coaching to strengthen their interpersonal skills with an eye toward better overall team performance. A program for young professionals who don't qualify for the Leadership Training program, but who possess leadership skills and abilities, is under development.

Training provided through the Professional Development Plan was delivered in Chile and Brazil. This program seeks to generate opportunities for individual improvement for workers in accordance with their own skills. The technical training plan for the development of skills and fulfillment of safety objectives also continued during 2012.

2012 TRAINING INDICATORS

	CHILE		ARGENTINA		BRAZIL	
	2011	2012	2011	2012	2011	2012
Number of participants	2,155	3,394	132	1,132	1,699	1,791
Executives	39	49	32	28	33	28
Professionals and technicians	1,513	2,132	79	576	612	601
Workers	599	1,213	21	528	1,054	1,162
% of trained people in the total workforce	38%	40%	5%	68%	83.3%	NA
Hours of training conducted	205,273	224,306	NA	22,535	114,639	97,571
Average training hours	95.43	66.08	NA	NA	67.47	NA
Number of courses conducted	287	340	NA	NA	421	109

NA: Not Available

Operational Excellence Program

The Operational Excellence Program is an ongoing improvement initiative that seeks to directly engage workers in each business area to apply their ideas, creativity and technical knowledge toward improving the daily activities of the company. The direct contribution of workers assists the company in maintaining its market leadership by improving production processes, leveraging innovation, and adding value to products and services.

During the nine years since its inception, the program has fostered a work culture and method centered on participatory improvement of the business and the exchange of best practices within and between business areas. Work teams are created and are responsible for developing and implementing creative solutions that will improve the company's safety performance, reduce impacts of operations on the environment, improve product quality, increase production, and reduce cost.

2012 OPERATIONAL EXCELLENCE PROGRAM

BUSINESS	Ideas presented		Successful projects		People trained		People trained since the beginning of the program
	2011	2012	2011	2012	2011	2012	2012
Forestry	1,686	1,479	25	35	2,835	3,099	6,358
Woodpulp*	86	96	32	44	20	17	1,677
Panels**	1,117	1,166	94	108	1,037	1,678	6,524
Sawn Timber***	402	294	188	141	2,947	1,132	4,096
TOTAL	3,291	3,035	339	328	6,839	5,926	18,655

* Considers shutdown in November of each year.

** Consolidates Chile, Argentina and Brazil.

*** Consolidates Chile and Argentina.

SINCE 2003, 18,655 WORKERS HAVE PARTICIPATED IN THE OPERATIONAL EXCELLENCE PROGRAM.

Internal Mobility

Professional growth and succession planning are essential to the success of modern companies. ARAUCO formalized its Internal Mobility Policy to facilitate internal movement of employees between business areas. The policy's objective is to provide opportunities for new responsibilities through a structured company-wide advancement program.

In 2012, the company held Internal Mobility open competitions. This approach guaranteed transparency about the program and its guidelines, provided equal opportunity for employees to apply for advancement, and created a channel for the company to provide

support in the application process. In Chile, 70 workers applied for the Internal Mobility program, which was launched there in the third quarter of the year. In Argentina, 206 workers changed job positions through the provisions of the Internal Mobility initiative, as did 164 workers in Brazil.

BONUSES AND SOCIAL BENEFITS

All of ARAUCO's businesses offer workers a higher level of benefits than that required by law in each of the countries in which the company operates. The company does this as a means of providing greater personal welfare for its workers and a higher standard of living relative to local norms.

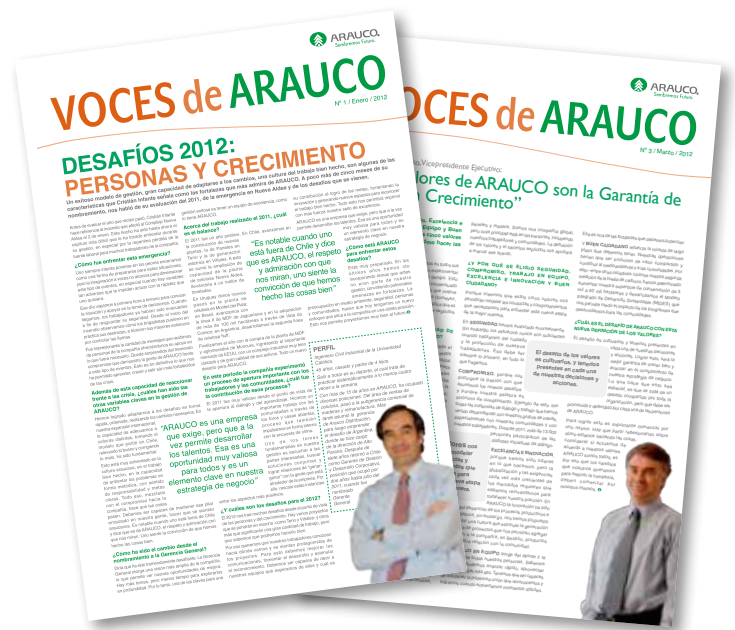


EFFICIENT AND TIMELY COMMUNICATION

The main content and messages of the company's internal communication strategy are related to the new corporate challenges, current projects, integration activities, employee recognition, internal milestones, benefits, and other issues determined by management as relevant. In 2012, the company took steps to promote bi-directional communication, increase workers' participation in the decision-making process, and facilitate the unobstructed exchange of information within the company as a whole.

Main internal communication mechanisms in 2012:

- ➔ **Meetings with executives:** Four meetings with executives at the corporate level were held in Chile, in addition to one in Argentina and two in Brazil. The objective of these meetings, headed by the Chief Executive Officer, was to review the company's performance.
- ➔ **Media development and campaigns:** ARAUCO uses company publications and other messaging campaigns to communicate its strategic objectives to internal audiences and to strengthen corporate culture. During 2012, the company published "Voces de Arauco," a monthly newspaper, printing 9,000 issues that were distributed to all workers in Chile. The company also made use of bulletin boards and flat-screen electronic displays to disseminate corporate news. Some businesses publish their own internal magazines, and, in 2012, substantial



corporate editorial content was developed for inclusion in magazines published by the Woodpulp and Panel businesses. A number of internal marketing campaigns were implemented to communicate the company's values, information about corporate benefits, and the ARAUCO Spirit Award, among other issues. A website entitled, "People Management" was launched in Brazil for viewing by all company workers there. In Argentina, the content of bulletin boards in all facilities is refreshed on a monthly basis

FUNDS FOR WORKERS COMPETITION

In 2012, ARAUCO created the Funds for Workers Competition in Chile. The purpose of the contest is to offer workers a chance to become involved in the development of projects that support communities located in the company's areas of influence, while reinforcing the corporate values of Commitment, Teamwork, and Good Citizenship.

The company committed itself to finance the best projects presented by workers. Potential projects are reviewed and rated, with points awarded based on the social benefits derived from the project, number of people involved, and alliances that will be generated with other organizations.

A total of 1,124 workers participated in this program, with 194 projects presented for consideration. Of these, 22 initiatives benefitting local communities were selected for implementation. ARAUCO allocated US\$95,000 to finance the winning projects.



1,124

PARTICIPANTS



194

PROJECTS
presented



22

PROJECTS
implemented

US\$95,000

ALLOCATED
to fund projects

THE ORGANIZATIONAL CLIMATE SURVEY IS A TOOL FOR TEAM MANAGEMENT AND THE ACHIEVEMENT OF THE COMPANY'S CHALLENGE TO GROW WELL WITH ITS WORKERS

EMPLOYEE RECOGNITION

In an effort to establish employee recognition as a standard company practice, ARAUCO launched the ARAUCO Spirit Award during 2012. This is the first program of its type to be implemented at the corporate level in Chile. The challenge for the company was to design an initiative that would engage people at all levels of the organization, and would recognize those people who embody the company's corporate values in exceptional ways.

During 2012, 343 individuals were nominated by some 4,000 workers representing all of the company's operations in Chile. From this pool

of nominees, 35 were selected as local winners, and two individuals were selected as persons best representing the company's corporate values. Gloria Ortiz, Head of Occupational Excellence in the Sawn Timber business, and Luis Leyton, in charge of the Technical Archive at Constitución Pulp Mill each received the ARAUCO Spirit Award.

This recognition program also was launched in Brazil during 2012. Announcement of the award recipients is expected during the first quarter of 2013.

WORK RELATIONS BASED ON TRUST

ARAUCO seeks to foster open, transparent, direct, long-term relationships with its workers, unions, and union representatives that are based on mutual respect, in accordance with internal regulations and current labor regulations.

A positive and harmonious organizational climate is needed in order to maintain good working relationships. This is why, towards the end of the year, ARAUCO conducted a new Organizational Climate Survey among all of its workers in Chile, Mexico, Colombia and Peru. A total of 7,088 people were surveyed, a sample equal to 86% of all workers in the four countries studied.

The Organizational Climate Survey is a tool for team management and the achievement of the company's challenge to Grow Well with its workers. The results of the 2012 survey show a positive evolution of this indicator of job satisfaction. The average score of 62 points is a six-point increase from the 2011 survey

average. Factors reflecting a greater positive variation were "Recognition and Respect" (19 points) and "Talent Management" (12 points). These were followed by "Communication," "Immediate Superior," and "Quality of Work Life", all of which increased nine points. ARAUCO intends to continue its work to foster greater job satisfaction, and has decided that it will conduct annual organizational climate assessments.

Plans of action resulting from the Organizational Climate Survey conducted in 2011 in Argentina and Brazil were implemented during 2012, and a follow-up survey in each of these countries has been scheduled for 2014.

Collective contracts and agreements

ARAUCO and its workers have agreed to sign collective contracts and bargaining agreements with negotiating groups, as well as with unions. In Brazil, there are two categories of union relations; the first is comprised of unionized

IN 2012, A SUMMARY WAS PREPARED AND DISTRIBUTED IN CHILE TO INFORM WORKERS AND FORESTRY EMPLOYERS ON THEIR RIGHTS AND OBLIGATIONS.

employees, a classification including everyone affiliated with a union and having voting power; and the second category includes workers that are covered by collective bargaining agreements.

In Brazil, the latter category accounts for 100% of the workforce, since, by law, all professional categories there have to be associated with a specific union. ARAUCO has 117 unionized workers in Brazil, and all the workforce is covered by collective bargaining agreements.

COLLECTIVE BARGAINING AGREEMENTS

COUNTRIES	% of workers in collective bargaining agreements
Chile	64.4%
Argentina	47%
Brazil	100%

Making rights and obligations known to forestry workers

Given the importance of third-party service providers to the company's Forestry business, a summary of rights and obligations under current labor legislation was prepared in 2012 and distributed to all the company's forest workers and forestry employers in Chile. Understanding of and compliance with this legislation was promoted through direct training and audio-visual presentations. In 2012, the company held 40 four-hour workshops for contract and internal workers. These workshops were attended by 9,699 people.

In addition, ARAUCO created the Labor Relations Model, which identifies actors in the Forestry business and specifies the manner in which they relate to each other. It also defines good practices regarding daily relations occurring in this area.

GRI
HR1
HR2
HR3

PARTICIPANTS IN WORKSHOPS ON LABOR RIGHTS AND OBLIGATIONS

311
BUSINESSMEN

565
ARAUCO
employees

9,699
ARAUCO WORKERS
and contract workers
were trained

TERMINATION PROGRAMS

In 2012, two job termination processes were conducted. One was necessitated by the fire that destroyed the Nueva Aldea plywood mill in Chile. The second was initiated in response to a reduction in activities in the treatment and particleboard facilities in Curitiba, Brazil.

In Chile, 425 workers at the plywood mill were terminated. However, the company did not terminate these workers on the grounds of “force majeure” as permitted by Chilean legislation. As a result, ARAUCO implemented a six-month Employment Support Program for direct workers. Of the 425 impacted direct workers, 285 participated in some phase of the program, which included 27 workshops. In addition, the company worked with the Chilean Labor Ministry and SENCE (Chile’s National Training and Employment Service) to establish two training programs for former direct and indirect workers. In total, 20 courses for 455 people were conducted. A similar situation occurred in Curitiba, where 44 workers were terminated. Both termination programs included additional support measures regarding insurance, healthcare, and loans to displaced workers. The termination program in Chile also included psychological counseling.

A PROGRAM FOR CONTRACT WORKERS

In 2012, ARAUCO worked with 1,087 contracting companies that, together, employ 27,031 contract workers. The largest percentage



of workers is concentrated in the Forestry area. Due to this area’s importance to the company and the effort to extend the company’s new Forest Management Practices to contract workers, the Forestry business initiated the design of a Social Plan for Contract Workers.

An unprecedented number of contract workers contributed to the design of the Social Plan, with 23,244 individuals completing a Social Plan survey questionnaire. The survey collected demographic, family, residential, economic, and educational information about the people who perform ARAUCO’s forestry labor through contracting companies. Of the respondents, 5,730 were workers of contracting companies and 17,514 were worker’s family members. This consultation allowed the company to characterize the social and economic characteristics of the people surveyed in order to identify the families that were most vulnerable.



OCCUPATIONAL HEALTH AND SAFETY



OCCUPATIONAL HEALTH AND SAFETY

GRI
DMA

In order to reduce accident risks and attain world-class safety performance indicators, ARAUCO has continually worked on generating a culture of safety, an effort which has manifested itself in the creation of corporate standards, the continuous improvement of processes, the ongoing review and adjustment of behavior, and the reinforcement of the barriers to injury that exist in its forestry and industrial operations. Though these measures have allowed the company to achieve improved safety levels on a seemingly daily basis, ARAUCO considers these results to be insufficient with respect to the goal of excellence that was set: that of attaining zero accidents in its forestry facilities and subsidiaries.

Through its Environment, Quality and Occupational Health and Safety Policy, ARAUCO is committed to provide its workforce with safe working environments, as well as with the tools, equipment and training needed to perform their tasks in a safe and healthy manner. The company has established

Corporate Operational Standards (COS), Corporate Management Standards (CMS), and safety management standards for each business area, which are communicated to each facility, operation, or activity. Compliance with these standards is mandatory for all of the company's workers and contract workers. In addition, in 2009, the company identified a number of primary risk situations, and established the Key Rules for ARAUCO's forestry and industrial operations to minimize these risks. ARAUCO's Environment and Occupational Health and Safety Corporate Management (MASSO in Spanish) and the MASSO teams of each business area are responsible for administering the company's safety programs.

The safety-related activities that were taken during 2012 were related to the fulfillment of four objectives: Zero tolerance for noncompliance with the Key Rules; strengthening the safety measures of the operations; increasing involvement and leadership; and improving prevention management.



PERFORMANCE

In 2012, the Accident Frequency Lost-Time rate (AF) was 3.77, a reduction of 7.3% as compared to the 4.07 rate registered in 2011. The Accident Severity 2 rate increased from 351.4 in 2011 to 522.5 in 2012.

In spite of the positive indicators attained in previous years and the effort made to maintain prevention management, in 2012, the company experienced the death of four workers; two of them in Chile, one in Argentina, and another in Brazil. This situation led to investigations and the sharing of findings throughout the organization in order to prevent similar occurrences.

During 2012, ARAUCO organized broad meetings with executives in Chile, Argentina and Brazil that were attended by the highest representatives of the company. The purpose of these meetings was to reinforce the need for compliance with the Key Rules and to revise procedures to ensure compliance.

ACCIDENT FREQUENCY RATE BY BUSINESS

	Forestry	Woodpulp	Panels	Sawn Timber
2009	13.6	3.6	4.9	2.7
2010	8.2	3.0	4.0	3.7
2011	5.7	3.2	2.3	3.4
2012	4.36	2.66	3.77	2.69

The Accident Frequency Rate is the number of accidents with lost time per million hours worked. The consolidated numbers include industrial operations in Chile, Argentina and Brazil. Also included are Bioforest, Arauco Distribution, Engineering and Construction Management, and the administrative offices of all the businesses.

CONSOLIDATED PERFORMANCE

INDICATOR	2010	2011	2012
Accident Frequency Lost Time Rate (LTR)	5.5	4.07	3.77
Accident Severity Rate 1	220.7	194.19	185.22
Accident Severity Rate 2		351.4	522.5
Number of Work Accidents (LTR)	419	338	290
Accident Rate	1.2	0.87	0.75
Number of Fatalities	6	2	4
Number of Work Related Illnesses	37	9	15

Accident Severity Rate 2 is an indicator of lost time (actual lost workdays + "charged days" – a statistical penalty based on standardized estimates of lost lifetime-workdays due to fatalities and various permanent disabilities), per million hours worked. "Accident Severity Rate 2" is a term of reference established by ARAUCO. It is normally referred to as SR2 to distinguish it from the Accident Severity Rate, which does not take into account "charged days."

2012 MILESTONES IN CHILE AND AT THE CORPORATE LEVEL

- ➔ Strategic Plan: Since 2010, ARAUCO has approached its safety-related efforts as a strategy-driven, long-term process that will result in world-class standards for risk management and business continuity. This includes the implementation of the company's Healthy Workplace Model across all the organization. This initiative, promoted by the World Health Organization (WHO)³⁰, is known by the project name, "Arauco, the safest place to work."
- ➔ Revision of procedures: The company conducted a review of its activities with potential for risk and possible below-standard conditions, and revised safety procedures to ensure better risk management.
- ➔ Compliance with Key Rules: All business units were assessed to evaluate their compliance with the company's Key Rules. Training was provided to workers to reinforce their commitment to the Key Rules.
- ➔ Communication campaign: An extensive communication campaign was launched to promote safety as a corporate value. This campaign will continue through 2016. During its first stage, the campaign empowers workers by creating awareness of the idea of self-care (See page 60).
- ➔ Risk management model: The company designed a Risk Policy and a Risk Management and Business Continuity Plan. Preliminary information was collected on risks in the woodpulp, panels and sawn timber facilities to begin the process of preparing business continuity plans for each area. In addition, the company designed an organizational structure for risk management, at both the operational and corporate levels.
- ➔ Training: The company's Risk Prevention Consultant course, which was initiated in 2011, continued during 2012. The course, attended by 50 leaders from the Forestry, Sawn Timber and Panel business units, is designed to strengthen skills and knowledge about Occupational Health and Safety issues.

2012 MILESTONES IN ARGENTINA:

- ➔ Communication of Corporate Standards: Corporate Performance Standards for Environment and Occupational Health and Safety and the Corporate Operational Standards, continued to be implemented in 2012. The annual strategic plans for each operation included theoretical as well as practical activities to emphasize responsibilities, specify application criteria, and assess progress toward improved safety performance.
- ➔ Occupational Health and Safety certifications: All operations maintained their commitment to have their OHSAS 18001 certified management systems audited biannually by an international certifying body.

2012 MILESTONES IN BRAZIL:

- ➔ Study to identify accident risks: A Hazard and Operability Study was conducted to identify the points in production processes that are prone to accidents.
- ➔ Ergonomics Committee: An Ergonomics Committee was established to revise procedures and create the most suitable work conditions for workers in the forestry and industrial units of Arauco do Brasil.
- ➔ Other Milestones: Information was collected at all the operations of Arauco do Brasil on the protection of equipment and machinery. In Araucária, the company changed the entire system that controls the production process at the formaldehyde plant to ensure a higher degree of control over the process and reduce risk.

³⁰ www.who.int/es/



OCCUPATIONAL HEALTH

ARAUCO assigns resources and takes steps to monitor the health of its workers in order to ensure that they are not exposed to hazardous conditions. Though the company has been able to control and mitigate a major portion of work-related health problems by investing in equipment, worker training, and self-care programs, the number of work-related illnesses increased to 15 in 2012, up from 9 in 2011.

A long-term Health Plan was designed and implemented in Chile in order to strengthen ARAUCO's position as a world-class business. Opportunities to further improve occupational health and safety will be able to be identified when the Plan's baseline measurement process is completed in 2013.

In Argentina, the company achieved the estimated improvement in the quality of Medical Services provided in each forestry facility/subsidiary. In addition, the consolidation of corporate procedures for the standardization of practices has allowed the company to maintain a satisfactory performance.

In Brazil, programs were developed to create awareness among workers on the importance of rehydration and protecting their sense of hearing. Also, the importance of appropriate work postures and quality-of-life improvements was reinforced. Campaigns were implemented to prevent tobacco, alcohol, and drug abuse, as well as to educate workers about sexually transmitted diseases such as AIDS. A mass immunization campaign against the flu was launched and workers' health was periodically assessed.

JOINT COMMITTEES

ARAUCO maintains joint committees on health and safety in Chile, Argentina and Brazil to identify, analyze and prevent dangerous work-related accidents and illnesses. Joint committees in Chile and Brazil are required and

regulated by law, however, the formation and function of joint committees in Argentina is voluntary and not regulated.

In 2012, members of the Joint Committee in Chile participated in a survey to evaluate the company's performance in Occupational Health and Safety, and to identify areas needing improvement. Following the survey, work began on developing a model for committee management with the intent of encouraging continuous improvement and attaining a level of excellence.

CONTRACT WORKERS

Protecting the life and well-being of people is the fundamental requirement in the contractual relationship that ARAUCO establishes with contractor companies. Both parties to the contract are obligated to provide suitable, healthy and safe working conditions. Contractor companies must follow the company's Integrated System for the Management of Environment and Occupational Health and Safety (MASSO in Spanish), and MASSO standards and tools apply to all of the work, services and projects performed by contractors and subcontractors.

In Chile, Argentina and Brazil, the company maintained its commitment to work on Occupational Health and Safety aspects with third-party service providers. Each service provider participates in training activities to ensure that the risks of each task are properly identified, requirements for prevention and control are established, and that this is communicated to workers early on, beginning in the hiring phase. Service providers also are required to monitor compliance with corporate standards, specific procedures and instructions, to participate in measures of performance, to take part in company-driven health and communication campaigns, and to perform with the same level of thoroughness required in ARAUCO's own business areas.

SELF-CARE: THE KEY TO SUCCESS IN SAFETY

THE NEW SAFETY CAMPAIGN WILL CONTINUE UNTIL 2016 AND INCLUDES FOUR KEY STAGES. THE FIRST IS SELF-CARE.

In order to strengthen the value of workplace safety and to integrate safety-mindedness into ARAUCO's corporate culture, a new safety campaign was launched in 2012 and implemented in all of the company's plants and facilities. The core concept of the campaign, which will continue through 2016, is the promotion of safety as a corporate value, underlining the concept of self-care during its first phase.

Begun in August, 2012, the campaign included safety brochures, posters, and billboards, with campaign materials installed at the entrance to all work areas. These graphic materials reinforce the importance of compliance with the company's Key Rules and are intended to influence changes in worker conduct and habits and establish self-care activities as an essential part of on- and off-the-job safety.

The campaign is divided into four phases, each lasting 12 months, and builds upon work begun in 2009, when a mass campaign on care for workers was launched.



ENVIRONMENTAL PERFORMANCE



ENVIRONMENTAL PERFORMANCE

GRI
DMA
EN11
EN12
EN13

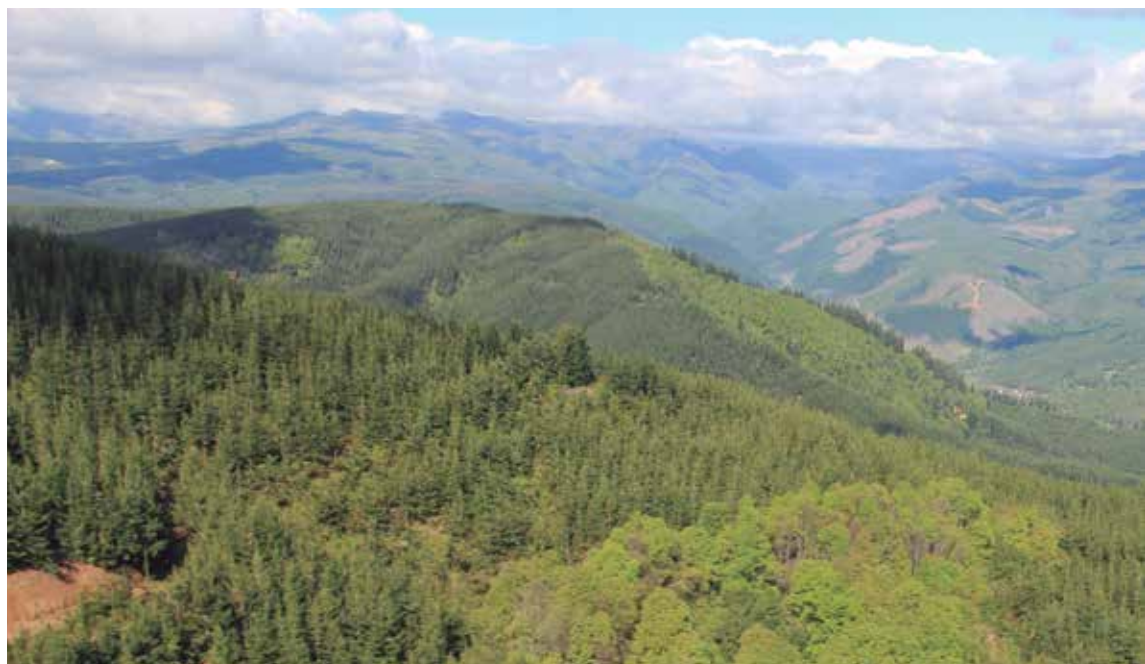
ARAUCO'S ENVIRONMENTAL MANAGEMENT IS BASED ON THE COMPANY'S ENVIRONMENT, QUALITY AND OCCUPATIONAL HEALTH AND SAFETY POLICY.

The management, care and protection of the environment is one of ARAUCO's fundamental commitments. The area of Environmental Management encompasses: sustainable resource management; application of best practices; understanding and protection of ecosystems; and use of management standards that ensure continuous improvement in the company's environmental performance.

In addition, ARAUCO maintains programs for scientific research and innovation, works with a number of NGOs, experts, universities and research centers, and

facilitates local community participation. The company also identifies and adopts technologies that result in more efficient use of energy and water, and in better control of liquid and gas emissions.

The company's environmental management practices are based on ARAUCO's Environment, Quality, Occupational Health and Safety Policy. This policy provides guidance for compliance with regulations, and for meeting the commitments made by ARAUCO, including FSC and CERTFOR/PEFC Principles and Criteria, and the continuous and gradual reduction of the



environmental impacts of its operations, among others.

During 2012, ARAUCO invested US\$19 million in environmental improvements in Chile, Argentina and Brazil to control and manage discharges of industrial gasses and liquids, and to improve the energy efficiency of pump systems within its facilities, among other initiatives.

This chapter is divided into two sections, one addressing ARAUCO's Forestry business, and the other addressing its industrial facilities.



FORESTRY BUSINESS

ARAUCO manages its plantations, native forest, soil and water in a responsible manner, so that its actions will be socially beneficial, economically viable and environmentally appropriate and will benefit this and future generations.

Environmental management in the company's Forestry business falls into two categories: Protection (which encompasses conservation of biodiversity, preservation of native forests, and prevention of forest fires); and Management of landscapes, water and soil.

Forestland is the foundation for the development of wood products. In Chile, Argentina, Brazil and Uruguay, ARAUCO adheres to international standards for the responsible management of its forests, and conducts and applies research on the full use of its plantation resource. (see page 31).

Among other beneficial functions, forests provide carbon storage. Trees capture CO₂ (carbon dioxide) from the atmosphere and release oxygen into the air. The company continually assesses the variation in the capture and accumulated stock of atmospheric CO₂ as its plantation forests grow. This is measured using an internationally accepted carbon-footprint measurement protocol developed by the Food and Agriculture Organization (FAO)³¹ of the United Nations. The carbon storage capacity of ARAUCO's plantations is calculated through this protocol. As trees grow, the CO₂ they absorb from the air is transformed into organic carbon and fixed in the tree's mass. By sequestering carbon, ARAUCO's forests contribute to the reduction of gasses that cause the greenhouse effect and result in global climate change. In 2012, 47.38 million tons of CO₂e (carbon dioxide equivalent) were stored by the company's forest plantations in Chile, slightly less than the amount reported for 2011.

31 www.fao.org/index_es.htm

ARAUCO OWNS 387,135 HECTARES (956,600 ACRES) OF NATIVE FOREST WHICH ACCOUNTS FOR 23% OF THE COMPANY'S FOREST OWNERSHIP

Forest protection

ARAUCO works to conserve the biological diversity present in its forests and in cultural and religious sites of interest on or near its property. In addition, the company protects and adds value to its native forests, and takes measures to protect all of its forestland from fires³². ARAUCO owns 387,135 hectares (956,600 acres) of native forest, which accounts for 23% of the company's total forest ownership.

Biodiversity

Understanding and conserving biodiversity, as well as the ecosystem services provided by natural resources, is an essential aspect of environmental management. ARAUCO maintains management programs for land and water (lakes, rivers, and ocean), through which it researches ecosystems and works to conserve endangered species. In Chile, the company helps to preserve cultural and religious sites of interest that are located within its forest holdings or in areas neighboring the company's industrial facilities.

One of the environmental management milestones of 2012 in Chile was the publication and distribution of the Biodiversity and Ecosystem Services Policy. This document, which was drafted taking into account input gathered during the FSC stakeholder consultation process, formally defines the company's priorities and provides strategic guidance for the implementation of conservation plans in the company's land holdings.

ARAUCO believes that every forest area has environmental or social value. When these areas hold an exceptional biological feature or are of critical social importance, they are designated as High Value Conservation Areas (AAVC in Spanish). During 2012, the company increased the number of designated AAVC's in Chile from 55 to 94, an addition of

about 60,000 hectares (148,250 acres). Of the 94 AAVC's, 37 are biological (referring to flora and fauna) and 57 are cultural and religious sites of interest for the native Mapuche people. The increase in cultural and religious sites, from 19 registered in 2011 to the current 57, was a result of stakeholder engagement with native communities in the Bío Bío, La Araucanía, Los Ríos and Los Lagos provinces³³.

Each AAVC has a Management Plan with a stakeholder participation component, in which the company shares the responsibility of identification and conservation of the area with the community. Controls were established in these areas to prevent hunting, illegal harvesting, and forest fires. In addition, a sighting registry of threatened flora and fauna species is maintained in the company's Land Information System. During 2012, informational workshops were held, and posters, brochures and leaflets featuring mammal footprints were printed, to help educate people on the company's management strategies.

In Argentina, Alto Paraná has 112,000 hectares (277,200 acres) of native forest, comprising 50% of its forestland. Of this area, more than 45,000 hectares (111,000 acres) is native forest located on mountainous terrain in four large areas, and about 64,000 hectares (158,000 acres) consist of natural forests that protect watercourses and drainages and ecological corridors that connect stands of native forest.

In 2006 the company identified four AAVC's through work commissioned by the faculty of Forestry Sciences of the Misiones National University, in Argentina. During 2012, the AAVC survey was expanded to include the entire territory (including plantation areas), emphasizing social and cultural values. In addition, a Native Forest Management Plan was initiated and actions were taken to create awareness and provide environmental education for stakeholders and

³² The table listing all of ARAUCO's High Value Conservation Areas is available at the company's website.

³³ For the location and protected value of AAVC's related to cultural and religious variables, visit www.arauco.cl

students in schools located in areas near ARAUCO property. Other initiatives included the monitoring of flora and fauna by research institutes and maintaining sighting registries.

Arauco do Brasil has more than 145,100 hectares (358,550 acres) of forest distributed in Campo do Tenente, Tunas and Morungava. Of these, 63,843 hectares (157,750 acres) are native forest, which account for almost 45% of the total area.

The company designated two areas as High Conservation Value Forests (HCVF): Pinhalzinho Grotto consisting of 14.71 hectares (36.3 acres), located on Morungava Senges sites, and Barra Mansa Private Nature Reserve in Arapotí, consisting of 218 hectares (539 acres).

Regulations in Brazil require protection for areas that preserve hydrological resources, landscapes, geological stability, and biodiversity. These protected areas facilitate the flow of fauna and flora, provide soil conservation, and help ensure the well-being of human populations. These areas are designated as permanent preservation areas, and Arauco do Brasil takes special care in their management.

Since 2009, the company has maintained a preservation area located near its Jaguariaíva facility. To date, no flora or fauna species in this area have been identified as becoming extinct. During 2012, Environmental Contamination Control studies were conducted for the installation of a new treatment and particleboard panel line at Jaguariaíva. The studies concluded that this facility does not impact flora or fauna species in the area.

Biodiversity monitoring activities

During 2012, a Monitoring Program was designed to assess the impact of forestry operations in Chile on biodiversity. This program will document the volume of vegetation present and the composition of flora and fauna species in areas adjacent to harvesting operations, before and after harvest.

A program for Monitoring and Control of Introduced Invasive Plants³⁴ was implemented in High Value Conservation Areas (AAVC), restoration areas and high-visibility landscape areas.

In Brazil, efforts to monitor vulnerable species have resulted in the identification of 50 amphibian species, 650 bird species, 135 mammals, 45 reptiles, and 256 native flora species present on company forestlands.

Of these, 29 mammal, one amphibian and three flora species are on the national list of threatened species.

During 2012, the environmental characterization of all the company's remaining natural areas was completed, including their classification and the identification of the types of vegetation present. Also, work to develop a Management Plan for the Mansa Private Nature Reserve was begun in 2012, with completion anticipated in 2013. The revision of the conservation attributes of Pinhalzinho Grotto was completed, and social consultations were conducted to validate the work done with the community. ARAUCO and The Nature Conservancy, a non-governmental organization, implemented a Biodiversity Conservation Program for the company's environmental set-asides and evaluated the existence of High Value areas in the Tunas do Paraná and Campo do Tenente regions.



³⁴ Priority species to be protected in AAVCs and native forests are the following: *Acacia dealbata* (Chilean silver wattle), *Acacia melanoxylon* (Australian silver wattle), *Eucalyptus globulus* (eucalyptus), *Pinus pinaster* (Maritime pine), *Pinus radiata* (Radiata pine) y *Pseudotsuga menziesii* (Oregon pine).

MONITORING VULNERABLE SPECIES

In Chile during 2012, a number of projects were conducted to monitor, protect and restore vulnerable animal and plant species.

BULLOCK FROG

The University of Concepción, the Pontificate Catholic University of Chile and ARAUCO conducted a baseline study of "Amphibians in Native Coastal Land", on land owned by the company. The study identified 20 amphibian species, ten of which are threatened or endangered. One of these species is the Bullock frog (*Telmatobufo bullocki*, Schmidt, 1952), which is considered one of the 100 most threatened species in the world according to the International Union for Conservation of Nature (IUCN)³⁵ and which was thought to be extinct in Chile. The results of the study will be published in national and international scientific magazines. In addition, a doctorate thesis is being prepared by a student at the University of Massey, New Zealand. These documents will contribute to the knowledge and conservation of threatened amphibians of the Nahuelbuta Mountains, particularly the *Telmatobufo bullocki* species.



IN VITRO PROPAGATION OF RUIL

After years of work, the project entitled, "Establishment of an in vitro propagation procedure for Ruil (*Nothofagus alessandrii* Espinosa)"³⁶ was successfully concluded. Ruil, a tree that is endemic to Chile, is classified by the IUCN as Endangered, and the specimens that have been found in the company's forestland occur in areas that have been designated as AAVC's.



DARWIN'S FOX

Darwin's fox (*Lycalopex fulvipes*, Martin 1937) is a canine species endemic to Chile that has been classified as being Critically Endangered by the IUCN (DS 151 MINSEGPRES 2007). The monitoring program that began in 2011 continued through 2012. This program is conducted on company land in collaboration with public and private institutions. The program objectives are to: assess the extent of the distribution of Darwin's fox in the Nahuelbuta Mountain Range; describe its pattern of coexistence with other carnivore species present in the study area; and identify the environmental factors related to the presence or absence of this species.



YACA

Yaca (*Thylamys elegans*, Watherhouse, 1839) is a Chilean marsupial species. In 2012, one specimen was found near Nacimiento. This finding is significant, since the last recorded sighting was made 75 years ago, and occurred south of the Bío Bío river. Research is being conducted to find the current southern border of this species' habitat.



³⁵ www.iucn.org/es

³⁶ Ruil is an endemic tree to the Maule Region, since it only grows in a certain area of the coastal forest.

Adding value to native forests

ARAUCO seeks to add value to native forests in the countries in which it operates. In 2011, the company began work on innovation projects to make full use of the non-timber resources that native forests provide (see Innovation, page 38).

Native forest makes up almost 50% of the company's total forestland in Argentina, and the company has made an effort to add value to its native forest in that country through zoning and partial restoration of some areas. In 2012, a Restoration Plan was developed for native forest areas that had been converted to plantation forests or otherwise degraded. In addition, the company determined the total area of plantations that had been converted from native forests.

Native forest substitution

The Forest Stewardship Council (FSC) defines native forest conversion as the elimination of native forest cover and its replacement with exotic forest species or other uses. According to criterion 10.9 of the FSC Certification Standard for Forest Management³⁷, plantations established in areas converted from natural forests after November 1994 do not qualify for FSC forest-management certification in most cases.

ARAUCO has managed its plantation forests sustainably and is committed to correcting any existing deficiencies. In 2012, as part of the FSC forest-management certification process in Argentina, the company identified the areas of native forest that had been converted to plantations. This process also took place in Chile, and a restoration plan for converted native forests in that country was developed as well. In Brazil, this process has been in place for a number of years and the restoration of native forests has already shown positive results.

In Chile, Forestal Arauco, commissioned an assessment of native forests by the Geomatics Laboratory of the Faculty of Forestry Sciences and Natural Resources of the Austral University of Chile (UACH). The assessment,

based on FSC criteria, determined that 25,044 hectares (61,800 acres) of native forest had been converted to plantation or other use between 1994 and 2010. Information about the assessment, its methodology and its results were communicated publicly, and a consultation with stakeholders was held.

Under this framework, the company made a commitment to restore and recover the native forest that was classified as converted forest. During 2012, a restoration plan was designed that includes the trial cycles: generation-evaluation-escalation. It also takes into account the design process needed to incorporate, apply and monitor the processes to systematically evaluate results in a continuous learning context.

Using the FSC criteria, Alto Paraná conducted an internal assessment of the company's forestland in Argentina to quantify the area of native forest that had been converted to forest plantations from November, 1994 through 2003. Forestland in Misiones Province is managed in a precautionary manner, with two Forest Management Units (FMU's), in addition to an area that is designated as Excluded from forestry operations. The FMU designations in Argentina serve only to distinguish the origin of the wood, since all areas are managed under one sustainable forest management plan. Other methods used in the identification of converted native forests included a temporal analysis with Landsat satellite images, geo-referenced metric aerial-photography, and the company's historical records. Studies concluded that 21,181 hectares (52,300 acres) of native forest in Argentina had been converted between November 1994 and 2003.

In Brazil, no native forest conversion has occurred after November 1994. Nevertheless, Arauco do Brasil has conducted restoration work, successfully recovering 8,188 hectares (20,200 acres) of forestland, and is in the process of restoring another 1,609 hectares (4,000 acres). The restoration process should be completed in 2018.

³⁷ Standard for large scale operations STDPL-201205/31 | 209.

ARAUCO BUDGETED US\$25.5 MILLION FOR FIRE PREVENTION AND SUPPRESSION DURING THE 2012-2013 SEASON

Forest fire protection and prevention

The company has prevention programs in place for forested areas in Chile, Argentina, and Brazil that require protection from forest fires. Since 70% of wildland fires occur outside the company's forestlands, ARAUCO conducts information and prevention campaigns for nearby communities to create environmental awareness, and provides instruction on silvicultural management techniques such as grinding

harvest residue, pruning and removing tree branches, and building firewalls.

The company budgeted US\$25.5 million for fire prevention and suppression during the 2012-2013 season. This fire-protection budget supports teams of trained firefighters, air and land infrastructure, dispatch centers equipped with state-of-the-art assessment and control systems, and the use of procedures based on international standards.

RESOURCES AVAILABLE FOR THE 2012-2013 SEASON

Type of resource	Chile	Argentina	Brazil (*)
Towers	126	17	16
Surveillance and Protection	36		
Firefighting brigades	90	8	19
N° of Firefighters	792	40	1,019
Trucks	41	12	30
Skidders	2	-	
Airplanes	8	-	
Helicopters	12	-	
Total Resources (Millions of US\$)	21.5	1.3	2.7

(*) Also includes hoes, axes and other firefighting equipment.

ARAUCO has a force of 792 firefighters in Chile³⁸. During the 2012-2013 season, the company will intensify its training program for firefighters, standardize its selection and training process, and verify excellence through certification. The standardization phase consists of developing skills that meet CORMA³⁹ and CONAF⁴⁰ standards, in addition to building knowledge through consultation with experts. Each firefighter completing the training will receive CORMA labor skills certificate.

The company's fire-protection programs employ well-disciplined, organized fire brigades that receive formal training to develop appropriate physical and technical skills.

During 2012, fire protection units from the company's businesses in Chile conducted environmental workshops and fire-prevention presentations at neighborhood associations and schools, with outreach to 350 communes and municipalities in the Maule and Los Lagos regions

³⁸ Firefighters work for companies which have contracts with ARAUCO.

³⁹ www.corma.cl

⁴⁰ CONAF: Corporación Nacional Forestal, (Conaf) is the National Forest Corporation, a Chilean government agency that is part of the Chilean Agriculture Ministry. www.conaf.cl

with a population of more than 12,000 adults and children. At the same time, fieldwork was conducted to maintain a "Safe Forestland" by cleaning sites, building firewalls, grinding harvest residue, and other techniques.

In Argentina, fire-prevention programs are developed with experts from the National Plan for Fire Management (PNMF in Spanish), in coordination with the Provincial Plan for Forest Management (PPMF in Spanish) and the Ecology Ministry of Misiones Province. About 250 fires have occurred during the past two years, with an affected area of less than one hectare. Most of these fires were deliberately set.

To prevent arson, Alto Paraná manages an ongoing engagement program in neighboring communities. During 2012, the company's forest rangers implemented an education program for ten rural schools, each of which was visited three times during the year, with outreach to about 1,000 children. The company also held two training sessions with the Iguazú Protection Consortium, an entity which coordinates activities with forestry businesses to promote the prevention of wildfires. Its firefighters go through a formal training program that includes skill-certification assessment.

In Brazil, the wildland fire prevention and suppression program covers all of the company's operations. This program is intensified during the drier months of the year (from March to December). During that time, Arauco do Brasil coordinates training for the firefighting team. In addition, the company conducts continual surveillance of its land, and has made informal agreements with neighboring communities for the suppression of fires. The company also has formed an alliance with neighboring forestry businesses to exchange information and establish networks to detect and/or suppress fires. In addition, the company prepared an education program on fire prevention for children, with 1,099 students from schools in the area participating.

Soil and water management and landscape planning

Soil

The goal of ARAUCO's soil management effort is to reduce possible negative impacts of its operations on the forest. In 2012, measures were implemented in Chile to prevent excessive soil compaction and the subsequent loss in productivity. For example, Bioforest produced a Map of Eroded Soil Areas to assess soil fragility. This included theme maps depicting apparent density and percentage of clay and organic matter, among other factors. Flood maps also were produced to lay out routes needed to extract timber from the sites, and indicating the areas within the sites that are likely to accumulate rainwater.

Water

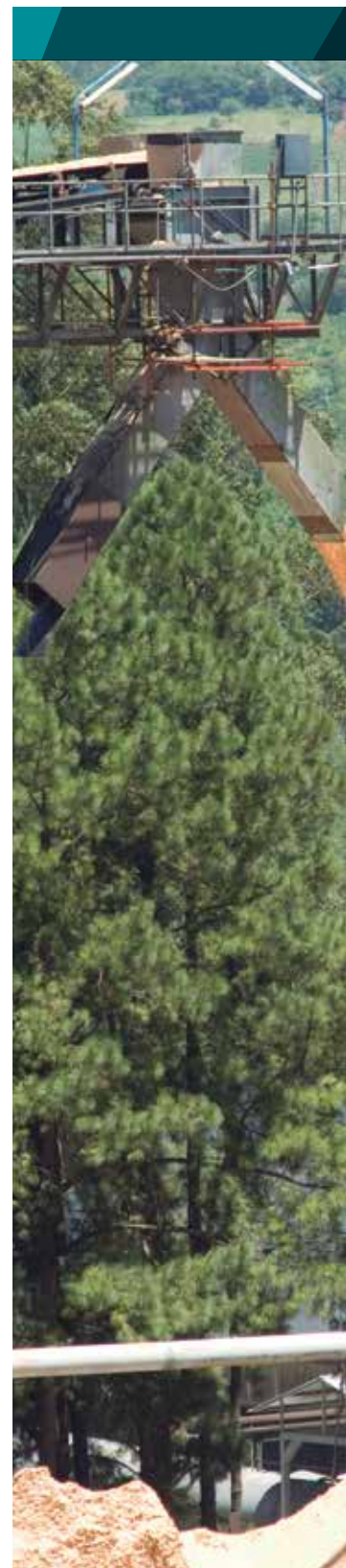
In Chile between 2010 and 2011, the company identified all sources of water for human consumption that could be affected by forestry operations on its forestland. In 2012, work focused on refining the hydrological model and its variables, a process including expansion of the protection areas for permanent and temporary water courses, increasing protection measures for water courses in the forestland, and developing plans of action to improve and/or maintain the quality of the water and protection areas.

In addition, guidelines were established for the integrated management of watersheds, known internally as "Territorial Management Areas," which encompass a number of landscape and hydrological variables. In its nurseries, ARAUCO employs a variety of agrochemical products which are approved under all of the international standards followed by the company. The nurseries also assess the quality of the water in water courses adjacent to them periodically, through measurements taken upstream and downstream of the nurseries. ARAUCO has maintained records of these measurements for more than 10 years.

In 2008, Alto Paraná adhered to the Integrated Management of Watersheds program in Argentina, which seeks the restoration of native vegetation growing on the banks of water courses. To date, more than 2,700 hectares (6,700 acres) have been restored. In Brazil, continuous monitoring of watersheds includes variables such as precipitation, water consumption of nearby communities and water availability, which allows the company to define trends and critical periods, and to design mid- and long-term programs.

Landscape planning

In Chile during 2012, variables were defined for forestry operation planning. These variables included size, harvest methods and harvesting plans designed to reduce impact on the landscape, especially near cities, towns, places of historical or touristic interest, and to reduce impact on soil, water and habitat fragmentation for wild flora and fauna⁴¹.



2012 ENVIRONMENTAL INDICATORS

	Aspect	Measurement Unit	2011	2012
F O R E S T R Y	USE OF INPUT MATERIAL*	ton/year		
	Insecticide	ton/year	56.0	57.8
	Herbicide	ton/year	257.8	236.4
	Other compounds	ton/year	5.8	7,6
	Fertilizer	ton/year	1,787.1	2,106.6
	Fungicide	ton/year	1.3**	1.31**
	TOTAL WATER CONSUMPTION***	m ³ /year	3,081,108	4,140,407
	SURFACE WATER CONSUMPTION	m ³ /year	220,406	2,509,164
	GROUND WATER CONSUMPTION	m ³ /year	3,081,108	1,631,243
	TOTAL SOLID WASTE	ton/year	198.7	170.6
	Hazardous waste	ton/year	Not available	79.7
	Non-hazardous waste	ton/year	Not available	90.9

* Consolidates Chile, Brazil and Argentina.

** Only Chile and the Misiones Unit in Argentina.

*** The 2012 figure includes water for nurseries and, in Argentina's case, water for fire suppression and the application of chemicals; in the Zárate unit, water for human consumption is included. In 2011, consumption in the Quivolgo nursery in Chile was not included.

⁴¹ The Public Overview of the Operation's Master Plan for Chile, Argentina and Brazil is available at the corporate website.

IN CHILE, TRUPAN MILL RECYCLED 97% OF ITS TOTAL NON-HAZARDOUS WASTE AND, IN BRAZIL, ARAUCÁRIA MILL RECYCLED 100%.



INDUSTRIAL FACILITIES

All of ARAUCO's production facilities have certified environmental management systems that ensure the traceability of the raw materials used. The timber used in the company's industrial processes is sourced exclusively from sustainably managed forest plantations. This chapter focuses on energy and water consumption, and the management of emissions, discharges, spills and waste.

During 2012, three Environmental Impact Statements and one Environmental Impact Assessment were submitted to the environmental authorities in Chile. Two were approved and two are still under review. In addition, two projects were submitted to regulatory authorities in Brazil.

Waste management

Hazardous industrial waste generation is regulated in every country in which ARAUCO operates, and all the units have waste-management plans in place. In addition, ongoing training is provided to people involved in waste management and disposal.

The company's facilities have increased the amount of material being recycled. In Brazil, for example, a project was implemented to make use of boiler ash in the forest. Studies conducted indicate that this initiative resulted in the gradual reintroduction of nutrients into the soil. During 2012, 2,320 tons of ash were applied to the land.

2012 OUTSTANDING WASTE MANAGEMENT INITIATIVES

WOODPULP	PANELS	SAWN TIMBER
<p>Chile: Interest is maintained on projects that reuse ash as a forest road stabilizer, in addition to other initiatives featuring an alternative use for sludge produced at the effluents treatment plant and dirty bark. The company attained RCA approval (Environmental Qualification Resolution) to shut down the industrial waste deposit at Arauco facility.</p>	<p>Chile and Brazil: Initiatives were developed to reduce waste such as rags, paper, plastic and packaging, and training and awareness campaigns were provided to support this effort. In Brazil, new suppliers with the capability to reprocess waste were identified. In Chile, Trupan recycled 97% of its total non-hazardous waste. In Brazil, recycling of non-hazardous waste ranged from 5.2% in Curitiba to 89.2% in Piên and 100% at the Araucária mill. In Argentina, the MDF mill reused 4,500 tons of ash in its power boiler, and the Chemical Division plant recycled 30 tons of solid waste.</p>	<p>Chile: Trials were conducted at water-oil separation system facilities to reduce this hazardous waste. An evaluation is underway to use this treated wastewater to water pastures, in accordance with pilot plant regulations.</p>

THE WOOD USED IN THE COMPANY'S INDUSTRIAL PROCESSES IS SOURCED EXCLUSIVELY FROM SUSTAINABLY MANAGED FOREST PLANTATIONS.



Spills

No significant spills were reported in the company's operations in Chile, Argentina and Brazil in 2012. During the year, a vulnerability identification and analysis process was developed. This process will lead to the implementation of measures that reduce the risk of accidental spills in a facility.

The company has a formal spill-control procedure, which includes such practices as waiting for the facility's Emergency team to arrive on site, and consulting product safety sheets of the product in order to take appropriate action, sealing leaks, and containing spills, among others.

Discharges

All of the countries in which ARAUCO operates regulate discharges, and all of the company's facilities have established monitoring parameters to ensure full compliance with legal requirements.

Pulp mill wastewater treatment at each facility must comply with specific environmental regulations and Environmental Qualification Resolutions (RCA in Spanish). All of ARAUCO's pulp facilities have secondary treatment systems, and the Valdivia pulp mill also operates a tertiary wastewater treatment system.

The Sawn Timber business operates primary wastewater treatment systems

that employ precipitation, flocculation and coagulation. These systems treat the wastewater produced in the kilns, which can then be recycled reducing the consumption of process water. The Viñales bioenergy plant has an effluent control system which discharges only the cooling tower effluent that complies with regulations, and recycles non-complying effluents for further treatment.

Emissions

At ARAUCO, particulate matter is controlled through mitigation equipment, such as scrubbers and electrostatic precipitators at the Viñales bioenergy facility, and similar equipment at the El Colorado and Valdivia saw mills.

Fine wood dust emissions in remanufacturing facilities are captured by bag filters. Collected sawdust is then sold as biomass fuel.



ENVIRONMENTAL INDICATORS

Aspect	Measurement unit	2010	2011	2012
Raw materials				
Fiber (Pulpable chips)	Million dry tons/year	5.6	6.4	6.8
Fiber (Pulpable chips)	dry tons/ADT	2.5	2.3	2.3
Sulfuric Acid	Kg/ADMT	21.9	25.7	22.0
Lime	Kg/ADMT	12.1	16.7	20.7
Oxygen	Kg/ADMT	19.7	23.8	23.1
Caustic soda	Kg/ADMT	25.6	25.1	22.5
Sodium Chlorate	Kg/ADMT	21.7	22.6	21.6
Hydrogen Peroxide	Kg/ADMT	3.3	3.0	3.0
Sodium Sulfate	Kg/ADMT	5.0	4.1	4.3
Sodium Carbonate	Kg/ADMT	2.4	4.1	5.1
Methanol	Kg/ADMT	2.8	2.8	2.7
Steam	t/ADMT	6.9	6.5	6.5
Total Energy Consumption**	Million GJ	9.5	12.6	13.9
Water consumption	Million m³/year	114.8	151.5	158.7
	m³/ADMT	50.1	53.8	53.4
Emissions				
SO ₂	tons/year	1,833	1,779	2,963
NO _x	tons/year	3,469	5,076	5,631
TRS	tons/year	207	424	299
MP10	tons/year	1,317	1,350	2,243
Wastewater discharges	Million m³/year	121	146	142
	m³/ADMT	53	52	48
Total solid waste	tons/year	266,100	347,100	353,784
	Kg/ADMT	91.5	151.6	117.1
Hazardous waste	tons/year	No information	7,144	6,169
Spills		0	1	0

* Consolidated totals for Chile and Argentina.

** Number includes electric energy, fuel oil, diesel, natural gas, propane, gas oil.

ENVIRONMENTAL INDICATORS

Aspect	Measurement unit	2010	2011	2012	
Raw materials					
Fiber**	Million m ³ ssc	5.71	6.14	4.47	
Resin	tons/year	233,281	221,985	152,032	
Formalin at 37%	tons/year	60,349	65,789	81,264	
Parafin**	tons/year	8,921	5,802	5,202	
Methanol	tons/year	73,622	66,946	71,795	
Urea	tons/year	73,718	76,640	71,586	
Melamine	tons/year	2,230	2,460	2,935	
Melamine Paper	tons/year	2,068	5,230	13,423	
Caustic Soda	tons/year	702	605	844	
Phenol	tons/year	1,709	1,363	1,759	
Total Energy Consumption***					
Electricity	Million GJ	1.25	1.2	1.84	
Petroleum	tons/year	NA	NA	1,676	
Gasoline	tons/year	NA	NA	1,164	
Liquefied gas	tons/year	NA	NA	2,067	
Biomass	tons/year	NA	NA	560,967	
Indirect energy consumption					
Biomass	GJ	NA	NA	638,978	
Water consumption***					
Million m³		5.76	5.86	4.39	
Surface water	m ³	NA	NA	2,296,591	
Ground water	m ³	NA	NA	1,917,403	
Municipal water supply or from other water companies	m ³	NA	NA	178,952	
Emissions****					
SO ₂	ppmv	41	57.7	61	
NO _x	ppmv	592.8	507.7	534	
MPIO	Ug/m ³	34.7	35.2	48	
Total particulate matter	Kg/year	NA	NA	2,043,057	
VOC	Kg/year	NA	NA	2,243,294	
Formaldehyde	Kg/year	NA	NA	190,860	
CO	Kg/year	NA	NA	467,678	
Wastewater discharges		m³/year	2,503,587	2,790,565	3,519,526
Total solid waste*****		tons/year	55,389.4	55,661.8	136,973
Hazardous waste	tons/year	NA	NA	4,376	
Non-hazardous waste	tons/year	NA	NA	132,597	
Spills			0	0	0

* Consolidated totals for Chile, Argentina and Brazil.

** Due to the fire at the Nueva Aldea plywood mill, no consumption was recorded at this facility in 2012. Argentina did not report consumption of Fiber, Resin Phenol, Formaldehyde, Formalin at 37% and Phenol.

*** In 2012, energy consumption was broken down into direct and indirect consumption, and water consumption was broken down into surface water consumption, ground water consumption and "other."

**** As of 2012 the number of indicators to be reported was expanded. Data for 2012 includes Chile and Brazil, but not Argentina.

***** The significant increase was due to the waste produced by the fire at the Nueva Aldea plywood mill.

NA: Not available.

ENVIRONMENTAL INDICATORS

	Aspect	Measurement unit	2010	2011	2012
S A W N T I M B E R	Raw Materials*				
	Logs	Mm ³ ssc/year	4,56	4,7	5,10
	Biomass	m ³ st/year	-	-	627,604
	Production				
	Sawn timber	m ³ /year	-	-	2,320,112
	Remanufactured wood	m ³ /year	-	-	325,977
	Electric Energy**	MWh/year	-	-	92,439.2
	Panels		-	-	332,221
	Energy consumption***	GJ	482,400	511,200	851,082
	Water consumption	m³/year	790,000	650,000	1,526,742
	Emissions****				
	MPIO	tons/year	873.82	775.18	NA
	CO	tons/year	2,063	1,830.3	NA
	NOx	tons/year	227.5	201.9	NA
	SOx	tons/year	12.1	10.8	NA
	COV	tons/year	33.38	29.6	NA
	CO2	tons/year	312,512.50	277,233.3	NA
Total solid waste	tons/year	3,850.10	3,438.20	15,930.6	
Hazardous waste	tons/year	-	497	2,448.6	
Non-hazardous waste	tons/year	-	2,941	13,482.0	
Spills		0	0	0	

GRI
EN1
EN3
EN4
EN8
EN17

The 2012 figures for panel production, water consumption and hazardous and non-hazardous waste include the Viñales bioenergy plant and the Nueva Aldea plywood mill.

* Log consumption data is for Chile and Argentina. Biomass data is for Chile only.

** Since August 2012

*** Consolidated totals for Chile and Argentina including the Arauco plywood mill and the Viñales bioenergy plant that were integrated into the Sawn Timber business in 2012.

**** In 2012 emissions did not include the Viñales plant. This data will be available for 2013.

NA: Not available

Environmental research

In addition to research conducted by Bioforest, ARAUCO supports scientific activities to increase and improve its knowledge of ecosystems, which the company needs in order to provide suitable ecosystem care and management. To that end, the company conducts high-level studies and research, such as the Marine Research Program of Excellence (PIMEX in Spanish)⁴² and the CFI Nueva Aldea Marine Environment Monitoring Program (PROMNA in Spanish), both in Chile⁴³.

The PIMEX program is being conducted by researchers at Concepción University.

The Program was established in 2006, shortly after the Nueva Aldea pulp mill began operation, to address environmental concerns regarding the coastal marine ecosystem of the Bío Bío Region. During 2012, ARAUCO continued to support PIMEX, which concentrated its efforts on biodiversity issues, oceanographic variability, sustainable fisheries and the protection of endemic species. The results of this work are analyzed and

42. PIMEX: The Excellence in Marine Research Program was established to provide answers to scientific and social concerns regarding the Itata river estuary coastal marine ecosystem in the Bío Bío Region. This is a voluntary program of cooperation between the private sector and Concepción University. This collaboration has provided concrete answers to environmental problems and generated interest in further scientific research in the region.

43. PROMNA: CFI Marine Environment Monitoring Program, which was established as a result of formal dialog between the company and interested stakeholders.

ARAUCO CONTINUED TO IMPLEMENT PROGRAMS FOR ENERGY EFFICIENCY AND ENVIRONMENTAL AWARENESS AT ITS INDUSTRIAL FACILITIES TO REDUCE ENERGY CONSUMPTION.

published in internationally renowned scientific magazines. During the year, PIMEX published eight scientific papers, made 11 presentations at scientific conferences and continued to provide local stakeholders with information about the operation of the Nueva Aldea pulp mill.

During 2012 ARAUCO, provided content to the Pontificiate Catholic University of Chile for a book entitled, "Coastal Wetlands of Chile: Scientific Contributions for their Sustainable Management." The company's contribution was based on its experience in management, conservation and protection of wetlands adjacent to its forestland and industrial operations.

Energy Efficiency

The company's Woodpulp, Panel and Sawn Timber businesses require energy to operate. ARAUCO operates biomass-based power plants that provide energy for its own industrial needs as well as a surplus that the company sells to national electric grids.

To further the reduction of energy consumption, the company's industrial facilities continued to implement energy efficiency and environmental awareness programs for its workers during 2012.

GRI
EN5
EN6

2012 OUTSTANDING ENERGY EFFICIENCY INITIATIVES

WOODPULP	PANELS	SAWN TIMBER
<p>Chile: Variable-frequency drives were installed on motors to reduce energy consumption, reducing pressure loss and consumption while in service. Energy-efficient lighting fixtures also were installed.</p>	<p>Chile: Measures to reduce energy consumption were implemented at panel facilities to comply with the country's Clean Production Agreement. Energy efficiency awareness campaigns were launched, operational excellence projects were implemented to reduce consumption on production lines, and measures were adopted to optimize lighting with new controls or by taking advantage of natural light. Activities also were organized to create awareness among neighboring communities and schools about ARAUCO's energy use.</p> <p>Argentina: The MDF mill continued to implement its energy-efficient light bulb replacement program. Biofuel consumption was reduced by reusing high-carbon-content ash, and by making full use of all of the energy content in biomass.</p> <p>Brazil: Measures for energy optimization continued.</p>	<p>Chile: The Valdivia saw mill and remanufacturing facility conducted an energy-efficiency pilot program. An energy audit also was conducted of the electric energy consumption and fuel consumption of boilers, mobile equipment and other machinery. Suggestions were made to reduce energy consumption through projects to be implemented during 2013. These include capital investments and training programs for employees at both facilities, in order to create awareness and skills training on more efficient operation.</p>

Water Management

During 2012, there were no recorded incidents of negative impacts on watersheds due to the company's industrial activities or from water-catchment systems. Flow meters are now being used in Brazil to maintain statistical control of water consumption.

2012 OUTSTANDING WATER MANAGEMENT INITIATIVES

WOODPULP	PANELS	SAWN TIMBER
<p>Chile: Investments were made to improve efficiency of water recovery and treatment systems in process lines. The success of these investments is reflected in a 3.5% improvement for the newer facilities and a 25-30% improvement for the facilities using older technology.</p> <p>Argentina: Alto Paraná conducted a study on ground water dynamics at the pulp mill site, to monitor its water use and possible impacts. To date, no evidence has been found pointing to changes in the condition of the riverbed.</p>	<p>Chile: The company continued to honor its water-management commitments to the Clean Production Agreement. Water recirculation processes were adopted at the Trupan facility, and a project to recirculate water from paint washing on the mouldings line was implemented, eliminating the wastewater generated by this line. In addition, the Nueva Aldea cogeneration power plant recovered about 90% of its steam condensate.</p> <p>Brazil: Water consumption remained stable at the Araucária facility, and a 6.5% reduction in water consumption was recorded at Pién. The Araucária facility reused about 888 m³ of its effluents in production processes, which was 8.3% greater reuse than in 2011. This facility attained a 23.2% reduction in wastewater, and its retaining tanks were modified to divert rainwater into the wastewater treatment plant.</p>	<p>Chile: Saw mills that include kilns maintained systems for the separation of solids, which allows the recirculation and reuse of wastewater generated by the kilns and from purging of the biomass boilers.</p> <p>Argentina: The Piray saw mill installed a drying-water cooling system, reducing the impact of hot wastewater effluent. Log deck watering was eliminated, which reduced ground water consumption.</p>

GRI
EN9
EN11

FOREST MANAGEMENT CERTIFICATION

ARAUCO seeks to comply with the Principles and Criteria of the FSC forest-management standard, because they are consistent with the company's sustainability strategy, they add value to its operations, and they have become part of the organization's continuous improvement efforts. The company's adoption of certification began in 2000, when it attained certification to a number of forest management standards, such as CERTFOR in Chile and CERFLOR in Brazil. During the last several years, ARAUCO has been working toward attainment of FSC forest management certification for its operations in Chile and Argentina. In Brazil, the company seeks to extend FSC certification to all of the forestland it manages in that country.

In 2012, more than 40 new forest-management practices were implemented in Chile in areas such

as labor relations, environment management, and community participation and consultation. The implementation of these practices was proactively publicized and each was followed by a series of public meetings and field visits with members of the community. In total, the company organized 15 such consultations, which were attended by more than 800 people⁴⁴.

In October, Woodmark/Soil Association, a UK-based certification body, conducted a full assessment of the company's operations in Chile against FSC forest management standards. The results of the assessment were reported in February, 2013. The audit identified one Major Non-compliance, 21 Minor Non-compliances and 14 Observations. The company continues to work on correcting the non-compliances reported by the auditor⁴⁵.

⁴⁴ For more detail on the new forest management practices in Chile, visit the corporate website.

⁴⁵ The results of the main assessment were received at the publication deadline of this Report and will be presented and explained in the next Sustainability Report.

FOREST MANAGEMENT PROGRESS IN CHILE⁴⁶



ENVIRONMENTAL PRACTICES

- 1 Developed and distributed the Biodiversity and Ecosystem Services Policy.
- 2 Identified native forests converted since 1994 in accordance with FSC criteria and developed a Restoration Program.
- 3 Monitored impacts on biodiversity resulting from company operations.
- 4 Identified and managed High Value Conservation Areas (AAVCs).
- 5 Monitored and controlled introduced invasive plants.
- 6 Planned harvests for separate, non-adjacent forest holdings.
- 7 Eliminated controlled burning to rehabilitate forest sites.
- 8 Identified and protected water courses.
- 9 Improved soil- and road-erosion control.



LABOR PRACTICES

- 1 Adopted new Labor Relations Model.
- 2 Furthered Good Practices in Labor Relations between workers, collaborators and new hires.
- 3 Implemented training to improve labor relations. More than 400 people in supervising positions, as well as 100 union leaders of third-party businesses providing services to the company participated in training courses at INACAP – the National Institute of Professional Training in Chile.
- 4 Invested US\$ 14 million during the last three years in improvements for forestry workers' infrastructure and labor conditions at forestry camps. Investments also were made to improve transportation service and to provide mobile cantinas.



SOCIAL PARTICIPATION PRACTICES

- 1 Created an ongoing consultation process for the community and stakeholders regarding relevant forestry operations (plantation, harvest, transport, thinning and other issues). To ensure the commitments made during the consultation process, ARAUCO has incorporated them into its Integrated Management System.
- 2 Created a Participation and Consultation Management function to coordinate consultations and the fulfillment of the company's commitments.
- 3 Defined a Relationship Policy with the Mapuche people.

As part of the FSC forest-management certification process in Misiones, Argentina, the company trained all of its own employees and forestry contract workers on the FSC Principles and Criteria. The company also completed a diagnosis of society's perception of the company's forestry and industrial activities in Misiones Province, which will be used to update the Community Forest Management Plan. In addition, the company began a study to collect information about neighboring indigenous communities and their use of land for spiritual activities, acquiring medicinal resources, and the collection of firewood, among other purposes.

Arauco do Brasil's Campo do Tenente and Morungava forestry units have been certified as compliant with FSC

forest-management standards since 2003, and its Arapoti unit has been under certification since 2009. The company is currently working to attain FSC forest management certification for the Tunas do Paraná forestry unit, which encompasses 25,404 hectares (62,775 acres). In 2012, Arauco do Brasil continued its programs and activities to broaden its dialog and strengthen its relationship with neighboring communities, and took action to prevent and mitigate negative socio-economic impacts of its forestry operations. The company also broadened the scope of biodiversity conservation research being conducted, and expanded the application of better environmental practices in the areas in which it operates, using an approach called, "Shared Value".

⁴⁶ All the information on the certification process and measures that were implemented are available at www.arauco.cl

COMMUNITY, PARTICIPATION AND DIALOG



COMMUNITY, PARTICIPATION AND DIALOG

GRI
DMA
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4.15
SO9
SO1
SO10

IN 2012, ARAUCO ALLOCATED US\$13.4 MILLION TO CORPORATE RESPONSIBILITY PROGRAMS FOR COMMUNITIES IN CHILE, ARGENTINA AND BRAZIL.

For ARAUCO, Good Citizenship means respecting, listening to, informing, collaborating and working responsibly with the communities in which the company operates. ARAUCO considers the maintenance of positive community relationships to be an integral part of its activities. To foster and strengthen these relationships, the company is in constant dialog with its neighbors to identify, reduce and mitigate negative impacts resulting from its operations and to look for opportunities to increase the company's contribution to local social and economic development.

This commitment is systematically applied by following the guidelines set forth in ARAUCO's Integrated Model for Sustainable Development (MIDES in Spanish)⁴⁷, through which structured relations are established with stakeholders according to the areas of influence and territories in which the company operates. In Chile, as well as in Argentina and Brazil, ARAUCO has identified the areas in which to focus its

community activities. Also, dialog initiatives and programs are implemented, evaluated and managed so as to generate results that add value for all stakeholders.

The level of stakeholder engagement has increased in the last few years, and is manifest in ongoing dialog and company-community interaction generated by the development of new investment projects. This allows the company to implement mutually beneficial initiatives for social development, in accordance with the specific needs and conditions in each country and location. Examples of initiatives include: the establishment of training schools as a result of new investments in Chile; programs in Brazil that are related to achieving United Nations Millennium Development Goals; and eco-tourism development initiatives in Argentina.

Through the MIDES model, social-benefit activities are concentrated in three areas: Involvement, Social Investment and Shared Value.

NEARBY COMMUNITIES AND AREAS OF SPECIFIC INTEREST

COUNTRY	Nearby communities	Areas of specific interest
Chile	124	33 communes
Brazil	21	9

* In Argentina, operations with potential or actual impacts are being identified. At present, initiatives are being conducted in the areas closer to company facilities.

⁴⁷ For more information on MIDES, refer to ARAUCO's 2011 Sustainability Report.

SHARED VALUE

ARAUCO has integrated certain elements of its Shared Value concept into its community relations strategy, in an effort to ready the Company to take on new challenges in this area. In addition to various Corporate Social Responsibility programs, the company implemented a number of important initiatives during 2012 that are built upon dialog and methods of collaboration. An example of these is controversy management, a collaborative process intended to turn potential conflicts into mutually beneficial solutions through dialog, cooperation and joint problem-solving with the community.

This approach has allowed the company to combine parallel lines of work and systematically develop programs with specific timelines and measurable outcomes, and has provided a foundation for the application of business solutions to the social and economic development of the communities in which ARAUCO operates.

In 2012, the company hired the consulting firm FSG, founded by Michael Porter and Mark Kramer, to diagnose existing programs and identify which types of initiatives were related to the generation of

Shared Value. Based on joint work with FSG and the work on the MAPA Project, which is being planned in Arauco province, two pilot initiatives aligned with creating Shared Value were developed in Chile (see page 32). ARAUCO workers, its neighbors, and community members take an active role in each of these initiatives.

The first pilot initiative is a program for technical training on forestry and industrial issues. The goals of the initiative are to provide the company with access to a trained local workforce that will facilitate future efficiency in its facilities, while improving the skills, employability, and wage-earning potential of the program participants.

The second pilot initiative is entitled, “We Are Partners.” The program provides incentives to private landowners in Arauco province to make more productive use of their land, including the afforestation of bare land in areas suitable for commercial forestry. The initiative provides training and financial incentives for the diversification of land use, empowers land owners to attain better economic and sustainability benefits from their land, and creates potential new sources of raw material for the company.



PARTICIPATION AND DIALOG

Participation and dialog with stakeholders and communities are focal points of the company's sustainability strategy. ARAUCO actively solicits input from stakeholders, and incorporates expressed needs and concerns in its decision-making. Stakeholder input has helped shape the manner in which ARAUCO conducts business in such areas as: procedures and systems for efficient management and teamwork; the fulfillment of commitments made to suppliers and customers; strengthened relationships with workers and neighbors; and proactive dialog and stakeholder consultation based on enhanced transparency and honest communication.

GRI
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In 2012, ARAUCO engaged with 91,594 individuals from stakeholder groups in various areas of interest. These contacts included visits to industrial facilities and forestry operations, visits to parks open to the community, informational meetings, one-on-one meetings, and responses to requests for specific information requests.

ARAUCO STAKEHOLDERS

WORKERS

direct and indirect, and their families

SERVICE PROVIDING BUSINESSES AND SUPPLIERS

SHAREHOLDERS AND CUSTOMERS

NEIGHBORING COMMUNITIES

near forestry and industrial operations

INDIGENOUS COMMUNITIES

ORGANIZATIONS

non-profit and civil society

AUTHORITIES

local, regional and national

UNIVERSITIES

COMMUNICATION MEDIA

2012 MILESTONES

The following participation and dialog activities took place in Chile, Argentina and Brazil during 2012:

- ➔ Worker participation was enhanced through initiatives such as the communication of corporate values and meetings between the CEO and company executives.
- ➔ In Chile, 56,806 contacts were made through open houses, public forums, meetings, visits, and stakeholder comments received through the company's different venues. This participation and dialog allowed ARAUCO to improve its understanding of nearby communities and to better manage the positive impacts and reduce the negative impacts of its operations on its neighbors.
- ➔ A Citizen Participation process was conducted during the construction of the Teno mill, which included informational meetings and visits to the company's facilities, as follows: 86 Open Houses; 55 community meetings; visits to the Trupan mill in Yungay, in the Bío Bío Region; and door-to-door outreach to 1,350 homes in the area.
- ➔ A Perception Survey was conducted in seven communes in the Chilean regions of Maule, Bío Bío and Los Ríos. The research objective was to collect baseline data for a system of monitoring the opinions of relevant actors and the development of a tool to better manage the company's reputation. A total of 2,132 people responded to the survey.
- ➔ In Argentina, research was conducted to build a better understanding of community perceptions of the company. Interviews were conducted with heads of households and civil society actors. In addition a number of focus groups were conducted and opinion surveys were conducted among employees of third-party service providers.
- ➔ A program was started to take contract worker family members on visits to the San Jorge Forest Reserve in Argentina.
- ➔ In Argentina's Misiones province, formal letters of commitment were signed with four municipalities to jointly develop projects to provide service infrastructure for those communities.
- ➔ Arauco do Brasil broadened its stakeholder network. The company held meetings to discuss the concept of Shared Value and conducted conferences on environmental education and Municipal Networks for Education.
- ➔ Arauco do Brasil developed public presentations about the MDF production process and conducted technical visits to the forestry units of industrial facilities.

DIALOG PROCESSES AND ACTIVITIES

	Processes	Dialog activities	Number of participants / attendees in 2012
CHILE	• MAPA Project	• Open Houses, Visits	• 36,854 contacts
	• PRES Constitución	• 369 Meetings, Open Houses	• 9,572 attendees
	• FSC forest-management certification process for forestry operations	• 10 Hybrid Forum work sessions • 1 Hybrid Forum general meeting • 8 Public Meetings with stakeholders	• 70 participants • 80 attendees • 565 attendees
	• Understanding Forestry Operations Program	• 7 Guided tours of forestry operations	• 239 people
	• Housing Forums	• 28 forums	• 700 attendees
	• Values Campaign	• 23 workshops	• 300 attendees
	• 2011 Sustainability Report Launch	• 5 Open meetings • 12 Internal workshops	• 344 people • 275 people
	• Citizen Participation at Teno MDP Mill	• 38 Open House meetings • 24 Public Meetings • Door-to-door visits	• 620 people • 400 people • 1,350 homes visited
	• Community Participation and Consultation	• 380 Meetings with the local community, Mapuche community and commune residents	• 5,437 people
	• Program for visits to industrial facilities	• Programs	• 6,658 visitors
	• Program for visits to Parque Oncol	• Park open to the community	• 12,386 visitors
• Program for visits to Parque Coyanmahuida	• Park open to the community	• 3,940 visitors	
• Program for visits to Coyanco lagoon	• Park open to the community	• 4,394 visitors	
ARGENTINA	• San Jorge Forest Reserve Program	• 30 guided tours and recreational activities	• 500 people (about 120 families)
	• Community perception research	• Interviews with 32 civil society role models; 388 face-to-face surveys at homes; 6 focus groups; 330 surveys conducted among employees of third-party service providers	• 830 people
	• Program for visits to industrial facilities	• 4 Plant visits	• 875 visitors
	• Program for visits to industrial facilities	• Guided tours of forestry operations	• 448 visitors
BRAZIL	• Consultation of forestry operations	• Meetings	• 69 contacts in communities
	• Social impact management and monitoring	• Diverse mechanisms for feedback	• 76 issues addressed
	• Shared Value	• Workshops	• 650 people
	• Environmental education	• Conferences	• 2,107 attendees
	• Municipal Network for Education	• Conferences	• 1,457 attendees
	• Industrial and forestry production process	• Presentations	• 219 people
	• Program for visits to industrial facilities	• Guided tours of forestry operations	• 136 visitors
• Program for visits to industrial facilities	• Guided plant tours	• 43 visitors	

GRI
4.16

DIALOG FOR LOCAL DEVELOPMENT

During 2012, ARAUCO initiated a participatory process of communication and dialog, engaging the communities of Laraquete-El Pinar, Horcones-Carampangue, the city of Arauco and company workers about progress on the MAPA project. Stakeholder engagement took the form of 36,854 contacts made through visits to the Horcones Complex, activities conducted in four Open Houses held specifically for the MAPA project, general meetings, workshops, and door-to-door contacts, among other means.

GRI
EC8
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This initiative allowed the company to build its understanding of the opinions of neighbors, workers and their families regarding the project, and to identify stakeholder priorities for development in each location. Based on these results, invitations were made for people to participate in public forums or group meetings to define the scope of the development programs in each community. Technical proposals were designed in response to stakeholder input, with community members, workers and technical teams participating in the development process.

Contributions coming out of the forums were incorporated into the project plans, and implementation details were added. The community was again invited to meetings where the company provided information about the specific projects that would be part of the development program for each local area, including implementation deadlines and the economic and social issues addressed by each project.



FORESTRY OPERATIONS

ARAUCO maintains permanent channels for dialog with stakeholders for all of the industrial and forestry operations in the countries in which it operates. The company has strengthened its relationship with third parties in recent years, enabling ARAUCO to become a better neighbor.

Forestry units in Chile, Argentina and Brazil maintain ongoing consultation with communities in order to provide insights into their operations and to better understand the opinions of their neighbors. In Chile, the company held 380 community meetings during 2012. These sessions were attended by 4,537 neighbors, and more than 1,400 community-related agreements were reached.

In Brazil, all forestry operations conducted stakeholder consultations. The company talked with 113 people and addressed 76 stakeholder-raised issues. Neighbors of the four forestry units cited road maintenance, opportunities for employment, and social development as positive issues, while local poverty and truck traffic were mentioned as negative issues.














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Procedure for Complaint Management and Conflict Resolution

In Chile, the Procedure for Complaint Management and Conflict Resolution⁴⁸ was updated. The procedure, which applies to all areas of the business, products and services, was communicated to internal and external stakeholders through the company's Integrated Management System, a call center, an internet platform that receives and manages communications received through web pages, toll free telephone lines, mailings, and a complaint sheet available to third parties. Similar mechanisms exist in Argentina and Brazil. Stakeholder requests, questions and complaints are managed and resolved according to the existing procedure, which seeks to provide mutually satisfactory solutions.

Social networks

Specific websites for projects or technological platforms have been created in Chile, Argentina and Brazil in order to facilitate stakeholder access to company information and allow people to submit questions or register complaints. Telephone numbers, websites, e-mail addresses and social network accounts such as Facebook, YouTube, Flickr and Twitter are available to the public.

	Channels for contact	N° of contacts in 2012
CHILE AND CORPORATE OFFICES	 Toll free line 800 370222	2,042 calls
	 www.foroabierto.cl	8,492 visits 79 comments
	 www.arauco.cl	437,085 visits
	 www.araucosoluciones.com	34,270 visits 519 comments
	 www.facebook.com/AraucoSolucionesSostenibles	13,400 followers
	 @AraucoSoluSost	769 followers
	 www.innovarauco.cl	9,311 visits
	 www.nuevohorcones.cl	6,500 visits * 38 comments on the website 40 questions
	 www.altoparana.com	-
	ARGENTINA	 Toll free line 0800 2772
 información@altoparana.com		1,320 e-mails received
 Mailboxes for questions		45 comments in mailboxes
BRAZIL	 assuntoscorporativos@arauco.com.br	More than 20 e-mails received and 18 answered.

* From August to December.

⁴⁸ The Procedure for Complaint Management and Conflict Resolution is available at the corporate website.

COMMUNITY IN CHILE

Though the initiatives related to MIDES address a wide range of programs, this chapter highlights four which focus on local entrepreneurship based on innovation and the creation of Shared Value⁴⁹.

Training schools

To support its own projects, ARAUCO established three training schools in an effort to increase employability and promote hiring from a local, qualified workforce by the company, its contract companies and other businesses in the sector.

Horcones training school for nursery workers: In 2012, 144 women and 6 men were trained on plant growing techniques, occupational health and safety practices, and social skills. Eighty graduates of this program stayed on to work at the company's nursery in Horcones. The remaining students now have the skills needed to start their own vegetable-growing businesses.

NURSERY WORKERS TRAINING SCHOOL



Training school for carpenters: In 2011, the company opened a training school for carpenters in Constitución. In 2012, the experience in Constitución was evaluated and replicated in the Los Álamos commune. The purpose of the school is to develop the skills that will qualify individuals for employment in construction jobs for ARAUCO's Housing Program for Workers.

TRAINING SCHOOL FOR CARPENTERS



Teno training school: During the construction of the Teno panel mill, a training program was implemented in order to improve the employability of local individuals, develop technical skills for the company, and provide opportunities for employment for the residents of the province of Curicó. As a result of this process, 105 people were hired to work at the Teno mill. Six months after the program ended, 90% of the graduates were employed; 83% were earning higher wages than they had before the program; and 82% of the people that were not hired by the Teno mill found employment elsewhere.

TENO TRAINING SCHOOL



Housing Program for Workers

In 2012, ARAUCO continued the implementation of its Housing Program for Workers. The program provides guidance to families during the public housing application process, and hires third-party experts for the development of the projects. The goal of the program is to improve the quality of life for the company's workers, the contract workers employed by third-party service providers, and the neighboring community. Using and promoting the features of wood, this initiative has fostered the construction of houses and neighborhoods with a high degree of structural quality and livability.

ARAUCO's objective is to create 30 new neighborhoods and build 9,000 houses by 2016. This includes 6,000 houses for workers and contract workers, and another 3,000 houses for families of workers and their neighbors in existing communities. This program development process included community participation at 20 housing forums, in the Maule and Los Ríos regions. All of the

⁴⁹ ARAUCO's main initiatives with communities in Chile, Argentina and Brazil are available at the corporate website.

neighborhoods feature homes designed for possible future expansion by their owners.

During 2012, 573 houses were completed, 291 of which were designated for ARAUCO workers and 282 for the community. In addition, the Villa Verde project in Constitución will be delivered during the first half of 2013. The first phase of this project includes 484 houses of approximately 450 to 600 square feet (42 to 56m²), 306 for workers and 178 for neighbors. Another 236 houses are in the design-review phase, and housing subsidies have been approved for Los Álamos and Arauco communes. From the beginning of construction in 2011 through the end of 2012, ARAUCO's Housing Program for Workers has completed a total of 1,293 mortgage-free houses.

Housing projects inaugurated in 2012

Villa Parque Forestal de Curanilahue

450 houses of 495 sq. ft. (46m²) were completed and delivered to 209 workers and 241 neighbors. Of these families, 60% were affected by the 2010 earthquake, and not all of them had their own homes prior to participating in this program.

Villa Forestal San José de la Mariquina

123 families benefited from the delivery of 430 sq. ft. (40m²) housing solutions. Of these, 82 were worker's families and 41 were families of community members. Most of the workers hold job positions in forestry.

HOUSING PROGRAM FOR WORKERS


573
HOUSES
delivered


291
WORKERS
benefited


282
NEIGHBORS
benefited


9,000
HOUSES
by 2016

SOCIAL INNOVATION

During 2012, ARAUCO's Social Innovation working group made progress in the design of a process to define social initiatives, resulting in a selection of projects to enter the pilot phase:



AcercaRedes Center in San José de la Mariquina

AcercaRedes is a virtual center for innovation and entrepreneurship designed for implementation in areas with low population density. The center is based on the strategic orchestration of networks at the local, regional and national levels, and seeks to increase the impact on local development and make more efficient use of the resources allocated for local economic development.



CONECTA2 in Constitución

This network promotes and systematizes the exchange of knowledge, skills, and services among workers, family members, and organizations near ARAUCO's operations. The Conecta2 pilot program was produced in collaboration with the NGO "Cívica". Six months after Conecta2 began operating some 100 members have made more than 300 transactions.



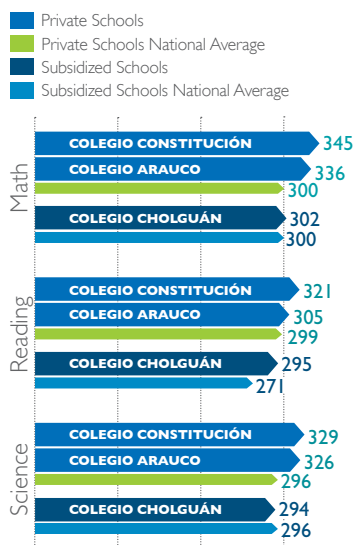
Education and culture

Support for education is one of the ways in which ARAUCO contributes to the improvement of the quality of life in the communities near its operations. The company's support includes maintaining three schools and the operation of the Arauco Educational Foundation, which supports excellence in municipal education and culture-promotion programs.

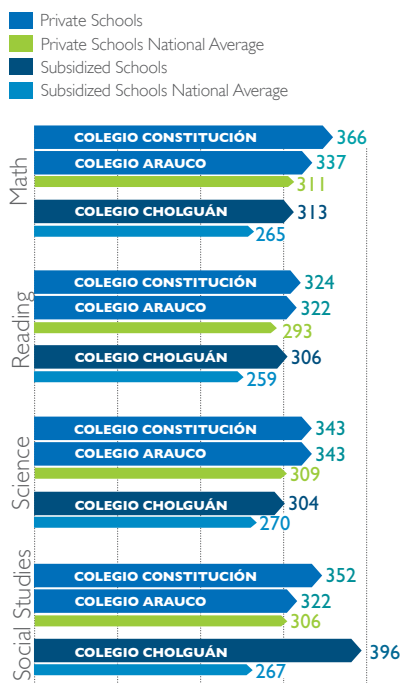
Schools of excellence

In 1981, the company established three schools: Arauco⁵⁰ and Constitución⁵¹, which are private schools, and Cholguan⁵², which is a subsidized private school. Combined, these schools provide education to 1,156 students. Each of the schools has demonstrated excellent academic performance, and has helped their students realize their full learning potential. In 2012, for example, the Constitución school was honored as having ranked highest in the country in Chile's most recent SIMCE⁵³ standardized testing of fourth and eighth grade students.

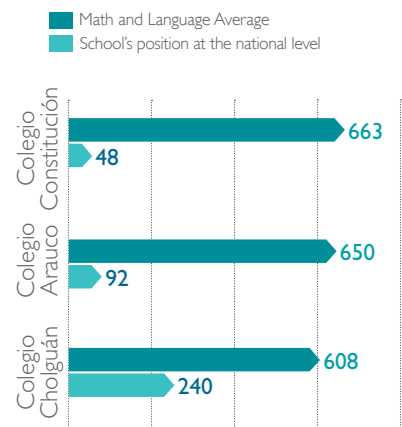
2011 SIMCE 4TH GRADE



2011 SIMCE 8TH GRADE



2011 PSU RESULTS



50 www.colegioarauco.cl

51 The Constitución school website is currently under construction.

52 www.colegiocholguan.cl

53 www.simce.cl

ARAUCO EDUCATIONAL FOUNDATION

Arauco Educational Foundation⁵⁴ was created in 1989 to support excellence in municipal education and provide access to culture for children and young adults in the communes near ARAUCO's operations. It works to achieve its goals by building alliances with the municipalities and Chile's Education Ministry.

The Foundation's work focuses on improving the quality of teaching through teacher improvement programs that provide pedagogical tools that help deliver quality education in areas such as oral and written language, mathematical-logical reasoning, promoting culture, developing self-esteem, pedagogical management, and special-needs education.

23 YEARS IN NUMBERS

73
EDUCATIONAL
programs

33
COMMUNES

557
SCHOOLS

4,750
TEACHERS

85,740
STUDENTS
benefited in Maule, Bio Bio
and Los Ríos regions

Training

During 2012, teacher training was delivered in 22 communes. The training focused on improving teaching skills in oral and written language, mathematical-logical reasoning, development of self-esteem and pedagogical management, as well as pedagogical leadership for school directors. In the cultural area, the Foundation conducted initiatives

aimed at promoting good reading habits and supporting the development of youth orchestras. In 2012, three Foundation programs were concluded:

- ➔ "Interactive program for the development of elementary education"
- ➔ "Program for teacher teams' self-esteem and reinforcement"
- ➔ "Early reading and writing"

BENEFICIARIES

Region	Communes	Municipal schools	Teachers	Students	Programs
Maule	4	58	292	3,543	4
Bío Bío	14	172	1,061	12,238	6
Los Ríos	4	57	228	3,875	4
TOTAL	22	287	1,581	19,656	14

Development

During 2012, the Foundation's Development area coordinated the evaluation of seven programs that were being implemented. This included the in-field application of assessment instruments and questionnaires for more than 8,000 students, 750 teachers and directors of 14 communes who supported the programs in order to quantify the results of the teacher-training effort.

In the research field, the results of the Foundation's "Study of Written Production in School Students" were released. The study was conducted by professionals of the Arauco Educational Foundation in alliance with the Center for Advanced Research in Education of the University of Chile (referred to as "CIAE" in Spanish). The study was based on an analysis of 945 evaluations of students in low socio-economic families attending urban and rural municipal schools ranking below the national average on SIMCE test scores.

⁵⁴ www.fundacionarauco.cl



ARAUCO EDUCATIONAL FOUNDATION AWARDS

In 2012, Arauco Educational Foundation held its fourth award ceremony to honor a teacher who is recognized by the educational community as an outstanding educator, and honor the commune that most improves readership of its students. This year's winners were Yéssica Soto, a teacher at Fernando Santiván school in Valdivia, and San Nicolás commune. In recognition of its achievement, the commune will receive company financing for a project entitled, "A dream for our commune."

Promoting access to culture

ARAUCO promotes initiatives that provide access to culture in order to benefit residents in the areas in which the company operates. Among these initiatives are concerts, theatre plays, art exhibits, and other activities.

The major milestone achieved in 2012 was the start of construction on the modern Cultural Center for Arauco commune, which had been severely damaged during the 2010 earthquake. This project includes a first-class library, a community auditorium, and multi-purpose rooms to provide venues for cultural, social and educational workshops. The project is being built on a 16,000 sq. ft. (1,500m²) site. The opinions of neighbors, gathered through a formal stakeholder engagement process, were

considered in the planning and design of the center to ensure that the facility reflects the commune's cultural diversity and serves its needs.

In addition, during 2012, ARAUCO continued to support youth orchestra programs, seeking to instill in orchestra participants both technical and musical skills. The company started a program entitled, "Growing the Future Through Music: 2012-2014," through which it forwards donations to the Foundation for Children and Youth Orchestras of Chile (FOJ) in Spanish). ARAUCO has helped finalize four funding agreements for the orchestras of Curanilahue (2009), Ayekafe of Arauco (2010), Ludovico Rutten of Talca (2010/2012) and CIFAN of Valdivia (2012).

THE EFFORT TO REBUILD CONSTITUCIÓN INCLUDES AN INVESTMENT OF US\$157 MILLION AND THE PARTICIPATION OF MORE THAN 22,000 PEOPLE.

PRES CONSTITUCIÓN

The Sustainable Reconstruction Plan for the city of Constitución (Maule Region, Chile) is a public-private alliance comprised of ARAUCO, the Housing and Urbanism Ministry and the Municipality of Constitución. The alliance was established after the earthquake in 2010 to rebuild the city with a vision for the future, taking into account the pillars of excellence and quality, citizen participation, and technical, social and political viability, and to transform Constitución into a sustainable city for its 50,000 residents.

An innovative program of citizen participation was implemented. This included the collaborative efforts of a team of technicians and professionals from the architecture firm Elemental, the British firm ARUP, Talca University, Chile Foundation and Marketek. Together, the team designed the Plan in 90 days, generating 28 projects for infrastructure, urban equipment, social housing, public buildings, and public open spaces.

Teams from the Housing Ministry, the Regional Government of Maule, the Municipality of Constitución, ARAUCO, and PRES, in addition to private businesses and corporations, and nonprofit foundations, have added their efforts to the reconstruction of Constitución, using the PRES plan as their navigation chart.

Towards the end of 2012, the PRES plan – which requires a total investment of US\$157 million during a five year period – had 32% of its projects under execution or completed, and 57% of the projects in stages of design approval or out for bid on their execution. This

implies that, of the projects with committed funding, eight ended, five continued or began their construction and 13 finished the design stage and entered the process of approval from public entities. Another two initiatives are in the fundraising stage.

As part of this process, in 2012, the Mutrún Soccer Stadium was completed, a project requiring an investment of US\$600,000 which was contributed in equal shares by ARAUCO and FIFA. In addition, the Maule River Park project layout was finalized, and Echeverría Avenue has been completely realigned, work that complements the park. A protocol was signed for the reconstruction of the coastal boardwalk and the construction work to renovate the Gilda Bernal school. In addition, terms were drafted for a contract for the construction of the Cultural Center in Constitución.

The Echeverría boardwalk, which is part of the Maule River Park project in Constitución, is expected to be completed in 2013, as are 484 houses in Villa Verde that will be delivered to their owners.

Of particular importance is the unprecedented citizen participation and involvement process that the PRES plan has promoted since its beginning, when community members decided, by ballot, which projects they considered to be most relevant. Three years after the quake, a PRES Open House is an important meeting point among local communities that are still seeking to finish their projects. To date, more than 22,000 people have participated in more than 1,200 meetings that have been organized.

PRES CONSTITUCIÓN PROJECTS



TSUNAMI MITIGATION PARK

Financier: Housing Ministry
Investment: US\$41 million
Design: Moebis & Asociados / PRES technical commission
Status: Project engineering is complete; it is in the process of approval by MIDESO (Social Development Ministry, formerly known as MIDEPLAN).



VILLA VERDE HOUSING

Financier: Serviu
Investment: US\$15 millions
Design: Elemental – work in progress
Status: Stage 1 will be delivered during the first half of 2013 (484 houses); For stage 2, 260 houses have been budgeted for construction.



MUNICIPAL LIBRARY

Financier: Itaú
Investment: US\$761,000
Status: Out for bid.



RECOVERY OF CIVIC CENTER PLAZA ARTURO PRAT

Financier: Banco de Chile
Investment: US\$428,000
Design: Elemental
Status: Awaiting approval by MIDESO.



WATERFRONT DECK AND BIKE PATH

Financier: Banco Santander
Investment: US\$267,000
Design: Elemental
Status: Awaiting approval by MIDESO.



PLAZA SEÑORET

Financier: MINVU
Execution: Housing Ministry
Investment: US\$2 millions
Design: Elemental
Status: Awaiting approval by SERVIU.



RESIDUAL HEAT SWIMMING POOL

Financier: ARAUCO
Investment: US\$1.3 millions
Status: In the fundraising process.



CULTURAL CENTER OF CONSTITUCIÓN

Financier: National Council for Culture and the Arts
Investment: US\$1.7 millions
Design: Elemental
Status: Out for bid.

NATIVE PEOPLE

ARAUCO recognizes native people as dynamic, vital cultures in today's world. The company is mindful to respect native culture and traditions, and to dialog with native people wherever interactions with the company occur.

In Chile, ARAUCO has made a commitment to move forward into a new stage in its relationship with native peoples. Strengthening ties with the indigenous Mapuche people is of particular importance, as their communities exist near the company's facilities and forests, as do many of their sacred ceremonial sites and cemeteries. ARAUCO engages with Mapuche people through collaboration on projects for local cultural, religious and social development, programs promoting entrepreneurship, and by supporting economic activities, such as the extraction of non-timber forest products from the company's forestlands.

This relationship has provided ARAUCO with a better understanding of the communities, their activities, and their needs. The company interacts with 311 distinct Mapuche communities near its facilities and forests.

In 2012, the following initiatives were implemented:

- ➔ ARAUCO developed a **Mapuche Community Relationship Policy**⁵⁵ and distributed the policy throughout its operations in Chile.
- ➔ **Sites of religious and/or cultural interest in the company's forestland.** In 2012, through a third-party participation process, new cultural and religious High Value Conservation Areas (AAVCs in Spanish) related to Mapuche communities were identified, increasing the total number of AAVCs from 19 to 57.
- ➔ The company launched a **Continuous Training Program** to promote understanding of Mapuche culture within the organization and



its contractors. Three training workshops were held in 2012, with 90 people in attendance.

- ➔ **Mechanism to Stimulate Mapuche Local Employment.** ARAUCO worked to identify the optimal forestry operation conditions necessary to generate opportunities for training and employment of neighboring Mapuche communities.
- ➔ **Forestry Operations Consultation Process.** Within its framework of stakeholder dialog the company held 59 consultations in 2012 with 1,114 Mapuche participants. Eighty percent of these consultations were held in the La Araucanía, Los Lagos and Los Ríos regions.
- ➔ **Local Development Program for Mapuche Communities.** Through MIDES, ARAUCO maintains development programs directly with Mapuche weavers and with various social organizations in order to support initiatives that foster the growth of native businesses or that increase production of salable commodities. Such initiatives include agricultural irrigation, apiculture, and the production of firewood and charcoal.

In Argentina during 2012, ARAUCO commissioned a research study of Mbya Guaraní indigenous communities located in the Alto Paraná area of influence so that it could better understand the lifestyles and needs of communities near its operations. In Brazil, there are no indigenous communities near the company's facilities.

GRI
HR3

57

**HIGH VALUE
CONSERVATION
AREAS**

of cultural and religious
significance for
Mapuche communities

1,114

PARTICIPANTS

in 59 consultations
as part of the
Forestry Operation
Consultation Process

90

**ARAUCO
WORKERS AND
CONTRACT
WORKERS**

trained on relating with
the Mapuche culture

COMMUNITY IN ARGENTINA

Initiatives at the Alto Paraná facility are developed collaboratively with community members and social organizations and other appropriate entities so that the programs will generate positive impacts in the area and meet the needs of the local communities. The most important initiatives in the area are related to health, education and the development of tourism.

Health management

The lack of medical teams and equipment, and the community's concern about this issue, led Alto Paraná to donate a healthcare trailer that circulated through local neighborhoods, providing services such as medical care, preventive care, and health checkups. Also, in a joint effort with Puerto Libertad Municipality, the company once again equipped the Primary Healthcare Center in Cooperativa, a rural neighborhood. It also donated modern x-ray equipment, wheelchairs, mattresses, orthopedic beds and other equipment to the hospital of Puerto Esperanza Municipality to improve the quality of healthcare in the area.

In addition, as a result of efforts made by workers at Alto Paraná, a digital ultrasound scanner was donated to the hospital in Puerto Piray. Funding for the scanner was collected through a charity marathon that was organized by a team of volunteers from the company.

Support in Education

One of the most significant initiatives at Alto Paraná is its financial support, directly and through Alto Paraná Foundation, of Nuestra Señora de los Milagros (Our Lady of Miracles) Institution of Puerto Piray and Lapachos Institute in Puerto Esperanza. The company contributes to both entities so that they can continue to provide quality education to the children and young people attending their schools.

Alto Paraná also financially supports and implements educational programs for the residents of Misiones province. For 30 years, Alto Paraná Foundation has provided high school, university and technical scholarships to young people, so that they can complete their studies.

In 2012, as part of the Alto Paraná Educates Program, volunteers handed-out learning kits in the schools of Puerto Piray. The company, in joint effort with Equidad

Foundation, donated reconditioned computers to organizations and schools that had submitted projects for the integration of new technologies.

Development of tourism

Alto Paraná and the Argentinean government signed an agreement to expand the tourism area of Iguazú through ecotourism in the Uruguái lake area, offering more attractions, a diversity of accommodations, and quality service. Since the company controls areas that are ideal sites for this sort of initiative, the agreement grants access to a broad area of land to promote and develop tourism in the company's area of influence. Planned ecotourism initiatives include:

San Jorge Reserve: A suggestion was made to gradually expand the area of the reserve to attract companies operating eco-lodges and eco-tourism activities.

Salto Yasi: As envisioned, the company would develop Salto Yasi as a focal point for tourism, providing access to an area that has remained off-limits until now, while maintaining control of the property.

Development of Uruguái Lake: In a joint effort with the government, the company will participate in the urban development (for tourism and vacation purposes) of a small portion of the lake.

During 2012, 120 family and school visits were organized to the San Jorge Nature Reserve, a 40,975-acre (16,580-hectare) area that is protected by the company as part of the its commitment to the preservation of the Atlantic forest

Corporate volunteer work

In 2012, 35 workers built two houses in cooperation with the NGO Un Techo para mi País (A Roof for my Country) in the Luchetti neighborhood, in Pilar. Workers also put together Christmas donation boxes for socially vulnerable families of Puerto Esperanza, collaborating with the NGO "Una Noche Buena para Todos" (A Good Night for All) on this project. Alto Paraná distributed 100 boxes in Misiones, marking the first time the company had run this holiday program in that province. Also during the year, company volunteers organized a charity marathon in which 180 workers participated. Funds were used to purchase a portable digital ultrasound scanner for the hospital of Puerto Piray.

ENVIRONMENTAL TRAINING

Arson in the forest has increased in the Misiones area during the past five years. In 2012, 70% of all fires were started by third parties. Theft of wood and illegal hunting also increased during 2012.

To prevent these situations, in 2012, the “Green Club: Friends of the Environment” Educational Plan was designed and implemented. The plan’s purpose was to create awareness among children about conservation issues, the importance of forests for mankind, the need to care for our forests, and the importance of forest fire prevention. The plan stimulated creativity in children, reinforcing the value of forests and responsible practices to protect forests and prevent fires.

This training initiative was implemented in ten schools reaching 1,099 children, and included games, group interaction, and a movie series to stimulate critical judgment regarding care for the environment. The project was positively evaluated.

10
SCHOOLS

1,099
CHILDREN
participated in
the training sessions



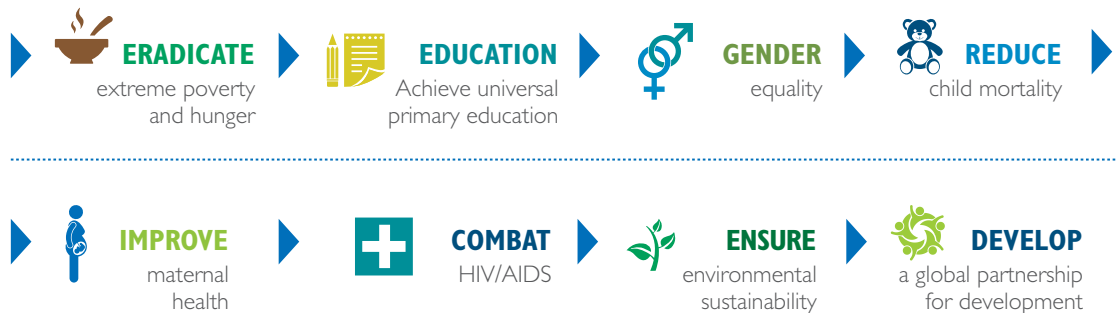
COMMUNITY IN BRAZIL

Since 2006, ARAUCO has been implementing the Sembrar Program, through which it develops actions for social and environmental responsibility and promotes the construction of permanent, collaborative relationships with communities in which the company operates.

Arauco do Brasil earned the United Nations Development Program's Millennium

Development Goals certification seal, in recognition of its progress toward achieving the eight development goals established by the UN.⁵⁶ Using the Millennium Goals and input from community stakeholders as a guide, the company designs and implements social and environmental programs that support a sustainable combination of social development and economic growth in communities.

MILLENNIUM DEVELOPMENT GOALS



Within this context, Arauco do Brasil's community initiatives are classified in three categories, according to their intended objectives: education; labor inclusion and employability; and programs for health and quality of life. Since 2006, the year in which these initiatives began, a total of 143,988 people have directly benefited from 23 programs and, in 2012, 28,505 people participated in at least one of these initiatives.

Education

The range of these Arauco do Brasil's education-focused programs is varied, but they seek, primarily, to provide tools through education, culture and sports to rescue children and young people from the vulnerable situations in which they live. During 2012, 16,307 people benefited from eight initiatives.

Labor inclusion and employability

Arauco do Brasil has assisted 322 people in the area of labor and employability through nine initiatives related to professional training, entrepreneurship, and the development of technical and production skills, as well as through the provision of local support to small forestry producers.

Programs for health and quality of life

Four initiatives have helped to improve the quality of life and health of residents of the areas of influence of Arauco do Brasil, benefiting 11,657 people. The company's main program is Family Health, which provides prevention tools that encourage healthy eating and a better quality of life. A total of 41,922 people have participated in this initiative since 2006.

⁵⁶ www.un.org/spanish/millenniumgoals/

RESCUING YOUTH

One of the most significant initiatives conducted by Arauco do Brasil is the Pescar Project, which aims to rescue young people between the ages of 16 and 19 living near the industrial facilities of Curitiba, Jaguariáiva and Piên who are in socially vulnerable situations. The program's objective is to provide them with tools and labor-development opportunities through the possibility of becoming company interns in the areas of administration services or risk prevention, granting them the opportunity of entering and developing in the labor market.

Launched in 2008, the project operates in company facilities. Workers participate as volunteer tutors, giving students access to their life experience and technical training. The program content is weighted 60% toward personal development and citizenship, 40% toward the development of professional skills. At Curitiba and Piên units, the course focuses on professional skills in Administrative Services, and at Jaguariáiva, the focus is on building professional skills in Work Safety and the Environment. Between 2008 and 2012, about 6,400 hours of instruction were conducted for 151 participants.

In 2012, this project, which was developed with Pescar Foundation, aided 36 young people. By year end 75% of the students has secured internships with the company.

36
YOUNG PEOPLE

benefited in 2012

151
STUDENTS

in Pescar Program
since 2008

6,400
HOURS

of instruction since 2008



CORPORATE COMMITMENT TO EXTERNAL INITIATIVES

ARAUCO maintains an ongoing relationship with academic institutions, non-governmental organizations and unions, with which it seeks to promote networking and multi-sector collaboration. In 2012, the company strengthened its commitment to participating in external initiatives.

Global Compact

Arauco do Brasil ratified its adherence to the United Nations Global Compact in 2012. This initiative urges companies to incorporate into their management the Global Compact's ten universal principles regarding respect for human rights, labor rights, environmental protection and anti-corruption. In Chile, the company committed to this initiative in 2011.

Santiago Climate Exchange

ARAUCO deepened the work it performs at SCX, the Southern Hemisphere's climate exchange, in which it and seven other companies are founding partners. This initiative, intended to promote the development of an industry to reduce greenhouse gas emissions in Chile and Latin America, makes trading of carbon credits possible in the corporate marketplace.

Forest Footprint Disclosure (Global Canopy Programme)

ARAUCO participates in the Forest Footprint Disclosure Project, which collects information and produces reports on issues regarding sustainability, such as deforestation, the supply chain and corporate governance, among others. During 2012, The Global Canopy Programme announced an alliance with the CDP (formerly the Carbon Disclosure Project) that, over the next two years, will merge the two programs bringing reporting on carbon, water and deforestation under one roof and resulting in the largest and most comprehensive natural capital reporting system.

Prohumana

In Chile during 2012, ARAUCO became a member of Prohumana, and participated in a survey to assess the impacts of the company's Social Responsibility programs.

PARTICIPATION IN PUBLIC POLICIES

ARAUCO participates in the discussion of issues relating to its business and any of the aspects contained in its Sustainability Strategy. The company also presents its position regarding regulations that may influence its operations or economic performance, through trade associations in which it participates in Chile, such as the Chilean Wood Corporation (CORMA) and the Federation of Chilean Industry (SOFOFA). In Argentina, Alto Paraná actively participates in the Argentinean Forestry Association, the Argentinean Pulp and Paper Producers Association, and FSC International and its national initiative, in order to help develop and implement public policies. In 2012, to promote the use of regional materials and certified wood, ARAUCO became a Silver Member of the Argentina Green Building Council for Sustainable Construction (AGBC). Arauco do Brasil presents its ideas through national trade associations, such as the Plantation Forest Producers Association (ABRAF) and the Brazilian Pulp and Paper Association (Bracelpa). In the Paraná area, contacts are made through the Paranaense Forestry Businesses Association (APRE).

MEMBERSHIPS

ARAUCO actively participates in more than 120 trade association and social organizations in Chile, Argentina, Brazil, Colombia, Peru, Uruguay, Mexico, United States, Holland and Australia. In addition, the company works closely with universities, communication media, scientific centers, NGOs and local governments (see pages 114 and 115).

SCOPE



SCOPE

GRI
3.1
3.2
3.3
3.5
3.6
3.7
3.8
3.11
3.13

This is the seventh consecutive year in which ARAUCO has published a Sustainability Report for all of the company's forestry and industrial operations in Chile, Argentina and Brazil. In accordance with the Global Reporting Initiative (GRI) Completeness principle, the performance of the operations in Uruguay, the United States and Canada were not included. Operations in Uruguay were not included because ARAUCO does not control this business. Operations in the U.S. and Canada were not included because they were acquired during 2012, and full-year data was not available as those operations are now organized. Information on their 2013 performance, in accordance with ARAUCO standards, will be available in 2014. Nonetheless, operations and projects in these countries will be described where relevant. In Brazil, where ARAUCO owns only 40% of the plantations from which it sources wood fiber, this publication reports on the company's respective percentage of ownership.

This report was written using the GRI G3.1 guidelines⁵⁷ and presents information on ARAUCO's economic, social and environmental performance for the time period January 1 through December 31, 2012.

Data measurement techniques and calculations for social and environmental information are based on GRI protocols. Financial performance was reported using internationally accepted accounting standards, such as the International Financial and Reporting Standards (IFRS)⁵⁸. This information is presented in US dollars, and was calculated using the average

dollar value for each applicable currency during the reporting period.

Since the report's publication deadline did not allow time for third-party validation, and to safeguard the GRI Reliability principle, an appendix presenting the sources that were consulted for this document has been included. An expert on the use of GRI guidelines was consulted for the materiality assessment, information collection and writing in order to ensure transparency and traceability. Based on the above, ARAUCO has self-declared this report as an Application Level B report.

CONTENT DEFINITION

Since innovation is an essential aspect of the company's activities, we have given this topic more emphasis than was done in prior years, and we have provided increased emphasis on our efforts to engage communities and other stakeholders. During 2012, 181 surveys were reviewed to obtain feedback on the 2011 Sustainability Report. These surveys were submitted to company offices in Valdivia, Talca, Chillán and Nueva Aldea during the report launch. In addition, 6,958 news articles, documents and corporate reports were analyzed⁵⁹. A critique of the 2011 Sustainability Report conducted by the North American firm, Nowack-Beer Consulting, was used to improve a number of aspects of this report.

The consultation and revision process enabled us to rank 13 issues as being most relevant for stakeholders. The seven most important, according to this ranking, are addressed in-depth.

57 www.globalreporting.org

58 www.ifrs.com

59 A materiality assessment was conducted for the 2011 Sustainability Report, which included two workshops with executives from Chile and Brazil, 446 comments from

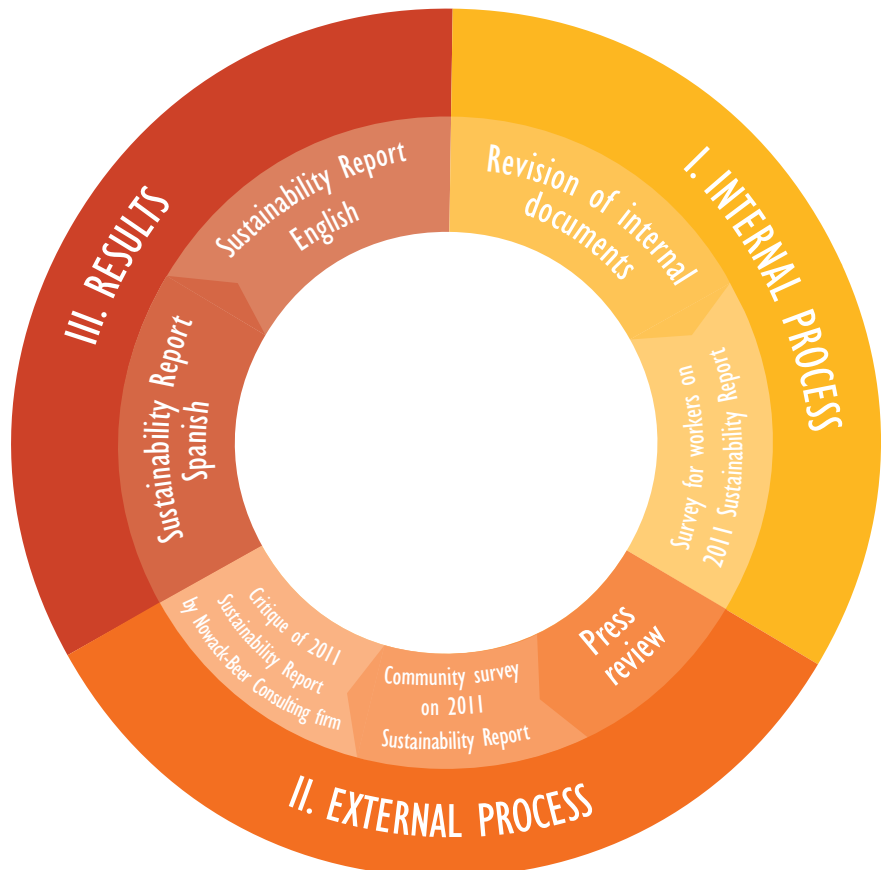
the community as part of the FSC forest-management certification process and 1,824 news articles. In addition, a specific consultation process was organized in which 100 people participated as representatives of a larger number of stakeholders.

MATERIAL ISSUES IDENTIFIED (BY COMMUNITY AND WORKERS)

- 1st Biodiversity (programs, initiatives and investments)
- 2nd Economic Performance (contribution to local infrastructure, relationship with suppliers, distributed value)
- 3rd Spills and discharge management
- 4th Relationships with stakeholders (participation and dialog mechanisms, initiatives with the community)
- 5th Labor relations (training, climate survey, unions, etc.)
- 6th Water management
- 7th Occupational health and safety
- 8th Landscape and soil management
- 9th Environmental research
- 10th Innovation (programs, initiatives)
- 11th Waste management
- 12th Carbon footprint
- 13th Energy management

AVAILABILITY

This Sustainability Report is available in Spanish (3,000 copies) and in English (800 copies). Both versions are printed on FSC-certified paper, with fiber coming from responsible sources. The information that has been presented in previous reports or that is available at the corporate website will be cited in this report, as appropriate.



APPENDICES



CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2012 AND 2011

IFRS → International Financial Reporting Standards

US\$ (000) → Thousands of U.S. dollars

The audited financial statements and the auditors report is available at ARAUCO's corporate website www.arauco.cl and the Chilean Securities and Insurance Supervisor website, www.svs.cl.

CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2012 AND 2011

BALANCE SHEET

ASSETS

	12-31-2012 ThU.S.\$	12-31-2011 ThU.S.\$
Current Assets		
Cash and Cash Equivalents	395,716	315,901
Other Current Financial Assets	1,012	0
Other Current Non-financial Assets	207,889	207,196
Trade and Other Current Receivables	825,869	740,416
Related-party Receivables	130,423	70,179
Current Inventory	815,782	795,104
Current Biological Assets	252,744	281,418
Current Tax Assets	55,923	37,153
Total Current Assets Other than Assets or Disposal Groups Classified as Held for Sale	2,685,358	2,447,367
Non-current Assets or Disposal Groups Classified as Held for Sale or as Held for Distribution to Owners	13,610	15,293
Non-Current Assets		
Other Non-Current Financial Assets	61,350	25,812
Other Non-current Non-financial Assets	125,254	99,901
Trade and Other Non-current Receivables	11,877	7,332
Investments Accounted for Using the Equity Method	1,048,463	886,706
Intangible Assets Other than Goodwill	22,311	17,609
Goodwill	58,645	59,124
Property, Plant and Equipment	5,889,137	5,393,978
Non-Current Biological Assets	3,473,442	3,463,166
Deferred Tax Assets	161,739	135,890
Total Non-Current Assets	10,852,218	10,089,518
Total Assets	13,551,186	12,552,178

CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2012 AND 2011

BALANCE SHEET

EQUITY AND LIABILITIES

	12-31-2012 ThU.S.\$	12-31-2011 ThU.S.\$
EQUITY AND LIABILITIES		
Current Liabilities		
Other Current Financial Liabilities	808,614	248,992
Trade and other Current Payables	490,191	397,073
Related-party Payables	9,168	9,785
Other Current Provisions	8,875	8,607
Current Tax Liabilities	12,264	144,989
Current Provisions for Employee Benefits	3,945	3,307
Other Current Non-Financial Liabilities	92,230	219,192
Total Current Liabilities	1,425,287	1,031,945
Total Current Liabilities	1,425,287	1,031,945
Non-Current Liabilities		
Other Non-Current Financial Liabilities	3,606,310	3,063,471
Other Non-Current provisions	13,281	9,688
Deferred Tax Liabilities	1,395,654	1,256,233
Non-Current Provisions for Employee Benefits	43,491	36,102
Other Non-Current Non-Financial Liabilities	101,404	124,589
Total Non - Current Liabilities	5,160,140	4,490,083
Total Liabilities	6,585,427	5,522,028
Equity		
Issued Capital Stock	353,176	353,176
Retained Earnings	6,754,725	6,683,252
Other Reserves	(216,579)	(96,821)
Equity Attributable to Parent Company	6,891,322	6,939,607
Non-Controlling Interests in Equity	74,437	90,543
Total Equity	6,965,759	7,030,150
Total Equity and Liabilities	13,551,186	12,552,178

CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2012 AND 2011

CONSOLIDATED STATEMENTS OF INCOME

	12-31-2012 ThU.S.\$	12-31-2011 ThU.S.\$
Profit (Loss)		
Revenue	4,280,302	4,374,495
Cost of Sales	(3,148,518)	(2,882,455)
Gross Profit	1,131,784	1,492,040
Other Income	390,506	475,014
Distribution Costs	(451,846)	(477,628)
Administrative Expenses	(474,025)	(415,521)
Other Expense	(80,401)	(90,313)
Other gains (Losses)	16,133	0
Profit (Loss) from Operating Activities	532,151	983,592
Non-Current Liabilities		
Finance Income	17,778	24,589
Finance Costs	(233,703)	(196,356)
Share of Profit (Loss) of Associates and Joint Ventures Accounted for using Equity Method	14,253	(11,897)
Exchange Rate Differences	(18,858)	(26,643)
Income before Income Tax	311,621	773,285
Income Tax	(171,150)	(152,499)
Profit (Loss) from Continuing Operations	140,471	620,786
Profit (Loss) from Discontinued Operations	0	0
Net income	140,471	620,786
Net Income Attributable to		
Net Income Attributable to Parent Company	135,813	612,553
Income Attributable to Non-Controlling Interests	4,658	8,233
Profit (Loss)	140,471	620,786
Basic Earnings per Share		
Earnings per Share from Continuing Operations	0.0012003	0.0054135
Basic Earnings per Share	0.0012003	0.0054135
Earnings per diluted Shares		
Diluted Earnings per diluted Share from Continuing Operations	0.0012003	0.0054135
Basic earnings per diluted share	0.0012003	0.0054135

CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2012 AND 2011

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	12-31-2012 ThU.S.\$	12-31-2011 ThU.S.\$
Profit (Loss)	140,471	620,786
Components of Other Comprehensive Income, before Tax		
Exchange Differences on Translation		
Gains (losses) on Exchange Differences on Translating, before Tax	(105,250)	(145,775)
Cash Flow Hedges		
Ains (losses) on Cash Flow Hedges, before Tax	(24,019)	(12,767)
Share of Other Comprehensive Income of Associates and Joint Ventures Accounted for using Equity Method	1,276	(3,502)
Other comprehensive income, net of tax	(127,993)	(162,044)
Income Tax relating to Cash Flow Hedges of Other Comprehensive Income	4,823	932
Other Comprehensive Income	(123,170)	(161,112)
Total Comprehensive Income	17,301	459,674
Comprehensive Income attributable to		
Comprehensive Income, Attributable to Owners of Parent Company	16,055	456,978
Comprehensive Income, Attributable to Non-controlling Interests	1,246	2,696
Total Comprehensive Income	17,301	459,674

CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2012 AND 2011

CONSOLIDATED STATEMENTS OF CASH FLOWS - DIRECT METHOD

	12-31-2012 ThU.S.\$	12-31-2011 ThU.S.\$
STATEMENTS OF CASH FLOW		
Cash Flows from (used in) Operating Activities		
Classes of Cash Receipts from Operating Activities		
Receipts from Sales of Goods and Rendering of Services	4,704,743	4,606,542
Receipts from Premiums and Claims, Annuities and Other Policy Benefits	132,983	270,663
Other Cash Receipts from Operating Activities	291,122	276,650
Distribution Costs		
Payments to Suppliers for Goods and Services	(3,862,438)	(3,532,728)
Payments to and on behalf of Employees	(420,885)	(329,158)
Other Cash Payments from Operating Activities	(27,893)	(5,151)
Dividends Received	3,531	1,720
Interest Paid	(165,854)	(180,046)
Interest Received	8,722	14,009
Income Taxes Refund (paid)	(202,881)	(138,621)
Other (outflows) Inflows of Cash, net	(2,658)	(1,643)
Net Cash Flows from (used in) Operating Activities	458,492	982,237
Cash Flows from (used in) Investing Activities		
Cash Flow used in Obtaining Control of Subsidiaries or Other Businesses	(253,808)	(6,972)
Cash Flow used to contributions in associates	(13,560)	(242,360)
Other Cash Receipts from Sales of Participations in Joint Ventures	6,607	0
Capital Contributions to Joint Ventures	(149,864)	(177,397)
Loans made to Related Parties	(60,500)	(199,666)
Proceeds from Sales of Property, Plant and Equipment	7,920	14,023
Purchase of Property, Plant and Equipment	(481,502)	(591,328)
Proceeds from Sales of Intangible Assets	3,250	0
Purchase of Intangible Assets	(8,623)	(7,619)
Proceeds from Sale of Other Long-term Assets	3,305	5,074
Purchase of biological assets	(118,650)	(139,360)
Cash Receipts from Repayment of Advances and Loans made to Related Parties	38,500	134,166
Other Inflows (Outflows) of Cash	(114)	2,582
Cash Flows from (used in) Investing Activities	(1,027,039)	(1,208,857)
Cash flows from (used in) Financing Activities		
Total loans obtained	1,836,410	713,624
Proceeds from short-term borrowings	942,839	0
Loans obtained in long term	893,571	713,624
Repayments of borrowings	(976,363)	(901,310)
Dividends paid by the parent company	(178,889)	(270,767)
Dividends paid by subsidiaries or special purpose companies	(17,927)	(20,745)
Interest paid	(13,600)	0
Other inflows of cash, net	(1,547)	(1,986)
Cash flows from (used in) Financing Activities	648,084	(481,184)
Net Increase (decrease) in Cash and Cash Equivalents before Effect of Exchange Rate Changes	79,537	(707,804)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	278	(20,129)
Net Increase (decrease) in Cash and Cash Equivalents	79,815	(727,933)
Cash and cash equivalents, at the Beginning of the Period	315,901	1,043,834
Cash and Cash Equivalents, at the End of the Period	395,716	315,901

CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2012 AND 2011

CHANGES IN NET EQUITY

	Issued Capital US\$ (000)	Reserve for Currency Conversion Exchange Differences US\$ (000)	Reserve of cash flow hedges US\$ (000)	Participation in Other Consolidated Subsidiaries and Joint Venture US\$ (000)	Other Reserves US\$ (000)	Retained Earnings US\$ (000)	Equity Attributable to Owners of Parent Company US\$ (000)	Non - controlling Interests in Equity US\$ (000)	Total for Equity US\$ (000)
31-12-2012									
Opening Balance at 01/01/2012	353,176	(67,539)	(25,914)	(3,368)	(96,821)	6,683,252	6,939,607	90,543	7,030,150
Increase (decrease) due to Changes in Accounting Policies					0		0	0	0
Increase (decrease) due to Corrections of Errors					0		0	0	0
Opening Balance Restatement	353,176	(67,539)	(25,914)	(3,368)	(96,821)	6,683,252	6,939,607	90,543	7,030,150
Changes in Equity									
Comprehensive Income									
Income (Loss)						135,813	135,813	4,658	140,471
Other Comprehensive Income		(101,838)	(19,196)	1,276	(119,758)	(64,340)	(119,758)	(3,412)	(123,170)
Comprehensive Income		(101,838)	(19,196)	1,276	(119,758)	64,473	16,055	1,246	17,301
Dividends						(64,340)	(64,340)		(64,340)
Increase (Decrease) through transactions and Other Changes							0	(17,352)	(17,352)
Total Changes in Equity	0	(101,838)	(19,196)	1,276	(119,758)	71,473	(48,285)	(16,106)	(64,391)
Closing balance at 12-31-2012	353,176	(169,377)	(45,110)	(2,092)	(216,579)	6,754,725	6,891,322	74,437	6,965,759

	Issued Capital US\$ (000)	Reserve for Currency Conversion Exchange Differences US\$ (000)	Reserve of cash flow hedges US\$ (000)	Participation in Other Consolidated Subsidiaries and Joint Venture US\$ (000)	Other Reserves US\$ (000)	Retained Earnings US\$ (000)	Equity Attributable to Owners of Parent Company US\$ (000)	Non - controlling Interests in Equity US\$ (000)	Total for Equity US\$ (000)
31-12-2011									
Opening Balance at 01/01/2011	353,176	72,699	(14,079)	134	58,754	6,320,264	6,732,194	108,381	6,840,575
Increase (decrease) due to Changes in Accounting Policies					0		0	0	0
Increase (decrease) due to Corrections of Errors					0		0	0	0
Opening Balance Restatement	353,176	72,699	(14,079)	134	58,754	6,320,264	6,732,194	108,381	6,840,575
Changes in Equity									
Comprehensive Income									
Income (Loss)						612,553	612,553	8,233	620,786
Other Comprehensive Income		(140,238)	(11,835)	(3,502)	(155,575)	(249,565)	(155,575)	(5,537)	(161,112)
Comprehensive Income		(140,238)	(11,835)	(3,502)	(155,575)	362,988	456,978	2,696	459,674
Dividends						(249,565)	(249,565)		(249,565)
Increase (Decrease) through transactions and Other Changes							0	(20,534)	(20,534)
Total Changes in Equity	0	(140,238)	(11,835)	(3,502)	(155,575)	362,988	207,413	(17,838)	189,575
Closing balance at 12-31-2011	353,176	(67,539)	(25,914)	(3,368)	(96,821)	6,683,252	6,939,607	90,543	7,030,150

SOURCES OF INFORMATION

The 2012 Sustainability Report was prepared using 63 official organization documents and 6,958 news articles as written sources of information about the company. A total of 138 employees participated in providing information and/or in the preparation of this report.

WRITTEN SOURCES OF INFORMATION

- ➔ Day's Agenda, Presentation of the 2012 Executive Meeting
- ➔ FSC Certification
- ➔ Forestry Workers Rights and Obligations Compendium
- ➔ Technical Documents on Instructions for the Protection of Water Courses, May 2012
- ➔ National Innovation Strategy, National Council of Innovation, Chile
- ➔ High Value Conservation Area Fact Sheet Forests
- ➔ High Value Conservation Area Fact Sheet Celco
- ➔ High Value Conservation Area Fact Sheet Valdivia
- ➔ Corporate Brochure
- ➔ Panels Brochure
- ➔ Woodpulp Brochure
- ➔ Bioforest Brochure
- ➔ Management of Major Safety Risks
- ➔ Safety Guide for Forest Product Collectors
- ➔ Guide for Participation and Consultation on Forestry Operations with Local Communities
- ➔ FASA Guide for Soil and Water Conservation Practices
- ➔ Material Fact: Fire at Nueva Aldea
- ➔ Material Fact: Purchase of Flakeboard
- ➔ Material Fact: Increase in Net Deferred Tax Liabilities
- ➔ Identification, Protection and Monitoring of Water Courses in Permanent Protection Areas
- ➔ MASSO Activities Bulletin Forestal Arauco N°49 January - February
- ➔ MASSO Activities Bulletin Forestal Arauco N°50 March 2012
- ➔ MASSO Activities Bulletin Forestal Arauco N°51 April 2012
- ➔ MASSO Activities Bulletin Forestal Arauco N°52 May 2012
- ➔ Issues and Answers: ARAUCO's Wood Supply
- ➔ Issues and Answers: Energy from Forest Biomass
- ➔ Issues and Answers: ARAUCO's Environmental Vision
- ➔ Issues and Answers: Carbon Footprint
- ➔ Issues and Answers: ARAUCO & PIMEX Nueva Aldea
- ➔ Issues and Answers: The ABC's of CARB
- ➔ Issues and Answers: Arauco Educational Foundation
- ➔ Issues and Answers: ARAUCO Plan
- ➔ Issues and Answers: ARAUCO, a Responsible Company
- ➔ Issues and Answers: ARAUCO, Out of the Rubble
- ➔ Issues and Answers: Forest Footprint Disclosure
- ➔ Issues and Answers: ARAUCO's FSC Certification Process: Continued Progress, Collaborative Solutions
- ➔ Issues and Answers: ARAUCO Joins UN Global Compact
- ➔ Mapuche Community List
- ➔ Improved Work Conditions: FSC Certification, New Forest Management Practices
- ➔ More Participation, Consultation and Local Involvement: FSC Certification, New Forest Management Practices
- ➔ Database Matrix of Indigenous Communities that Have Relationships with ARAUCO
- ➔ Greater care for the Environment: FSC Certification, New Forest Management Practices
- ➔ Statements Presented by Cristián Infante to the Organization

- ➔ Zero Tolerance Model Applied to Safety
- ➔ Crime Prevention Model for Celulosa Arauco S.A. y Constitución S.A. and its Subsidiaries
- ➔ ARAUCO – Our Navigation Chart to Grow Well
- ➔ New Forest Management Practices: 40 Measures Applied to the Environment, Work Conditions, Participation and Consultation and Local Involvement
- ➔ ARAUCO Forestland
- ➔ Celco Forestland
- ➔ Valdivia Forestland
- ➔ Forest Management Master Plan
- ➔ ARAUCO Social Forestry Management Plan - September 2012
- ➔ Biodiversity and Ecosystem Services Policy
- ➔ Crime Prevention Policy
- ➔ Relationships with Mapuche Communities Policy
- ➔ Environment, Quality and Occupational Health and Safety Policy
- ➔ Safety Presentation
- ➔ Internal Presentation on IQ Results
- ➔ Reporting Procedure Law 20.393
- ➔ Complaints and Conflict Resolution Management Procedure
- ➔ Certification Auditing Process by Woodmark/Soil Association, October 2012
- ➔ Protocol for Completing Native Communities Survey of Cultural and Religious Interest
- ➔ Sites Located in ARAUCO's Forestland

COMPANY EMPLOYEES PARTICIPATING IN THE REPORTING PROCESS

Águila, Carlos. Head of Studies, Industrial Studies Management;
Águila, Claudia. Head of Consolidation and Reports;
Alarcón, Javier. Head of Labor Relations and Wages;
Alonso, Ángeles. Head of Institutional Communications, Alto Paraná;
Álvarez, Claudia. Head of Environment, Forestal Valdivia;
Amadori, Antonio. Head of External Communications;
Anzieta, Juan. Public Affairs Assistant Manager, Los Ríos Area;
Arnaboldi, Camila. Human Resources Analyst, Panel and Sawm Timber Businesses;
Araneda, Jorge. Head of Public Affairs, Maule Region;
Araya, Carolina. Organizational Development Assistant Manager;
Arriagada, Manuel. General Manager Forestal Los Lagos;
Artero, Diego. Head of MASSO Forestal Delta area, Alto Paraná;
Austin, Ricardo. Forestry Operations Manager, Alto Paraná;
Balla, Paula. Environment Corporate Coordinator, Alto Paraná;
Balocchi, Claudio. Forestry Manager, Bioforest;
Barrera, Paulina. Coordinator for Social Housing Projects;
Barudy, Mariela. Environment Analysis Engineer, Environmental Management System, Forestal Arauco;
Bazán, Enrique. General Manager Arauco Perú;
Belzunce, Cecilia. Institutional Relations Assistant Alto Paraná;
Brinklow, Carolina. Management Secretary;
Briones, Raúl. Head of Fauna Conservation Program, Bioforest;

Busch, Ricardo. Development and MASSO Manager, Panel Business;

Busch, Robert. General Manager Arauco Australia Ply;

Busnardo, Luis Felipe. Environment, Safety and Occupational Health Manager, Arauco do Brasil;

Bustamante, Ramón. Head of Forest Hydrology Program, Bioforest;

Bustos, Rosa. Head of Integrated Management System (SGI) and FSC, Forestal Celco;

Buzamra, Débora. Planning and Development Analyst Alto Paraná;

Camaño, Andrés. Corporate Manager for Environment, Safety and Occupational Health;

Carabelli, Esteban. Head of Integrated Management System, Alto Paraná;

Castiglioni, Pablo. Head of Public Affairs, Maule Region;

Castillo, Angelina. Head of Protection, Forestal Celco;

Castillo, Gabriela. Product Manager Panel Business;

Castro, Héctor. Commercial Assistant Manager, Bioenergy;

Cerda, Juan Ignacio. Architect, founding partner at Elemental;

Concha, Patricia. Environment, Safety and Occupational Health Assistant Manager, Panel Business;

Contreras, Alejandra. Head of Communications Bío Bío South;

Consuegra, Ramón. Assistant Manager for Community Participation and Consultation, Forestal Celco;

Coppelli, Katherine. Head of Community Affairs, Bosques Arauco;

Cortez, Pablo. Head of Environmental Management Unit, Forestry Operations Management, Alto Paraná;

Cremaschi, Sebastián. Marketing Assistant Manager, Panel Business;

Cruces, Noelia. Head of Communications, Woodpulp Business;

Cuevas, Santiago. Cartographer Alto Paraná;

Chamorro, Iván. Public Affairs and Corporate Social Responsibility Manager;

Da Silva, Maristela. Institutional Relations Coordinator, Arauco do Brasil;

De Sousa, Mario Donizeti. Sustainability and Human Resources Director, Arauco do Brasil;

De Souza, Eliel. Human Resources Manager, Arauco do Brasil;

Díaz, José Ignacio. Legal Affairs Assistant Manager, Chile;

Durán, Edison. MAPA Project Manager;

Eyzaguirre, Patricia. Local Development Assistant Manager;

Fernández, Patricia. Head of Organizational Culture;

Fica, Boris. Head of Biodiversity and Water, Bosques Arauco;

Galli, Pedro. Ship Transport Assistant Manager;

Gayoso, Sylvana. Head of Water, Soil and Biodiversity Unit, Forestal Valdivia;

Godoy, Aracelly. Coordinator for Social Housing Projects;

Guajardo, Marcela. Head of Environment, Bosques Arauco;

Guzmán, Felipe. General Counsel;

Henríquez, Patricia. Construction Engineering Manager;

Hernández, Aldo. Head of Environment and Safety MASSO;

Hernández, Milton. Head of Operational Excellence, Panel Business;

Huaique, Claudio. GIS Programmer, Forestry Information Systems, Forestal Arauco;

Huerta, Edgardo. Head of OHS, Sawn Timber Business;

Iturra, Beatriz. Head of Outreach and Community Relations;

Izquierdo, Álvaro. Accounting and Costs Manager;

Kimber, Charles. Senior Vice-President Commercial & Corporate Affairs;

Kondo, Katsuyuki. General Manager Arauco Japón;

Kröeger, Alfred. Head of Surveying, Forestal Arauco;

Leighton, Cristián. Risk Prevention Advisor;

Leiva, Mauricio. Assistant Manager for Community Participation and Consultation Bosques Arauco;

López, Aldo. Project Manager for Line II at Jaguariáiva, Arauco do Brasil;

Lorenz, Fernando. Corporate Affairs Director, Arauco do Brasil;

Lozano, Francisco. Marketing and Innovation Manager;

Mandiola, Sebastián. Administration Manager, Woodpulp Business;

Manríquez, Pablo. Lawyer, Legal Studies Management;

Mastrocola, Jorge. Environment, Safety and Occupational Health Manager, Alto Paraná;

Matta, Carolina. Head of Assessment;

McManus, Enrique. Head of Development in Construction in Wood;

Meiners, Franz. General Manager Arauco México;

Mellado, Myriam. Head of Communications and Outreach;

Melo, Eduardo. Assistant Manager Environment, Forestal Arauco;

Mendoza, Guillermo. Public Affairs Assistant Manager for Bío-Bío North;

Merino, Camila. Senior Vice-President Human Resources;

Meyer, Alejandra. Human Resources Manager, Alto Paraná;

Miretzki, Ana Claudia. Compensation Specialist, Arauco do Brasil;

Molina, Jorge. Investor Relations;

Montes, Felipe. Marketing Assistant Manager, Distribution;

Montina, Macarena. General Coordinator for Operational Excellence Management, Woodpulp Business;

Montolivo, Patricia. Head of Community Relations, Forestal Celco;

Muñoz, Jimena. Head of Protection, Forestal Valdivia;

Muñoz, Roberto. Head of Environment, Forestal Celco;

Monreal, Rodrigo. Commercial Manager, Saw Mills;

Moraga, Patricio. Head of Communication, Maule Region;

Narea, David. MASSO Assistant Manager Forestal Celco;

Neira, Alejandra. Tax Assistant Manager;

Núñez, Francisco. Head of Accounting Bosques Arauco;

Pastorini, Carole. Head of Internal Communications;

Patrickson, Christian. Development Assistant Manager, Bioenergy;

Patzer, Hernán. Head of Forest Protection Area, Alto Paraná;

Pelén, Pablo. Head of Public Affairs Bío Bío South;

Pelúfo, Lucía. Communications Unit Montes del Plata;

Pelúfo, Magdalena. Management Systems Unit Montes del Plata;

Pérez, Gonzalo. Head of Silvicultural Management and Control, Forestal Arauco;

Poblete, Pablo. Road Engineer Forestal Celco;

Quenaya, Javiera. Engineer for the Operational Excellence Project, Forestal Arauco;

Quiñones, Renato. PIMEX Director;

Ramírez de Arellano, Pablo. Head of Ecosystem Management Unit, Bioforest;

Rauld, Carlos. Bioenergy Manager;

Reich, Verónica. Human Resources Superintendent, Constitución and Concepción, Sawn Timber Business;

Richmagui, Andrés. Head of Auditing and MASSO Management;

Rioseco, Ricardo. Head of Territorial Communications;

Roasenda, Andrés. Assistant Manager for Development, Forestal Arauco;

Rodríguez, Eduardo. General Manager Bioforest;

Rodríguez, Nicolás. Head of Environment, Sawn Timber Business;

Rodríguez, Yury. Head of Operational Excellence, Sawn Timber Business;

Rosso, José Luis. Research and Financial Studies Assistant Manager;

Ruival, Pablo. Corporate and Commercial Affairs Manager, Alto Paraná;

Salinas, Danilo. Head of Customers and Contracts, Bioenergy;

Sánchez, Javier. Senior Engineer for the Corporate Management Systems, MASSO Woodpulp;

Sánchez, Paola. Head of Management Control;

Sanhueza, Pamela. Contractor Companies Analyst Forestal Arauco;

Schaffner, Ricardo. Development and Environment Manager, Forestal Arauco;

Schmidt-Liermann, Ralph. Sustainability, Montes del Plata;

Strauszer, Ricardo. Commercial Manager, Woodpulp;

Toledo, Fernando. Head of Occupational Health and Hygiene;

Torres, Eduardo. MASSO Coordinator Panel Business;

Vaccaro, Juan Pablo. General Manager Arauco Colombia;

Valdés, Alfonso. Arauco Forest Products Manager;

Valencia, Ricardo. GIS Programmer Forestry Information Systems Forestal Arauco;

Vallejos, Pablo. MASSO Superintendent, Woodpulp Business;

Venicios, Marcos. Technical Services Manager Arauco do Brasil;

Varas, Jaime Antonio. Assistant Manager for Community Participation and Consultation Forestal Valdivia;

Vargas, Carolina. Environment Advisor;

Vargas, Freddy. Head of Studies and Special Projects;

Vásquez, Paola. Marketing Analyst, Distribution;

Vial, María Soledad. Communications Assistant Manager;

Wulf, Marcela. Head of Outreach, Los Ríos Area;

Yoshioka, María Harumi. FSC Coordinator Arauco do Brasil;

Young, Mark. National Sales & Marketing Manager Arauco USA;

Zamorano, Francisco. Public Affairs Assistant Manager, Central Area;

Zerene, Álvaro. General Manager Arauco Asia (China).

MEMBERSHIPS AND NETWORKS

ARGENTINA

- ➔ Argentina Green Building Council (AGB) www.argentinagbc.org.ar
- ➔ Asociación Forestal Argentina (AFOA) www.afoa.org.ar
- ➔ Asociación de Fabricantes de Celulosa y Papel, Argentina (AFCP) www.afcparg.org.ar
- ➔ Federación Argentina de la Industria de la Madera y Afines (FAIMA) www.faima.org.ar
- ➔ Cámara Argentina de la Industria de la Madera Aglomerada (CAIMA)
- ➔ Cámara Argentina de Aserraderos de Maderas, Depósitos y Afines www.cadamda.org.ar
- ➔ Cámara de Comercio Argentino Chilena
- ➔ Centro de Investigaciones del Bosque Atlántico (CEIBA) www.ceiba.org.ar
- ➔ Consejo Empresario Argentino para el Desarrollo Sostenible (CEADS) www.ceads.org.ar
- ➔ Instituto Argentino de Responsabilidad Social Empresaria www.iarse.org
- ➔ Feria Forestal Argentina (concurso Modelando Futuro)
- ➔ Consorcio de Protección Forestal Iguazú
- ➔ FSC® Internacional, miembro de la Cámara Económica Sur
- ➔ Facultad de Ciencias Forestales de la Universidad Nacional de Misiones
- ➔ Facultad de Ciencias Exactas y Naturales de la Universidad de Buenos Aires
- ➔ Fundación Compromiso
- ➔ Fundación Proyungas www.proyungas.org.ar
- ➔ Fundación Temaiken www.temaiken.com.ar
- ➔ Guardaparques del Parque Provincial Cruce Caballero
- ➔ Grupo Solidario ONG de la Provincia de Misiones
- ➔ Grupo de Fundaciones y Empresas (GDFE)
- ➔ Mesa Ministerio de Trabajo de la Nación
- ➔ Parque Provincial Puerto Península
- ➔ Parque Provincial Uruguay
- ➔ Unión Argentina de Trabajadores Rurales y Estibadores www.uatre.org.ar

AUSTRALIA

- ➔ Australia-Chile Chamber of Commerce www.chilechamber.com
- ➔ Glue Laminated Timber Association of Australia www.gltaa.com
- ➔ Forest Industry Engineering Association www.fiea.org.nz

BRAZIL

- ➔ Associação das Empresas da Cidade Industrial de Araucária www.aeciar.com.br
- ➔ Associação brasileira da indústria de madeira processada mecanicamente (ABIMCI) www.abimci.com.br
- ➔ Associação Brasileira de Produtores de Florestas Plantadas (ABRAF) www.abraflor.org.br
- ➔ Americas SAP users Group www.sap.com.br

- ➔ Associação Paranaense de Empresas de Base Florestal (APRE) www.apreflorestas.com.br
- ➔ Associação Brasileira das Indústrias do Mobiliário www.abimovel.com
- ➔ Associação Brasileira de Normas Técnicas www.abnt.org.br
- ➔ Associação Capivari
- ➔ Associação das Empresas da Cidade Industrial de Curitiba www.aecic.org.br
- ➔ Associação de Usuários de Informática e Telecomunicações www.sucesu.org.br
- ➔ BRACELPA – Associação Brasileira de Celulose e Papel www.bracelpa.org.br
- ➔ Conselho de Manejo Florestal FSC Brazil www.fsc.org
- ➔ Conselho Regional de Engenharia, Arquitetura e Agronomia do Paraná www.crea-pr.org.br
- ➔ CPCE (FIEP) - Conselho Paranaense de Cidadania www.cpce.org.br
- ➔ Diálogo Florestal Paraná – Santa Catarina www.dialogoflorestal.org.br
- ➔ FIEP - Federação das Indústrias do Estado do Paraná www.fiepr.org.br
- ➔ Forest Stewardship Council (FSC) www.fsc.org
- ➔ Fundação de Estudos e Pesquisas Florestais do Paraná www.fudef.ufpr.br
- ➔ Fundação Projeto Pescar www.projetopecar.org.br
- ➔ Fundo Nacional de Controle da Vespa da Madeira (Funcema)
- ➔ Instituto de Pesquisa e Estudos Florestais www.ipef.br
- ➔ Pacto Global das Nações Unidas www.pactoglobal.org.br
- ➔ PCCF – FPEF – Programa Cooperativo em Certificação Florestal www.ipef.br/lpccf
- ➔ Sindicato das Indústrias da Madeira do Estado do Paraná www.simadeiraspr.com.br
- ➔ Sindicato das Indústrias de móveis, Marcenarias, Carpintarias, Artefatos de Madeiras, Serrarias, Madeiras Laminadas e Compensadas de Rio Negro www.simovem.ind.br
- ➔ World Trade Center Business Club Curitiba www.wtclub.com.br

COLOMBIA

- ➔ Fedemaderas www.fedemaderas.org.co
- ➔ Cámara Colombo-Chilena de Comercio www.colombochilena.com
- ➔ Consejo Colombiano de Construcción Sostenible www.cccs.org.co
- ➔ Fundación América Solidaria www.americasolidaria.org

CHILE

- ➔ Asociación Técnica de la Celulosa y el Papel www.atcp.cl
- ➔ Asociación de Industriales del Centro, Región del Maule www.asicent.cl
- ➔ Cámara Chileno Argentina www.camarco.cl
- ➔ Cámara Chileno Australiana de Comercio www.auscham.cl
- ➔ Cámara Chileno Brasileña de Comercio www.camarachilenobrazileña.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 Italiana de Chile www.camit.cl
- ➔ Cámara de Comercio e Industria de Valdivia www.cciiv.cl
- ➔ Centro de Estudios Públicos, Comisión de Medio Ambiente www.cep.cl
- ➔ Centro para el Fomento del Mercado del Carbono www.chile-co2.cl
- ➔ Consorcio Bioenercel www.bioenercel.com
- ➔ Controladora de Plagas Forestales www.cpf.cl
- ➔ Cooperativa de Mejoramiento Genético Forestal www.genomica.cl
- ➔ Council of the Americas www.as-coa.org
- ➔ Centro Educacional de Alta Tecnología www.ceat.cl
- ➔ Centro de Innovación y Desarrollo de la Madera www.cidm.cl
- ➔ Centro de Transferencia Tecnológica de la Madera www.cct.cl
- ➔ Commonwealth Scientific and Industrial Research Organisation (CSIRO, Australia) www.csiro.au
- ➔ Corporación de Adelanto y Desarrollo de la Provincia de Arauco www.corparauco.cl
- ➔ Corporación Chilena de la Madera www.corma.cl
- ➔ Corporación Chilena de la Madera Maule
- ➔ Corporación Chilena de la Madera Bío Bío
- ➔ Corporación Chilena de la Madera Los Ríos-Los Lagos
- ➔ Corporación para el Desarrollo Productivo de La Araucanía www.corparaucania.cl
- ➔ Corporación por el Desarrollo de Valdivia www.codeproval.cl
- ➔ Corporación Industrial para el Desarrollo Regional del Bio Bio www.cidere.cl
- ➔ Forest Biotechnology Industrial Research Consortium (USA) www.ncsu.edu/forbirc
- ➔ Forest Productivity Cooperative (USA) www.forestproductivitycoop.org
- ➔ Forestry and Agricultural Biotechnology Institute, Sudáfrica www.fabinet.up.ac.za
- ➔ Fundación AccionRSE www.accionrse.cl
- ➔ Fundación Belén Educa www.beleneduca.cl
- ➔ Fundación Integrare www.integrare.cl
- ➔ Genómica Forestal S.A www.genomica.cl
- ➔ Cooperativa de Mejoramiento Genético Forestal www.uach.cl
- ➔ Icare www.icare.cl
- ➔ Institute Forestry Biotechnology (USA) www.forestbiotech.org/
- ➔ Instituto Libertad www.institutolibertad.cl
- ➔ North Carolina State Forest Nutrition Cooperative, USA
- ➔ North Carolina State University: Camcore (USA) www.camcore.org
- ➔ Prohumana www.prohumana.cl
- ➔ Red de Alta Dirección Universidad del Desarrollo www.redaltadireccionudd.cl
- ➔ Red Pacto Global Chile www.pactoglobal.cl
- ➔ Sociedad de Fomento Fabril www.sofofa.cl

- ➔ Tree Improvement Cooperative: North Carolina State University www.treeimprovement.org
- ➔ Un Techo para Chile www.untechoparachile.cl
- ➔ Visión Valdivia www.visionvaldivia.cl
- ➔ Working on Fire International www.wof-into.com
- ➔ Facultad de Ciencias Universidad de Chile www.uchile.cl
- ➔ Pontificia Universidad Católica de Chile www.uc.cl
- ➔ Universidad Católica de la Santísima Concepción www.ucsc.cl
- ➔ Universidad de Concepción www.udec.cl
- ➔ Universidad de Chile Facultad de Ingeniería Industrial www.dii.uchile.cl

UNITED STATES

- ➔ Association of Millwork Distributors www.amdweb.com
- ➔ Association of Woodworking & Furnishings Suppliers www.awfs.org
- ➔ Composite Panel Association www.compositepanel.org
- ➔ The Chilean-American Chamber of Commerce of the South www.caccsouth.com
- ➔ Moulding & Millwork Producers Association www.wmmpa.com
- ➔ North American Wholesale Lumber Association www.lumber.org

HOLLAND

- ➔ Print Power www.printpower.eu

MEXICO

- ➔ Asociación Nacional de Importadores y Exportadores de Productos Forestales A.C www.imexfor.com
- ➔ Cámara Mexicana Chilena de Comercio e Inversión www.camaramexicanachilena.com.mx
- ➔ Cámara Nacional de la Industria Maderera de México www.canaimdo.com.mx
- ➔ Patronato Cultural México-Chile.

PERU

- ➔ Cámara Peruana de la construcción www.capeco.org
- ➔ Cámara de Comercio Peruano Chilena www.camaraperuchile.org

URUGUAY

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

ARAUCO'S SUBSIDIARIES AND SHAREHOLDERS



CELULOSA ARAUCO Y CONSTITUCIÓN S.A.



CERTIFICATION

FORESTRY BUSINESS: CURRENT FORESTRY CERTIFICATIONS (CHILE)

(As of December 31, 2012)

COUNTRY/Forestry Unit	Certification program	Certification	Certified area	Dates of first certification	Dates of latest re-certification
CHILE					
Forestal Celco & F. Cholguán	CERTFOR	SFM	561,558 ha ⁽²⁾	2003 - 2008	2008 - 2013
	CERTFOR	CoC		2004 - 2009	2009 - 2014
	FSC	CoC / CW		2008 - 2013	
Bosques Arauco	CERTFOR	SFM	288,849 ha ⁽²⁾	2003 - 2008	2008 - 2013
	CERTFOR	CoC		2004 - 2009	2009 - 2014
	FSC	CoC / CW		2009 - 2014	
Forestal Valdivia	CERTFOR	SFM	265,774 ha ⁽²⁾	2003 - 2008	2008 - 2013
	CERTFOR	CoC		2004 - 2009	2009 - 2014
	FSC	CoC / CW		2009 - 2014	
Forestal Los Lagos ⁽¹⁾	FSC	FM	19,050 ha	2002 - 2008	2008-2013
	FSC	CoC / CW		2008 - 2013	2008-2013

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

(2) Includes total area managed (Company-owned Forest + Forestal Río Grande + Agreements + Leases + Standing Forest Leases). Does not include Forestal Los Lagos.

FORESTRY BUSINESS: CURRENT FORESTRY CERTIFICATIONS (ARGENTINA, BRAZIL AND URUGUAY)

(As of December 31, 2012)

COUNTRY/Facility	Certification program	Certification	Certified area	Dates of first certification	Dates of latest re-certification
ARGENTINA					
Forestal Misiones	FSC	SW-CW/FM-003652	233,630 ha	2008 - 2013	
Forestal Delta	FSC	SW-FM/CoC- 000187	6,396 ha	2002 - 2008	2008 - 2013
BRAZIL					
Arauco Forest Brasil	FSC	FM	40,815 ha	2003 - 2008	2008 - 2013
Arauco Florestal Arapoti	FSC	FM	49,362 ha	2009-2014	2009-2014
	CERFLOR ⁽¹⁾	MF	49,362 ha	2003-3008	2008-2013
URUGUAY⁽²⁾					
Montes del Plata	FSC	SGS-FM/CoC-001941	206,642.8 ha	2004 – 2009	2009-2014

(1) CERFLOR / PEFC

(2) Montes del Plata FSC certificates (FM and CoC) are registered under the legal entity Eufores S.A., including planted areas of the companies Eufores S.A. and Stora Enso Uruguay S.A., both members of the Montes del Plata group. The certified area covers company-owned forestland and areas leased to third-parties that are managed by Montes del Plata.

OTHER CERTIFICATIONS OF THE FORESTRY BUSINESS

(As of December 31, 2012)

COUNTRY/Facility	ISO 14001	OHSAS 18001
CHILE		
Forestal Celco & Cholguán	✓	✓
Bosques Arauco	✓	✓
Forestal Valdivia	✓	✓
ARGENTINA		
Forestal Misiones	✓	✓
BRAZIL		
Arauco Florestal Arapoti	✓	

PRODUCTION AREAS: CURRENT CERTIFICATIONS (CHILE)

(As of December 31, 2012)

Facility	CERTFOR Chain of Custody	FSC Chain of Custody	ISO 14001	OHSAS 18001	ISO 9001	ISO 17025*	Clean Production Certification
WOODPULP							
Arauco Mill	✓	✓	✓		✓		
Constitución Mill	✓	✓	✓		✓		
Licancel Mill	✓	✓	✓		✓		
Nueva Aldea Mill	✓	✓	✓		✓	✓	
Valdivia Mill	✓	✓	✓		✓		
SAWN TIMBER							
8 Saw Mills	✓		✓	✓			✓
5 Remanufacturing Facilities	✓		✓	✓			✓
2 Plywood Mills (a fire in 2012 destroyed one mill)	✓		✓	✓			✓
PANELS							
Trupán Mill	✓		✓	✓			✓

* Only the Nueva Aldea Mill maintains ISO 17025 certification. The Arauco and Constitución mills did not renew their certification.

** The Panel Business Area also operates the Teno mill. This unit began operating in 2012, and is now in the process of implementing the Environment, and Occupational Health and Safety Management System using ISO and OHSAS standards. The Trupán Mill is also certified as compliant with the California Air Resources Board (CARB) standard for composite-wood product emissions.

CERTIFICATION

PRODUCTION AREAS: CURRENT CERTIFICATIONS (ARGENTINA)

(As of December 31, 2012)

Facility	FSC Chain of Custody	ISO 14001	OHSAS 18001	ISO 9001
WOODPULP				
Puerto Esperanza-Pulp Mill	SGS - CW -006261 // SGS-COC-006261	✓	✓	✓
SAWN TIMBER				
Piray - Saw Mill		✓	✓	✓
Piray - Remanufacturing Facility		✓	✓	✓
PANELS				
Chemical Facility* **		✓	✓	✓
Piray – MDF		✓	✓	✓
Zárate – Particleboard	SW-COC- 000706	✓	✓	✓

* Since 1995, the Alto Paraná Chemical facility has been certified to standards of the Program for Responsible Care for the Environment, which is administered by the Chamber of the Chemical and Petrochemical Industry (Cámara de la Industria Química y Petroquímica - ClqP). This program promotes continuous improvement in the areas of the environment, health and safety.

** The Alto Paraná Chemical Facility is certified to the ISO 9001 standard only for its facilities UFC I and UFC II.

PRODUCTION AREAS: CURRENT CERTIFICATIONS (BRAZIL)

(As of December 31, 2012)

Facility	CERFLOR Chain of Custody	FSC Chain of Custody	ISO 14001	OHSAS 18001	ISO 9001	CARB
PANELS						
Jaguariaíva – MDF		SW COC 1149	✓	✓	✓	✓ *
Piên – MDF and Particleboard			✓	✓	✓	✓ *
Araucaria – Chemical Facility					✓	

* The Jaguariaíva and Piên mills are certified as compliant with the CARB Phase 2 composite-product-emission standard for all thicknesses of panels.

GLOBAL REPORTING INITIATIVE INDEX AND GLOBAL COMPACT PRINCIPLES

SYMBOL	MEANING
✓	Fully
➤	Partially
N/M	Not material
○	Not reported

GRI INDICATOR	REPORTING LEVEL	UN GLOBAL COMPACT PRINCIPLE	PAGE
PROFILE			
1. Strategy and analysis			
1.1.	✓	P2	12-16
1.2.	✓	P10	12-16 22
2. Organization profile			
2.1.	✓		6
2.2.	✓		24, 25, 44, 45
2.3.	✓		28-41
2.4.	✓		6
2.5.	✓		6, 24 y 25
2.6.	✓		18, inside back cover
2.7.	✓		6, 24, 25, 32, 34,37
2.8.	✓		6-7
2.9.	✓		35,37,46
2.10	✓		10 y 11
3. Report Parameters			
3.1.	✓		100
3.2.	✓		100
3.3.	✓		100
3.4.	✓		Inside front cover
Report scope and boundary			
3.5.	✓		100
3.6.	✓		100
3.7.	✓		100
3.8.	✓		100
3.9.	✓		Definitions are included in the text

GRI INDICATOR	REPORTING LEVEL	UN GLOBAL COMPACT PRINCIPLE	PAGE
3.10.	✓		In the Report
3.11.	✓		100
GRI Content index			
3.12.	✓		121-125
GRI Content index			
3.13.	✓		100
4. Governance, commitments, engagement of stakeholders			
Governance			
4.1.	✓		18 y 19
4.2.	✓		18 y 19
4.3.	✓		18 y 19
4.4.	✓		No mechanisms are in place
4.5.	✓		No links exist between compensation and performance
4.6.	✓		21
4.7.	✓		No process is in place

GLOBAL REPORTING INITIATIVE INDEX AND GLOBAL COMPACT PRINCIPLES

GRI INDICATOR	REPORTING LEVEL	UN GLOBAL COMPACT PRINCIPLE	PAGE
4.8.	Statements of mission or values, codes of conduct, and relevant principles	✓	Inside front cover; 9, 21
4.9.	Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental and social performance.	✓	20-21
4.10.	Processes for evaluating the highest governance body's own performance	✓	No procedures are in place
Commitment to external initiatives			
4.11.	Explanation of whether and how the precautionary approach or principle is addressed by the organization.	➤	P7 98
4.12.	Externally developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes or endorses	✓	98
4.13.	Membership in associations and/or national/ international advocacy organizations.	✓	98, 114 y 115
Stakeholder engagement			
4.14.	List of stakeholder groups engaged by the organization	✓	80, 82
4.15.	Basis for identification and selection of stakeholders with whom to engage	✓	80, 82
4.16.	Approaches to stakeholder engagement, including frequency of participation	✓	83
4.17.	Key topics and concerns that have been raised through stakeholder engagement	✓	84,85
Economic Performance Indicators			
Economic Performance			
EC1.	Direct economic value generated and distributed	✓	26
EC2.	Financial implications and other risks and opportunities for the organization's activities due to climate change	➤	P7 39, 63

GRI INDICATOR	REPORTING LEVEL	UN GLOBAL COMPACT PRINCIPLE	PAGE
EC3.	Coverage of the organization's defined benefit plan obligations	○	
EC4.	Significant financial assistance received from Government	○	
Market Presence			
EC6.	Policy, practices, and proportion of spending on locally based suppliers	✓	P9 27
EC7.	Procedures for local hiring and proportion of senior management hired from the local community	✓	P6 No procedures are in place
Indirect economic impact			
EC8.	Development and impact of infrastructure investments and services provided primarily for public benefit	✓	27 84-96
Environmental Performance			
Materials			
EN1.	Raw materials used by weight or volume	✓	P8 70, 73-75
EN2.	Percentage of materials used that are recycled input materials	➤	P8, P9 71
Energy			
EN3.	Direct energy consumption by primary energy source	✓	P8 70 73-75
EN4.	Indirect energy consumption by primary source	➤	P8 74
EN5.*	Energy saved due to conservation and efficiency improvements	✓	P8, P9 76
EN6.	Initiatives to provide energy-efficient or renewable energy-based products and services and reductions in energy requirements as a result of these initiatives.	➤	P8, P9 76
Water			
EN8.	Total water withdrawal by source	✓	P8 69, 70 73-75
EN9.*	Water sources significantly affected by withdrawal of water	✓	P8 No water sources have been affected

GLOBAL REPORTING INITIATIVE INDEX AND GLOBAL COMPACT PRINCIPLES

GRI INDICATOR	REPORTING LEVEL	UN GLOBAL COMPACT PRINCIPLE	PAGE	
Biodiversity				
EN11.	Location and size of land owned, leased, managed in or adjacent to protected areas and areas of high biodiversity value outside protected areas	✓	P7, P8	64-67 69-70
EN12.	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas	✓	P8	64-67
EN13.*	Habitat protected or restored	✓	P8	64-67
EN14.*	Strategies, current actions, and future plans for managing impacts on biodiversity	✓	P7, P8	64-67
EN15.*	Number of IUCN Red List species with habitats in areas where the organization operates, by level of extinction risk	✓	P8	64-67
Emissions, effluents and waste				
EN16.	Total direct and indirect greenhouse gas emissions by weight	✓	P8	63 73-75
EN17.	Other relevant indirect greenhouse gas emissions by weight	✓	P8	75
EN18.*	Initiatives to reduce greenhouse gas emissions and reductions achieved.	✓	P7, P8, P9	63
EN19.	Emissions of ozone-depleting substances by weight	✓	P8	73-75
EN20.	NOx, SOx and other significant air emissions by type and weight	✓	P8	73-75
EN21.	Total water discharged by quality and destination	✓	P8	72 73-75
EN22.	Total weight of waste by type and disposal method	✓	P8	70,71 73-75
EN23.	Total number and volume of significant spills	✓	P8	72 73-75
EN25.*	Identity, size, protected status and biodiversity value of water bodies and related habitats significantly affected by the reporting organization's discharges of water and runoff.	✓	P8	None

GRI INDICATOR	REPORTING LEVEL	UN GLOBAL COMPACT PRINCIPLE	PAGE	
Products and services				
EN26.	Initiatives to mitigate the environmental impacts of products and services and extent of impact mitigation	✓	P7, P8, P9	The use of wood is promoted
EN27.	Percentage of products sold and their packaging materials that are reclaimed by category	✓	P8, P9	Packaging material is not reclaimed
Compliance				
EN28.	Monetary value of significant fines for non-compliance with environmental laws and regulations	✓	P8	No fines were assessed
Overall				
EN30.*	Total environmental protection expenditures and investments by type	✓	P7, P8, P9	63
Performance Indicators for Labor Practices and Decent Work				
Employment				
LA1.	Total workforce by employment type, employment contract, region and gender.	✓		46
LA2.	Total number and rate of employee turnover by age group, gender and region	✓	P6	46
LA3.*	Benefits provided to full-time employees	✓		49
LA15.	LA15 Return-to-work rate and retention rate after parental leave, broken down by gender	N/M		
Labor/Management relations				
LA4.	Percentage of employees covered by collective bargaining agreements	✓	P1, P3	52-53
LA5.	Minimum notice period for operational changes	➤	P3	53
Occupational Health and Safety				
LA6.*	Percentage of workforce represented in the health and safety joint committee	✓	P1	59
LA7.	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region and gender	✓	P1	22, 59

GLOBAL REPORTING INITIATIVE INDEX AND GLOBAL COMPACT PRINCIPLES

GRI INDICATOR	REPORTING LEVEL	UN GLOBAL COMPACT PRINCIPLE	PAGE
LA8.	✓	PI	47-49
Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members			
Training and education			
LA10.	✓		48
Average hours of training per year per employee by employee category and gender			
LA11.*	✓		48
I Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings			
LA12.*	✓		47
Percentage of employees receiving regular performance and career development reviews, according to gender			
Human Rights Performance Indicators			
Investment and procurement practices			
HR1.	➤	PI, P2, P3, P4, P5, P6	53-54
Percentage and total number of significant investment agreements and contracts that include human rights clauses or that have undergone human rights screening			
HR2.	➤	PI, P2, P3, P4, P5, P6	53-54
Percentage of significant suppliers and contractors that have undergone screening on human rights			
HR3.	➤	PI, P2, P3, P4, P5, P6	53-54 78 93
Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained			
Non-discrimination			
HR4.	✓	PI, P2, P6	None
Total number of incidents of discrimination and actions taken			
Freedom of association and collective bargaining			
HR5.	✓	PI, P2, P3	54
Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights.			

GRI INDICATOR	REPORTING LEVEL	UN GLOBAL COMPACT PRINCIPLE	PAGE
Child labor			
HR6.	➤	PI, P2, P5	54
Operations and significant suppliers identified as having significant risk for incidents of child labor, and measures taken to contribute to the elimination of child labor			
Forced labor			
HR7.	➤	PI, P2, P4	54
Operations and significant suppliers identified as having significant risk for incidents of forced or compulsory labor; and measures to contribute to the elimination of forced or compulsory labor			
Security practices			
HR8.*	➤	PI, P2	93
Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations			
Indigenous rights			
HR9.*	➤	PI, P2	None
Total number of incidents of violations involving rights of indigenous people and actions taken			
Evaluations			
HR10.	➤		21
Percentage and total number of activities that have been subject to review with regard to human rights and/or impact evaluation			
Corrective actions			
HR11.	✓		None
Number of complaints made regarding the respect for human rights, managed and resolved through formal complaint management mechanisms			
Society Performance Indicators			
Community			
SO1.	➤	PI	80
Percentage of operations with implemented local community engagement, impact assessments, and development programs			
SO9.	✓		80
Activities with a significant real or potential negative impact on the local communities			

GLOBAL REPORTING INITIATIVE INDEX AND GLOBAL COMPACT PRINCIPLES

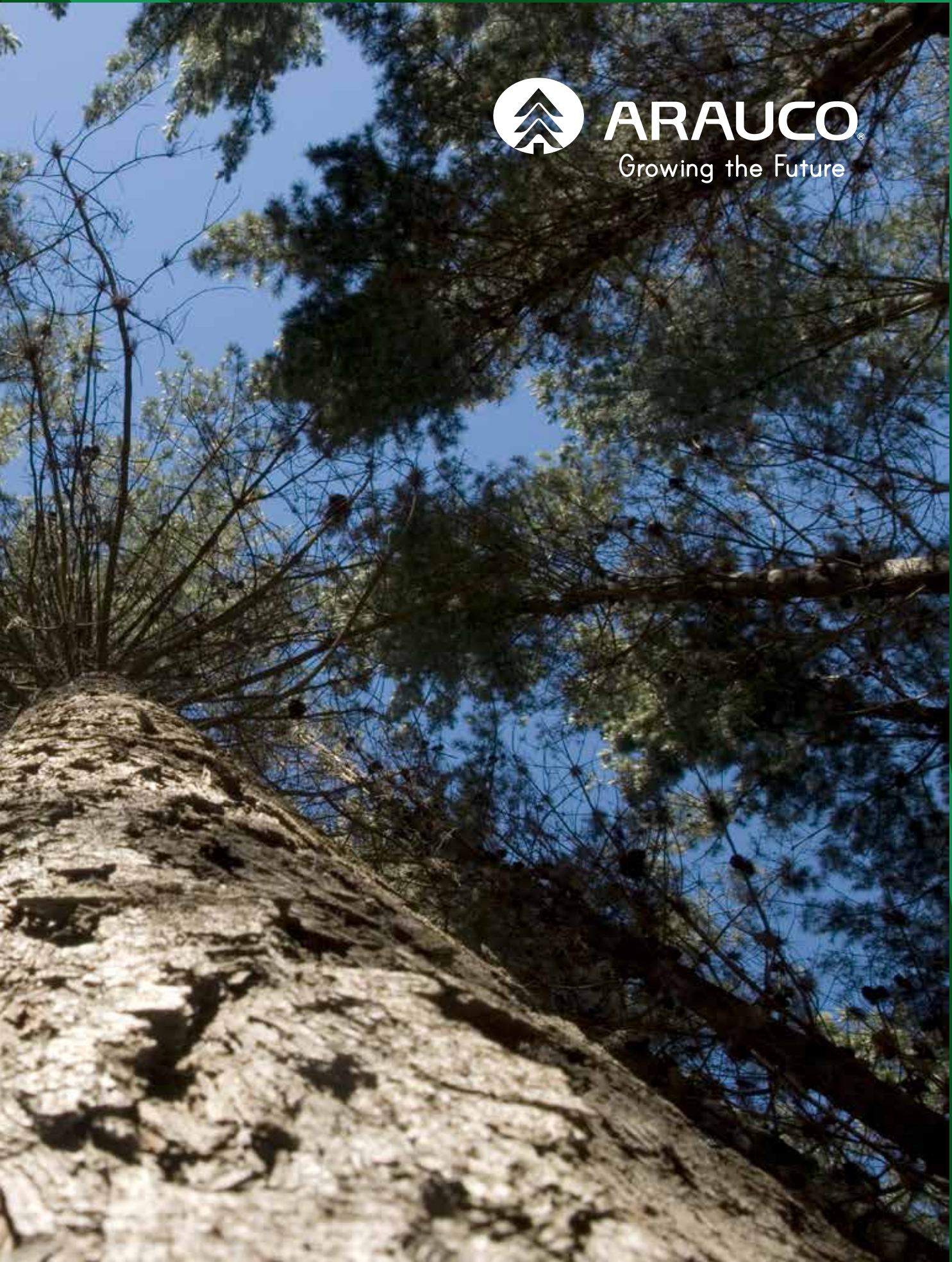
GRI INDICATOR	REPORTING LEVEL	UN GLOBAL COMPACT PRINCIPLE	PAGE
SO10.	✓		82-99
Prevention and mitigation measures implemented for activities with significant real or potential negative impact on the local communities			
Corruption			
SO2.	➤	P10	21
Percentage and total number of business units analyzed for risks connected with corruption			
SO3.	➤	P10	21
Percentage of employees trained in the organization's anticorruption policies and procedures			
SO4.	✓	P10	There were none
Actions undertaken in response to incidents of corruption			
Public policy			
SO5.	✓	P1, P2, P3, P4, P5, P6, P7, P8, P9, P10	98
Positions on public policy, participation in the development of public policies, and lobbying			
Compliance			
SO8.	✓		No fines or non-monetary sanctions were issued
Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws or regulations			
Performance Indicators on Product Responsibility			
Customer health and safety			
PR1.	➤	P1	A life-cycle study has not been conducted
Life-cycle stages in which the health and safety impact of products and services are assessed			
PR2.*	✓	P2	None
Total number of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services			
Product and service labeling			
PR3.	✓	P1, P8	44
Type of product and service information required by current procedures and regulations			
PR4.*	✓	P8	None
Total number of non-compliance with regulations and voluntary codes concerning product and service information and labeling			

GRI INDICATOR	REPORTING LEVEL	UN GLOBAL COMPACT PRINCIPLE	PAGE
Marketing communications			
PR6.	✓		41 y 42
Programs for adherence to laws, standards, and voluntary codes related to marketing communications			
PR7.*	✓		None
Total number of non-compliance with regulations and voluntary codes concerning marketing activities			
Customer privacy			
PR8.*	✓	P1	None
Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data			
Compliance			
PR9.	✓		None
Monetary value of significant fines for non-compliance with laws and regulations concerning the supply and use of products and services			





ARAUCO[®]
Growing the Future



CORPORATE LEGAL INFORMATION

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

Company Name:

Celulosa Arauco y Constitución S.A.

Chilean Tax Identification N° (RUT):

93.458.000 -1

Address

Av. El Golf 150, Piso 14, Las Condes, Santiago, Chile

Type of Entity:

Corporation

Inscription in Securities Register

N° 042, July 14, 1982

Coordination and general supervision:

Communications Assistant Manager

Report preparation and GRI Guidelines consultant:

Yasmina Zabib M.

Photography:

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Visual concept and design:

TIRONI & Asociados

DA Diseñadores Asociados

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