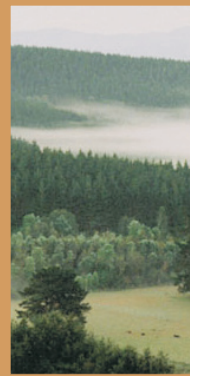


Environmental and Social Responsibility Report '05

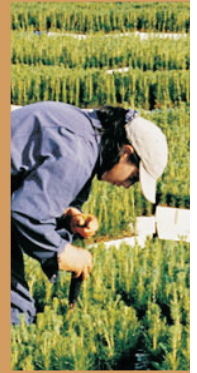
Company



Environment



Community



Education





Environmental and Social Responsibility Report '05



Company Environment Community Education

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I am pleased to present to you our second Environmental and Social Responsibility Report.

ARAUCO is a group of forestry, industrial and commercial companies organized around four strategic business areas: forestry, wood pulp, sawn wood and panels. We are proud of being a successful company whose activities and policies have always been based on the respect and care of the environment. Our emphasis on the care and protection of our forestry derives from the actual source of our company's activities which require a permanent and continuous supply of raw material. We are conscious, however, that there is no industrial activity which is neutral to the environment, and we have made the ethical commitment of sparing neither efforts nor resources in order to minimize the impact of our activities on the environment so we can preserve it for future generations.

In an effort to further develop our commitment to the environment, education and the local communities and strengthen our connections with our operational areas, we created in 2005 the position of Director Corporate Affairs, overseeing the Corporate Environmental, Social Responsibility and Public Affairs areas.

In the present report you will find a detailed account of the various environmental programs and activities which were developed by our company during 2005. Noteworthy is the chapter dedicated to the Valdivia Mill and, more particularly, our commitment before the environmental authorities to actively work towards the preservation of the Carlos Anwandter Wetlands.

As shown in this report, the activities developed by our company in 2005 were varied and we trust they made a significant contribution to the communities in which we operate.

For many years, our management has been engaged in the promotion and support of

President & CEO's Statement

[Environmental and Social Responsibility Report '05]



Matías Domeyko
General Manager



community development activities and education. ARAUCO's contribution to these fields through the Fundación Educacional Arauco (Arauco Educational Foundation (FUNDAR)), has been widely recognized. Also worth mentioning for the year 2005 is our company's investment in skills development and training programs. These initiatives reflect the concern of this administration for the continuous support to a cohesive and committed human group which has played and will continue to play a crucial role in the growth of our company. Our employees' contributions compel us to continue to offer them the optimal conditions for their professional development and a favorable work environment where they can enjoy a full and healthy life along with their families.

2005 was marked by a strong commercial and industrial expansion in our company,

allowing us to maintain a high profile in the international forestry scene. It is with optimism that we undertake the commitment we have assumed to our Country and there is no doubt in our minds that we will be able to successfully face the challenges which the future has in store for us.

We are certain that we will overcome these challenges by maintaining, as always, a strategy centered on policies of sustainable development, while also adequately balancing social, economic and environmental concerns.



Matías Domeyko
General Manager





EMPLOYEES,
VALDIVIA MILL
10TH REGION, CHILE.

Board of Directors and Management

Board of Directors

Alberto Etchegaray
Chairman

Jos Tom s Guzm n
Roberto Angelini
Vice Chairmen

Board Members

Jorge Andueza
Anacleto Angelini
Manuel Enrique Bezanilla
Jorge Bunster
Carlos Croxatto
Timothy C. Purcell

Management

Mat as Domeyko
President and Chief Executive Officer

Alvaro Saavedra
Forestry Area Managing Director

Jorge Garnham
Woodpulp Area Managing Director

Antonio Luque
Sawmills Area Managing Director

Franco Bozzalla
Panels Area Managing Director

Cristi n Infante
Argentina Managing Director

Pablo Mainardi
Brazil Managing Director

Sebasti n Vald s
Corporate Responsibility Director

Charles Kimber
Corporate Affairs & Marketing Director

Gianfranco Truffello
Chief Financial Officer

Juan Pablo Guzm n
Administration Director

Robinson Tajmuchi
Comptroller Director

Mauricio Pinto
Director of Human Resources

Mario Urrutia
Nueva Aldea Project Director

Hern n Arriagada
Engineering and Construction Director

Andr s Cama o
Corporate Environmental Director



THROUGH
BIOFOREST AND
RESEARCH
ARAUCO IMPROVES
ITS PROCESSES
FOR SUSTAINABLE
DEVELOPMENT.

A close-up photograph of pine needles, showing their sharp, needle-like structure and vibrant green color. The needles are densely packed and appear to be part of a larger branch, with some showing signs of wear or damage. The background is a soft, out-of-focus green, suggesting a forest setting.

Vision

To play a leading role in the sustainable development of forestry products.

Mission

To optimize, in a sustainable way, the value of our forests, by developing excellence in forestry production, through the industrial transformation of added-value products and their commercialization in the most competitive international markets.

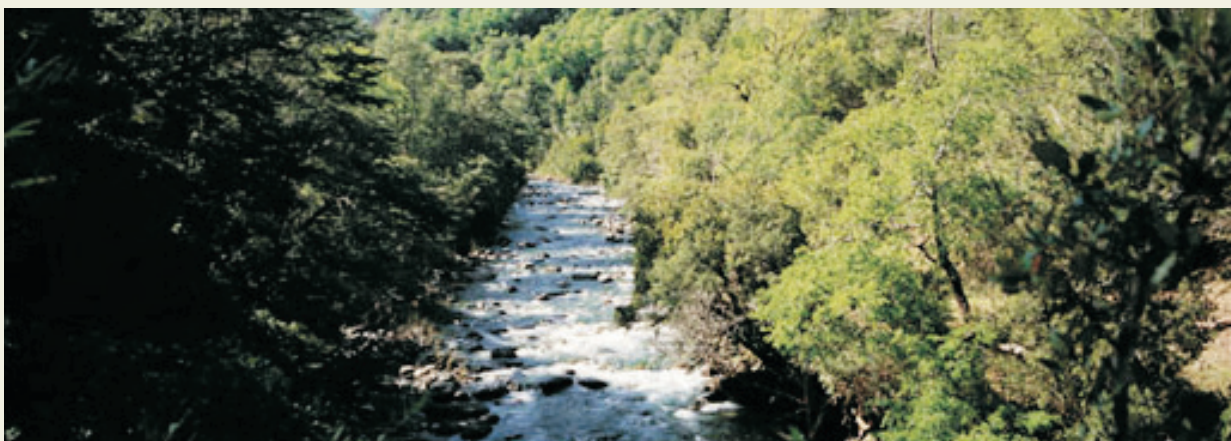
Vision / Mission

Corporate Policy

The following commitments guide the activities of our companies and local subsidiaries.



- 1 | To promote the conservation of natural resources in our environment by investing in research, technological innovation and training in order to systemically prevent and reduce the environmental impact of our operations.
- 2 | To secure the highest rate of profits for our shareholders, through an efficient, responsible and prime quality management in all our processes and the application of systems and procedures which optimize the value of our forests.
- 3 | To deliver top quality products and services to all our clients in a sustained and continuous way and encourage our suppliers to become part of our value and quality system.
- 4 | To develop meaningful relationships with our local communities, by collaborating as equal partners, incorporating their needs and concerns in our decision-making processes and supporting their self sufficiency and growth.
- 5 | To safeguard the health, safety and welfare of ARAUCO's workers as well as that of the workers of our collaborating companies.
- 6 | To generate the conditions for the development of all the members of our company by promoting healthy and fulfilling work environments based on respect, professional quality, team work, ongoing skills development and training.
- 7 | To maintain a transparent and honest communication with the various stakeholders who play a relevant role in our company.
- 8 | To comply with all legal requirements which rule our business and, to the best of our abilities, reach their higher standards.
- 9 | To incorporate all systems and procedures which enable us to manage the risks involved in our business, by: regularly evaluating our performances in all processes, making timely decisions, taking the necessary corrective measures and, providing transparent and timely progress reports.
- 10 | To actively involve our workers, contractors and suppliers in the fulfillment of our commitments, so that these corporate policies are duly implemented through the collective efforts of all concerned parties.

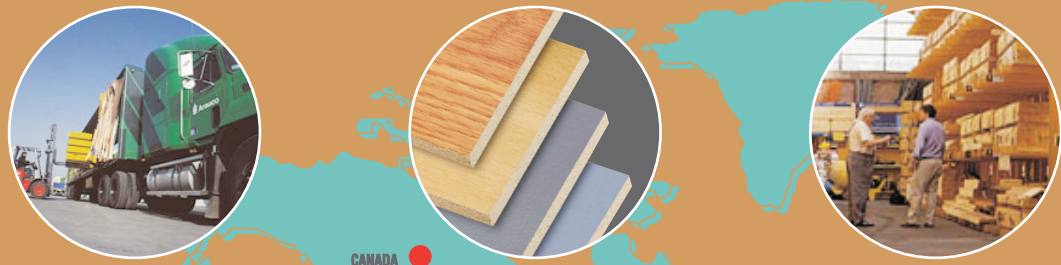




COMPANY

ARAUCO is the group of forestry, industrial and commercial companies owned by Celulosa Arauco y Constitución S.A. The company is organized around four strategic business areas: forestry, woodpulp, sawn timber and panels. Today, ARAUCO operates in more than 50 countries providing a great variety of products and services.

5.1 ARAUCO in the World



Chile

Nueva Aldea Forestry-Industrial Complex

Nueva Aldea Forestry and Industrial Complex, the largest and most modern in Latin America, a new focal point in the development of the Province of uble in Chile 8th Region.

Installations:
 ¥ Log Merchandiser
 ¥ Sawmill
 ¥ Plywood Mill
 ¥ Woodpulp Mill

Woodpulp Mills

Arauco
 Nueva Aldea
 Constitución
 Licancel
 Valdivia

Panels Mills

Plywood **M.D.F.** **H.B.**

Arauco (Plywood)
 Nueva Aldea (Plywood)
 Trupan 1 (M.D.F.)
 Trupan 2 (M.D.F.)
 Cholguan (H.B.)

Sawmills

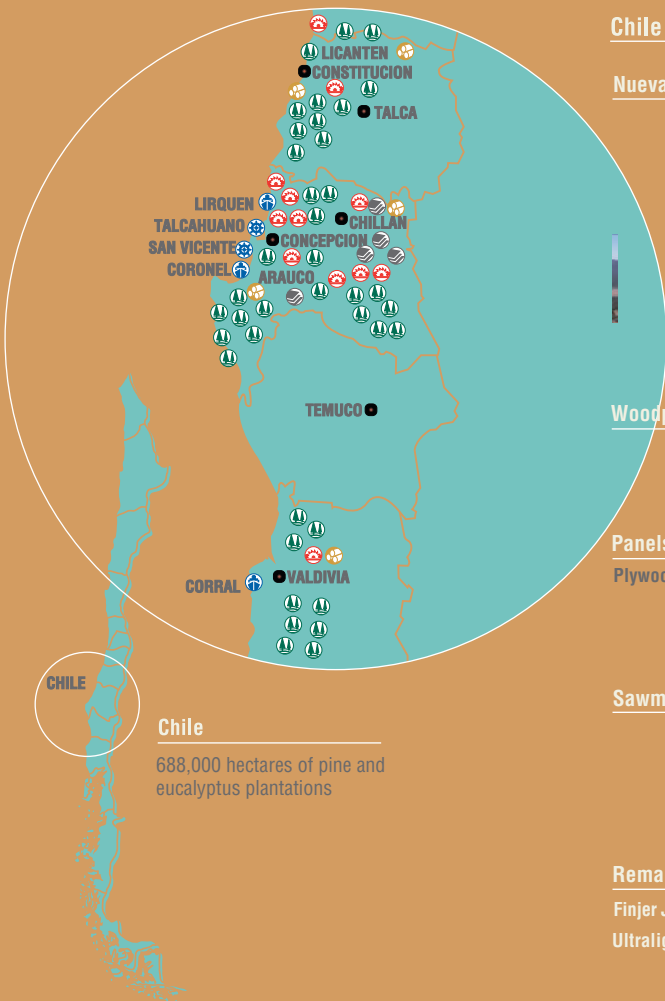
La Araucana
 Colorado
 Horcones I
 Escuadrón
 Coelemu
 Mutrum

Viñales
 Valdivia
 El Cruce
 Horcones II
 Cholguan
 Nueva Aldea

Remanufacturing Mills

Finjer Joint Moulding
 Ultralight MDF Moulding

Horcones
 Viñales
 Cholguan
 Cholguan Vigas
 Valdivia
 Molduras MDF



CHILE

Chile

688,000 hectares of pine and eucalyptus plantations



Operational Centres

ARGENTINA
BRAZIL
CHILE

Sales Offices

ARGENTINA
BRAZIL
CHILE
EUROPE
JAPAN
MEXICO
PERU
USA & CANADA

Representatives

AUSTRALIA
CANADA
COLOMBIA
SOUTH KOREA
CHINA
PHILIPINES
INDIA
INDONESIA
MALAYSIA
SOUTH AFRICA
THAILAND
TAIWAN
VENEZUELA

[Environmental and Social Responsibility Report '05]



Brazil



¥ 24,000 hectares of pine plantations
¥ 1 MDF Trupan Mill
¥ 1 Particle Board Mill

Uruguay



¥ 21,000 hectares of pine plantations

Argentina



¥ 117,000 hectares of pine and eucalyptus plantations
¥ 1 Woodpulp Mill
¥ 2 Sawmills
¥ 1 Remanufacturing Mill
¥ 1 M.D.F. Mill
¥ 2 Particle Board Mills

Simbology

- Forest Plantation
- Woodpulp Mill
- Sawmill
- Panels Mill
- Port
- Port, others

Company



5.2 Business Areas

Forestry

With 851,000 hectares of plantations, 258,000 hectares of native forests and 237,000 hectares destined to other uses, ARAUCO owns today one of the most extensive forest holdings in South America.

In keeping with its commitment to protect the environment, ARAUCO employs sustainable forestry techniques. All of the company's forestry related activities in Chile and Argentina are ISO 14001 certified. Additionally, in Chile these activities have been duly certified to the Chilean sustainable forestry standards by CERTFOR, a leading international forestry certification system which has been homologized to PEFC (Program for the Endorsement of Forest Certification Schemes) standards.

Conscious that forestry resources are crucial assets for all our business areas, ARAUCO has given priority to the development of its own technological research. This research supports our company's strive for state-of-the-art procedures, aiming at incrementing the quality, productivity and yield of our plantations.

With this objective in mind, ARAUCO created, more than 5 years ago, a company called Bioforest S.A., which operates as a scientific and technological research center in the forestry area. In its laboratories, tree nurseries and green houses, technologies are developed and then tried and tested in our company's own plantations. Bioforest's highly qualified professionals extend their services to our branches in Chile, Argentina, Brazil and Uruguay.

Woodpulp

Five woodpulp mills and a production capacity of 2,2 million tons of woodpulp place ARAUCO among the market's leading international manufacturing companies of bleached and non-bleached Kraft pulp which is produced in Chile from radiata pine and eucalyptus and from taeda pine in Argentina. ARAUCO's bleached woodpulp is internationally known for its excellent qualities which allow for a wide variety of uses. Among other uses, bleached woodpulp serves as raw material for the manufacturing of printing and writing paper. It is also used in the elaboration of toilet, industrial and high-quality wrapping paper.

Unbleached woodpulp is used in the production of packing paper, filters, dielectrically produced paper and fiber cement products. Fluff woodpulp which was initially produced in Argentina in 2004, has been well received in the market and is now being used mainly for the fabrication of diapers and sanitary napkins.

ARAUCO's commitment to the protection of the environment results in its application of rigorous standards to the company's industrial processes. All of ARAUCO's Chilean woodpulp mills have a chain of custody which forms part of the CERTFOR certification of sustainable forestry management. It is estimated that in 2006 all of ARAUCO's pulp mills will also be certified under ISO 14001. Moreover all of ARAUCO's bleached pulp mills have adopted ECF technology (Elemental Chlorine Free Technology). ECF technology is universally accepted as the best available technology in the woodpulp industry.



Sawn timber

ARAUCO is the main producer of sawn timber in the Southern hemisphere and owns 14 sawmills, (12 in Chile and 2 in Argentina), and 6 re-manufacturing plants, (5 in Chile and 1 in Argentina).

The company has a milling capacity of 3,470,000 m³/ per year, including facilities in Chile and Argentina, and our drying kilns can process up to 2,615,000 m³/ per year. The production capacity of ARAUCO's manufacturing plants is on the order of 463,000 m³/ per year.

The company keeps a strict environmental protection policy in its sawmills and manufacturing plants. This is verified by the fact that all Chilean facilities are currently ISO 14001 certified.

In September 2005 ARAUCO sawn timber operations successfully passed the ISO 14001:2004 certification process. The Chilean sawmills and manufacturing plants also completed audits of their chains of custody. The latter are an integral part of CERTFOR's sustainable forestry management certification system. Chilean sawmills have also signed a clean production agreement. In the case of Argentinean sawmills, the company obtained the ISO 9001 quality certification and successfully passed OHSAS 18001 Occupational Health and Safety Certification.



Paneles

ARAUCO is known today as a leading actor in the international panel market scene. Our competitive advantage relies on the quality, variety and breadth of our product line, which makes us the ideal provider for clients with very diverse needs. Our proven ability to secure a constant and growing supply of material for the construction, furniture, decoration and molding markets, is also highly valued by our clients.

At present, ARAUCO markets four lines of products: plywood panels through the trademark AraucoPly, MDF trademark Trupan, HB trademark Cholguan and particle board trademark Faplac. These panels are produced in 5 Chilean, 3 Argentinean and 2 Brazilian mills and they have an annual production capacity of 2,2 million cubic meters.

Panel production follows strict environmental regulations in ARAUCO. All facilities use technology which provides for waste disposal, industrial waste recycling and reuse. The plywood panel mill's chain of custody has already been obtained from CERTFOR. Similarly, our panel mills have also been certified by the Program for the Endorsement of Forest Certification Schemes (PEFC).





ENVIRONMENT

Protecting the environment is crucial to ARAUCO's business. Over the years our environmental vision has materialized in the strict standards to which we submit our productive processes as well as in a myriad of conservational and biodiversity projects.

Environment

6.1 Environmental Management System (EMS)

ARAUCO operates under an Environmental Management System (EMS), which embraces the whole of our productive processes, from forestry operations, to sawmills, woodpulp and panel plants. The EMS system is an integral part of our company's policy. It ensures that all our operations verify and secure full compliance with the environmental legislation. It also provides us with the opportunity for the continuous improvement of our company's environmental practices.

Certifications

ARAUCO has played a pioneering role in Chile by incorporating best forestry practices in 1995 and by subscribing to an environmental policy in 1998. The company certified its forests under the international ISO 14001 regulations in 2001. To this date, these norms strictly govern the management of our plantations.

The ISO 14001 system ensures that all forestry operations follow the current law and also obliges companies to control their most significant environmental impacts, prevent pollution, train and capacitate their staff in these matters and continue to improve their environmental programs.

ARAUCO was also the first Chilean company to certify its forestry plantations under CERTFOR standards -the Chilean standard of

sustainable forestry management which is, in turn, homologous to the standards of PEFC. The program stands on 9 principles related to the use and management of forestry resources, the respect to the production area and the commitment to workers' contractual rights and agreements. In 2005 the chain of custody of our forestry products was certified under the same standards.

Chain of custody

The chain of custody is the system which allows for the connection of a finished product with its origins. Commercially it translates into a label which certifies that a product has been manufactured from raw materials that are sustainably managed. Besides ensuring that the product can be traced through each stage of the production process, the chain of custody also allows for the verification that the original source of supply is non-controversial, i.e., it does not come from endangered species, species which are in the process of becoming extinct, illegally harvested trees, non-certified tropical latifoliate trees from natural forests and, national parks and areas which are under pending ownership litigation.



ISO 14001 Certification, CERTFOR and Chain of Custody in Chile

	Certifications to 2005			Goals for 2006		
	Sustainable Forestry Management	Chain of Custody	ISO 14001	Sustainable Forestry Management	Chain of Custody	ISO 14001
Forestry						
All plantations	Yes	Yes	Yes	Yes	Yes	Yes
Woodpulp						
Arauco Mill		Yes	No		Yes	Yes
Constitucion Mill		Yes	No		Yes	Yes
Licancel Mill		Yes	Yes		Yes	Yes
Valdivia Mill		Yes	No		Yes	Yes
Nueva Aldea Mill		-	-		Yes	Yes
Sawn timber						
12 Sawmills		Yes	Yes		Yes	Yes
5 Remanufacturing Plants		Yes	Yes		Yes	Yes
Panels						
Arauco Plywood		Yes	No		Yes	Yes
Nueva Aldea Plywood		Yes	No		Yes	Yes
Trupan (I y II)		No	No		Yes	Yes
Cholguan		No	No		Yes	Yes

Objectives for the year 2006

Within the context of the Environmental Management System (EMS), the following are ARAUCO's objectives for 2006:

- 1 | Maintaining and continue to improve the Environment Management System (EMS).
- 2 | Certifying all woodpulp mills and panels under ISO 14001.
- 3 | Promoting environmental and health and safety education among the company's staff and community.
- 4 | Contributing to the development of scientific knowledge about the Carlos Anwandter Nature Sanctuary ecosystem in Valdivia and in the outlet of the Itata River.
- 5 | Supporting the use of low environmental impact technologies and products in our operations.
- 6 | Improving management of waste and chemicals
- 7 | Increasing soil and water protection through the development of new forestry management practices.
- 8 | Mitigating the environmental impacts of forestry-related transportation.



Environment

Training

Implementing an environmental management system together with a quality control and health and safety system - if available - requires intense training. Such training is needed to develop internal auditors, reinforce existing knowledge and integrate the company's contractual staff with that of the contractors.

In order to achieve its goals for 2006, while simultaneously complying with its environmental objectives, ARAUCO allocates important human and financial resources to skills development and training programs. During the year 2005 more than 700,000 man hours were invested in the training of over 30,000 persons.

Auditing

The auditing of the environmental management systems is a critical tool to verify effectiveness and adequate implementation. This is the reason why ARAUCO follows a busy schedule when it comes to internal and external environmental auditing. During 2005 more than 13 external audits took place in the company involving the totality of the Forestry, Woodpulp and Sawn Wood Areas.

In addition to these voluntary audits, the Chilean Regional Environmental Commission for the Tenth Region demanded that the Valdivia Mill submit to two external environmental audits, an international one and a permanent national one. This issue will be addressed in more detail in the Valdivia Mill and in the Carlos Anwandter Nature Sanctuary sections.



6.2 Sustainability of Natural Resources

Sustainable Forestry Management

Sustainable Forestry Management (SFM), a key issue for ARAUCO, considers three basic elements, namely: the environmental, social and economic aspects.

The environmental aspect of SFM focuses on developing forestry activities which maximize environmental benefits and minimize environmental impacts. The main activities in this area include protection of the wild life, forestry fire protection, recovery of soil erosion, recovery of flora and fauna, protection of the natural water courses and promotion of technologies which use wood; a renewable product which requires less energy for its elaboration.

The social component of SFM is related to the creation of employment (in activities such as administration, production, trading, silviculture, fire prevention, environment, harvest, transportation, food and services, etc.), the support to local communities and neighbors (in areas such as technical assistance, education, training, fire prevention, utilization of by-products, development of public resources, community development, etc.), and, the creation of public spaces and conservation areas which add to the scenic beauty of the country and foster the practice of sports and recreation.

The economic component of SFM has had a positive impact on the country's development. After mining, forestry is the second most important export sector in Chile and is a natural renewable resource.



Environment

Sustainable Management of soil and water sheds

In Chile, over 600,000 hectares of the lands now occupied by ARAUCO's forestry plantations were soils which showed some degree of erosion or degradation. This means that the company is continuously taking measures to protect the soil and its nutrients. The re-establishment of a protective vegetation layer as well as forestry cultivation allow for the recovery of soils and prevent the loss of vast portions of land to erosion.

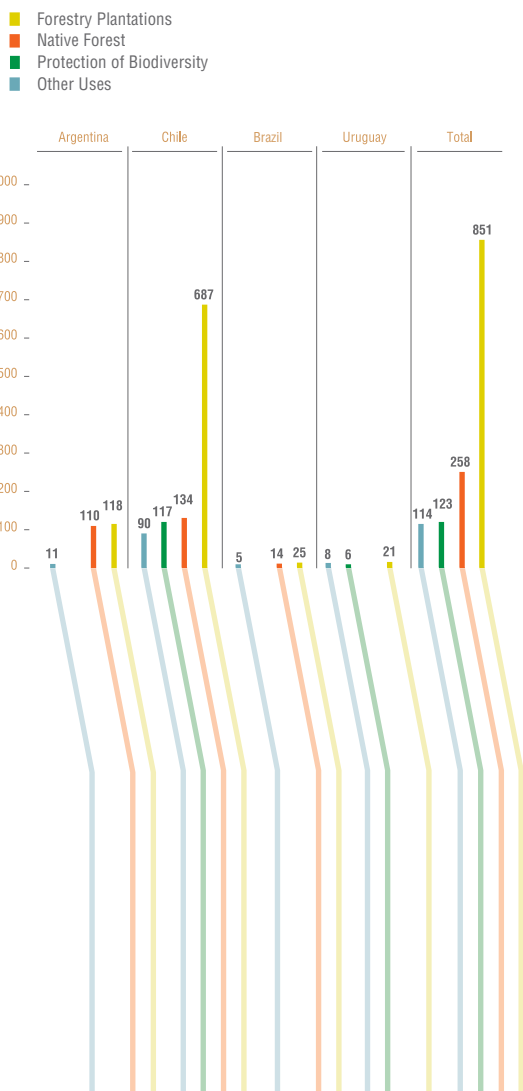
In order to better identify and protect the soil, ARAUCO has developed detailed maps of its plantations, areas of native vegetation and protected areas, among others. These maps also identify the types of soils and their fragility as well as the areas of water shed management, allowing for an adequate administration of preventive soil fertilization and the adoption of measures to prevent erosion.

6.3 Conservation and Protection of Biodiversity

Native Forest

The protection of Native Forests and their biodiversity are of critical importance to ARAUCO. Characterization of native vegetation and natural communities in over 90% of the surface areas classified as protected zones or native forest has been possible thanks to the monitoring practice. This information is available in the national natural resources data system ensuring that the company's productive management is protecting this resource adequately. It also facilitates conservation of the biodiversity and of the forest and native vegetation wealth.

Forest Holdings
as of December 31, 2005
Thousands of hectares







NATIONAL
RESERVE
LOS QUEULES
8TH REGION
CHILE.

Conservation Plans for Areas of High Environmental Value

In order to protect the biodiversity of the company's resources in the various regions of the country, ARAUCO has developed conservation plans for Areas of High Environmental Value (AHEV) divided into several stages, as follows

The First Step is called "Validation" and it entails activities, such as verifying the state of conservation of a certain sensitive species, placing the targeted population in its geographical area, detecting possible threats to the species and developing cartography and other educational and information material.

Once the key element of endangered biodiversity has been duly classified and localized, the work of prevention begins by identifying factors which can affect biodiversity and then developing a proposal to address this problem.

At this stage, a special emphasis is placed on safeguarding the land against fires and excluding third parties and cattle from the area. Weed control programs are also implemented in order to prevent the inclusion of exotic vegetation. The last step of this conservation plan includes propagation of threatened species through the creation of tree nurseries for their subsequent plantation "in situ".

Chile	AHEV	Location	Surface Area (Ha)
	Ruiles of Quivolgo	Quivolgo, 7th Region	57
	Ruiles of Agua Buena	Quivolgo, 7th Region	22
	Ruiles of Huel n	Curepto, 7th Region	100
	Ruiles of Los Calzoncillos	Curepto, 7th Region	19
	Ruiles of Porvenir and El Fin	Cauquenes, 7th Region	99
	Queules and Pitaos of Ralburn and Copiulemu	Quirihue, 7th Region	93
	Queules and Pitaos of Loma de La Madea	Tome, 8th Region	9
	Conservation of Huemul Area	Cordillera de los Andes, 8th Region	3,000
	Queules of Caramavida	Ca ete, 8th Region	5
	Planta del Le n de San Gabriel	Valdivia, 10th Region	51
Total			13,455

RUIL CHILEAN ENDEMIC ENDANGERED SPECIES.



Environment

Conservation Areas

Conservation areas are created with the objective of protecting native forest formations and their associated biodiversity values.

During 2005 two conservation areas were developed: the Talca Cordillera Reservation and the El Valiente Lagoon, both located in Chile's Seventh Region. Together, these two areas add to the 11,950 hectares destined to conservation and they represent a significant increase in ARAUCO's preservation, research and conservation territory.

Additionally, in 2005 ARAUCO signed an Agreement for the creation of a National Conservation Park in Nongu n's farm, located in the Eighth Region of Chile. The execution of the agreement required the development of a plan to manage the future Conservation Area. Designed in collaboration with various private public bodies, the plan was later delivered to Corporaci n Nacional Forestal de Chile -The National Forestry Corporation - (CONAF).

Name of the Area	Location	Surface Area (Ha)
Conservation Area Cordillera de Talca Reserve	Talca, 7th Region, Chile	11,000
Conservation Area, El Valiente Lagoon	San Fabian 7th Region, Chile	950
San Jorge's farm	Iguazu Dept., Province of Misiones, Argentina	16,634
Conservation Area Cuenca del Arroyo Uruguay	General Manuel Belgrano Dept., Province of Misiones, Argentina	1,78
Conservation Area Araucaria Nativa	General Manuel Belgrano Dept., Province of Misiones, Argentina	300
Conservation Area Valle del Arroyo Alegre	San Pedro Dept., Province of Misiones, Argentina	8,550
Conservation Area San Pedro Reserva de Bi sfera Yabot	San Pedro Dept., and Province of Misiones, Argentina	600
Total		39,822



RALBUN CONSERVATION CENTER, AREA OF HIGH ENVIRONMENTAL VALUE, QUEULES AND PITAOS OF RALBUN and COPIULEMU, 8TH REGION, CHILE.

Parks

An efficient contribution to sustainable management of the environment and natural resources is the education, publicity and distribution of information on biodiversity and natural patrimony. Along these lines,

ARAUCO manages 8 parks destined to recreation, education and research. The parks are located between the Seventh and the Tenth Regions of Chile and they cover a total of 1,200 hectares.

Parks in Chile

Name of the Area	Location	Surface Area (Ha)	Purpose	
Tilicura Lagoon	Vichuquén, 7th Region	200	Education, recreation and conservation	
Coyanmahuida Park	Collico Norte, 8th Region	24	Education, recreation and conservation	
Coyanco Lagoon	Florida, 8th Region	4	Recreation and leisure	
Maria de las Cruces extension center Interpretative Trail "Los Quintrales"	Arauco, 8th Region	3	Education and recreation	
Rucapehuen Trail	Cáete, 8th Region	180	Conservation, research and interpretation	
Las Lianas Park	Lebu, 8th Region	6	Education and recreation	
Oncol Park	Valdivia, Coastal Cordillera 10th Region	754	Conservation of biodiversity	
Pudu's Trail	Valdivia, 10th Region	4	Education and fauna research: Pudu	

Environment



Conservation of Endangered Flora and Fauna Species

In harmony with the National Biodiversity Strategy of the Chilean Government and with ARAUCO's own sustainable development policies, the company and its subsidiaries carry out concrete actions to protect endangered flora and fauna. We also support collaborations with government and non-government organizations (NGO's) in order to develop actions for the conservation of the natural resources of the countries in which we operate.

Following is a detail of four conservation and biodiversity programs, two of them dealing with plant species and two with animal species.

The Queules Project

The queule tree (*Gomortega keule*) is one of the most endangered species in Chile, due to the high value of its wood, the lack of awareness for its conservation and insufficient protective measures. Besides its presence in the Queules National Reserve, the queule is also preserved in diverse Areas of High Environmental Value, such as "The Queules and Pitaos of Rabun and Copiulemu," and "The Queules of Caramavida", located in Chile's Seventh and Eighth Regions, respectively. Being the only species of its biological family, with a germination rate of one in one hundred seeds and a germination process which lasts two years, the queule is a species of high scientific interest.

The Ruiles Project

The ruil tree (*Nothofagus alessandri*) is a Chilean endemic endangered species. Being extremely threatened, the ruil is protected in its natural habitat and ARAUCO makes an important contribution to its preservation.

The company has participated in the conservation of this species protecting it in several areas of high environmental value, located in the Seventh Region of Chile. These protected areas are called: "Ruiles of Quivolgo", "Ruiles of Agua Buena", "Ruiles of Los Calzoncillos", "Ruiles of Porvenir" and "Ruiles of El Fin". Covering a total of 215 hectares, ARAUCO's contribution means a significant addition of protected areas to the barely 400 hectares which are the natural habitat of this Chilean tree.

The Huemules Project

The emblematic Chilean deer, huemul, (*Hippocamelus bisulcus*), is today an endangered species and ARAUCO is actively involved in its conservation by contributing to protect part of its habitat.

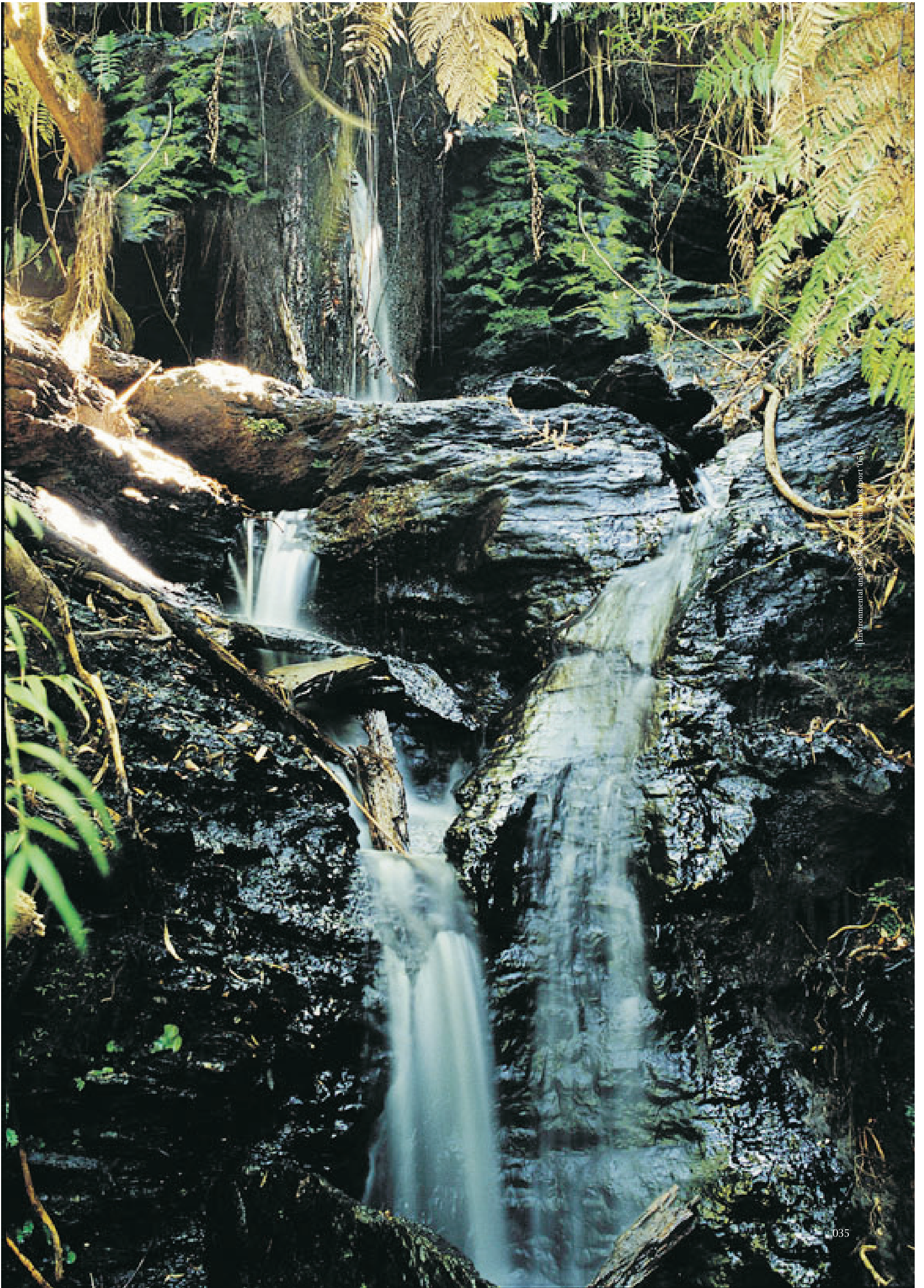
In the past, the geographic distribution of the huemul encompassed vast sectors of the Chilean and Argentinean Andes, but today, this species has been reduced to Chile's Tenth and Eleventh Regions.

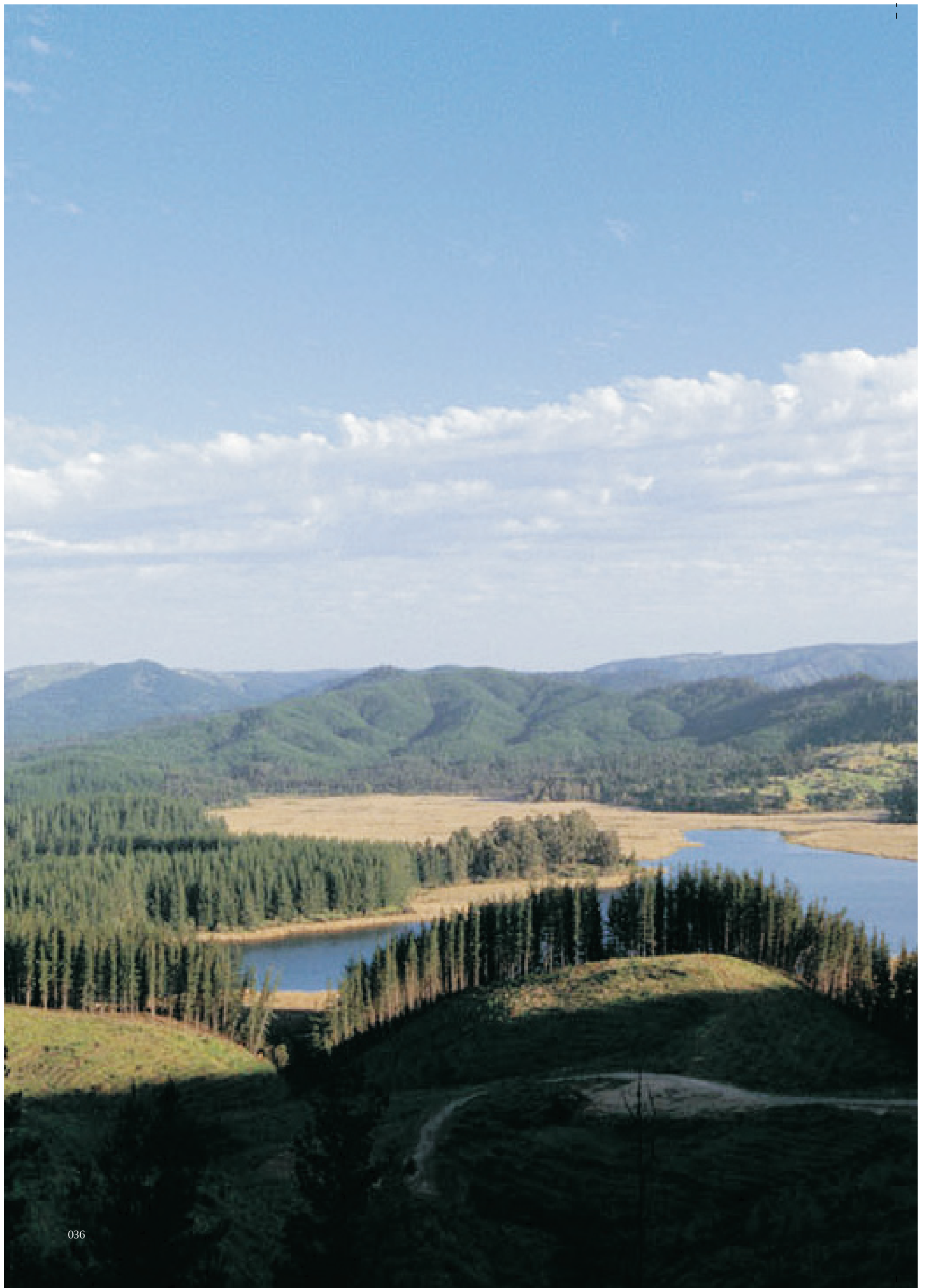
Through the efforts of CODEFF (The National Committee for the Defense of Flora and Fauna) and CONAF, a small isolated population (approximately 50 individuals) was identified in the Eighth Region, close to the Nevado de Chillan, where CODEFF and CONAF have allocated 9,500 hectares for their protection. Under an agreement with ARAUCO this area has been enlarged by 13,000 hectares which are adjacent to the already existing reserve.

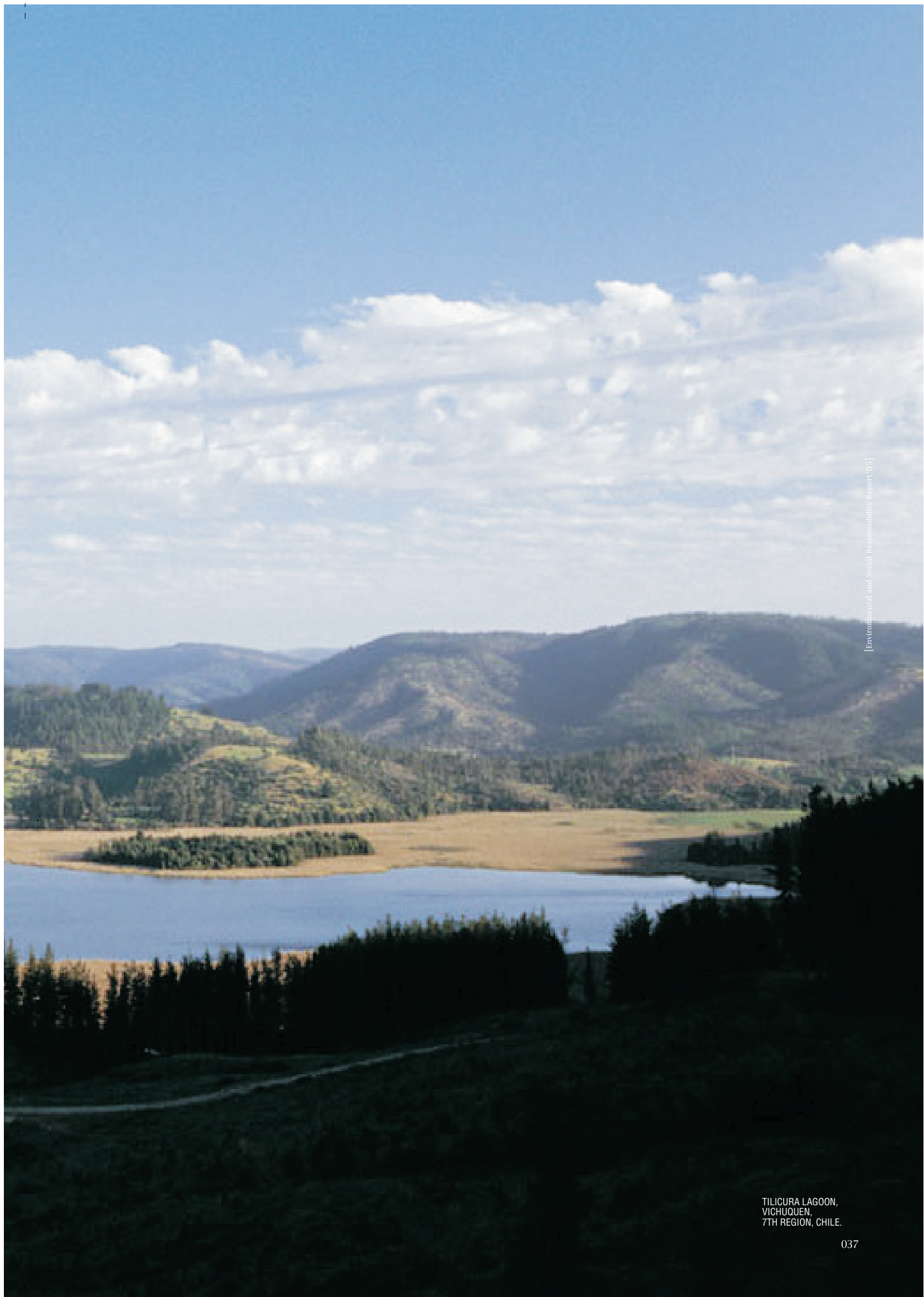
The Conservation of the Huillin Habitat Project

ARAUCO is developing a program for the conservation of the habitat of the huillin (*Lontra provocax*), in swampy and rubble areas of the Coastal Cordillera in the south of the Chilean Araucania area. This program will become official through the execution of an agreement between CODEFF and ARAUCO's subsidiary, Bioforest S.A..









[Environmental and Social Responsibility Report '05]

TILICURA LAGOON,
VICHUQUEN,
7TH REGION, CHILE.

6.4 Sustainable Use and Management of Production Inputs

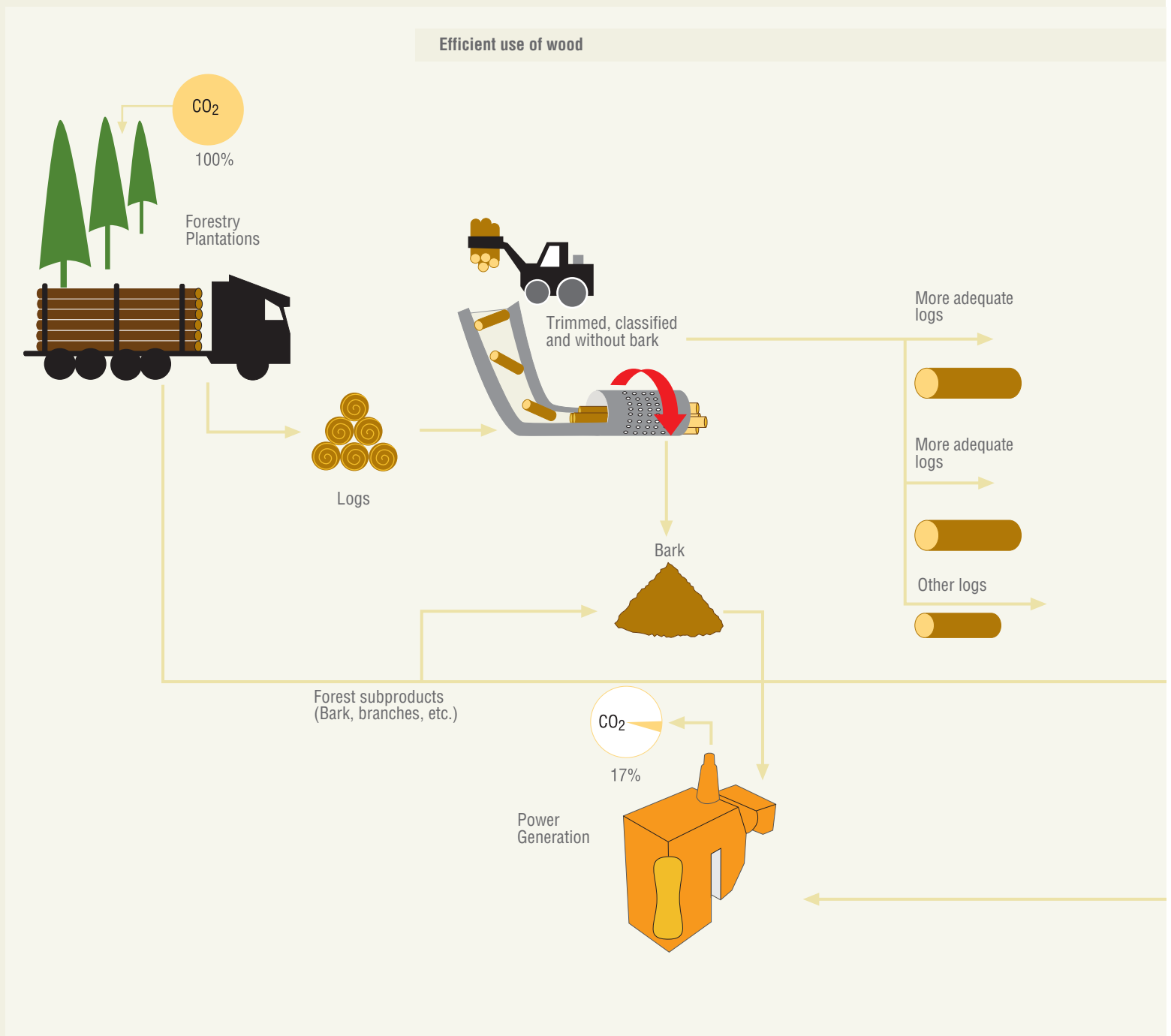
ARAUCO is a forestry company that mainly uses wood from its own forest plantations, plus water and chemicals, in the preparation of forestry products and in generating energy in a sustainable manner.

Wood

ARAUCO is concerned about using forests in an optimum way. The tree trunks harvested

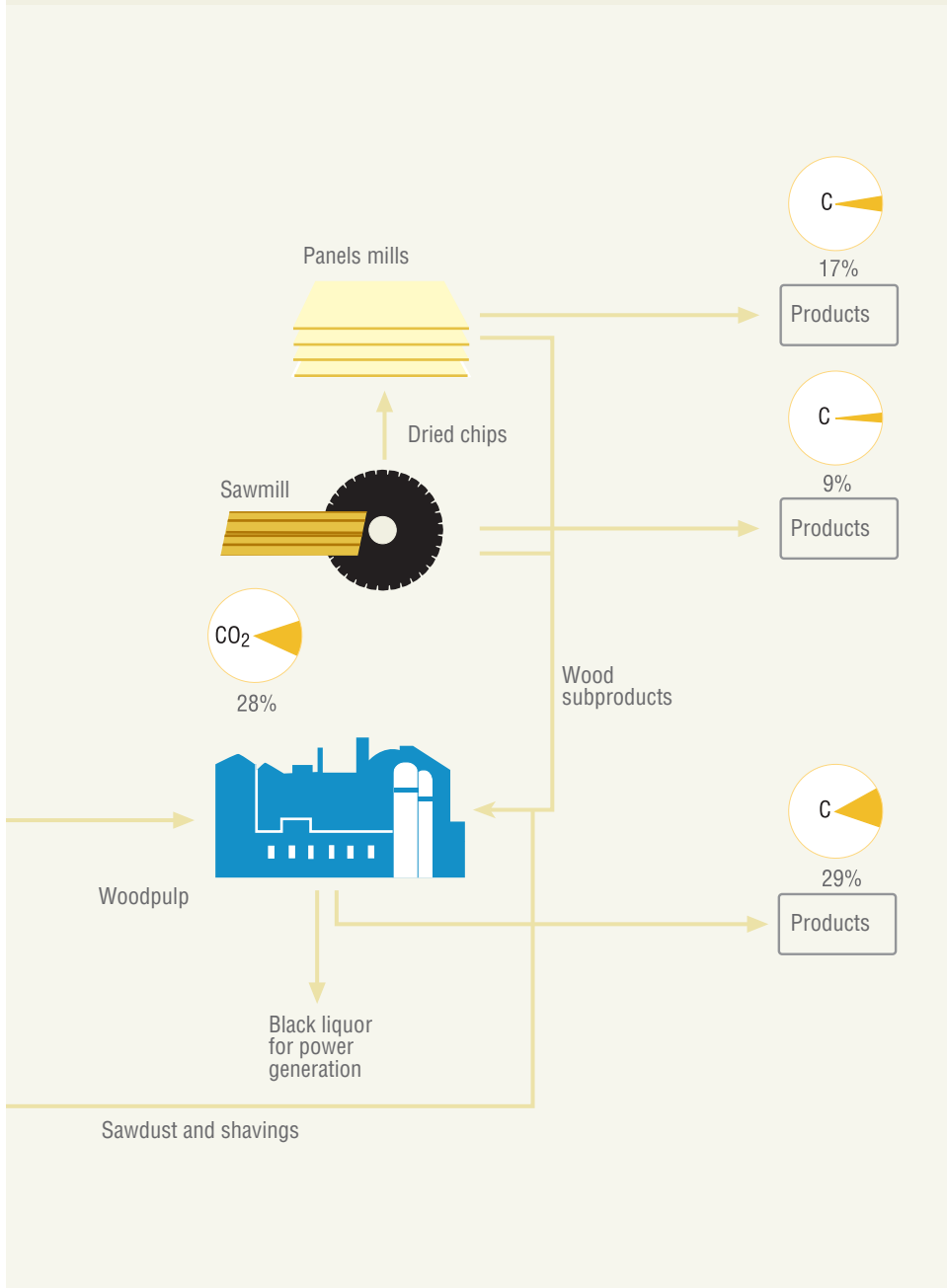
are cut and selected and then directed, according to their characteristics, to the panel mills, sawmills or woodpulp mills. All the wood byproducts (bark, cuttings, shavings and sawdust) are used in the industrial complexes either to produce other forestry products (e.g. particle board) or as fuel for energy generation.

Environment

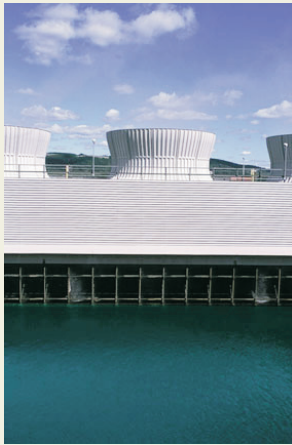


Wood consumption by ARAUCO's facilities in Chile

	Wood consumption in millions of m3 (solid wood without bark)
Woodpulp	11,3
Sawn timber	6,0
Panels	2,9
Total	20,2



Environment



Water

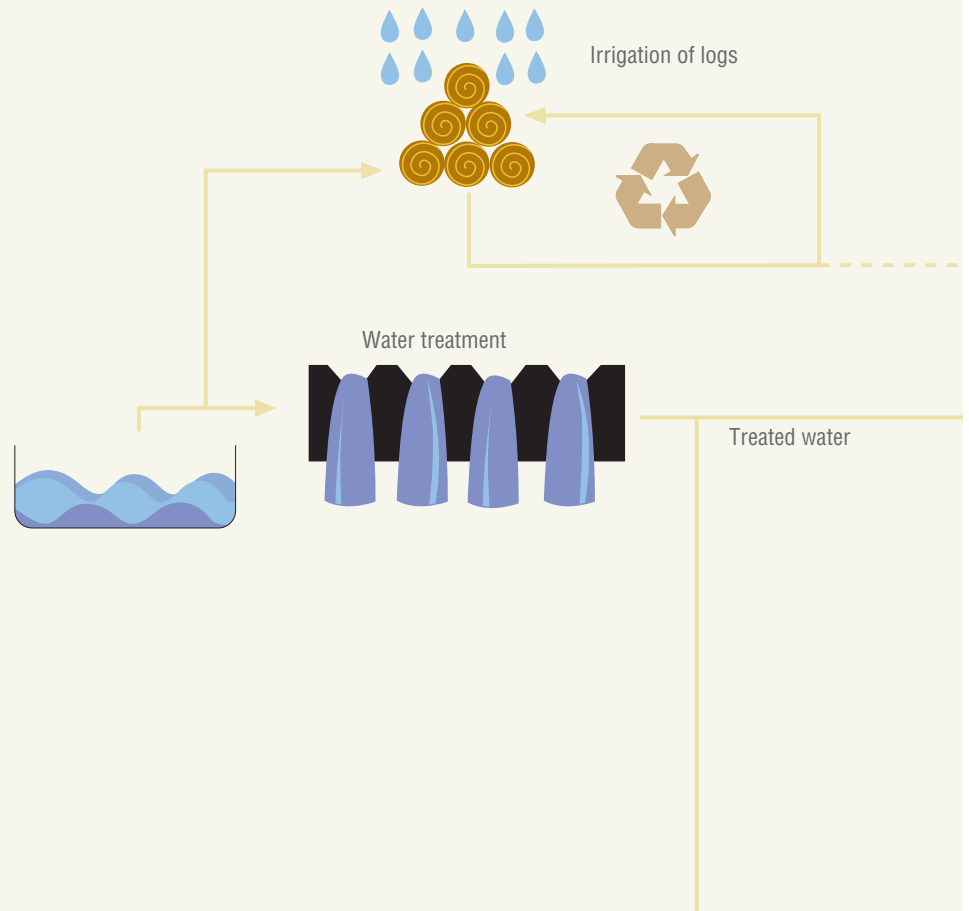
Water is a most valuable natural resource. Therefore, its sustainable management, conservation and return to the environment in optimal conditions is one of ARAUCO's top priorities.

In our facilities water captured through rivers or ground water is used in various forestry and industrial processes and recycled or, whenever possible, reused in other processes. The industrial facilities which use water in a more intensive way are woodpulp mills, but it is precisely in these plants where the company has made greater progress to optimize water management.

A great number of projects were developed in 2005 with the objective of optimizing the use of water and improving water treatment systems.

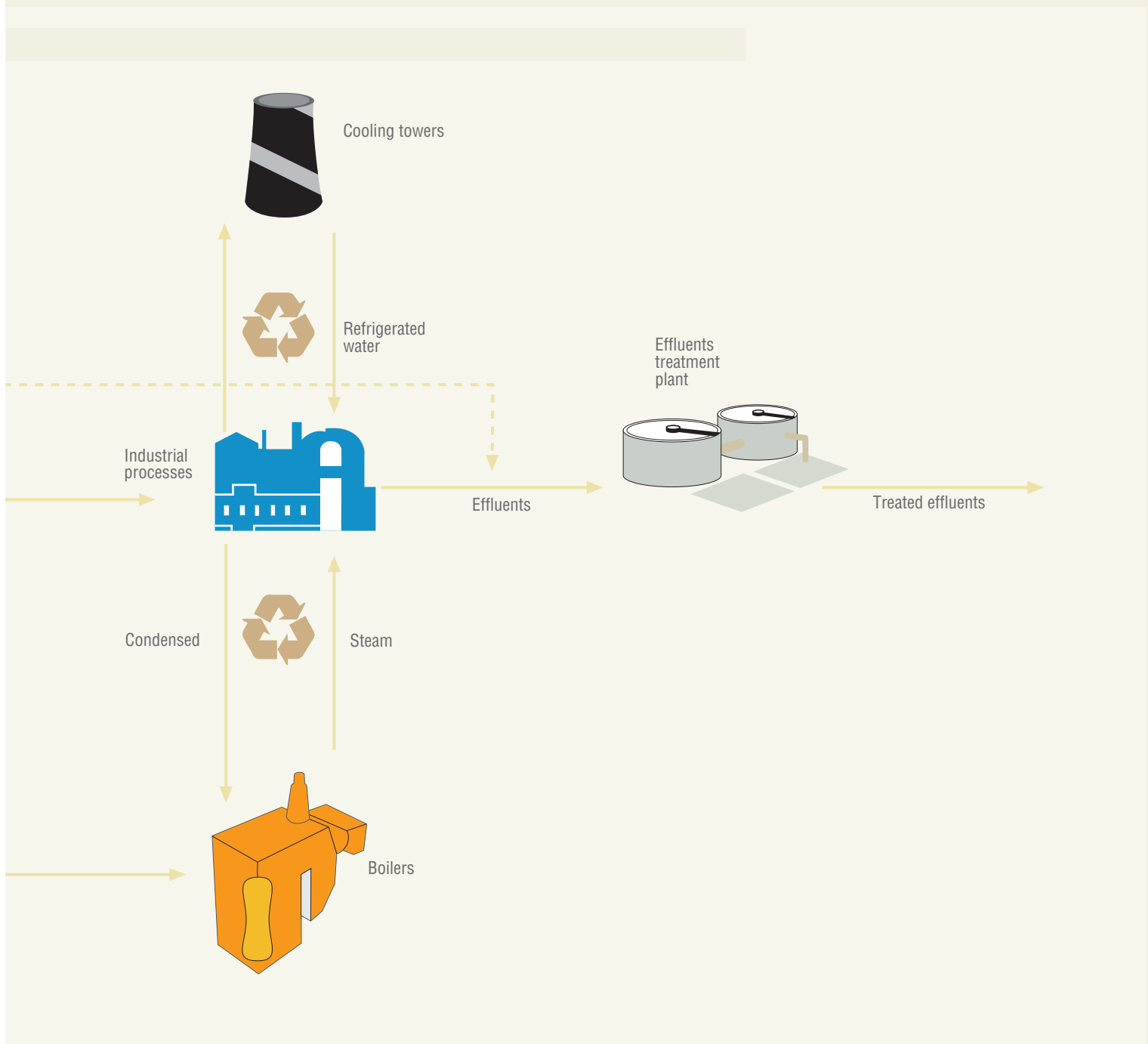
The sawn wood area developed a system of water recovery, treatment and reuse in productive processes. It also implemented a project to reduce the volume of the effluent by improving the drying processes. During 2006, sawmills will improve their water flow measurement and control systems.

Sustainable use of Water



In the woodpulp area, projects were implemented to improve management of cooling waters (Arauco Mill), recovery of lukewarm water in evaporators (Constitucion Mill), reuse of the effluent from slurry dilution (Arauco Mill), improvement of the management of rain waters (Arauco Mill) and improvement of water treatment systems (Licancel Mill).

Along the same lines, in the panel area, the Nueva Aldea Plywood Plant implemented a project to optimize water treatment systems, while the Horcones Plywood Plant executed a system to improve the management of rain waters.



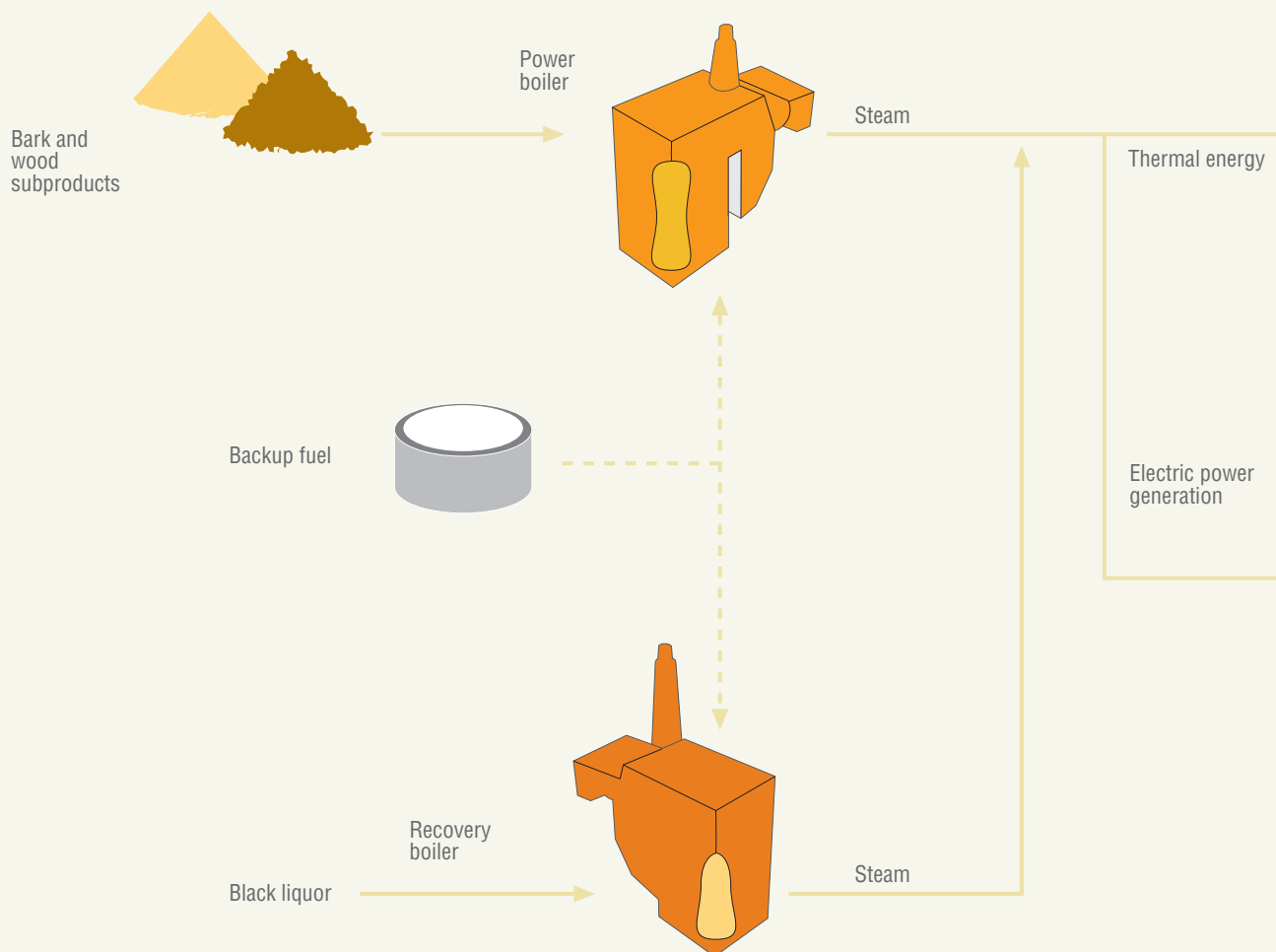
Environment

Energy

ARAUCO's integrated forestry business allows for the efficient use of wood and energy, particularly, biomass from its own forestry products. Hence, most of the energy used in its industrial facilities is generated from renewable fuels, such as bark, sawdust, shavings and black liquor obtained through the different stages of the productive processes. The use of this energy is maximized in the industrial facilities in the way of thermal energy (steam) and electric energy.

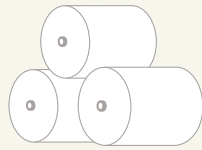
Similarly, during 2005, the amount of energy generated in ARAUCO's facilities in Chile (1,766 GHz) was 15% more than the energy they used (1,536 GHz). This meant that 407 GHz of renewable energy could be exported to the national electrical system while only 12% of its consumption (177 GHz) had to be acquired from third parties in exceptional situations.

Efficient use of Energy

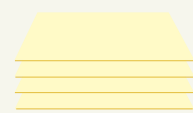




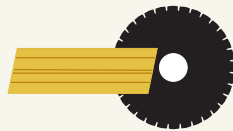
Woodpulp mills



Panels mills

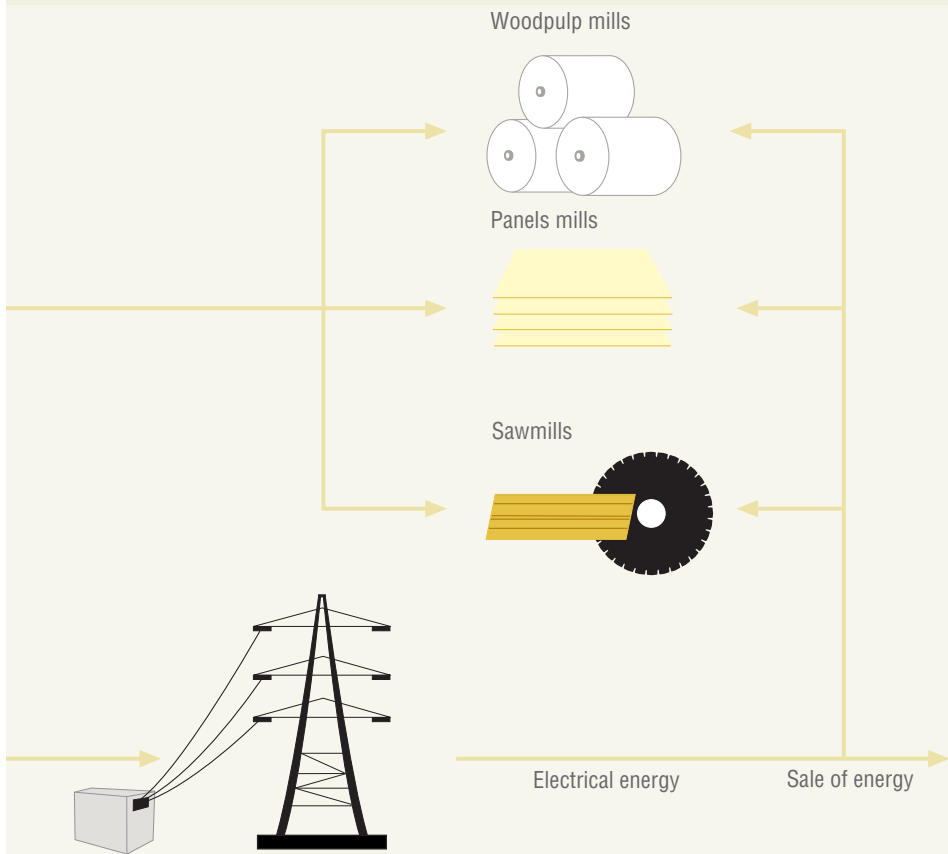


Sawmills



Electrical energy

Sale of energy



Environment



Contribution to the Control of Climate Change

There is a high degree of scientific consensus about the fact that burning fossil fuel is the main cause of the increase in the concentration of carbon dioxide (CO₂) in the atmosphere.

This gas is thought to be the major cause of so-called "global warming". Today, this phenomenon is considered as one of the greatest environmental challenges which the human race faces for the future.

Industrial forestry, in general, partially contributes to solve this global problem since forests capture, or "fix" CO₂ and generate biomass energy. This significantly helps reduce greenhouse gas emissions to the air.

As a result, ARAUCO today is in the process of registering three projects of co-generation of energy in the Kyoto Protocol's Clean Development Mechanism.

In 2005, ARAUCO's forest resources fixed 14,6 million tons of CO₂, while only 6,5 million tons were returned to the atmosphere as a result of the energy used in its industrial facilities (26% in the recovery boilers, 17% in the power boilers and 2% in the lime kilns). In this way the use of fossil fuels is replaced by other renewable fuels and the output of CO₂ is avoided. Thus a positive CO₂ balance is generated with a net of 8,1 million tons of fixed carbon through forestry products (55% of the total fixed carbon). This balance breaks down as follows: 4,3 million tons as pulp, 2,5 million tons as panels and 1,3 million tons as sawn wood.





Chemicals

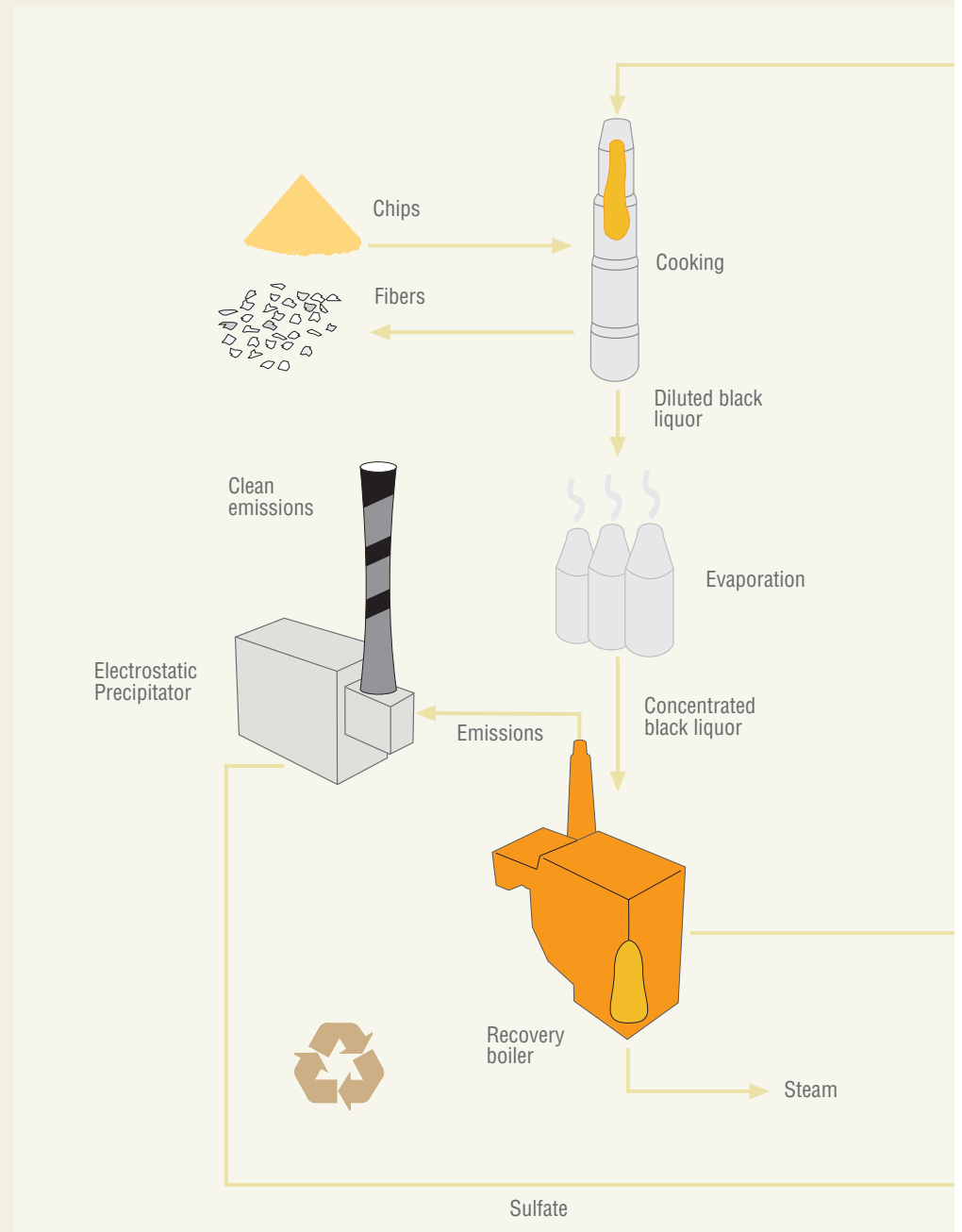
As with most productive processes, ARAUCO's industrial processes use a variety of materials and chemical substances. With the aim of preventing the possible impact that these products might have on the environment, our company is committed to the safe management and efficient use of these products and substances.

Chemical recycling in the Kraft pulp process

The production process of Kraft pulp is characterized by the almost total recovery of the chemicals used in the boiling of wood (caustic soda and sodium sulfide), which results in a clean process with very low concentration of chemicals.

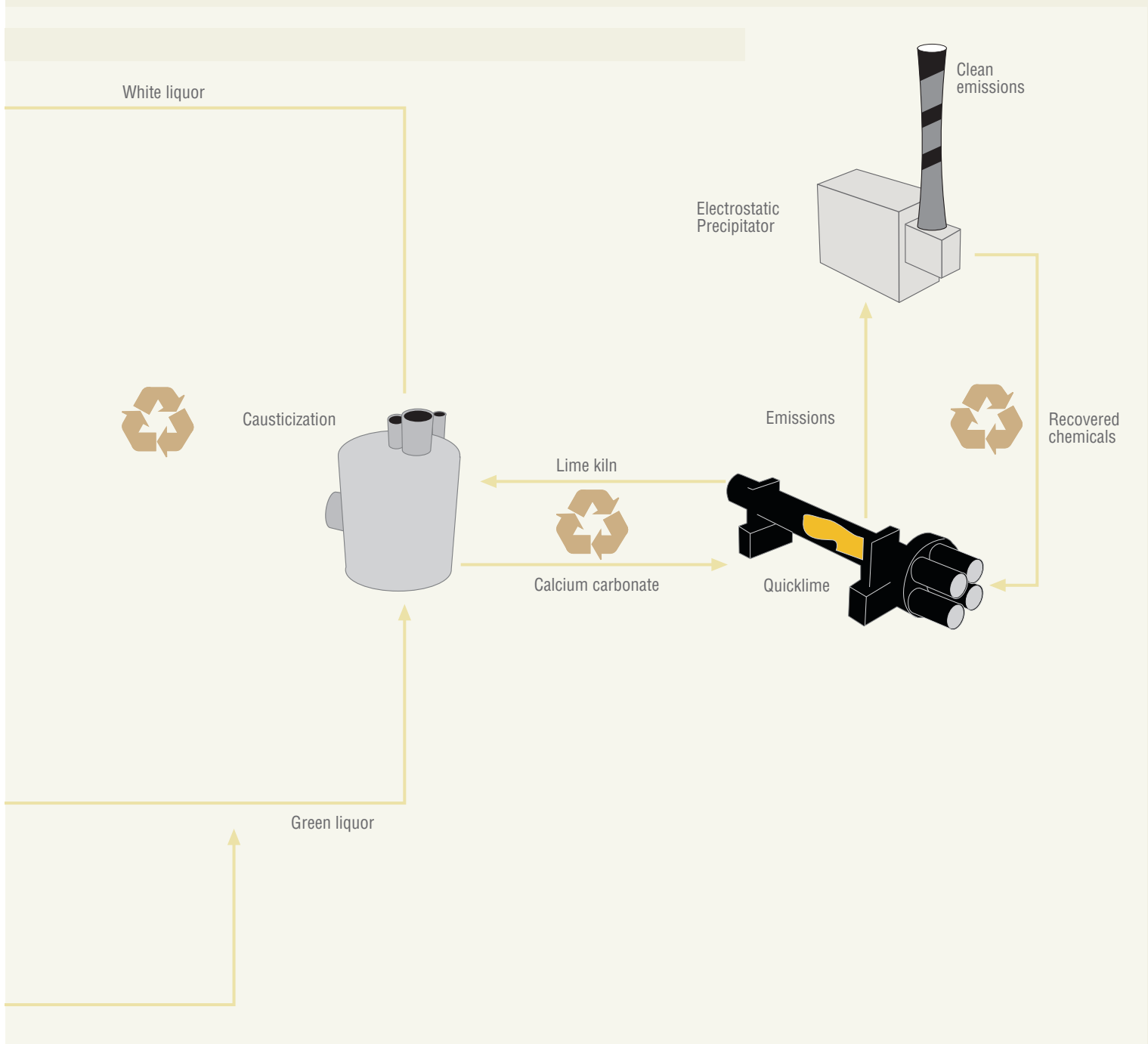
Environment

Efficient Use of Chemical



In the recovery cycle, chemicals present in the black liquor (chemically combined with organic matter) are recovered through three processes: evaporation (in order to concentrate the chemicals and maximize energy recovery), combustion (in the recovery boiler) and causticization.

In addition, the chemicals used in the process of causticization (calcium carbonate) are also recovered through calcination in a lime kiln. On the other hand, the electrostatic precipitators which are installed in the funnels allow for the recovery of more than 99% of the particles which are present in gas emissions (chemicals which are reused in the processes).



Environment



Safe handling of hazardous substances

ARAUCO's production processes require the use of some consumables that are classified as hazardous substances. These substances are handled with the highest safety standards, both to protect the health and safety of workers and to look after the environment. To this end, ARAUCO, in coordination with the authorities and other local support entities (fire department, health services, etc.), has detailed contamination preventive programs and emergency plans available for any eventual accident involving dangerous substances.

The following steps can be mentioned among the general measures that were taken during 2005 to improve this aspect at the ARAUCO industrial plants and complexes: construction of containing barriers around areas and equipment where there is some risk of spillage; implementation of contingency plans for different spillage scenarios that may occur, including the assignment of specific duties to trained staff and ongoing training of personnel.

Projects in the Woodpulp Area

Additionally, other projects were been implemented at the Arauco Plant in 2005, such as the construction of a warehouse for the storage of sulfur and lime oxide, improvement of a soda disposal site, improvement of the recovery and storage of turpentine and optimization of a recovery system for liquor spills. The Valdivia Mill, in turn, developed a project to replace its oil tanks while the Constitucion Mill improved the chemicals storage system.

Projects in the Panels Area

Many projects were executed in this area in order to store and handle chemicals in the safest way. Thus, the storage sites and spill containment systems were improved in the Trupan Plant and 6 warehouses were built at the Horcones Plant for the safe storage of chemicals, compressed gas and oils.

Projects in the Sawn Timber Area

Our sawmills have also made every effort to optimize the use of consumables, while minimizing waste generation and spillage events. Noteworthy in this respect is the construction of ditches for the recovery of impregnating elements at our different sawmills. Also, the Nueva Aldea sawmill reduced the use of oil as coolant and is using biodegradable substitutes instead.

6.5 Handling and Management of Residues and Emissions

Although the forestry industry is very efficient in the use of consumables, it does generate emissions and residues. ARAUCO handles these emissions with the best technologies and techniques available in order to minimize as much as possible the impact on the environment and the neighboring communities.

Management of Atmospheric Emissions

Some productive processes, particularly those related to energy generation, cause discharges to the air, the impact of which has to be controlled by means of special systems and technologies. This control takes place mainly through electrostatic precipitators that remove particles with 99% success, but other measures for the control of emissions have also been added during 2005 as follows:

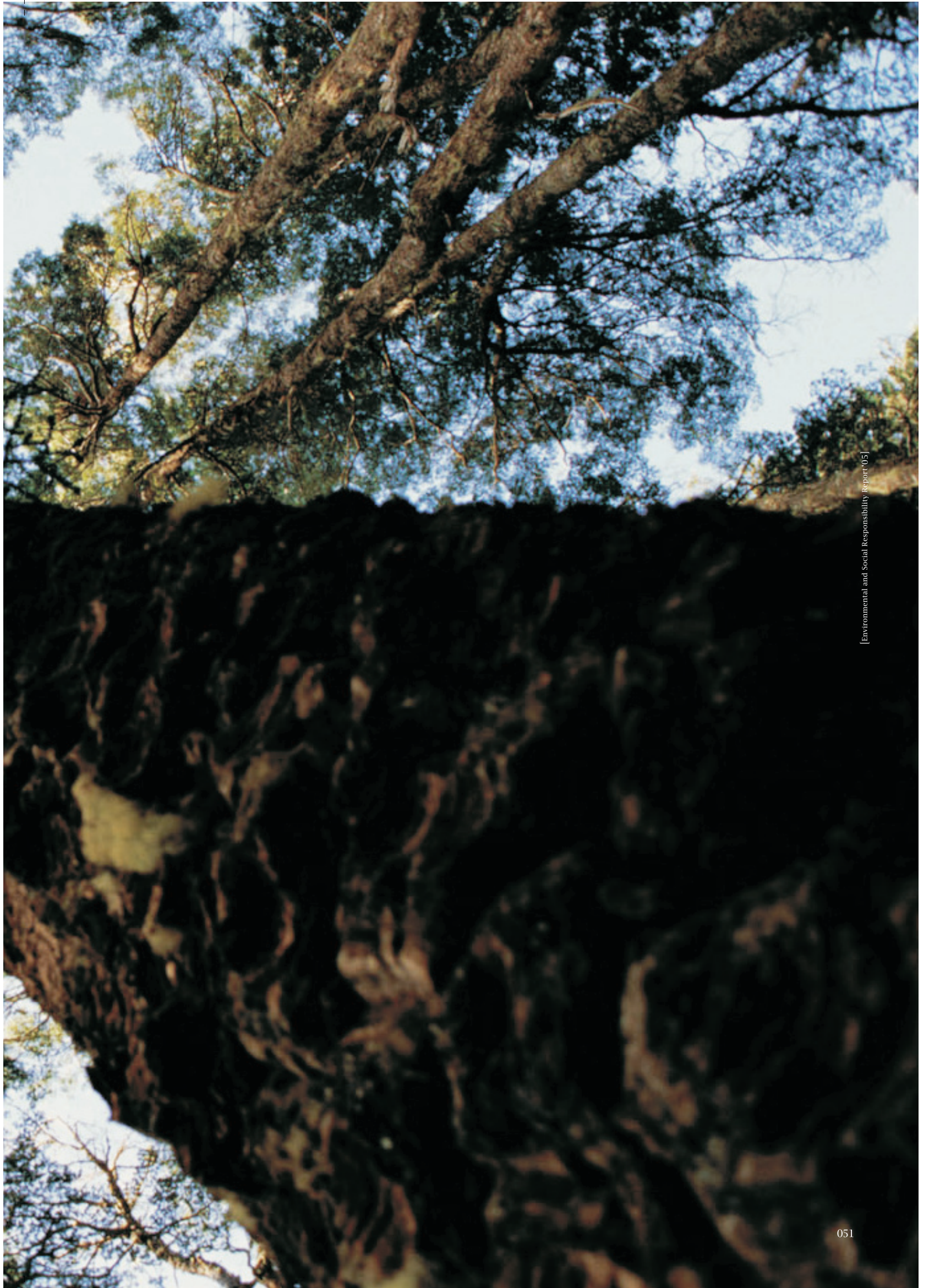
Two projects were executed at the Nueva Aldea Sawmill: one leading to the reduction of the emission of oils to the atmosphere by implementing high efficiency filters, while the other helped reduce the emission of vapors from the drying process by using systems that regulate the level of water in the tubs within the drying chambers.

Three projects were implemented in the pulp area to control atmospheric emissions including the implementation at the Licantel plant of a TRS (Total Reduced Sulfur) Continuous Monitoring System as well as the improvement of the operational management in the area of digesters and trementine recovery system. A system for the collection, conditioning and subsequent burning of all diluted TRS gases was also implemented at the Valdivia Mill.





RUCAPEHUEN
TRAIL, CA ETE,
8TH REGION, CHILE.



Environment



Noise

Another environmental aspect related to the company's facilities is the generation of noise mainly from the machinery and pressurized units in the production process. This aspect is continuously monitored to ensure compliance with the environmental noise regulation and avoid disturbances to our neighbors.

In an attempt to minimize these effects, silencers were installed in 2005 in the safety valves of the Constitucion and Valdivia woodpulp mills so as to reduce the acoustic impact on the communities living adjacent to the ARAUCO plant.

Liquid Effluents

Whenever it is not possible to recycle or reuse water from any process, it is clarified in effluent treatment plants for its return to the environment in optimal conditions and in compliance with current regulations.

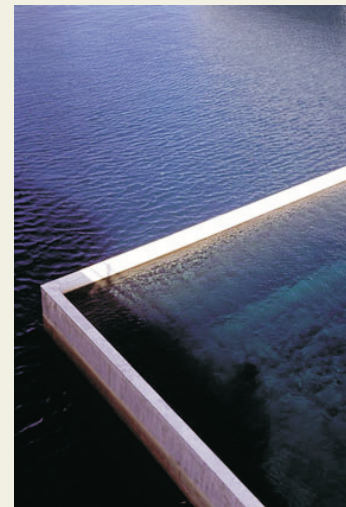
Moreover, all ARAUCO facilities take steps to prevent spillage that may contaminate surface waters, industrial effluents or rain water.

Therefore a series of actions have been developed to minimize the effects of the effluents on the environment. A clean production measure taken in the sawn timber area is the elimination of irrigation in some wood stockpiling yards with an aim to reduce liquid effluents.

Asphalt was replaced by concrete in the 2,8 hectare wood stockpiling yard at the Horcones plywood panel's area in order to minimize any possibility of contaminating underground waters through infiltration of irrigation water.

Several measures were adopted in the pulp area during 2005: a Project was executed at the Arauco plant to improve the recovery system for liquor spillages; at the Valdivia facilities, treatment of wastewater was improved by installing chlorination and dechlorination chambers; 100% of the treatment of the water in the trimmings yard was improved: two disk filters were installed to reduce solids and the sand-filter backwash water was better handled. The same occurred at the Licantel plant.

Management of liquid residues will be a major issue in 2006: at the Nueva Aldea Industrial Forestry Complex the effluent treatment system will be commissioned and a mechanism for the transport and discharge of residues into the sea will be built while treatment systems at the Constitucion and Licancel facilities will be improved.



Solid Residues

Handling solid residues is a fundamental part of our Environmental Management System. To minimize solid residues, the different ARAUCO areas have adopted several classifying and handling measures that are especially destined to prevent the generation of residues, improve recycling and permit a safe final disposal, by avoiding any kind of environmental contamination.

The following general measures have been adopted in ARAUCO's industrial complexes:

- ¥ Installation of different colored drums for the classification and identification of residues in order to facilitate their eventual transfer to recycling facilities or final disposal.
- ¥ Adequate signage of the stockpiling areas for hazardous residues.
- ¥ Return of plastic containers to suppliers to be reused or recycled.
- ¥ Reuse of plastic or metal baling bands.

In addition to the previous measures, our sawmills have implemented a timber monitoring system in order to eliminate the presence of sawdust before applying the stain bath and so reduce the amount of residues requiring disposal.

In the woodpulp area, the enlargement of dumping grounds for the Valdivia and Arauco mills will be studied during 2006, prior to the Arauco mill's entrance into the Environmental Impact Assessment System.

Hazardous Residues

A small portion of the residues generated by ARAUCO falls within the legal category of hazardous residues and is handled, stockpiled, transported and disposed of subject to the applicable environmental requirements and following adequate practices at each handling and disposal stage. ARAUCO does not have authorized dumping areas for the disposal of hazardous residues; consequently they are all disposed of in duly authorized external environmental and sanitary disposal sites.

New warehouses were built in the panel area in 2005 to safely store dangerous residues in the Nueva Aldea and Trupan plants. New warehouses were also built in the pulp area destined to a safe handling of the hazardous residues generated in the Constitucion, Arauco and Licantel plants, while the non-hazardous residue disposal sites at the Licantel plant were improved.

In 2005 warehouses were built to store and stockpile chemicals, oils and dangerous and non-dangerous residues at the Nueva Aldea sawmill and in the Constitucion, Arauco and Licantel woodpulp mills. Appropriate signage for hazardous waste stockpiling sites has also been implemented.



Waste Generation during 2005 (tons)

Area	Non-dangerous waste	Dangerous waste	Recycled waste (*)
Woodpulp	265,543	296	737
Sawn timber	25,091	525	308
Panels	57,285	778	6,616

(*) Does not include combustible waste for power generation.

Environment



Transport

Handling and transport of products is governed in ARAUCO by the company-wide sustainable development approach. ARAUCO has rigorous requirements regarding efficiency, quality of service and fulfillment of environmental regulations.

Some measures adopted in this regard are as follows:

- ¥ Planning of routes that are less than 100 kilometers long, with the support of specialized software in order to maximize efficiency of use of trucks.
- ¥ Coordination aimed to reducing the number of trips.
- ¥ Intensive use of railroads to transport the finished products to the ports and bring consumables on the return trip.
- ¥ Optimization of the location of warehouses to maximize the use of transportation means.
- ¥ Effective planning of shipments and inventories located abroad, leading to rationalization of routes and ports-of-call of vessels.

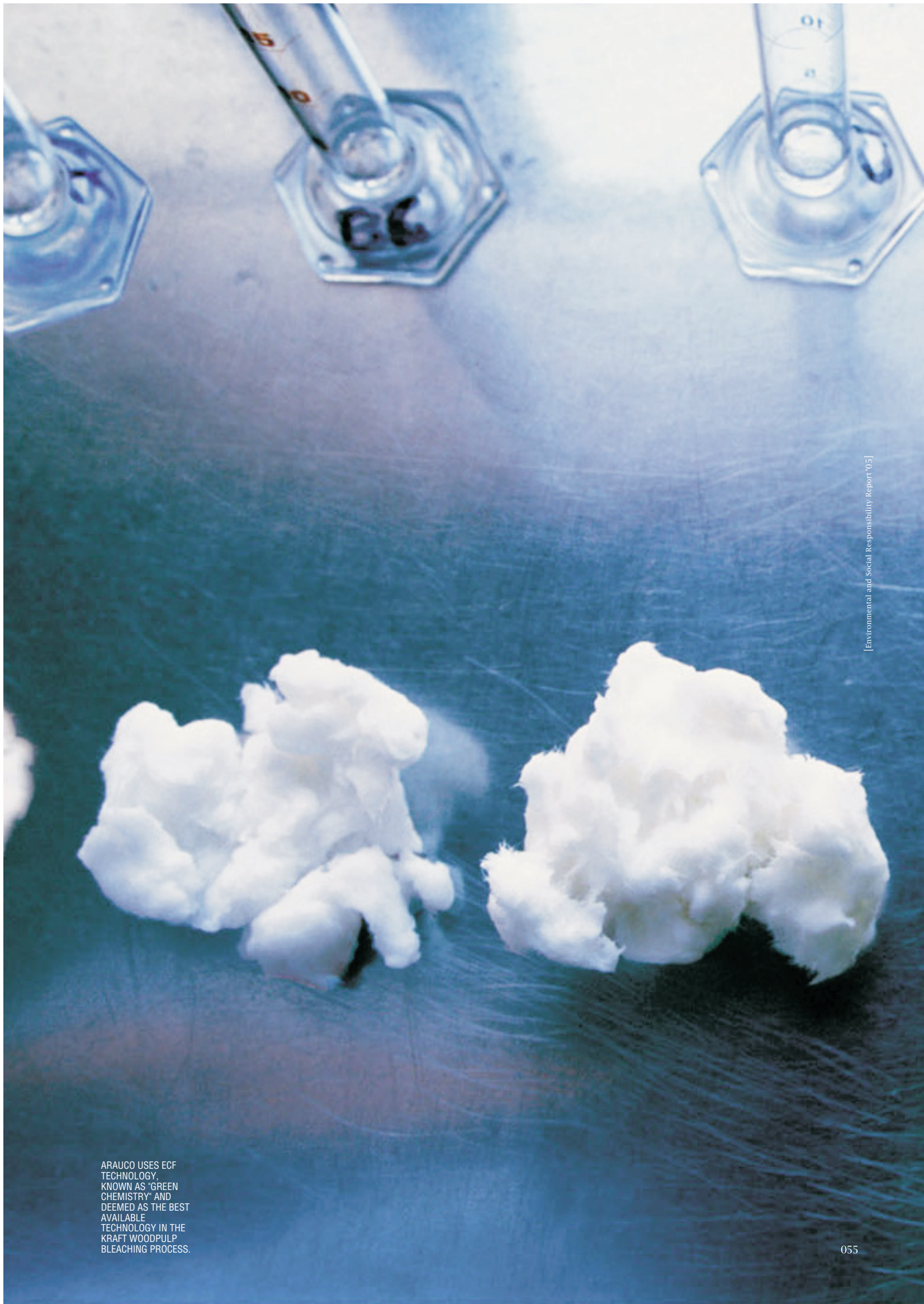
6.6 ECF Technology

The use of Elemental Chlorine-Free (ECF) Technology is an essential aspect of ARAUCO's efforts to foster a sustainable relationship with the environment by fully eliminating elemental chlorine in the woodpulp bleaching process. ECF Technology is known as "green chemistry" as it allows the woodpulp bleaching process to take place with the least environmental impact, by minimizing water consumption, discharge, and usage of trees for the production of one ton of woodpulp while simultaneously maximizing energy production. This technology also reduces the concentration of dioxins in effluents to virtually nil. For these reasons, both in the USA and in the European Union the use of the ECF Technology is considered as the Best Available Technology for bleaching Kraft woodpulp.

AOX and dioxins

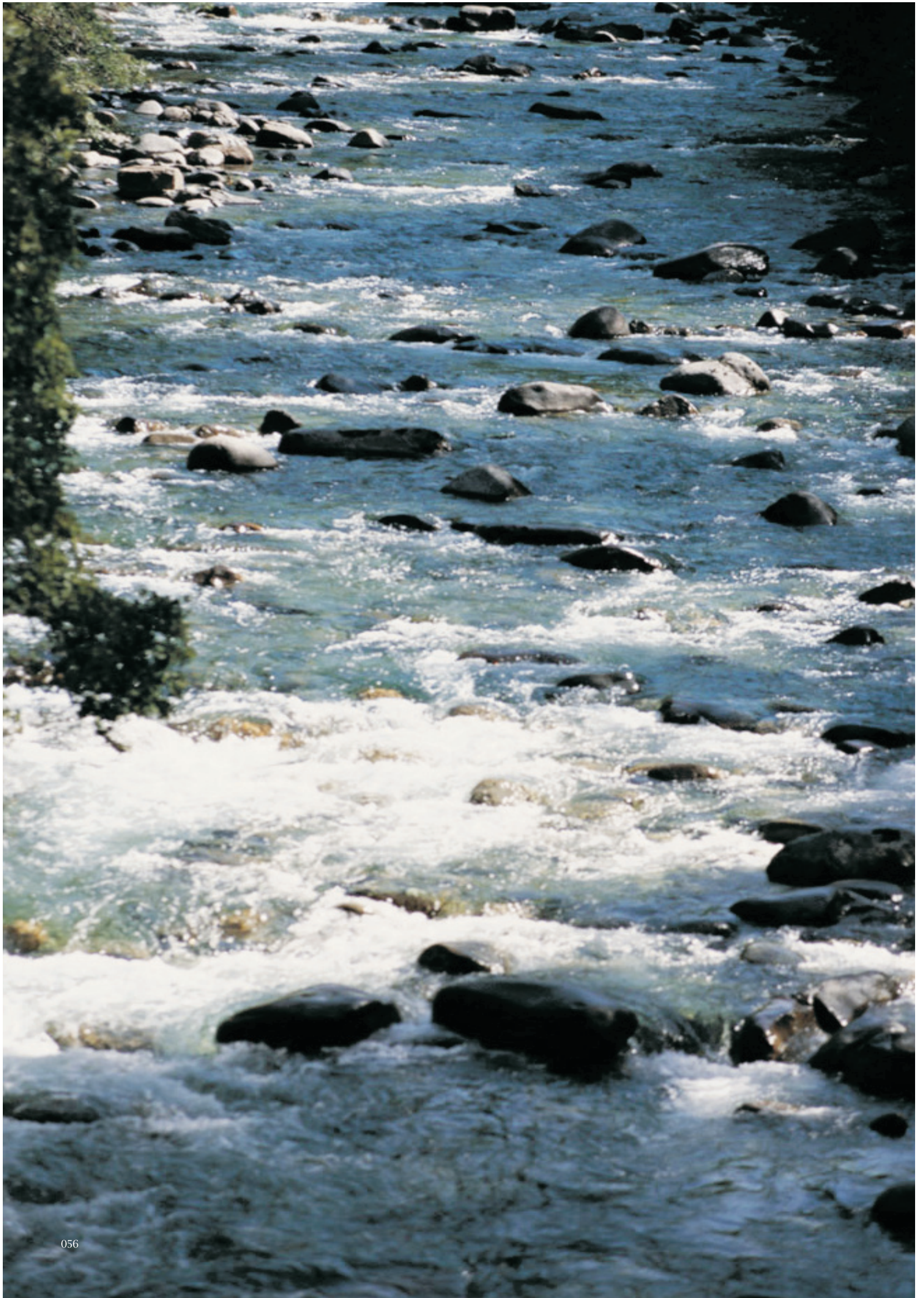
The organochlorinated compounds, also called AOX, form an entire family of chemical compounds with chlorine in its molecular body composition and are not necessarily toxic. As a matter of fact, a wide range of these compounds is used in the preparation of medicines.

Dioxins, in turn, are the lowest part of this family of organic compounds and are of different toxicity levels. In the woodpulp industry, at ECF plants, dioxins represent approximately 0.0000001% of the total AOX, and are found in concentrations that are harmless for human health and the environment.



[Environmental and Social Responsibility Report '05]

ARAUCO USES ECF TECHNOLOGY, KNOWN AS "GREEN CHEMISTRY" AND DEEMED AS THE BEST AVAILABLE TECHNOLOGY IN THE KRAFT WOODPULP BLEACHING PROCESS.



6.7 Projects entered into the Environmental Impact Assessment System during 2005

ARAUCO executed several investment projects in 2005, many of which were intended to improve the company's environmental performance. Given their particular characteristics, most of these projects did not need to enter into the Environmental Impact Assessment System (EIAS).

In the same period ARAUCO also entered 6 projects into the EIAS for a total of

US\$ 68,8 million. Noteworthy among these is the "Transport and Discharge to the Sea of the Effluents from Nueva Aldea Industrial Forest Complex" Project, whereby an approximately 50,8-km long pipeline will be built over land and over 2,3 km under the sea. From September 2007 on, this project will allow the discharge into the sea of the treated effluents coming from the Nueva Aldea woodpulp mill, plywood plant and sawmill.

Projects entered into the Environmental Impact Assessment System by Arauco or its subsidiaries.

Type of Project	Name of Project	Investment (US\$)	Objective	Status
Environmental Impact Study	Transport and Discharge to the Sea of the Effluents from the Nueva Aldea Industrial Forest Complex (IFC)	60,000,000	Installation and operation of a land transport and ocean outfall system for disposal into the sea of the Nueva Aldea IFC treated wastewater through an ocean diffuser located beyond the seashore protection area.	Approved
Environmental Impact Study	Environmental improvement of the present discharge system of effluents treated at the Constitucion Mill	2,600,000	Improve the quality of liquid effluents from the Constitucion Pulp Plant in order to comply with future requirements, meet the internal continuous improvement policies, and reach international standards for the discharge of liquid effluents in pulp plants.	Approved
Environmental Impact Statement	Increase of the Production Capacity of the MDF molding mill	4,100,000	To increase the MDF molding plant industrial capacity by 32%.	Approved
Environmental Impact Statement	Final works of the emergency overflow dam in the Valdivia Woodpulp Mill	550,000	To submit the final works related to the Emergency Overflow Dam to the COREMA in the Tenth Region so that this entity can authorize the use of a larger pond under the same conditions as established in RCA No. 279/98.	Approved
Environmental Impact Statement	Ranquil Chip Plant	1,500,000	To produce 45 m3 /hr of solid Radiata pine chips and/or Eucalyptus chips from pulplogs.	Rejected
Environmental Impact Statement	Updating of the arsenic emission limit in the Valdivia Mill effluent	-	To adjust the discharge value for the arsenic parameter in the treated liquid residues discharged by the Valdivia Mill to the corresponding value stated by the Chilean potable water quality regulation.	In the process of qualification

Environment

6.8 The Valdivia Mill and the Carlos Anwandter Nature Sanctuary

The Valdivia Mill began its operation in February 2004 upon completion of a forest plantation program started by ARAUCO 20 years ago in Chile's Nine and Tenth Regions. When selecting the present mill site in the mid-90's, a special emphasis was placed on the geographic distribution of the forests that would be used as raw material, the availability and quality of roads and railways, and the quality, ownership and possession by the company of lands and water rights.

Environmental Authorizations and Permits

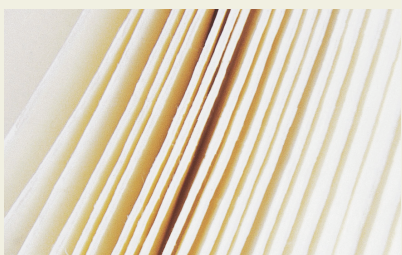
Once the future mill site was defined, in 1995 ARAUCO voluntarily submitted its project to the recently formed environmental entities available at the time in Chile and obtained a first environmental authorization early 1997. The General Environmental Law entered into effect some time after and ARAUCO decided to submit its project for new evaluation by the Environmental Impact Assessment System and was finally qualified in October 1998. In this second submittal, the evaluated project considered the discharge of effluents into the sea through an approximately 50-km long pipeline. However, the environmental authority finally approved the discharge into the Cruces River after primary, secondary and tertiary treatments subject to stringent environmental

requirements. A comparison of the authorization granted to the Valdivia Mill with other Kraft woodpulp mill permits world-wide shows that the requirements placed on this plant are among the most rigorous in the world regarding liquid effluents.

Carlos Anwandter Nature Sanctuary

Measures were adopted from the very beginning during the design stage both regarding the woodpulp mill and the effluent treatment system in order to ensure an optimum quality that would meet the demanding values of the environmental permit, especially due to the existence of a Nature Sanctuary and a Ramsar site downstream the Valdivia Mill.

Both the effluents and the quality of the Cruces river water have been fully monitored since the plant started construction, including the periodic measurement of 90 physical, chemical and microbiological parameters.



Control and External Audits

Since its commissioning, the Valdivia Mill has been subject to a conscientious control by the environmental authorities.

Furthermore, in 2005, after a modification by the environmental authority of the Environmental Qualification Resolution (RCA), ARAUCO voluntarily shut down the operations of the Valdivia Mill for two months until the technical and legal conditions under which the Mill could operate were clarified with the authorities.

Additionally, the COREMA in the Tenth Region required that the Valdivia Mill should contract two external environmental audits: an international one intended to verify compliance by the Valdivia Mill production process with each and every environmental requirement established in the Resolution that authorized the Project, which was entrusted to the Brazilian National Centre of Clean Technologies, SENAI; and an ongoing national audit assigned to the consultant company Knight Pi sold, the object of which is to verify conformity between the Mill operation and the Resolution requirements.

Liquid Effluents from the Valdivia Mill: These effluents are among the best in the world

The effluent treatment system of the Valdivia Mill includes primary, secondary and tertiary treatments as well as a recently installed disk filter. This results in an effluent that ranks among the five cleanest in the world and would meet the requirements in any jurisdiction in Europe or North America. A benchmark study with other 50 bleached Kraft woodpulp mills showed that the effluent of the Valdivia Mill has the lowest discharges regarding parameters of chemical oxygen demand (COD), color, phosphor and nitrogen. Moreover, the Mill is among the seven facilities in the world with lowest discharges of biochemical oxygen demands (DBO₅) and AOX.

Source: EKONO Report No 54150-2, "Benchmarking of the Effluent Discharges at the Valdivia Mill", February 2006.



Environment

Changes in the Cruces River Wetlands

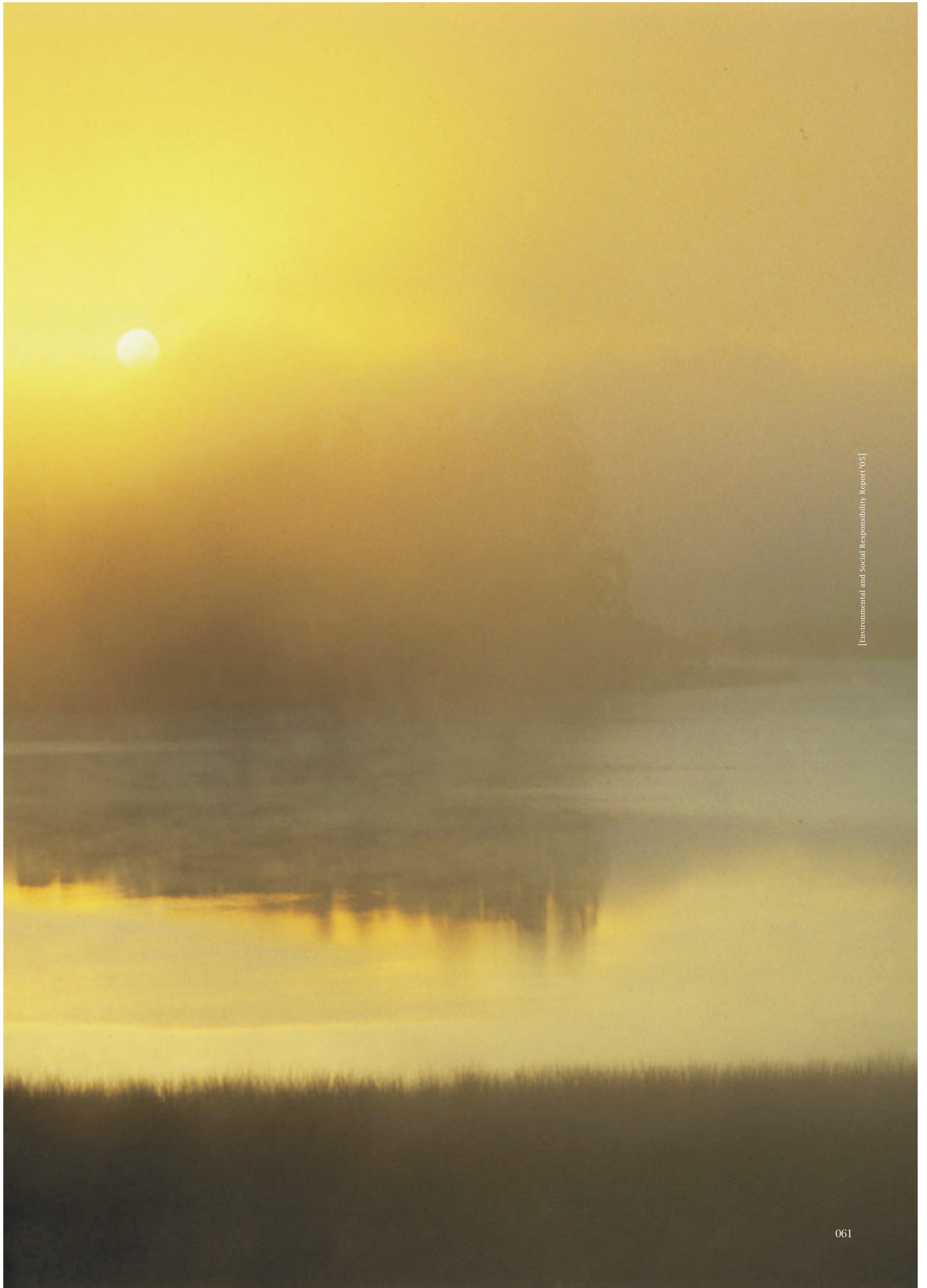
During 2004 the Carlos Anwandter Nature Sanctuary showed a reduction of the aquatic plant called Elodea (*Egeria densa*, a non-native plant introduced in the area), which caused a mass migration of the black-necked swan population (*Cygnus melancoryphus*) as well as the death of some specimens.

In 2004 ARAUCO performed several studies on the wetland ecosystem including quality and toxicity of effluents, interrelation between effluents and the environment and other research in order to determine the causes of the reduction of Elodea. None of these studies found evidence indicating that the Valdivia Mill effluents have affected the Nature Sanctuary. The company is convinced that the reduction of Elodea is not related to the Valdivia Mill operation.

Management Plan for the Cruces River Wetlands

To date, and based on Resolution No. 377 of the COREMA in the Chilean Tenth Region, ARAUCO has agreed upon an economic contribution aimed to help CONAF prepare an Integral Management Plan for the Carlos Anwandter Nature Sanctuary located in the wetlands of the Cruces River.







COMMUNITY

The ARAUCO Community is formed by more than 35,000 members from communities where ARAUCO operates in Chile, Argentina, Brazil and Uruguay.

Community



7.1 Human Resources

ARAUCO considers the contribution of each and every one of its employees as fundamental to the development of the company, as it is only through their commitment and ongoing efforts that the company can reach the goals it has established. Training and continuous improvement in occupational safety have always been essential issues in the company.

Staffing and Training

The company increased its staff to over 35,000 workers as compared to 2005 due to the recruitment required for the start-up of Phase 1 in the Nueva Aldea Industrial Forestry Complex and the acquisition of new facilities in Argentina and Brazil.

A significant increase in training hours and trained staff took place last year in response to the new company challenges, the commissioning of the new facilities and the recruitment of new workers. The figure increased from 137,499 training hours and 4,239 trained persons in 2004 to 282,000 training hours and 8,500 trained persons in 2005. The training in environmental and risk management matters of over 26,000 people in various courses held in 690 thousand hours should also be highlighted.

Some special projects addressing matters such as risk management, environment, development and operational excellence should be underscored.

Operational Excellence Project

The annual advancement and innovation program called "Project towards Operational Excellence" that is conducted by the sawn timber business area in Chile has meant a significant contribution to the professional development of workers and has also resulted in benefits for the company. This improvement project started in 2003 under the support of the Catholic University of Chile and involved all the facilities in Chile ensuring commitment at all organization levels to reach the highest safety standards in terms of safety, environment and business. Thanks to a guided effort, the previously trained teams detect process problems or difficulties and together create projects for their solution that are implemented thereafter.

Achievements reached in the three years of operation have been as follows:

¥90% of the staff trained by internal monitors, 64,000 Training MH.

¥157 Process Teams, comprised of supervisors and workers; 785 people working to improve their processes.

¥111 Successful projects related to Safety, Environment and Business.

¥121 Development Projects.

¥80 Workers trained to be leaders of Process Teams (there are 157 teams).

2005 Operational Excellence Competition

Two years after the start of the project and as a consolidation item of the Project towards Operational Excellence, the second annual competition of successful projects took place with the participation of all the Chilean facilities. This competition grants an award to the Ten Best Projects that are previously selected by the Operational Excellence Executive Committee comprised of company executive officers.

Accreditation and Certification of Labor Competences

Another highly relevant initiative in terms of training ARAUCO's workers is related to the accreditation of their labor competences. For this purpose some of the ARAUCO areas have decided to go ahead with this task by taking part in the labor competence certification process developed by CORMA.

CORMA started this process in 1994 based on the demand for trained personnel in the various member companies. The great majority of certified workers have been evaluated in three areas: psychological, medical and technical by labor competence accreditation entities, which are technical training institutions acknowledged by CORMA for the certification process. This leads to reduce the risks of accidents, protect working relations among peers, value the activities that are certified before the market and improve the possibility of labor mobility for workers.

To date the company has certified the labor competences of 3,747 workers in the forestry area and 91 in the woodpulp area, the latter having started its process only in 2004.



Community



Accidentality and Risk Management

In 2005 accident rates in the ARAUCO facilities in Chile were generally below the national average that is approximately 7% (Superintendency of Social Security) and below the Chilean forestry index of 7.3% (Chilean Safety Association). Similarly, accident rates are below regional indices. Despite the good indices, two fatal accidents took place in 2005 in the forestry area and one in the woodpulp area. The company deeply regretted these events, which gave rise to the corresponding investigation process intended to determine the causes and make the necessary adjustments to enhance the risk management and occupational safety in each facility and so prevent the occurrence of fatal accidents and accidents and the consequent lost days.

Thus in 2005 the company started implementation and certification processes in risk management and occupational safety systems (OHSAS 18,001) in the areas of forestry, sawn timber and panels aimed at improving management of these issues. This process is expected to be generally applied in each and every plant and facility of the company in the following years.

Accidentality Rates in 2005

Area	Average Accidentality Index (%)	Total Lost Days	Total Accidents	Total Fatal Accidents	Regional Index (ACHS)
Forestry	2.00	8,567	231	2	6.5 - 7.7
Woodpulp	1.48	695	119	1	6.5 - 7.7
Sawn timber	3.07	3,016	187	0	6.5 - 7.7
Panels	4.25	800	38	0	6.5

Note: Accidentality rate = Number of accidents/100 workers.





Activities for Employees and their Families

The quality of life of its employees is important for ARAUCO; therefore the company has a series of benefits for its employees related to matters such as health and housing, and also contributes with the development of several recreational activities both for our workers and their families.

An important occasion for the workers of ARAUCO is the year-end party, during which employees with longer periods of service in the company are publicly acknowledged.

Regarding sports and recreation, the company has different centers to encourage sports, aimed not only at improving quality of life but also to create meeting points for workers outside working hours. The following sports centers in Chile can be highlighted in this regard:

- ¥ Sports areas in the Arauco complex (swimming pool, gym, fields, etc)
- ¥ Sports Complex at the Licancel pulp mill (tennis courts, basketball courts, etc.)
- ¥ Los Naranjos Recreational Center at the Constitucion pulp mill (swimming pool, courts, barbecue)
- ¥ Sports Club at the Trupan MDF plant
- ¥ Golf course, Forestal Celco
- ¥ Coyanco Lagoon, a place for recreation and leisure

Several activities are constantly organized in these and other facilities, such as sports competitions, gym lessons, physical conditioning and celebration parties. Additionally, workshops and courses are conducted in various facilities for the employee's spouses and families (manual skills, English, dancing).



COYANCO LAGOON, 8TH REGION, CHILE.



Community



7.2 Community relations

ARAUCO operates in a widely distributed geographic area in Chile that covers from the Sixth to the Tenth Region. Hence, the area of influence of its activities includes over 90 municipalities in the country and an important variety of localities at different development levels. This geographic area extends even more if the industrial and forestry activities conducted in Argentina, Uruguay and Brazil and the commercial activities in over 50 countries in the world are also included. This is why the company considers it relevant to conscientiously address the concerns and expectations of its neighbors in order to make a positive contribution to their welfare and quality of life.

Consequently, the company has defined different ways to channel this contribution, including the generation of as many employment and business opportunities for the local population as possible while helping them to develop as self-sufficient communities through educational, social and cultural initiatives, and supporting projects oriented to the development of production and infrastructure.

In 1989 the company created the Arauco Educational Foundation (FUNDAR) for the development of specialized educational initiatives. The goal of this entity is to improve the quality of municipal education through the design, implementation and evaluation of different training and improvement programs that target educators in the municipalities near ARAUCO's industrial and forestry complexes. Along these lines, more than 24 years ago, the company created three schools to meet the educational needs of its workers in the area and provide the community with educational facilities of the best possible quality. These schools are regularly awarded with the highest scores in the national evaluation instances, where their performance in the national Educational Quality Measurement System (SIMCE) and the University Admission Test (PSU) should be highlighted as this year they had several national scores.

The initiatives leading to social, cultural and sports development as well as the support of projects oriented to improve production and infrastructure are implemented through the various subsidiaries and business units of the company following the general guidelines defined at the corporate level.

Employment Opportunities and Productive Development

Due to the wide geographic distribution along Chile, Argentina and Brazil, and given the variety of activities developed in the forestry and industrial sector, ARAUCO requires the collaboration of employees with different fields of specialization and technique and workers with different qualification degrees. In 2005 over 35,000 persons made up the human resources needed to fulfill the different production and service activities required by the company.

This considerable number of collaborators comes mainly from localities adjacent to company operations, thus helping to reduce local unemployment levels and increase the transfer of knowledge and training opportunities related to the forestry sector and the community. Likewise, most of the companies that cooperate with the company in production and service activities are comprised of local businesspeople and workers.

The highest impact of this effort is on the Chilean forestry area, since production activities in this area cover the widest geographic area which includes over 90 basically rural municipalities throughout the Seventh, Eighth, Ninth and Tenth regions, where ARAUCO hires most of its contributors and workers.

Over 70% of the 11,000 workers that take part in the activities of the ARAUCO forestry subsidiaries in Chile, considering our own staff and personnel from Forestry Service Companies (Emsefor), live in the provinces where the company's activities are directly developed.



RUCAPEHUEN TRAIL, CA ETE, 8TH REGION, CHILE.



Community

Suppliers Development Program

Some programs addressed to suppliers were also conducted during 2005 in an effort to prepare them to face the beginning of new productive processes, improve their performance, train their workers and involve them in the Environmental Management System of the different company areas and the ISO 14001 certification processes underway.

Productive Development and Community Development Projects

The company puts emphasis on the encouragement of local enterprising efforts and the support of productive processes and self organization in nearby communities.

During 2005, several initiatives with communities were supported in different ways as follows:

¥ Aid Fund called "Project on Organic Cropping", aimed to supporting the neighbors of Primavera de la Concepcion, Eighth Region, Chile, in the production and marketing of organic vegetables.

¥ Aid fund called "Project for Reed Farmers", aimed to supporting the neighbors in the area to improve the agricultural production in the community adjacent to the Nueva Aldea IFC, Eighth Region, Chile.

¥ Support for the "Local Economy Development Project", which contributes with one expert engineer and soil, water and product sampling and analysis to Sercotec and the Municipal Development Agency of the Municipality of Ranquil, Eighth Region, Chile, regarding the small-scale agriculture in the area.

¥ Support for the "Project on Small Grape Producers", which trains small grape growers in the Community of Ranquil, Eighth Region, Chile, in the use of technological tools.

¥ Project to support small business called "I do business with Contulmo", by Capital Semilla together with the Municipality of Contulmo, Eighth Region, Chile, to finance the projects of 20 local businesspeople.

¥ Program of the forestry area in the Eighth Region, Chile, on access to houses. This program helps people have access to and finance social housing programs. In 2005, over 700 savings accounts were opened for forestry workers in the Arauco area for the purchase of houses.



¥ Programs on Farmer s Forestation by the Farmer s Forestation Agreement between 23 Municipalities, CORMA and 10 companies of the area. ARAUCO contributed with 191,000 pine plants to 284 families in the communities of Curanilahue, Los Alamos, Arauco and Ca ete, Eighth Region, Chile.

¥ Project for the support of small businesspeople in Valdivia, which granted finance to 10 municipal development projects in Valdivia, Tenth Region, Chile.

¥ Support to the Improvement Project of the Rural Potable Water Committee of the Pellines Sector, Seventh Region, Chile. Easements and rights of way for the corresponding infrastructure were granted.

¥ San Jose de la Mariquina Municipal Library Project, Tenth Region, Chile, which supported the municipal library with construction, equipment procurement and technical assistance.

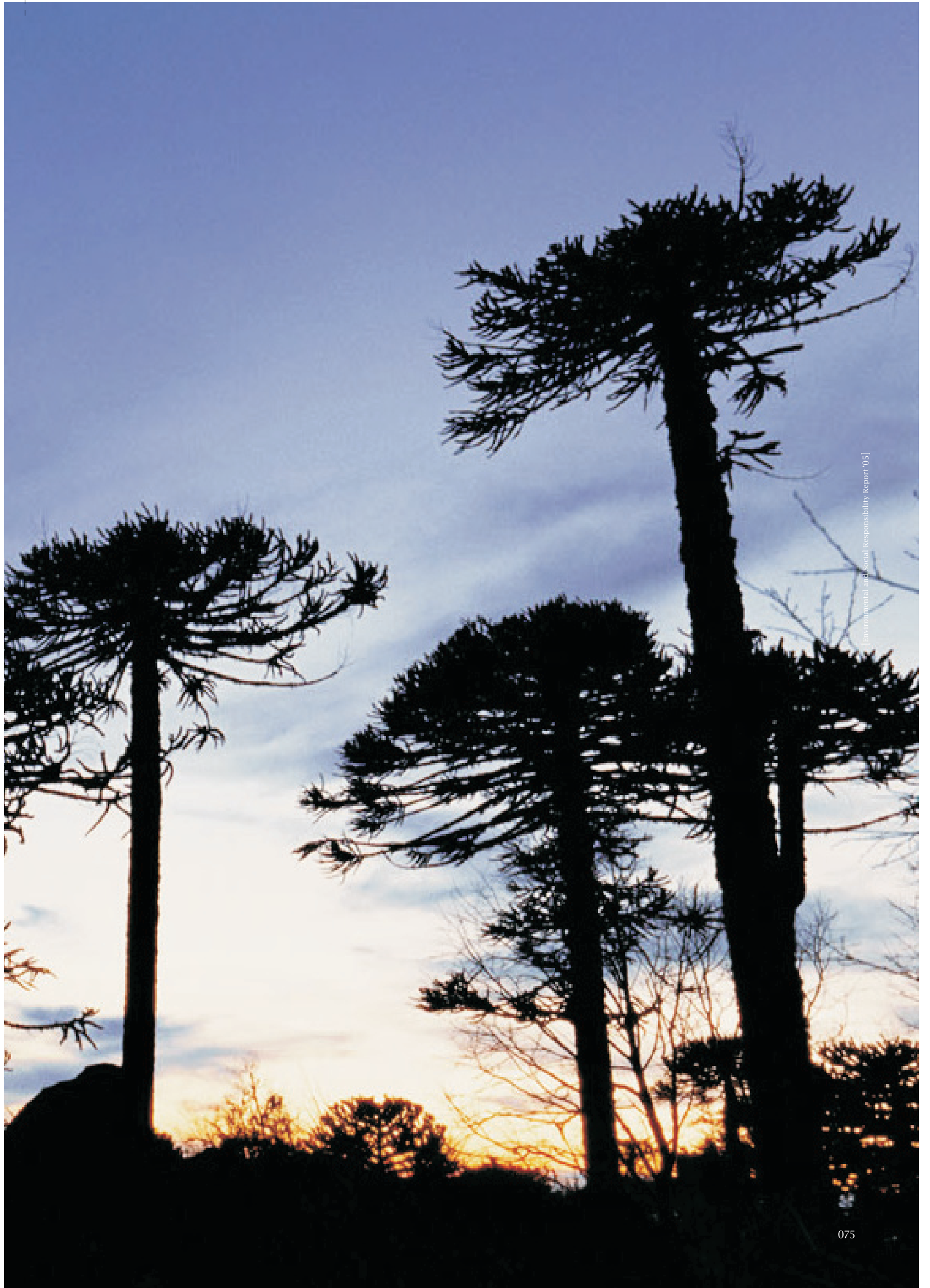
¥ Fondo Marino Restaurant Project: the company contributed to the construction of the restaurant for the union of non-industrial fishermen in the Llico cove in an effort to strengthen the tourist and fishing development in the Arauco area, Eighth Region, Chile.

¥ Mobile Library Project for the rural municipalities of Valdivia, Tenth Region, Chile, financed and executed by the Arauco Educational Foundation and La Fuente Foundation.



RUCAPEHUEN
TRAIL, CAETE,
8TH REGION,
CHILE.





Community

Access to forest products

The great extension of the company's forest wealth keeps it closely related to rural communities with many needs that are frequently transmitted to the company in the hope of receiving support. Many of these requests refer to authorizations to extract non-wood products from plantations and forests, rights-of-way and transit through the lands and visits to the tree nurseries owned by the company.

In response to these requests, the company grants the community free access to its forest properties so that they can extract subproducts from the forest, such as mushrooms, wild fruits and firewood that serve as sustenance for many nearby communities, and lets them transit through these properties to help them connect more easily with the community.

This help has been formalized through the forestry area participation in the Coordinating Committee for the Collection of Non-Timber Forest Products in the Eighth Region, Chile, led by the NGO Workshop on Cultural Action where several forest companies are involved. For the same purpose, the company has also entered into an agreement with the Apicultural Union Association La Reina from Portezuelo, Eighth Region, Chile, to permit the installation of beehives in company lands for the production of honey.

Said agreements allow for the use of some property areas (that are protected and safeguarded by the company) in order to help the local community increase their productive possibilities, improve their incomes and enhance their quality of life.

In 2005, in Chile the forestry area received over 1,800 requests to extract forest resources, wild mushrooms, forest fruits, wood, and other non-timber forest products, over 170 requests of rights of way through company lands and over 2,400 requests to visit the tree nurseries of the company.

Training and coaching the community in different trades

Additionally, with the aim to support the productive development of neighbor communities and reinforce the use of business opportunities arising from the company's operations, various training events take place where know-how is taught to local groups. These programs have allowed the training of different groups of interest in the various municipalities near the company facilities regarding the following matters, among others:

- ¥ Organic production
- ¥ Wine Production Management and Technology
- ¥ Small Business Traceability
- ¥ Fish and Seafood Gastronomy
- ¥ Computer Skills and Internet
- ¥ INACAP Welding
- ¥ Organic Residue Composting
- ¥ Electric Control and Electric System Protection
- ¥ Training in Trades
- ¥ Miscellaneous Training for Poor Settlers
- ¥ First Aid
- ¥ Pastry Cooking and Hair-dressing



7.3 Support to Infrastructure and Social, Cultural and Sports Development in Chile.

The company contributes to the local community by way of investments in construction and road repairs and helping to solve emergency events and eventual problems in nearby communities. This kind of help takes place in Chile in the following manner:

¥Support to municipal service infrastructure complementing supplies in the areas of health, education and citizen safety. By way of example, in 2005, an ambulance was given to the Laraquete Aid Center in the Arauco area; support was given to the fire department in the area of Nueva Aldea through vehicles, infrastructure and training; computers and sports furnishings were provided to schools and hospitals in nearby municipalities; help was given to the operation of emergency and police vehicles in Arauco; gravel and machine hours were supplied for the construction and repair of public roads in all neighbor communities; the development of potable water services was contributed to in the area of Constitucion.

¥Support to infrastructure of social organizations complementing the provision of equipment to sports facilities and centers, executing loan agreements for over 40 properties and lands destined to the development of sports, and sponsoring and supporting social events with inputs, infrastructure and transport.

¥Support to cultural and sports activities of local communities. Among others: support to the 5th of April Athletic and Sports Marathon, Mountain Bike First Competition, Juan Carlos S ttero Chess Tournament, and the Trepatodo 4x4 Team in Constitucion; the art exhibition Expoarte 2005 and theatre program with the Municipality of Arauco in Arauco, sponsoring support to the Deportivo Valdivia (basketball) team, the first vehicle competition "1º Campeonato Tuerca Llancahue Sur" in Valdivia, and tour of the Adlibitum Group through 21 municipalities in the country (Sixth, Seventh and Eighth Regions).



Community



Road Repairs and Construction

Among the activities that are necessary to facilitate the transportation of raw materials and finished products are the construction and repair of roads, bridges and other structures, whether public or private. These activities allow for the development of the forestry activity while contributing to create and improve the connection between the different localities that would otherwise be isolated with people being forced to walk through hills and forests to their daily destinations.

In this way, the presence and development of the forestry activity indirectly contributes to substantial improvements in the means of communication and transport in rural areas that are sometimes difficult to reach.

¥ Construction, repair and maintenance of public roads in the last years in Chile has exceeded 600 kilometers per year, with 28 bridges repaired and built between the Sixth and Tenth Regions.

¥ During 2005 the company in Chile contributed with considerable quantities of gravel and crushed material to the repair and construction of roads in different communities.

¥ Similarly, during 2005, 800 kilometers were sealed against dust and irrigated in order to control the emission of dust on the roads used by company carriers.

Fire Prevention and Control

ARAUCO has a complete program on prevention and protection against forest fires that is applied through intensive education and detection campaigns using a network of high surveillance towers, air and land control and finally suppression with the use of human resources (fire suppression brigades), helicopters and land transport equipment. ARAUCO's forest fire prevention program protects the forest wealth of the company and also provides small forest owners adjacent to company lands fire protection.

Thus, of a total of 1,781 fires suppressed by the company in Chile in the period 2004-2005, 826 occurred in third parties properties (46%) and 955 (54%) occurred in company lands. In many of these occasions, both the plantations and the houses of rural inhabitants had to be protected in coordination with the fire department.

In 2005, the company also trained third parties in good practices regarding controlled burnings. This training took place in Chile's Ninth and Tenth Regions and benefited approximately 3,800 persons in over 1,000 field visits.












Recreational and educational activities for the community

The company's forestry wealth covers over 258 thousand hectares of native forest. Many public welfare entities have been established in these lands that provide the community with access to activities related to environmental education, leisure and conservation of biodiversity. The company has also developed other initiatives to the benefit of the community destined to spread the local culture and history, the knowledge

of the forestry sector and the conservation of pre-Colombian cultural vestiges. Over a 1,000 visitors attended these initiatives in 2005, thus allowing the company to achieve one of the objectives for which they were created and made available to the community. Noteworthy in this regard are the more than 4,000 persons that visited Oncol Park in Valdivia.

Conservation and recreation areas open to the community in Chile

Name of the Area	Location	Surface Area (Ha)	Purpose	
Forest Center Quivolgo	Constitucion, 7th Region	1	Education and recreation	
Tilicura Lagoon	Vichuqu n, 7th Region	200	Education, recreation and conservation	
Coyanmahuida Park	Collico Norte, 8th Region	24	Education, recreation and conservation	
Coyanco Lagoon	Florida, 8th Region	4	Recreation and leisure	
Maria de las Cruces extension center Interpretative Trail "Los Quintrales"	Arauco, 8th Region	3	Education and recreation	
Rucapehuen Trail	Ca ete, 8th Region	180	Conservation, research and interpretation	
Las Lianas Park	Lebu, 8th Region	6	Education and recreation	
Oncol Park	Valdivia, Coastal Cordillera 10th Region	754	Conservation of biodiversity	
Pudu's Trail	Valdivia, 10th Region	4	Education and fauna research: Pudu	



7.4 Communications with the Community and Information Activities

The company regularly exchanges communications with the community, its representatives and public authorities in order to become aware of their expectations, apprehensions and needs, and inform them of development strategies, investment plans and projects and initiatives to be pursued in its different areas.

These communications take place in different ways: guided tours to the company's facilities and reception, registration and answer through the environmental management system.

Visits to the Company

The company carries out an intensive aperture campaign towards neighboring communities inviting them to know the facilities and industrial operations and sharing with them its workers and executives knowledge about the forestry sector. The aim of this campaign is to explain the productive processes carried out in company operations, and the labor and environmental protection measures implemented, in order to reduce the uncertainties that may prevail in the community regarding the impact of these activities. This also results in the creation of trust and communication bonds that allow the company to know and respond to the expectations of nearby communities more effectively.



Visitors from the Community to ARAUCO facilities in Chile

Business Area	Number of persons
Forest	2,290
Woodpulp	14,761
Sawn timber	335
Panels	548
Total visits	17,934



Community

Educational and Informative Talks

The company actively encourages its officers in the different corporate areas to visit the communities with an aim to informing the people on the opportunities implied in the forestry sector and the forest and industrial activities performed, thereby lessening their fears and solving their questions.

The program *Let's Live the Forest* organizes visits to public and private schools in Chile giving talks to students and teachers that bring the forest and the forestry and wood industry activity closer to the children so that they understand and appreciate its social, economic and environmental importance. These talks also refer to the environment, biodiversity and fire prevention.

251 public and private schools were visited in 2005 that also included facilities located in the urban sectors of the Provinces of Osorno and Valdivia reaching a much higher number of students. A similar program is being implemented in the Sixth, Seventh and Eighth Regions, where public and private schools are visited and lectured on the prevention of forest fires and environmental care.

Program: Let's Live the Forest in Chile (Tenth Region, Chile)

Visits made

Year	No. of Schools	No. of Students	No. of Talks
2001	65	2,272	72
2002	125	4,010	131
2003	200	5,956	200
2004	201	6,228	200
2005	251	8,101	254

Lecture Program (Sixth and Seventh Region, Chile)

Visits made

Year	No. of Schools	No. of Students	No. of Lectures
2001	232	7,297	232
2002	271	4,356	271
2003	304	8,345	304
2004	237	3,600	237
2005	250	7,500	250

Radio broadcasting

Additionally, by applying a policy of transparency for the community adjacent to the Valdivia pulp mill, the community is periodically informed about the Mill's operations and performance through the following local broadcasters:

- ¥ Molino Radio Program, San José de la Mariquina
- ¥ Madre de Dios Radio Program, San José de la Mariquina
- ¥ Radio Program, Lanco
- ¥ Radio Program, Mafil
- ¥ TV — Radio Micro program Broadcasting

Another means to disseminate the activities in the sector and communicate with the community is the forest radio program The Hour of the Forest started in 2005, which delivers content related to community interaction, the environment and the forestry sector.

This program is conducted by the Heads of Forestry Areas and is broadcasted in the Baden Powell Radio of the same-name Scout group of the Florida community, Eighth Region, Chile, the infrastructure of which was contributed by the company.

Publications

As a method for communicating the activities and other relevant aspects of each company, various informative newsletters are published in Chile at different times:

- ¥ Celco News Magazine: Published every two months by the Constitución, Licancel, and Forestal Celco Pulp Mills informing on company and community activities.
- ¥ CelArauco Magazine: published jointly between Arauco Pulp Mill and Bosques Arauco informing on internal activities of the company.

¥ CelAustral Magazine, monthly published by the Valdivia pulp mill for the plant workers

¥ "El Vecino" Bulletin, a monthly publication by the Nueva Aldea Industrial-Forest Complex informing on the activities performed by the company with neighboring communities.

¥ "Entre Vecinos" Bulletin: quarterly publication by Forestal Celco, addressed to workers and the entire community.

¥ Planta Trupan Magazine, a publication for workers and the community.

Participation in Commercial and Trades Exhibitions

During 2005 ARAUCO took part in different trades and commercial exhibitions, where it presented its products, projects and other information that could be of interest. Some of these events were:

- ¥ Expocorma 2005, Chile
- ¥ Edifica 2005, Chile
- ¥ Furniture Manufacturing and Supply 2005, China
- ¥ 2005 Construction Exhibition, Mexico

EXPOCORMA
CONCEPCION
EIGHTH REGION,
CHILE



Community



Early Citizen Involvement

A Plan was prepared in 2005 on Communications with the Nueva Aldea Community in the Eighth Region of Chile to inform the neighbors on the productive activities of the Nueva Aldea Forest-Industrial Complex and the process of evaluation of the environmental impact arising from the future project that considers an outfall for liquid industrial waste.

This program was specifically intended to inform, solve doubts and answer inquiries about the project in a process of Early Citizen Involvement that preceded the 6 official talks on citizen involvement organized by the COREMA. It consisted of 13 additional talks that specifically explained the project and its effects to the community and its representatives, where a fluid communication was established that helped define the cooperation to be developed in 2006 with the different communities.

In addition to these talks, a series of tools for communicating with the community were created with an aim to informing on the different aspects of the Nueva Aldea Industrial Forestry Complex and the ocean pipeline project. Said tools were applied during the second half of 2005 and shall continue to be applied in 2006, among these are:

- ¥ Digital presentation of the project for community meetings
- ¥ Self-explanatory brochure on the Outfall Project
- ¥ Periodical Bulletin "El Emisario"
- ¥ Informative stand at the municipalities
- ¥ Daily TV and Radio Micro programs
- ¥ Installation of a stand in the Nueva Aldea Forest-Industrial Complex for informative talks and reception of visitors in 2006
- ¥ Implementation of a corporate 800 (toll free) line to communicate with the community.

Early citizen involvement talks

Activity	Audience	Matters of Interest
Project Presentation	Ranquil Municipal Council	Workforce
Project Presentation	ipas Community	Risk Control due to Jobs
Project Presentation	Coelemu Council	Environmental aspects, better road infrastructure
Project Presentation	Estacion Magdalena community	Risk Control due to Jobs, improvement of the asphalted part of the road to the community
Project presentation	Meipo Community	Environmental aspects, infrastructure improvement risks due to jobs, effects on the landscape
Project presentation	Vegas de Itata Community	Environmental aspects
Project presentation	Perales Community	Environmental aspects, effects on the ocean resources
Project presentation	Coelemu Community	Environmental aspects; transit of trucks through the community
Project presentation	Trehuaco council	Environmental aspects; improvement of road infrastructure
Project presentation	Boca Itata Community	Environmental aspects; fishing
Project presentation	Trehuaco Community	Environmental aspects; improvement of road infrastructure
Project presentation	Cobquecura Community	Effect on tourism, environmental aspects; Lober a Sanctuary
Project presentation	Fishermen	Environmental aspects; effects on the extraction of ocean resources, effects on tourism

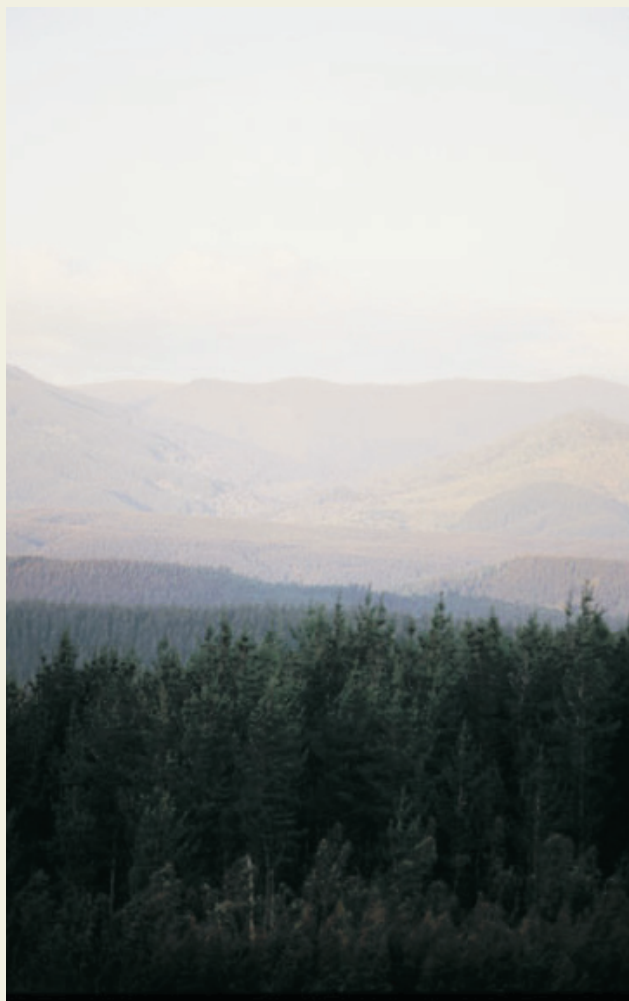
7.5 Distinctions and Acknowledgements in Chile

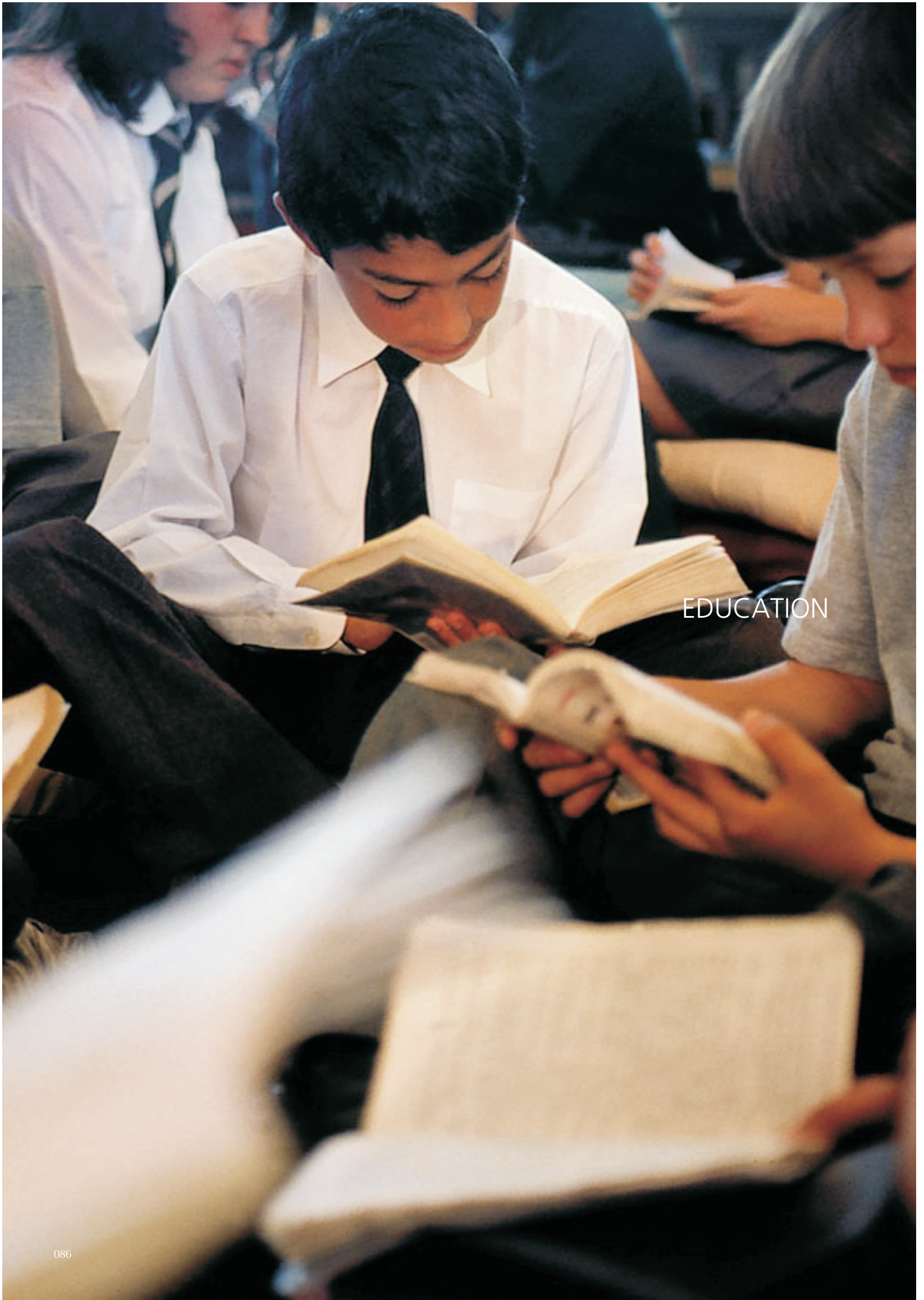
¥ In September 2005 the Arauco Woodpulp Mill and Bosques Arauco S.A. were distinguished by the Arauco municipality in acknowledgement of their contribution and commitment to the benefit of the community development.

¥ In November 2005 Forestal Celco S.A. received a distinction from the Pemuco Municipality in acknowledgement and appreciation of its constant concern for the growth and development of the community.

¥ In January 2005 the Trehuaco Municipality granted the Coelemu Sawmill an acknowledgement for its "constant corporate support to the development of the community".

¥ In September 2005 the companies that conducted more training in the Bio-Bio Region during 2004 were distinguished. The National Director of the National Training and Employment Service and the Regional SENCE Director delivered the award to Celulosa Arauco and Constituci n S.A. for having trained 2,600 workers of the region.





EDUCATION

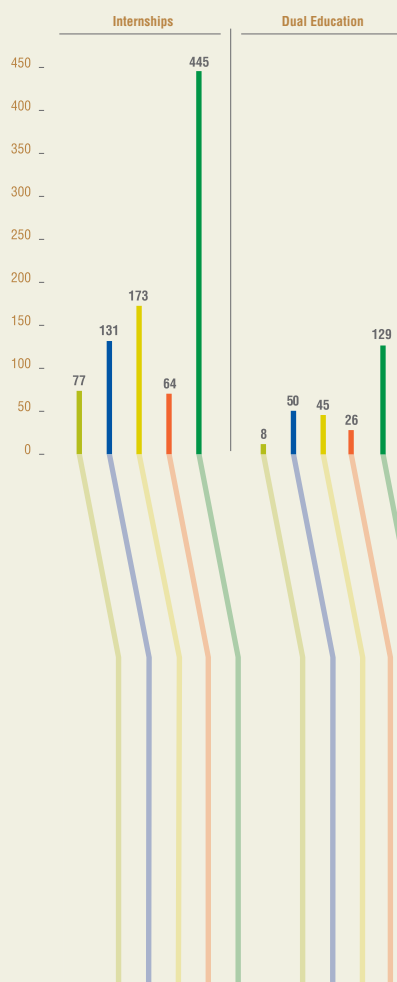
24 years of excellent education at the community service.

Work has been performed in these years in 11 communities, 208 schools or communal centers and with 1,574 teachers or educating agents who work each year with over 37,000 children.

Education

Professional Internships and Dual Training development in ARAUCO
as of December 31, 2005

- Total
- Forestry
- Woodpulp
- Sawn timber
- Panels



A significant part of the commitment with the community that has been developed by ARAUCO has been successfully focused on education. Quality and equity in education has been sought through an increasing and sustained social participation in localities where ARAUCO is present at industrial and/or forestry level. The company has also pursued to reinforce the labor opportunities in the areas of influence of its activities by contributing to form students in careers related to the sector.

These contributions have been implemented as follows:

- ¥ Professional internships and dual training by incorporating students from university, technical and poly-technical institutes.
- ¥ Schools financed and managed by ARAUCO: Arauco School, Constitución School and Cholguan School, open to all children in the area and characterized for several years as having a high educational level.
- ¥ Arauco Educational Foundation, an entity that creates and implements various programs with an emphasis on training teachers of municipal basic schools by strengthening and updating their formal knowledge in areas such as logical mathematical reasoning, oral and written language, self-esteem —of teachers and students-, pedagogic procedure, psychosocial development.

8.1 Internships and Dual Education in Chile

The company has offered the educating community of nearby localities the possibility that students from university and dual training poly-technical institutions in careers related to the forestry and industrial sector may develop their professional internships or part of their technical training, as applicable, in the company's facilities.

Thus both interns and students of technical institutes that are receiving dual education can carry out internships in their fields of specialization in the different areas and in risk management and good environmental practices, and can exercise their knowledge in a concrete instance where utmost care is applied regarding their health, their peers' health and the environment.

In the educational area, the Constitución and the Licantel woodpulp mills have a Dual Training Program jointly with the Egidio Roiz School and the Curico Poly-Technical School, respectively, for the training of future technicians.

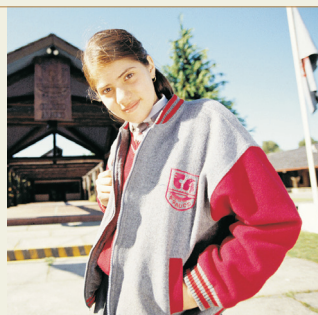
A total of 445 professional internships and 129 dual internships took place in our facilities. The students that have been accepted as professional interns in 2005 and previous years have come from over 27 universities, 15 technical education institutions, and over 40 different careers and fields of specialization.

8.2 Schools in Chile

A part of ARAUCO's commitment with the community has been centered in the last 24 years in the management and financing of three schools.

Arauco School

- ¥ Private paid school
- ¥ Humanist and Scientific Training from Kindergarten to fourth year of Secondary School, open to the entire community
- ¥ Location: City of Arauco, Province of Arauco, Eighth Region
- ¥ Foundation: 1981
- ¥ 5th place in the National University Admission Test (PSU) in 2005



Constitucion School

- ¥ Private paid school
- ¥ Humanist and Scientific Training in three levels: Pre-school education, Basic and Secondary School, open to the entire community
- ¥ Location, Seventh Region
- ¥ Foundation: 1981
- ¥ Tenth place in the 2005 National Math Test applied to basic school 4th grade



Cholguan School

- ¥ Subsidized private free school, open to the whole community
- ¥ Humanist and Scientific education from Kindergarten to 4th year of secondary school
- ¥ Location: Cholguan Locality, community of Yungay, Eighth Region
- ¥ Foundation: 1989
- ¥ 1st place among the subsidized private schools of the province in the SIMCE test administered to students in their 2nd school year of secondary education, 2003



*24 Years
Contributing to Education*



Education



Arauco Educational Foundation

• Quality and Equity in Education

In 1989 the Board of directors of Celulosa Arauco y Constitución S.A. (ARAUCO) created the Arauco Educational Foundation, a non-profit entity that is governed by Title XXXIII, First Book of the Civil Code and Decree No. 10 of the Ministry of Justice, having as main objective to help improve the quality of municipal education in the communities where ARAUCO is involved.

Arauco Educational Foundation contributes with greater equity in education, helping our children receive education under equal conditions. The actions of Arauco Educational Foundation are channeled through three complementary areas: Field Work, Research and Extension.

• Field Work

The purpose of this area is to support municipal education at the community level through programs leading to teacher and other educators development and training.

• Research

The purpose of this area is to complement and enrich the field work through the design and development of studies that may make it possible to have access to systematic and valid knowledge, thereby contributing to take pertinent and timely decisions in the educational actions developed.

• On-Going Education Area

The purpose of this area is to share the experience and teachings learned in this year with other educational and business institutions and professionals, mainly through different publications in the fields of language, mathematics, self-esteem, science and other matters related to its activity.

Publications:

- 16 books in national and international publishers.
- 14 articles in scientific magazines
- 5 Reports on the main professional development programs that have been executed
- 9 papers



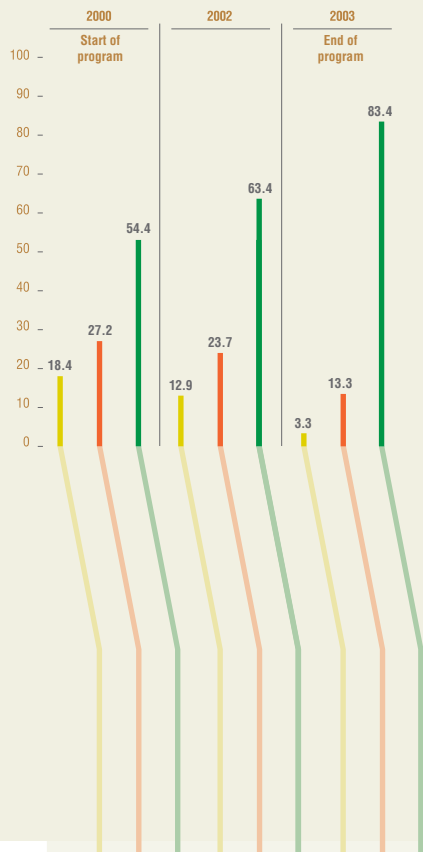
Some results

The following tables show the results of the task performed by the Arauco Educational Foundation:



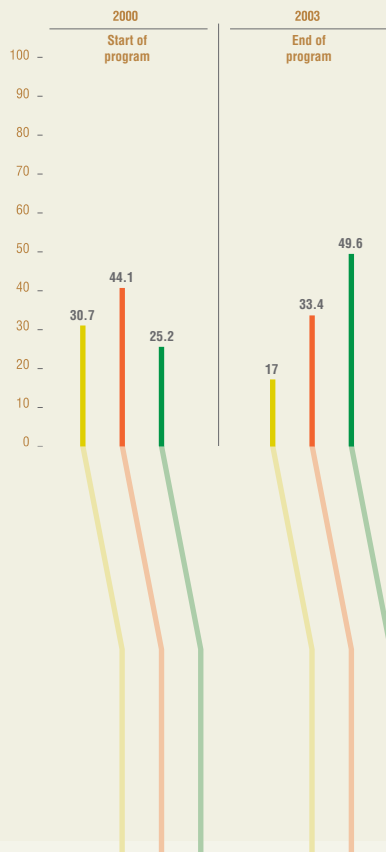
Psychosocial Development
2-5 year old children
"Sembrar" (Sowing Seeds) Program
community of Los Alamos (2000-2003)
Percentage

- Behind
- At Risk
- Normal



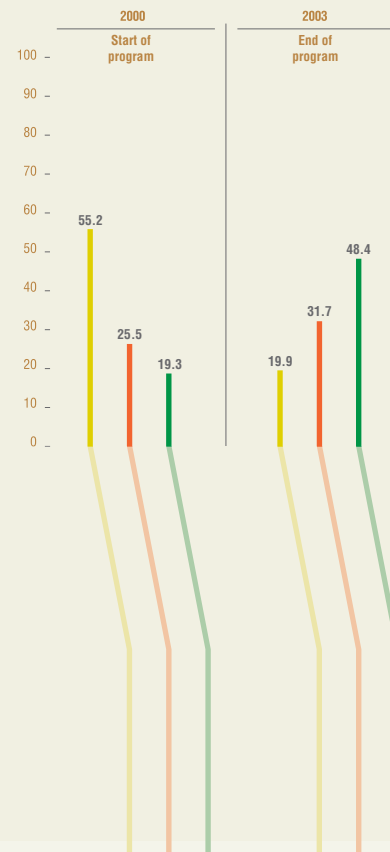
Oral Reading Quality
Interactive Program
community of Tirua (2000-2003)
Percentage

- Expected
- Low
- Very low



Logical and Mathematical Reasoning
Interactive Program
community of Tirua (2000-2003)
Percentage

- Expected
- Low
- Very low



Education

Since its creation, the Arauco Educational Foundation has developed 27 training programs for pre-basic, basic and secondary education in order to improve their pedagogic skills and update their knowledge. These programs have been implemented in 11

communities of the Seventh and Eighth regions reaching a total of 208 schools or communitarian centers and 1,574 teachers or educational agents that each year serve approximately 37,000 students.

Communities favored with teaching improvement programs, Arauco Educational Foundation

Constitucion	1989 - 1993 2002 - 2005
Arauco	1991 - 1995 1998 - 2005
Cañete	1995 - 2003
Curanilahue	1997 - 2002
Tirua	2000 - 2003
Los Alamos	2000 - 2005
Lebu	2000 - 2002
Contulmo	2000 - 2002
Licanten	2002 - 2005
Ranquil	2003 - 2005



Actions in Chile during 2005

During 2005 Arauco Educational Foundation worked directly and simultaneously in the communities of Constitucion, Licanten, Arauco, Ranquil and Los Alamos, developing the following programs:

Seventh Region

Constitucion: Execution of the Interactive Program addressed to Basic Education Teachers and Agents who have worked in Oral and Written Language, Logical-Mathematical Reasoning, Pedagogic Management, Self-Esteem, Pedagogical Leadership of Directors and in the control and management of curricular conditions.

Beneficiaries: 6 urban facilities, 165 teachers and 4,442 students.

Licanten: Evaluation and completion of the Forward Together Program (Caminar Juntos) addressed to Pre-Basic, Basic and Secondary School Teachers and Educators of the Municipal School where 67% of the community's students are concentrated. This Program was implemented jointly with the Constitucion School, owned by Arauco, through coaching methodology or peer training.

Beneficiaries: One school, 43 teachers and 1,100 students.

Eighth Region

Arauco and Los Alamos: Completion of the Roots Program ("Ra ces") aimed at Teachers and Educators for Kindergarten and First Basic Cycle in Oral and Written Language, Psychosocial development and design and execution of a Childhood Strategic Plan.

Beneficiaries: 61 schools, 296 teachers and 7,346 children.

Ranquil: Continuation of the Roots Program started in 2003.

Beneficiaries: 16 schools/ teaching centers, 71 teachers, 1,336 students.

Tenth Region

Lanco, Mafil and Mariquina: Technical supervision of the Project called Bibliom viles (Books on Wheels) for the encouragement of reading in rural sectors through mobile libraries.

Beneficiaries: 40 thousand inhabitants in the communities.

A strong growth is contemplated for the period 2006-2009 in the activities of the Arauco Educational Foundation which will target additional communities in the Seventh, Eighth and Tenth regions with new enhancement programs.





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