

sustainability report



NEW DIMENSIONS



SUZANO

One of Suzano Group's^(*) **top priorities** is the maintenance of a **sustainable business**.

We actively seek to **position ourselves** in an **agile** and **consistent** manner in the context of society's renewed demands and the challenges posed by **our changing times**, to lay the foundations towards the achievement of a **profitable** and **responsible growth**.

^(*) Suzano Group means the companies in which Suzano Holding has stockholding control.

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sustainability ► **suzano group**

Three-dimension performance

With the purpose of improving our accountability towards society, we have standardized and enhanced the flow of information on our performance. We have made considerable strides in the comprehensiveness of the Annual Reports published by our operational companies, Suzano Pulp and Paper and Suzano Petrochemicals, which now include data on their economic, social and environmental dimensions, following the triple bottom line model. In keeping with a worldwide trend and in line with the management philosophy embraced by our companies, we are releasing this first Sustainability Report of Suzano Group. Our aim is to provide an account of the Group's performance in fundamental issues regarding business sustainability and to outline the priorities and challenges we envisage for our future. In this report, we present the 2005 performance and financial results of Suzano Holding – the parent company which holds the Group's interests in the pulp & paper and petrochemicals business.



Our **goal**

is to report

on Suzano Group's

performance

in key issues for the

sustainability

of the **business**

■ **GRI Reference**

In this first edition, we used the principles of the Global Reporting Initiative (GRI) as guidelines for reporting and evaluation of materiality. We intend to follow this pattern more closely in subsequent editions. The GRI can be accessed at www.globalreporting.org

■ **Accessibility**

All reports are available in print or digital format at our website www.suzano.com.br both in English and Portuguese



■ **Relevant Aspects**

The degree of relevance of all information and viewpoints expressed in this report was defined in discussions between the Group's high management and other managers. Also through testimonials from external sources obtained by means of ongoing surveys conducted to monitor our stakeholder relations. In several respects, the operating companies' Annual Reports complement this report, and those reports combined convey Suzano Group's strategic vision and actions. It should be underscored that this report covers the period ranging from January 2005 through July 2006.





Focus on pulp & paper and petrochemicals

Suzano Group

has actively invested

in the **pulp &**

paper segment

for **the last 82**

years and in

petrochemicals

for **over 30 years**

These two segments comprise the strategic focus of our Organization, whose goal is to rank among the ten most profitable private business groups in Brazil by the year 2015 anchored in management practices based on family-run ownership, professional management and a solid partnership with capital markets.



Profitable and Sustainable Growth

We propose to operate solely in sectors where we can best draw on our comparative advantages through participation interests in companies whose management is under our influence, based on three major pillars: Innovation, Corporate Governance and Social and Environmental Responsibility.



Suzano Pulp and Paper

Suzano Pulp and Paper is one of the largest integrated pulp and paper manufacturers in Latin America. It has a customer base of 700 direct customers, 200 of which are spread across 69 countries. Another 3 thousand customers are serviced through the Company's distribution system in Brazil and overseas. Its chief products marketed both in Brazil and abroad are eucalyptus pulp, coated and uncoated printing and writing paper, and paperboard.

As of December 31st, 2005, Suzano owned 286 thousand hectares of land to meet its production needs. From this total, 172 thousand hectares are used for eucalyptus farming while the remaining land is used for environmental preservation and infrastructure. All forests reserved for pulp production are ISO 14001 certified and the forests located in Bahia State, where the Mucuri Project is under implementation, are certified by the Forest Stewardship Council (FSC). FSC certification for the São Paulo State forests is scheduled for 2006. In Minas Gerais State – where the Company's forests are also ISO 14001 certified – as well as in Maranhão State, Suzano owns 163 thousand hectares, 86 thousand of which are planted forests for producing timber for sale or used for forestry research. The area also serves as a base for future farming projects.

Suzano Pulp and Paper boasts three industrial sites located in the states of São Paulo (Suzano and Rio Verde) and Bahia (Mucuri). In 2005, the Company's total pulp production was 1.08 million tons a year, of which 530 thousand tons were destined for sale, while the remaining was used in paper production. The Company's paper production capacity reached 820 thousand tons/year representing a total sale capacity of 1.35 million tons of products a year. By October 2007, once the expansion of the Mucuri Site is completed, the total pulp production capacity will soar to 1 million tons/year.

Since early 2005, the Company has counted on the additional production capacity of Ripasa, a paper company jointly acquired with Votorantim Celulose e Papel, in which Suzano has 50% control. Ripasa's total production capacity was expanded by 125 thousand tons last year – equivalent to 725 tons of finished products – following the start-up of a new pulp dryer and other pulp producing equipment.

The Forest Stewardship Council is a non-governmental organization devoted to encouraging responsible forestry practices around the world. Founded in 1993 with the purpose of changing the practices and the discourse on forest sustainability, the FSC is grounded on four principles, criteria and standards encompassing economic, social and environmental issues. Regarded as the most credible international system of forest monitoring focused on sustainability, the FSC is active in 57 countries on five continents.



© The FSC certification identifies forests that conform to the Principles and Criteria of the Forest Stewardship Council

SW-FM/COC-1377

© 1996 Forest Stewardship Council A.C.

→ Right: Riopol Site – Duque de Caxias, Rio de Janeiro State
Below: Petroflex Site – Duque de Caxias, Rio de Janeiro State



Suzano Petrochemicals

Suzano Petrochemicals is the leader in polypropylene production in Latin America and the second largest thermoplastic resin manufacturer in Brazil. It boasts a production capacity of 625 thousand tons of polypropylene a year and once the expansion project currently underway is completed, it is expected reach 875 thousand tons/year by 2008.

Suzano Petrochemicals owns three production sites: Mauá (São Paulo State), Duque de Caxias (Rio de Janeiro State) and Camaçari (Bahia State). It is the only polypropylene manufacturer located in the Southeastern region and its resin production accounts for 70% of all resins consumed in Brazil. The three Suzano Petrochemicals sites are a worldwide benchmark in operational performance by comparison with other plants adopting the same polypropylene production technology.

The Company currently employs 474 people and in 2005 reported pro forma gross revenues^(*) of R\$2.4 billion. In 2005, it also became an operational Company by incorporating the ownership interests of its partner Basell into Polibrasil, the largest polypropylene manufacturer in Latin America. In addition, Suzano Petrochemicals shares the control of the first natural gas-based petrochemical complex in Brazil – Riopol – and the largest Latin American manufacturer of synthetic rubber, Petroflex.

() All data contained in this report are shown on a pro forma basis by taking into account, for all periods, the full ownership control of Polibrasil, which was incorporated into Suzano Petrochemicals in November 2005*

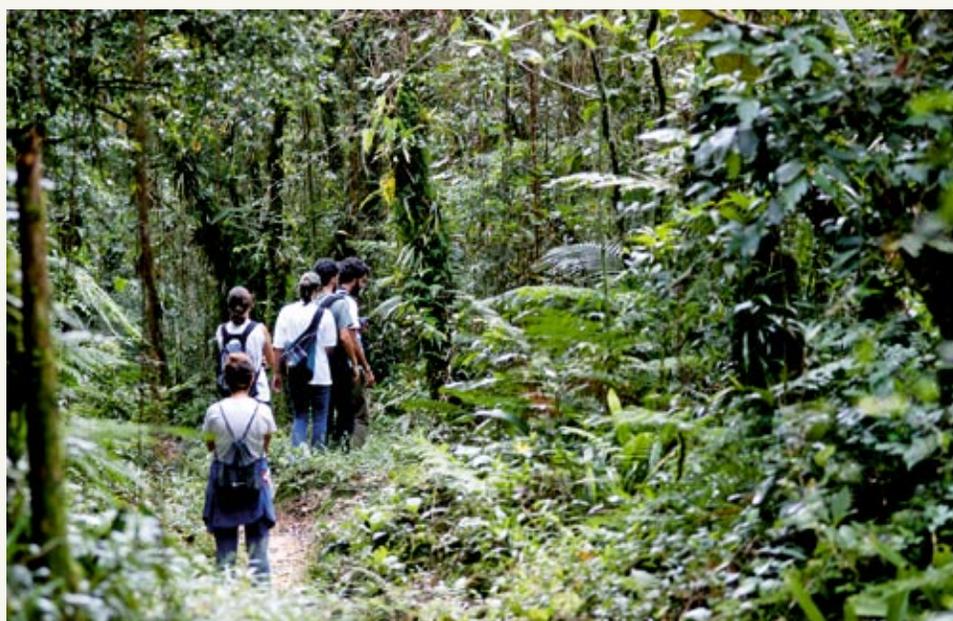
We work towards the

emancipation of

all **individuals** and

the **reduction**

of **inequalities**



► Neblinas Park, Bertioga, São Paulo State

Ecofuturo Institute

The Ecofuturo Institute is an NGO founded by Suzano in 1999 with the purpose of leveraging social and environmental solutions and paving the way for sustainable development in Brazil.

By sharing knowledge and implementing specific projects, the Ecofuturo Institute seeks to contribute to the improvement and emancipation of individuals and communities, to the solution of environmental problems and the reduction of social inequalities and poverty in Brazil. The Institute works in partnerships with government agencies and universities, as well as institutions and companies. It is a benchmark in its fields of activity and has successfully raised funds from



several companies for its two key programs: the *Ler é Preciso* ("Reading is a Must") and the Neblinas Park. For further information, please visit the Ecofuturo website at www.ecofuturo.org.br.

- Community Library, *Ler é Preciso* Program

Sustainable growth

We restructured our **Strategy Committee** to include among its priorities issues of critical importance to our **business sustainability**

In the paper & pulp and petrochemical segments, we endeavor to conduct our management towards adding value for all our shareholders and promoting a consistent and sustainable growth.

In our Group's view, sustainability entails laying the groundwork for profitable growth while combining competitive and eco-efficient operations with quality products and relations. Through sustainability, we hope to be able to ensure positive and lasting results for all stakeholders, particularly shareholders, the financial market, customers, suppliers, the media, employees and communities. Among the driving principles of Suzano Group is the concern with improving the quality of life of the communities where it operates and thus transcend issues strictly connected with its operations to champion the interests of all its stakeholders.

Suzano Group has always conducted its activities and made its decisions in accordance with sound and applicable practices. Our hallmark is the ongoing pursuit of improvement. We understand the concept of **sustainability** as the ability to allow the cycles to evolve and renew themselves, and therefore we are fully aware that in order to maintain our commitment to excellence, many challenges will surely come our way.

Our model of **Corporate Governance** plays a key role in our strategy. It seeks the ultimate professionalization of operations and autonomy in decision-making, in addition to accountability for results at all levels of the Organization. Initiatives such as the continued independence to the Suzano companies' Boards of Directors and the creation of advisory committees have substantially expedited the implementation of strategies and enabled the implementation

of a long-term, consistent business model based on a three-pillar structure comprised of **family ownership**, **professional management** and **capital markets**.

The management models of the operational companies have been enhanced through the focus on internal and external transparency, the development of new leaderships and market demand.

The **environment** is our primary concern. Our pulp and paper production comes from ISO 14001 certified planted eucalyptus forests. By the end of 2006, we expect our areas located in São Paulo State to be certified by the Forest Stewardship Council (FSC), a certification already issued to our Bahia State forests.

The preservation of **biodiversity** also features among Suzano Pulp and Paper's top priorities. Its forest management practices employ the latest available techniques to minimize the impacts usually associated with monocultures.

Intent on accomplishing increased productivity backed by social and environmental responsibility, the Company continually invests in the upgrade of its forest management technologies and in strengthening ties with the local communities where our sites are located.

In the petrochemical segment, we are charting the course towards sustainability by way of consistent policies aimed at addressing quality, health, safety, environmental and social issues with the active collaboration of all our employees. One of the most tangible results of these policies in 2005 was the start-up of the Riopol petrochemical

complex, which employs natural gas fractions replacing naphtha as a petrochemical raw material in its production process. This is a breakthrough innovation in Brazil. Among the key advantages of natural gas is its minimal impact on the atmosphere due to its reduced carbon emissions when compared with coal and crude oil.

By virtue of these initiatives, we have attained significant achievements in various areas, such as the listing of Suzano Pulp and Paper shares on the Corporate Sustainability Index (ISE) of the São Paulo Stock Exchange (Bovespa). The Company has also appeared in the Good Corporate Citizenship Guide, published by Exame magazine. For Suzano Petrochemicals, the highlight of 2005 was winning the National Quality Award (PNQ).

These recognitions reinforce our determination to proceed with our management practices, anticipating trends and continually assessing the impacts of our decisions on our value chain. These and other important challenges are at the top of our agenda for the near future.

To ensure that our management remains aligned with the best business practices, in 2006 we restructured the Strategy Committees of Suzano Pulp and Paper and Suzano Petrochemicals, which have incorporated new functions and are now called Sustainability and Strategy Committee. In keeping with the best possible governance principles both companies also established their Audit Committees. These committees will allow us to lay down clear guidelines and channels to align our short and long-term objectives and assure the Group's sustainable development.

David Feffer
President, Suzano Holding

To us, **eco-efficiency** represents the challenge **to produce more** with **less energy** and fewer materials

Our Priorities

The following are Suzano Group's highest priorities:

- **Minimize the environmental impact of eucalyptus monoculture** – Mitigation of the impacts caused by eucalyptus monoculture and preservation of biodiversity are pursued by means of intensive research and proper handling, minimum cultivation techniques, mosaic planting, ecological corridors, permanent monitoring of water resources and of the avifauna and flora, and revegetation programs using native trees.
- **Attain eco-efficiency** – We seek to develop eco-efficient and environment-friendly processes and products. For this purpose we perform analyses of the life cycle of some of our products and continually invest in increasingly cleaner processes. To us, eco-efficiency represents the challenge to produce more with less energy and fewer materials, be it through the improvement of existing processes, be it through innovative approaches, e.g. recycling. Whenever possible, we prefer to use renewable sources of energy. Suzano Group is also concerned with decreasing the generation of solid and liquid residues, and diminishing the consumption of water in its production processes, as well as reutilizing it to the maximum extent possible.
- **Enhance our Corporate Governance** – The Group is permanently concerned with issues such as streamlining its information channels and improving its transparency, internal controls and structures so as to promote the relationship and alignment of interests between minority and controlling shareholders, administrators, and internal and external stakeholders.
- **Foster a quality work atmosphere** – Our companies are deeply committed to nurturing healthy relations with all their employees by valuing the individual human being, creating adequate working conditions, seeking ways to retain talents and appreciating their intellectual capital through training and other professional development initiatives.



Our Priorities

- **Ensure occupational health and safety** – Suzano Pulp and Paper recorded 24 accidents in 2004 and 21 in 2005. At Suzano Petrochemicals there were 14 accidents in 2005, three of which reportable*, and only one dismissal, taking into account all the companies' employees and contract personnel together. Our goal in 2006 is to reduce these figures.
- **Contribute to the development of the communities** – The presence of the Group's production sites in the communities under the influence of our activities is strongly felt, especially in smaller towns. Besides acting as a job provider in these communities, Suzano Pulp and Paper is committed to raising their Human Development Index. In this respect, one of our priorities is hiring local personnel.
- **Maintain good relations with stakeholders** – Suzano Group seeks to maintain permanent quality relations with all its stakeholders. For this purpose, it encourages a constructive stakeholder engagement by addressing not only general issues of relevance to our sector but also more specific focal themes. Our goal is to streamline this communication by participating in national and international discussion forums and simultaneously establishing communication channels with the Company at all levels, from employees to the communities around our production sites.
- **Enhance our supplier chain management** – Suzano Group continually pursues the adequate management of its supplier chain. We are aware that we depend on these relations as well as the involvement of all, if some of our innovations are to be successfully implemented. As a means of promoting good supplier relations, Suzano Petrochemicals sponsors an annual recognition award for the best-performing among them.
- **Strengthen the concept of sustainability** – One of our key priorities in 2006 lies in the establishment of a list of commitments in sustainability. Backed by our Sustainability and Strategy Committee, we intend to disseminate and strengthen this concept among all of our companies' employees. We also aim to enhance the Group's reporting skills in this area by following the guidelines set forth by the Global Reporting Initiative (GRI).

* Do not relate to reported First Aid cases

2005 Achievements

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Among our **major achievements** in the **economic, social** and **environmental** fields in 2005, the highlights are:



- **Corporate Sustainability Index (ISE)** – Suzano Pulp and Paper's preferential shares were listed on the first theoretical portfolio of the ISE, which is a Bovespa Index that displays the performance of shares held by Brazilian companies with the best social, environmental and Corporate Governance practices, as well as those with the best financial results
- **Acquisition of Polibrasil** – Through the acquisition of all Polibrasil shares previously held by its partner Basell, Suzano Petrochemicals became a company with its own independent operations and the largest polypropylene manufacturer in Latin America. This acquisition reinforced the Company's position in the thermoplastic sector of the Southeastern region as defined in its strategic plan
- **Expansion of the Mucuri Site** – A project has been launched to expand Suzano Pulp and Paper's pulp production capacity at the Mucuri Site by 1 million tons/year which. Once completed, it will place the Company among the leaders in the world pulp market

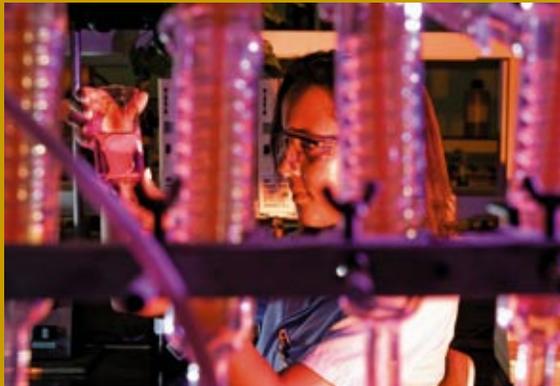


- **Organizational climate** – Research conducted during the year demonstrated an improved employee morale and favorability indices above comparison parameters



- **National Quality Award (PNQ)** – Suzano Petrochemicals won the PNQ award in recognition for its world class management and the BSC Hall of Fame

Acquisition of Ripasa – In a joint initiative with Votorantim Celulose e Papel (VCP), Suzano Pulp and Paper acquired Ripasa's ownership control which since May 2006 has been the bellwether for the sector



Strategy and results

Strategy

Suzano Group has a clear strategic positioning and stands out for its sustainable initiatives carried out through its leading pulp & paper and petrochemical companies, which provide globally competitive quality products and services.

Its entrepreneurial spirit, the encouragement of long-lasting and quality stakeholder engagement, the pursuit of excellence, result accountability and commitment to our goals are all desirable and recommended attitudes within Suzano Group. This Organization's goal is to excel in its two core activities by delivering value above the competition, gaining the admiration of its markets and the society as a whole, and establishing itself as one of the ten most profitable Brazilian corporate groups.

Our strategy, as outlined above, is bolstered by our institutional partnerships, our corporate identity, our commitment to quality and to the Global Pact, and by our results.



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Institutional partnerships

We are partners of Non-Governmental Organizations aimed at the preservation of biodiversity such as the World Wildlife Fund (WWF), The Nature Conservancy and International Conservation. Suzano Group actively participates in institutions that encourage the development of capital markets such as the National Association of Investors (INI), Brazilian Institute of Corporate Governance (IBGC) and the Brazilian Investor Relations Institute (IBRI).

Corporate identity

In the last few years, Suzano Group went through a restructuring process that led to a natural evolution of its organizational culture, through both the implementation of enhancements to its management model and the implementation of projects that contribute to a quick and efficient alignment of internal and external perceptions of the Corporation's positioning.

The process of corporate identity is regarded as a strategic move towards consolidating our core organizational elements, our branding and our positioning among all our stakeholders. It is our aim in 2006 to perfect our branding process by implementing the stages of brand architecture and brand language. Within this context, our brand will tend to gain greater relevance in all its manifestations.



In 2001,
**Suzano Pulp
and Paper*** won
the **PNQ Award**
and in 2005
it was **Suzano
Petrochemicals'**
turn



**under its former name Bahia Sul Celulose*



Commitment to quality

To establish quality standards and continually monitor them is one of Suzano Group's management principles. As guidelines in this process we adopt a model that was developed by the National Quality Foundation (FNQ), which among other features allows us to perform self-evaluations and measurements, and identify the performance points that require improvement as we draw comparisons with other sector participants.

Both Suzano Pulp and Paper and Suzano Petrochemicals have won the National Quality Award (PNQ) granted by the Foundation in recognition of their world class corporate standards. By utilizing a comprehensive evaluation process, FNQ identifies to what extent companies comply with its management models on the topics of leadership, strategy and planning, customers and market, social and environmental responsibility, information and knowledge, people management, and process and result management. Subsequently, the Foundation forwards to the companies' executive officers an extensive report with remarks on their management procedures which serve as grounds for their new action plans.

In 2001, Suzano Pulp and Paper was granted the PNQ Award. The Foundation emphasized as strengths the Company's relationship with society and its strategic orientation. The Company was suggested to reinforce its benchmarks so that they could be used as a comparison for its performance. The Foundation's suggestion led Suzano Pulp and Paper to develop the Benchmark Project, which establishes a reference model that serves as a basis for comparisons between the Company and its competitors. Suzano Petrochemicals was granted the PNQ in 2005. Its strengths were in the fields of people management and leadership, where its practices were considered to be excellent and refined. The improvement recommendations to be implemented include a revision of the internal succession plan (currently it applies only to high ranking positions); a systematic approach to the projection of the competitors' performance and the enhancement of tracking indicators to assess the actual contributions of non-productive areas (e.g. HR, Marketing, etc).

**UN's Global
Pact** seeks a more
sustainable
and **inclusive**
economy

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Global Compact

Suzano Group Companies subscribe to the Global Compact launched by the United Nations Organization (UN) with the support of various private sector organizations willing to contribute to the advancement of social responsibility practices and a more sustainable and inclusive global economy. The principles laid down by the Pact are consistent with Suzano Group's principles of conduct. Among these are our commitment to protecting human rights and eradicating child labor.

Human Rights Principles

- Businesses should support and respect the protection of internationally proclaimed human rights
- Make sure that they are not complicit in human rights abuses

Labour Rights Principles

- Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining
- The elimination of all forms of forced and compulsory labour
- The effective abolition of child labour
- The elimination of discrimination in respect of employment and occupation

Environmental Protection Principles

- Businesses should support a precautionary approach to environmental challenges
- Undertake initiatives to promote greater environmental responsibility
- Encourage the development and diffusion of environmentally friendly technologies

Anti-Corruption Principle

- Businesses should work against all forms of corruption, including extortion and bribery





Results

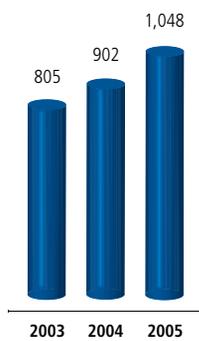
In 2005, the results achieved by Suzano Group were adversely affected by exogenous factors, notably the Brazilian Real valuation over the US Dollar, which has depreciated by 16% since 2004, the maintenance of high interest rates in Brazil and – regarding Suzano Petrochemicals in particular –, the rising costs of crude oil and its derivatives on the international market.

These factors combined may boost imports, but compromise export results and affect the demand in the domestic market, which in turn affect contribution margins and consequently the Group's overall results. Within this context, the Group saw its Net Consolidated Income decline from R\$291 million in 2004 to R\$138 million in 2005, whereas profitability over Net Equity was down to 9.0% from 21.08% in 2004.

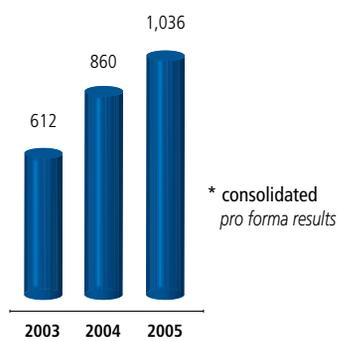
On the other hand, 2005 was a year of outstanding achievements for Suzano Group. Suzano Pulp and Paper remained steadfast in its determination to become a major global player and gained its Board of Directors' approval to make a billionaire investment in the expansion of the Mucuri Site. In addition, it acquired ownership control of Ripasa in a joint initiative with VCP. Internally, the Company undertook a thorough structural reorganization of its Business Units, which will allow for significant improvements in the quality of its customer relations and increased result accountability.

Suzano Petrochemicals became a fully operational company by acquiring Basell's interests in Polibrasil and assuming the leadership of the Latin American polypropylene market. Simultaneously, the Company approved the expansion of its Mauá Site which is scheduled to increase its production from 625 to 875 thousand tons/year by 2008.

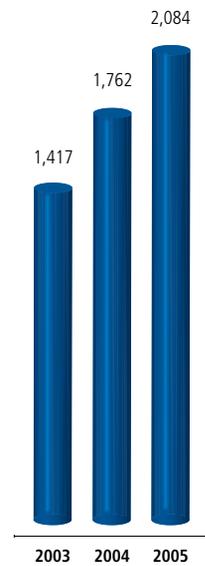
Net operating revenues – SPC US\$ million



Net operating revenues – SZPQ* US\$ million



Net operating revenues – SH US\$ million



Net Revenues – Suzano Group's US Dollar Net Revenues rose 18.3% over 2004, surpassing the US\$2 billion milestone. As regards Suzano Pulp and Paper, this result can be attributed to an increase both in pulp volume and pulp average prices in hard currency and to a growth in paper exports.

Suzano Petrochemicals attained higher US Dollar prices in the Brazilian market, but the decrease in domestic demand brought about a reduction in the volume of sales to the domestic market, whose prices are more attractive than export prices.

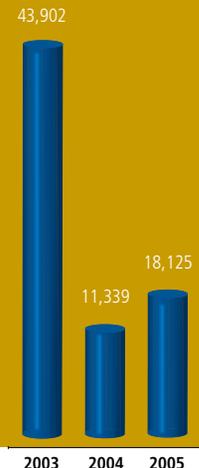
Investment – SPC US\$ million



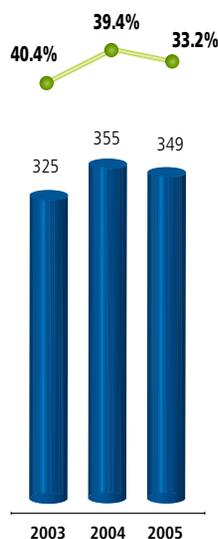
Investment – SZPQ* US\$ million



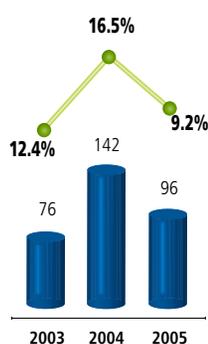
Investment – SH US\$ million



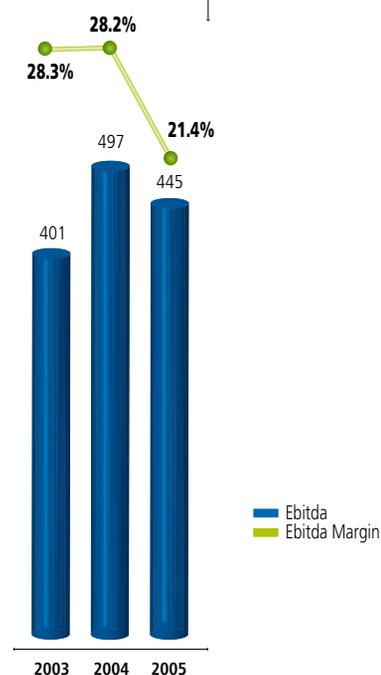
Ebitda and Ebitda Margin – SPC | US\$ million



Ebitda and Ebitda Margin – SZPQ | US\$ million



Ebitda and Ebitda Margin – SH | US\$ million



Ebitda – Suzano Group's Ebitda dropped from US\$ 497 to US\$ 445 million mostly due to Suzano Petrochemicals's performance. This result was influenced by a rise in the cost of propylene (in line with crude oil prices) and other raw materials, which could not be factored into consumer prices due to a decrease in domestic demand and the importation of substitute products. On the other hand, Suzano Pulp and Paper's Ebitda maintained the same level as in 2005 under the adverse impact of a surge in the Cost of Goods Sold (COGS) as well as recurrent expenses in connection with Ripasa's restructuring and the development of a new organizational model.

Investments – In spite of an unfavorable operational scenario in 2005, the Group honored its commitment to sustainable growth by approving numerous projects aimed at securing its position in the pulp & paper and petrochemical sectors. The highlights are the projects for the expansion of the Mucuri and Mauá sites and the acquisition of Ripasa and Polibrasil (both not included in the previous graphs).

Debts (debt renegotiation and rescheduling) – With the purpose of preparing for their investment cycles, both Companies are undergoing a debt management process meant to ensure their financial health.

In 2005, Suzano Petrochemicals rescheduled its debt profile from 2.5 to 6.4 years by seeking more attractive long-term loan agreements with institutions such as the International Finance Corporation (IFC).

Suzano Pulp and Paper's acquisition of Ripasa was carried out with the company's own available funds, part of which were recovered through long-term export financing operations and more competitive costs.

The **Board of**
Directors of
each **Company**
is comprised of
nine members,
three of whom are
independent

Corporate Governance

The chief objectives of the governance model espoused by Suzano Group – alignment of interests between shareholders and managers and management transparency – were defined through a dynamic process involving family ownership, professional management and partnerships with capital markets

This model's enhancement began in 2001 through an extensive management professionalization process. Since 2003, when Suzano Holding was restructured and a new management model was inaugurated, the controlling shareholders have focused on implementing the Group's strategies. They left their positions as executive officers and devoted themselves entirely to the Companies' Boards of Directors and Advisory Committees. Suzano Holding's role is to plan, audit and monitor the performance of affiliate companies and outline corporate guidelines and policies.

In compliance with the criteria laid down by the Brazilian Institute of Corporate Governance (IBGC), Suzano Pulp and Paper's Board of Directors is composed of nine external members, three of whom are independent. Suzano Petrochemicals's Board of Directors has the same composition. In both Companies one of the members was elected by preferential shareholders. Moreover, both companies also count on a permanent Fiscal Board. In both Companies this Board consists of three members, two of whom are appointed by controlling shareholders and one by preferential shareholders.



Sustainability and Strategy Committee:

- To advise and assist the Board of Directors in its responsibilities related to long-term strategies and planning; and
- To advise and assist the Board of Directors in disseminating the strategic concept of Sustainability with a view to securing world class standards as a benchmark for excellence

Management Committee:

- To advise and assist the Board of Directors in the performance of its responsibilities in connection with finances, budgets and control, talent management, executive officers' compensation, legal issues, new businesses, investments and relations with the market and investors by formulating corporate policies, when applicable
- To follow up on the Company's results and the performance of its executives through a specific methodology seeking to assure adherence to the targets laid down by the Strategic Planning, Business Plan and Budget; and
- To oversee the design and formulation of specific corporate policies for the environmental, health and safety areas

Audit Committee:

- To advise and assist the Board of Directors in the analysis of financial statements by ensuring that the executive officers develop and implement reliable internal controls to assure the quality of the information of the controlled companies
- To advise and assist the Board of Directors in supervising the activities of the internal audit, external audit and internal controls, ensuring that both the internal and external audits perform their duties autonomously and independently from the executive officers thereby allowing the external audit to evaluate their practices; and
- To oversee compliance with the Code of Conduct and the Corporate Policies for the environmental, health and safety areas

Interest alignment between controlling shareholders and executive officers is accomplished through a policy of variable compensation which takes into account short and long-term goals, individual and collective targets. The Group's companies have devised policies that involve share negotiation with their controlling shareholders and executives.

Both Companies' shares are listed on Bovespa's special Corporate Governance levels. Suzano Pulp and Paper's shares are listed on Level 1 and Suzano Petrochemicals's on Level 2.

Management Model

Segregation of competencies, internal controls (like the permanent Fiscal Board) and support instruments for the Board of Directors (like the Committees) are some of the elements that compose the ownership and management model adopted by Suzano Group Companies. Also notable is Suzano Petrochemicals's active participation in the management of companies under its shareholding control.





The **Sustainability and Strategy**

Committee

provides **support**

and in-depth

insight into the

issues discussed

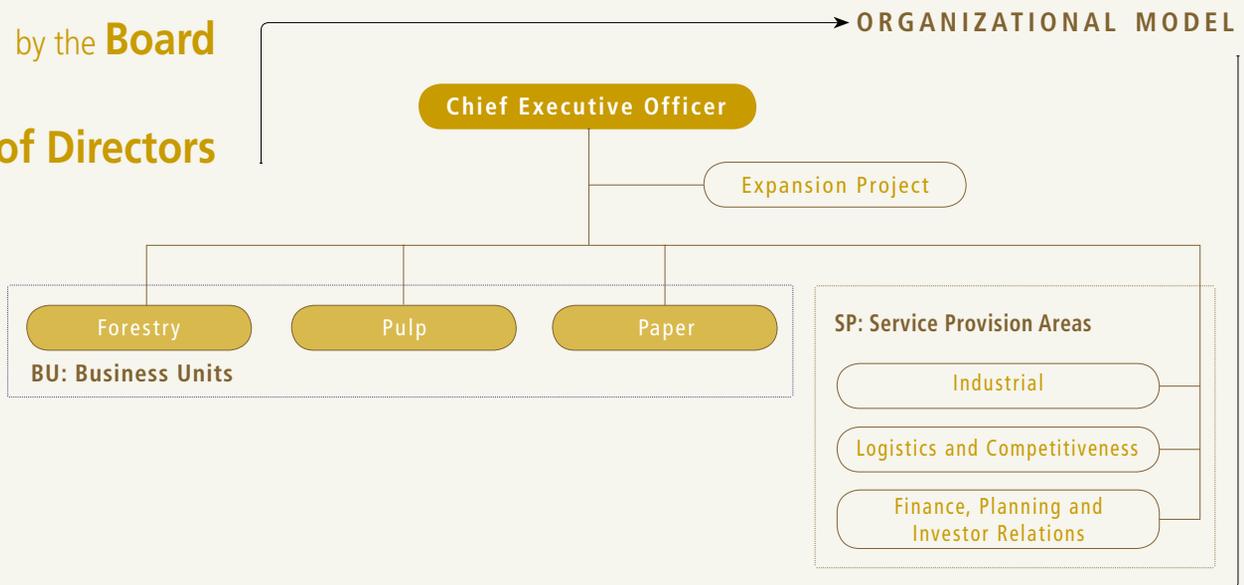
by the **Board**

of Directors

Suzano Pulp and Paper
Organizational model

Suzano Pulp and Paper's organizational model was enforced as of early 2006 and comprises three Business Units: Paper, Pulp and Forestry. Service areas such as Industrial; Logistics and Competitiveness; and Finance, Planning and Investor Relations operate concurrently to the Business Units.

The model's objectives consist in attaining significant improvements in customer relation quality, increased result accountability by the Business Units towards the achievement of results and decision making agility, in addition to the development of leaderships with a broad vision of the Organization and its businesses.

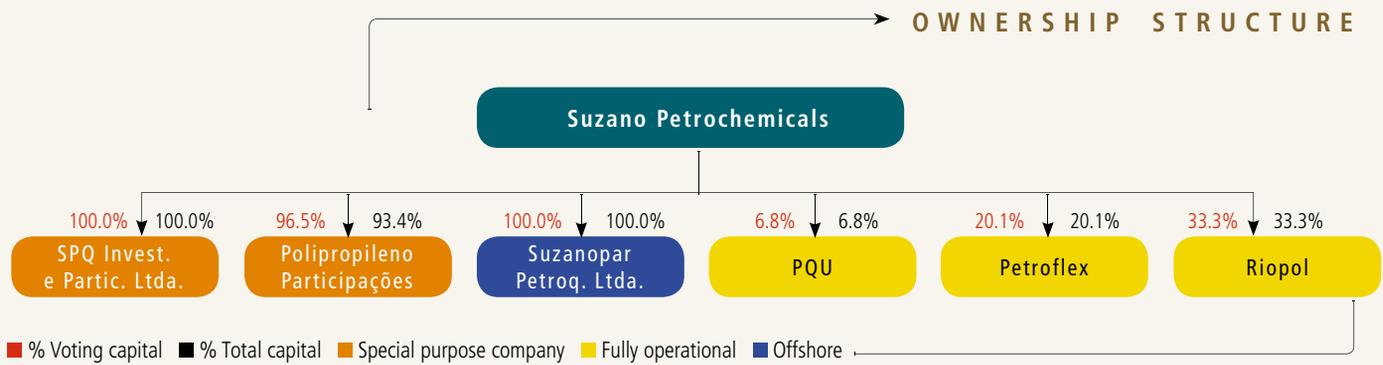


Suzano Petrochemicals

Corporate Restructuring

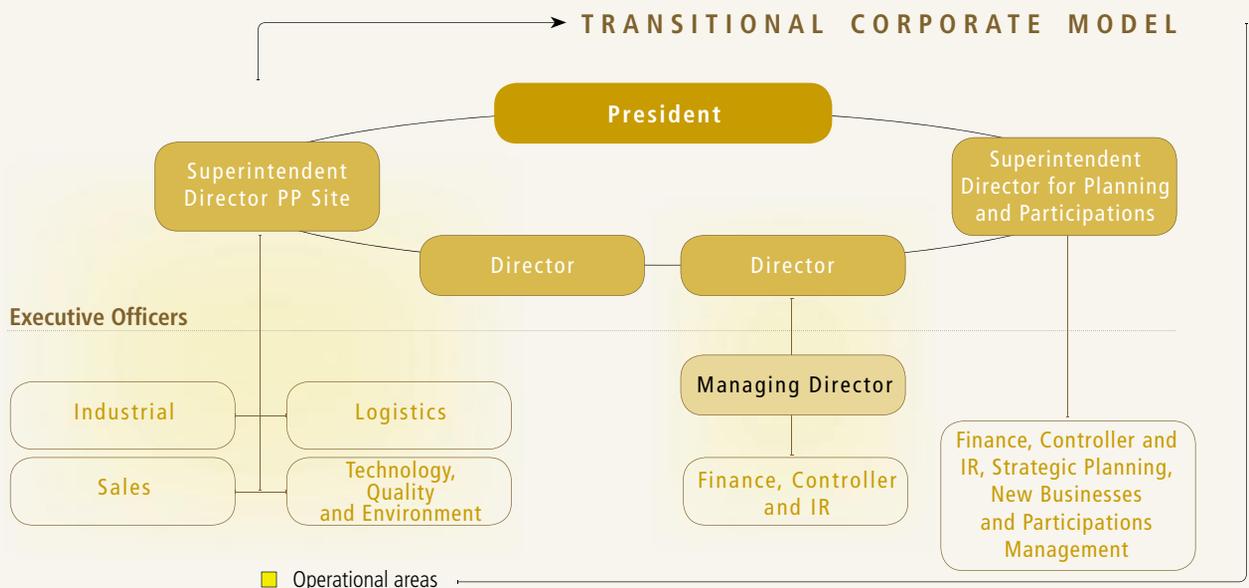
After acquiring full ownership of Polibrasil in September 2005, Suzano Petrochemicals changed its status from a holding company with interests in petrochemical companies to that of a fully independent operational enterprise. Its ownership structure was greatly streamlined, as shown below.

The acquisition of 100% of Polibrasil shareholding control translated into a major step towards achieving the Company's main strategic goal to become one of the largest Brazilian private companies in the petrochemical sector.



Transitional Corporate Model

The following Corporate Model reflects the incorporation of Polibrasil through a merger of the administrations of Suzano Petrochemicals and the former Polibrasil. During this transitional period, Suzano Petrochemicals's Chairman of the Board will also accumulate the function of Company President. It is also expected for 2006 that a new Suzano Petrochemicals President will be nominated allowing the Chairman of the Board to concentrate all his efforts on that specific task





The **Suzano**

Code of

Conduct was

drawn up during

2005 and

implemented

in **2006**



Code of Conduct

The purpose of the Suzano Code of Conduct is to enlist the commitment of all administrators, managers and employees to the ethical principles underlying the Group's corporate conduct and to disseminate its values throughout our business network. A number of initiatives will be conducted to educate employees, managers and other groups on the processes that framed the Code and their meaning to Suzano Group.

Suzano Ethical Principles

■ **Corporate governance**

Our companies are managed by professionals in accordance with the organizational principles of Suzano Group and the concepts of good corporate governance, with the purpose of adding value to each company, making possible greater access to capital, and contributing to perpetuation of the Group

■ **Integrity**

We carry out our activities in a proper and honest manner, thereby preserving and strengthening our moral and ethical principles

■ **Equity**

We behave in a respectful, dignified and considerate manner towards all people with whom we interface both inside and outside Suzano Group

■ **Transparency**

We conduct all relationships in a clear and truthful manner

■ **Valuing the individual**

We seek to create a healthy workplace environment focused on personal growth and the recognition of people's successful performance

■ **Sustainable development**

Our decisions are aimed at economic efficiency, and our initiatives seek to strike a balance between financial, social and environmental aspects



► **suzano pulp and paper**

Strategic Aspirations

Ethos Indicators

Corporate Responsibility Policies

Stakeholder Engagement

Social Management and Responsibility

Environmental Management and Responsibility

Economic/Financial Management

Initiatives towards sustainability

In line with **Suzano Group's vision for 2015** – to rank among the **ten largest and most profitable** private Brazilian groups – the **business strategy** adopted by Suzano Papel e Celulose seeks to achieve **positive economic, social and environmental results. Three management pillars** underpin the Company's goals defined during its planning process, as shown in the diagram on the next page. Under each pillar are some of our **key achievements in 2005**.

Strategic Aspirations:

"To be **one** the **two largest** and **most profitable** Brazilian companies in the sector"

"**To gain** the appreciation of the **markets** where we operate and the **society**"

Growth and Profitability

Achieve global scale in market pulp

Be active in key white paper markets through:

- *Leadership in South America*
- *Focus on profitability and customers*

Competitiveness

Boost competitiveness through world-class management

- *World Class Pulp & Paper*

Sustainability

Achieve excellence in the relationship with our shareholders, clients, employees, suppliers, society, and the environment.

Rank among Brazil's top 10 employers

2005 Achievements:

Expand and modernize our production:

- Start-up of the Mucuri Project implementation
- A 60 thousand ton/year increase following optimization of the Mucuri pulp mill

Develop products and add value for customers:

- Launch of the Couché Silk® and Reciclato® cut sizes paper
- Development of Reciclato® paper for checkbooks
- Publication of the first book using Paperfect® FSC-certified paper in Brazil

Increase operational efficiency:

- Modernization of processes and alternatives in logistics and supplies
- Improvement of industrial processes

Pursue management excellence:

- Triple certification (quality, environment and social responsibility)
- Active participation in development of the third generation of ISO standards of corporate social responsibility
- Management standards based on the criteria used by the National Quality Award (won by the Company in 2001)
- Reorganization of the Company into Business Units as from January 1st, 2006

Continually improve our relations with capital markets and diversify our financing sources:

- Adequate financing for the Mucuri Project and acquisition of Ripasa
- Extensive coverage by market analysts with clearer value perception and less dispersion

Conduct business in a socially and environmentally responsible manner

- Rank among the 10 best Brazilian companies selected by the Exame Magazine *Good Corporate Citizenship Guide* for the second consecutive year
- Company listed on Bovespa's Corporate Sustainability Index (ISE)
- Company's average Ethos Indicator: 8.8 (Ethos benchmark: 9.1)

Ethos Indicators



The **Ethos Institute** evaluates **social responsibility** practices according to their scope and depth

The scope of the evaluation is defined through the analysis of the following items: values and transparency, internal public, environment, suppliers, customers and consumers, community, government and society

Suzano Pulp and Paper adopts these indicators to assess its level of social responsibility and compare it with other Brazilian companies. The evaluations obtained so far have demonstrated that the Company ranks above the national average in terms of corporate citizenship and, in some items, stands out among benchmark companies. The data provided by the Ethos Institute, based on 2004 evaluations, are discussed in internal forums where action plans are developed to improve the indicators.



Suzano Pulp and Paper

TOPICS	Company's Rating	Population Data	
		Database average	Benchmark ^(*) group average
Values and Transparency	9.03	4.96	9.40
Internal Public	8.18	4.12	8.83
Environment	9.37	4.08	9.05
Suppliers	7.08	3.72	8.80
Consumers and Customers	9.91	5.93	9.63
Community	10.00	3.72	9.45
Government and Society	8.12	4.00	8.80

^(*) Group of companies as defined by the Ethos Institute

The data presented above are the result of the application of the Ethos Institute Social Responsibility Indicators by the Company and reflect a self-evaluation. Therefore, its diagnostics are not validated by a certification. Its main objective is to encourage reflection, learning and improvements to the Company's Corporate Social Responsibility practices.

Our **Corporate**

Responsibility

Policies are here

summarized for use by all

our stakeholders

POLICIES

We will now outline Suzano Pulp and Paper's Corporate Responsibility policies, which evolved from the concept of sustainability to integrate social, environmental and economic aspects of the company's performance evaluation.

This policy is a core element of our management philosophy whose vision lies in the "ongoing construction of a company of excellence which harmonizes added value with the preservation of human dignity."

Therefore, by combining the commitment of the high management with goals and targets aligned with our Strategic Planning, Suzano Pulp and Paper continually will seek high performance standards derived from the best market practices, pertinent rules and regulations, and the codes to which the company subscribes. We are committed to sharing these policies and practices with our stakeholders. In order to do so, we will keep our interactive communication channels open to enable an effective dialogue among all.

Quality

- The ongoing improvement of processes, products and services is our strategic commitment to ensure the Company's competitiveness and will be achieved through the development and sharing of knowledge and the permanent pursuit of technological modernization
- Value our employees and partners and promote their development towards competent and responsible actions committed to the Company's results and values
- Build knowledge of our customers' businesses and their markets so as to anticipate their needs and expectations
- Aid our customers in maximizing the benefits that result from the use of our products and services as the cornerstone of our quality relations with the market

Environment

- Contribute to the overall economic and social development in perfect harmony with environmental preservation through innovative management processes, and serve as the benchmark for environmentally responsible business practices
- Take an active stance towards pollution prevention from research through to the design, installation, operation, marketing and use of all our products

- Develop and encourage environmental education initiatives through a systemic and participative approach, which promotes awareness and responsibility among our employees, partners and communities
- Undertake initiatives aimed at the sustainability of hydric, atmospheric, soil and biodiversity resources in the areas under the Company's influence
- Share with the organized segments of society the development of programs geared to the use, preservation and sustainable management of natural resources

Social, Health and Safety Responsibility Policy

- Ensure that our processes, products and services are conducted in a socially responsible manner in conformity with SA 8000 requirements
- Continuously encourage and empower employees to adopt socially responsible practices inside and outside the Company
- Encourage suppliers and partners to engage in socially responsible practices so as to guarantee that the health, safety and social responsibility criteria as defined by us are adhered to in our investments and acquisition of goods and services
- Encourage and facilitate the participation of our employees in voluntary and community-related activities focused on the maximum use of their competencies towards the social development of areas under the Company's influence
- Support social actions aligned with our Vision, Mission and Values by prioritizing initiatives that target education, culture and the environment
- Value diversity and oppose all kinds of discrimination, be it sex, race, gender, color, age, creed, nationality, marital, or social status
- Reject the use of child labor in the Company's production chain
- Labor accidents and diseases are avoidable. All employees and service providers working in the Company's internal processes must undergo training in accident prevention and safety practices so that they can act proactively both inside and outside their workplace
- Ensure the necessary resources, adequate facilities and conditions for all our employees and service providers working in the Company's internal processes so that work can be carried out within a healthy and safe environment

Stakeholder Engagement

Suzano Pulp and Paper seeks **to build long-lasting, quality relationships** with its employees, shareholders, customers, suppliers, government and communities **based on mutual respect and trust**

Interaction with the Company's various stakeholders is encouraged through certain communication channels with the purpose of improving relationships and ensuring sustainability. Suzano Pulp and Paper carries out periodic surveys with all its stakeholders to assess their perception of the Company and the results of its initiatives. Following, we will detail the ways in which the Company relates to its stakeholders and monitors these relations:



Communities

The Community Relations Director Plan is used as a reference for the assessment of the Company by the communities under its area of influence. Designed in 2004 after a survey conducted with residents of those communities, the plan pinpoints social priorities and is continually followed up. Information, such as the number of people assisted and their level of satisfaction, is recorded and reported. Surveys are conducted biennially and the next one is scheduled for 2006. The Company also counts on a sort of community advisory forum, which was created at the time it was preparing for the Forest Stewardship Council (FSC) certification. One of the requirements to attain certification involves a relationship channel with stakeholders. The idea then occurred to the Company to hold meetings with community representatives to discuss its performance and find solutions to emerging issues. In Bahia State - where FSC certification has been attained for the Company's forests - the forum is already functional whereas in São Paulo State, the certification is scheduled for late 2006.

Telephones are also a significant communication channel with the community. Bahia State offers a toll-free line (0800-774 7440) for community suggestions, complaints, comments and enquiries. The information gathered is handled by means of special standards and procedures. This service has been available for the last five years and is currently under implementation in São Paulo State.

Another interface with the community comes in the form of a monthly Company magazine which includes an insert on social responsibility as well as information on the activities and projects developed in this particular area. The magazine is distributed free of charge to employees, community leaders and opinion formers.

Among the socially oriented programs supported by Suzano Pulp and Paper, some are worthy of note for their close involvement with nearby communities, such as the *Comunidade Produtiva* ("Productive Community"), *Formare* Project, *Voluntários Verdes* ("Green Volunteers") and *Projeto Sementeira* ("Seedling Project").

Landless peasants safely and peacefully removed from occupied lands

In 2006, approximately one thousand members of the Landless Rural Workers Movement (MST) invaded a Suzano Pulp and Paper farm in the Teixeira de Freitas/Itamaraju region, south Bahia State. This 900-hectare farmland provides raw material for pulp manufacture. The removal of the landless peasants from the occupied farm was coordinated by the judge of Teixeira de Freitas with the support of the Bahia State Government and the Military Police. Throughout the operation, which remained under control from start to finish, the peasants and their families were treated with respect and dignity. The Police and the Bahia State authorities displayed great experience and common sense in their negotiations with the peasants, and the evacuation proceeded in an orderly and controlled manner.



Customers

Customers communicate with Suzano Pulp and Paper through a customer service system using a toll-free line or by accessing the Company's website. The website features a "Contact us" option open to requests, suggestions and complaints, and clarifies users' doubts.

Specific projects are customized to build closer relations with certain customer groups, such as the young public. Such is the case of the Report® Vestibular – a preparatory course for university entry exams known in Brazil as *vestibular*, which is offered by the Company on the Internet. The course content was developed by the Klick Educação web portal. Another site, called Report® Online, provides information on our products to distributors and customers.

The *Viver Bem* ("Living Well") project is aimed at the printing industry customers. It is a relationship program designed to contribute to improving the personal and professional quality of life of business owners in the printing industry. This is achieved at stimulating and fun meetings where executives are motivated to discover resources that can help them lead a more satisfactory family life. They are also given helpful tips on health/wellness and relationships.

Professionals who work with graphic design regularly receive a magazine published by the Company titled *Idea*. It is a bimonthly publication which focuses on in-depth communication issues not commonly found in the mass media. Its innovative presentation of Suzano products circulates around the graphic design market, from advertising agencies to graphic design firms and print shops.

Employees

Every two years, Suzano Pulp and Paper conducts an organizational climate survey called Employee Satisfaction Evaluation System (SASC). It was first introduced in 2003 and the second survey took place in 2005. The results are used in setting targets and actions for different areas (further information on stakeholder relations can be found in the chapter People Management).



Investors

Suzano Pulp and Paper's interaction with its investors is ongoing, both through public meetings organized by the Brazilian Association of Capital Markets (Apimec) and through roadshows, conferences, visits to the Company, among other events. The Investor Relations website is a significant communication channel for investor information and contact. The IR area carries out periodic surveys with the purpose of targeting its actions appropriately. The last survey took place between late 2004 and early 2005 and resulted in the detailing of IR strategies, the organization of a visitor program that takes investors on a fam tour of Suzano's production sites, enhanced communication of the Company's day-to-day operations and the revamp of the corporate website (www.suzano.com.br).

Suppliers

Suzano Pulp and Paper seeks to develop trustworthy partnerships with its suppliers so as to ensure improvements in the performance and results for both parties. In 2006, an award program recognizing premier suppliers – similar to the one adopted by Suzano Petrochemicals – will be developed providing public recognition of their contributions to the Company. Suzano Pulp and Paper's supplier registration, qualification and evaluation system is run by the Quality Management System with the purpose of fostering mutual growth relations between the Company and its suppliers. Suppliers of products considered critical for the Company, i.e. those that significantly affect quality, the environment, safety or health undergo stringent evaluations before procurement. They are monitored on a bimonthly basis and are subject to auditing. Suppliers whose products do not meet the Company's evaluation criteria are directed to develop action plans to make the necessary improvements under Suzano's guidance. Suppliers of non-critical products are evaluated from a purely technical and commercial standpoint.



Government

Suzano Pulp and Paper follows the guidelines laid down by Suzano Group in its government relations. We support government projects and initiatives that create, foster or otherwise afford opportunities related to education, income generation and entrepreneurial activities.

We believe in establishing an ethical and transparent dialog with public organizations and other sectors of society as a democratic tool in the formulation of public policies, based on ethics and transparency.

We regard the following conditions as essential for the sustainability and development of Brazil:

- Quality universal education as a means to achieve personal development, self-esteem and ecological and citizen awareness since these are the fundamental conditions to build a developed, democratic and cooperative society.
- Environmental policies imbued with a modern vision of conservation and profoundly aware of the role of the forestry industry in the preservation and recovery of the country's natural resources
- Total or substantial reduction in the tax load that currently encumbers Brazilian private investments

Elections: When supporting political candidates through donations to their campaigns, Suzano Group conforms to all applicable Brazilian laws and regulations. Among other demands, the Company requires that candidates provide donation receipts for registration with the Electoral Commission. The Group also complies with the donation restrictions set forth for companies, which is equivalent to 2% of a company's gross revenues in the year prior to the ballot.





World-class Institutions

Suzano Pulp and Paper takes active part in major national and international forums devoted to the study and advancement of sustainability. It plays a leading role in organizations such as the Advisory Committee on Paper & Forest Products of the United Nations Food and Agricultural Organization (FAO), the world committee for ISO 26000 standards, and the Brazilian Business Commitment Towards Recycling (Cempre). It also participates in the steering committee for The Forest Dialogue, where issues such as forest management, biodiversity and climate changes are addressed, and in the Forest Stewardship Council (FSC).

In addition to its participation in institutions through Suzano Holding, the Company is also involved with class syndicates and local chambers such as the Brazilian Pulp and Paper Technical Association (ABTCP), Brazilian Pulp and Paper Association (Bracelpa), São Paulo State Industrial Board (Ciesp), São Paulo State Federation of Industries (Fiesp), Bahia State Federation of Industries (Fieb) and the National Forest Council (Conaflor).

Social Responsibility and Management

In its commitment to developing the communities where it operates, Suzano Pulp and Paper aims to contribute to their Human Development Index (HDI). To achieve this, it launches initiatives to foster income-generating activities and educational projects, hires locally and invests in employee qualification.



Suzano Pulp and
Paper's **social**
programs have
a positive impact
on the **34 cities**
where they are
implemented

Communities

The Community Relations Master Plan specifies programs for income and employment generation, adult literacy, education, citizenship awareness, cultural programs, and the environment.

The Company's growth plans also benefit the development of the surrounding communities. Suzano Pulp and Paper generates approximately 6 thousand indirect jobs through its activities. Following the completion of the Mucuri Site expansion, it is estimated that the number of indirect jobs will rise to 7.5 thousand, including all production sites. During the implementation stage of the Mucuri production line another 8 thousand temporary jobs will be generated. Suzano Pulp and Paper's social programs have an impact on the 34 cities where they are implemented. These projects are described on the next pages.





sustainability ► **suzano pulp and paper**

Suzano Pulp and Paper's initiatives

in all **social**

dimensions, their

connection with the

UN Millennium

Development

Goals and the targeted

stakeholders

are described in the

following chart:



Dimension	Objectives	UN Millennium Goals	Stakeholders
Economic Development	Initiatives, programs and projects designed to create opportunities for the community through professional qualification and income generating activities	Goal 1 ■ Eradicate extreme poverty and hunger	Neighboring rural communities of the Suzano and Mucuri industrial sites
Health	Initiatives, programs and campaigns designed for disease prevention, medical and dental assistance and the maintenance of clinics and hospitals	Goal 4 ■ Reduce child mortality Goal 5 ■ Improve maternal health Goal 6 ■ Combat HIV/AIDS, malaria and other diseases	Neighboring urban communities of the Suzano and Mucuri industrial sites, employees and their family members
Education, Training and Professional Qualification	Initiatives, programs, projects and campaigns designed to encourage educational activities, schooling, and professional development and training	Goal 2 ■ Achieve universal primary education	Neighboring urban communities of the Suzano and Mucuri industrial sites, employees and their family members
Environment	Initiatives, programs and projects to promote environmental preservation, and to raise awareness, mainly in children and youth, concerning the importance of environment preservation	Goal 7 ■ Ensure environmental sustainability	Neighboring urban and rural communities of the Suzano and Mucuri industrial sites
Culture	Initiatives, programs and projects designed to recover, disseminate and encourage Brazilian culture by facilitating access to all cultural manifestations	Goal 8 ■ Engender a global partnership for development	Neighboring urban communities of the Suzano and Mucuri industrial sites, employees and their family members
Community Support	Initiatives, programs, projects and campaigns designed to promote initiatives that support citizenship awareness, social reintegration, community services and cooperativeness	Goal 1 ■ Eradicate extreme poverty and hunger Goal 3 ■ Promote gender equality and empower women	Neighboring urban communities of the Suzano and Mucuri industrial sites, employees, their family members and others
Sports, Integration and Leisure	Initiatives, programs and projects designed to foster sports activities, social integration and leisure	Goal 8 ■ Engender a global partnership for development	Neighboring urban communities of the Suzano and Mucuri industrial sites, employees and their family members
Volunteering	Initiatives, programs and projects designed to encourage volunteering and citizenship activities	Goal 8 ■ Engender a global partnership for development	Employees
TOTAL			

Key Projects	Number of Projects		Amount Invested (thousands of R\$)		Number of Individuals Served or Benefited		Notes
	2004	2005	2004	2005	2004	2005	
<ul style="list-style-type: none"> ■ Handicrafts (Productive Community) ■ Apiculture ■ Strengthening of the Wood, Charcoal and Firewood Market 	2	4	552	593	1,771	1,220	
<ul style="list-style-type: none"> ■ Health Week ■ Paineiras Hospital ■ Social Service for the Industry (Sesi) ■ Dental Assistance and Medical Assistance (employee participation not included) ■ Workplace Fitness Exercises 	6	6	15,901	19,075	130,741	151,896	
<ul style="list-style-type: none"> ■ Saber Project ■ Scholarship ■ Adult Education ■ Seedling Program ■ Adult Literacy (<i>Cidadão Educar</i> Project) ■ Formare Project ■ Ecoar Project ■ Cipa Escolar Project ■ Schooling Incentive ■ University ■ Professional Qualification and Training ■ <i>Estudar é Crescer</i> Project ■ Allowance for School Materials ■ School Materials Kit ■ Schools (<i>Casa do Estudante</i>, Bahia State, and subsidies to other schools) 	14	14	9,018	8,970	13,980	25,900	
<ul style="list-style-type: none"> ■ Seedling Club ■ Pomar Project ■ Water Monitoring Project (microbasin) ■ Avifauna Monitoring Project ■ Replanting of Native Species ■ Feasibility Study for Ecological Trails ■ Ecological Trails ■ Monitoring of Natural Regeneration ■ Monitoring of Avifauna and Flora ■ Native Fish Study ■ Flower Studies 	11	11	929	1,848	13,062*	1,400	* Some specific focus projects were discontinued in 2005
<ul style="list-style-type: none"> ■ Symphony ■ <i>EmCantando</i> Choir ■ <i>EmCanto</i> Choir ■ Golfinho Cultural Center ■ Max Feffer Choir ■ Eucalyptus Band ■ Community Library (<i>Ler é Preciso</i> Project)* 	6	7	667	627	528	1,743	* Performed in partnership with Ecofuturo Institute
<ul style="list-style-type: none"> ■ Golfinho Association ■ Support for the Ecofuturo Institute 	9	2*	4,812	3,068	73,484	442,801	* Some specific focus projects were discontinued in 2005
<ul style="list-style-type: none"> ■ Sports and Health ■ Change of Habit Program ■ Club Expenses ■ Recovering Brazilian Culture 	1	4	94	305	43	3,301	
<ul style="list-style-type: none"> ■ Green Volunteers ■ Social Projects Management ■ Social Initiatives ■ Happy McDay 	3	4	141	153	1,296	2,892	
			32,113	34,640			

Suzano Pulp and Paper fosters human development

Towns where the Company operates achieve **above-average growth** in Bahia State

The towns where Suzano Pulp and Paper operates exhibited a higher Human Development Index (HDI) than other cities in Bahia State in the period from 1992 to 2000. The Company recently concluded a statistical HDI study in five towns, comparing their development indices with those of other cities in the same state.

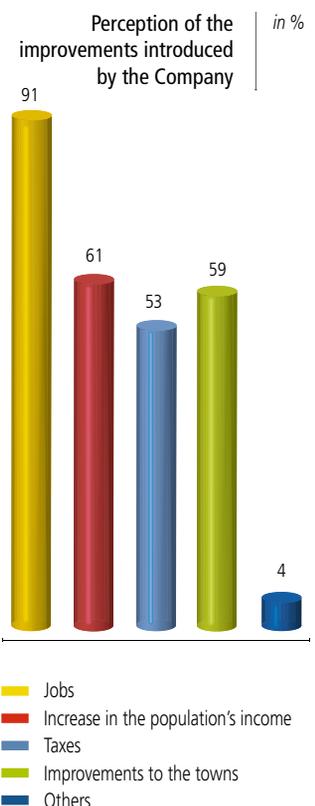
The study will be repeated every five years to monitor and evaluate the Company's performance. The conclusions drawn from the study indicate that forestry activities favorably impact HDI and that income distribution and educational levels saw significant growth after the Company began its activities in each town. Although the factors involved in HDI variations are quite complex and cannot be ascribed solely to the presence of Suzano sites, the investments made in those regions and Suzano's responsible social and environmental activities were regarded as significant contributions.

Growth in Municipal Human Development Index (IDHM)

	Bahia	Suzano Region	Bahia State Growth	Suzano Region Growth
IDHM, 1991	0.516	0.533		
IDHM, 2000	0.625	0.670	21.15%	25.70%
IDHM-Renda, 1991	0.466	0.539		
IDHM-Renda, 2000	0.520	0.617	11.53%	14.35%
IDHM-Longevidade, 1991	0.566	0.554		
IDHM-Longevidade, 2000	0.636	0.633	12.47%	14.11%
IDHM-Educação, 1991	0.516	0.505		
IDHM-Educação, 2000	0.719	0.761	39.35%	50.61%

Source: Research Institute for Applied Economics (IPEA) - Atlas of Human Development in Brazil

Suzano Pulp and Paper's contribution was acknowledged by the local communities and was further verified through a survey conducted in 2004. Ninety-one percent of those surveyed stated that the Company had generated more new jobs. For 61% the population's income had increased following the Company's arrival. An increase in collected taxes was considered as a relevant impact for 53% of those surveyed, while 59% cited improvements to the towns.



Incentives for eucalyptus farming

Support program increases demand for independent production

Introduced 33 years ago, Suzano Pulp and Paper's program for growing eucalyptus was designed to encourage the growth of eucalyptus trees in the lands of local independent producers. Bahia, Espírito Santo and São Paulo States altogether benefited 1,130 farmers with the added advantage that small and medium-size producers are given a chance to join the wood-production chain. The Company provides assistance and commits to purchasing their future

production. Independent farmers already contribute with about 15% of all eucalyptus used by Suzano, and the goal is to increase this share to 25% by 2008.

There are two forestry incentive models: contract-based and extensive. In the former, Suzano Pulp and Paper provides cuttings and technical assistance to producers. Furthermore, the Company finances plantation, converts the financed amount into an equivalent quantity of wood and is paid back in the form of eucalyptus. In the extensive model, funds for eucalyptus plantation are raised by the

producers themselves. Although this model has fallen into disuse, some of the older producers still prefer it. The support system was conceived in São Paulo State in 1973 and introduced in Bahia State in 1992. Today it involves approximately 50 thousand hectares.

Participants are encouraged to grow other species (e.g passion fruit) in the same area. This harmonious and diversified kind of farming is desirable since it enables producers to rely on various sources of income and other financial resources. Through joint initiatives with participants Suzano can also map out ecological corridors and promote a heightened awareness of the benefits entailed in native forest preservation.



Forestry Operations

	Unit	Mucuri Site	Suzano Site	Total
Support				
Planted area	ha	41,982	7,303	49,285

Basis: Dec./05

Community investments increase with project implementation in Bahia

Production line **expansion** requires **training** and **infrastructure**

Suzano Pulp and Paper's social initiatives will be strengthened through the implementation of an expansion project at its Mucuri Site. The project's first stage will increase pulp production capacity from 680 thousand tons/year to 1,680 thousand tons/year and generate about 8,000 temporary jobs.

This increased production capacity will require a qualified labor force during implementation of the new production line project in addition to recruiting from neighboring communities. The Company opened a training center in the first half of 2006 to welcome citizens interested in undergoing training to work as electricity and maintenance technicians, waiters, food-service attendants, hotel staff, etc.

The expansion is set to exert considerable impact in the region since the Company will contribute to improving the area's telecommunication and safety infrastructures. Today, about one thousand people are employed by the Mucuri Site. With the new line, another 350 people will be hired.

The Company has long strived to enhance community education and training. Upon inauguration of the Mucuri Site in 1992, it implemented health and education infrastructures in what was then a sparsely inhabited region.



Teenagers trained in technical courses

Social initiatives focus on **education** and **income-generating programs**

In May 2006, a group of low-income teenagers who attend public schools completed the first technical course on production and logistics assistance. The course is offered through a joint effort between Suzano Pulp and Paper and the lochpe Foundation.

Suzano contributes by building schools, donating educational materials and granting scholarships worth half a Brazilian minimum wage each. Two schools with capacity for 20 students each were built at Suzano and Mucuri Sites.

The selection process consists of tests of knowledge and, in the final stage, interviews with the applicants' family members. The lochpe Foundation provides educational supervision, and all courses are accredited by the Brazilian Ministry of Education through the Federal Technological University of Paraná State (UTF-PR). The students are currently taking the production and logistics assistant course, which lasts one full year. Side by side with educational projects, income-generating programs constitute a major priority in Suzano Pulp and Paper's social agenda.





People Management

1. Organizational Climate

The first Employee Satisfaction Evaluation System (SASC) survey conducted along the current lines was carried out in 2003, and the second in 2005. The latter showed a 5-percentage-point improvement, from 56% to 61%, and perceptions on organizational methods and management styles had improved.

The main contributions for such improvements were the program for management development aimed at supervisors; the implementation of a private pension plan; a policy of subsidies for college courses, and the quality of life program.

2. Evaluations

The Competencies Model has been used by Suzano Pulp and Paper since 2003 to evaluate certain aspects of employee behavior on a yearly basis. Its goal is to determine whether or not each employee's targets were met and what sorts of behavior led to each outcome. Evaluations are carried out by department managers, coordinators, senior technicians and executive officers.

The data collected are analyzed by the Human Resources areas. If a given behavior performs poorly across the board, the Company will offer specific training to meet the detected needs. The program comprises a 360-degree assessment of employees with the participation of their immediate superior, subordinates and peers, as well as a self-evaluation.

3. Quality of Life Program

The employee quality of life program introduced several minor initiatives to reduce stress and instill a sense of joy and accomplishment in the workplace, while providing guidance towards disease prevention and health-promoting activities.

4. Training

In 2005, approximately R\$4 million were invested in 224 thousand hours of training (68 hours per employee on average). Training is focused on the current needs of each employee. Suzano Pulp and Paper has around 3,300 employees, 1,000 of whom work at Mucuri.



Occupational Health and Safety

Suzano Pulp and Paper is committed to using the best available management practices, technical standards and technologies to prevent and ensure health and safety in the workplace with the support of all participants. The Company's processes, products and services conform to the OHSAS 18001 standard. In 2004, Suzano Pulp and Paper recorded 24 accidents. In 2005, there were 21. Its goal is to reduce this figure even further in 2006.

The **satisfaction**

survey reflects

improvements

in the **perception**

about

organizational

methods and

management

style

Environment Responsibility and Management

100% of planted and renewable forests

Suzano uses its own planted forests for pulp and paper production. Proper management of the first stage of the production process is an essential condition for assuring that the following stages will also be efficient and sustainable

Suzano Pulp and Paper's forestry business depends on three essential pillars: Planning, Research & Development (PR&D); Silvicultural Practices, and Social and Environmental Responsibility. The philosophy applied by the Company in managing its forestry activities is grounded on the same philosophy advocated by the World Business Council for Sustainable Development, based on economic growth, ecological balance and social progress.



Planning, Research & Development (PR&D)

Investments made in Planning, Research & Development are vital for the productivity of planted forests. Its chief goals are to promote the genetic improvement of the species to be planted and to conduct research on forest handling, soils and nutrition, forest protection and biotechnology. In 2005, the Company sponsored studies to improve wood quality through the selection of genetic material for use in pulp and paper production in an effort to boost forest productivity.

The studies also focus on the optimization and improvement of production processes in the pulp and paper areas with a reduction in consumable costs and gains in productivity. Experiments were performed to meet specific client needs without compromising quality or environmental standards.



Silvicultural practices

Silvicultural practices include seedling nurseries, eucalyptus farming and harvesting. In this stage, research results are put into practice. Prior to planting eucalyptus in a new area, certain studies are conducted to determine the most appropriate management style for that particular region.

Suzano Pulp and Paper relies on a Silvicultural Management System to ensure sustainability for its forest production. This system defines everything from the choice of production areas and the appropriate genetic materials according to soil and climate, to adequate soil preparation, chemical handling and the most recommendable plantation spacing.

Although productivity is one of our main goals, it must be achieved through a harmonious, environment-friendly approach. Farming is performed by preserving soil integrity as much as possible. One often-used technique is mosaic plantation, since it minimizes the environmental and visual impacts of eucalyptus forests. When trees of different ages are planted, the production area's demand for soil and water nutrients is more balanced.

sustainability ► **suzano pulp and paper**

Monitoring and recovery

Activities related to the restoration of natural reserves as well as the monitoring of water, flora and fauna in forest areas is a major concern for Suzano Pulp and Paper.

Water quantity and quality in planted forest areas considered strategic are constantly evaluated through laboratory analyses. Other studies are also carried out to review the interaction between eucalyptus farming and water. For the monitoring of flora and fauna, the ecological stage of

the forests is studied through floristic and phytosociological surveys. Interaction between silviculture and environmental quality is also investigated. The monitoring of flora and fauna is extended to the Atlantic Rainforest areas.

Whenever Suzano Pulp and Paper detects vegetation areas with qualities lower than target, it immediately takes action to restore them. Some of the areas used for eucalyptus production are also converted and reserved as native forest areas.

- Left: Effluent Treatment Plant, Suzano Site – São Paulo State. Right: Central Laboratory, Mucuri Site – Bahia State



Biodiversity

Forty percent of all lands owned by Suzano Pulp and Paper are preservation

and infrastructure areas. They extend over 114 thousand hectares and are systematically monitored through programs based on sustainable forestry practices.

The significance of preserving these areas is further underscored by the quality of their vegetation and fauna. Sixty percent of the 114 thousand hectares mentioned above are within the Atlantic Rainforest biome, regarded as one of the world's most important due to its biodiversity. The Atlantic Forest has been reduced to a mere 8% of its original size according to a survey conducted by the SOS Atlantic Rainforest Foundation and the Brazil-

ian National Institute for Space Research (Inpe). In a study carried out by International Conservation, the Atlantic Rainforest is seen as a priority for the preservation of global biodiversity.

Suzano's lands comprise portions of *cerrado* (tropical savannah ecoregion) and the Atlantic Rainforest. Proper management is necessary for both planted forests and preservation/conservation areas. Besides its importance in terms of biodiversity maintenance, proper handling of these areas ensures that planted forests are more resistant to diseases and micro-climate variations. The table below shows the successive stages of Suzano Pulp and Paper's preservation and conservation areas.

Vegetation Classification in Preservation and Conservation Areas

Basis: Dec. 2005

Description	Area (ha)				Total (ha)	
	Mucuri Site		Suzano Site		Area (ha)	
	Area (ha)	%	Area (ha)	%	%	
AR – Initial Secondary Vegetation	32,251.49	49.01	2,860.52	9.53	35,112.01	36.64
AR – Medium Secondary Vegetation	14,533.80	22.08	3,373.46	11.24	17,907.26	18.69
AR – Advanced Secondary Vegetation	4,440.41	6.75	18,672.90	62.23	23,113.31	24.12
Sandy Soil Vegetation	11,032.50	16.76	-	-	11,032.50	11.51
Marsh Vegetation	1,731.82	2.63	9.75	0.03	1,741.57	1.82
Recovered Area	280.03	0.43	179.78	0.60	459.81	0.48
Area under Eucalyptus-to-Native Conversion	1,322.84	2.01	4,840.67	16.13	6,163.51	6.43
Mangrove Vegetation	135.87	0.21	-	-	135.87	0.14
Rocky Vegetation	68.97	0.10	35.55	0.12	104.52	0.11
Sandbank	13.28	0.02	-	-	13.28	0.01
Open Field	0.85	0.00	33.41	0.11	34.26	0.04
Total	65,811.86	100.00	30,006.04	100.0	95,817.90	100.00

AR: Atlantic Rainforest vegetation and Atlantic Rainforest areas in production areas, excluded leased and infrastructure areas

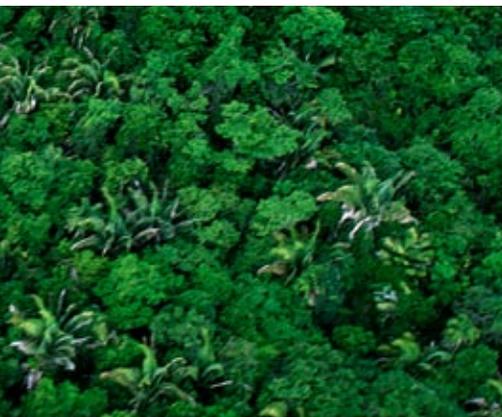
Ecological corridors are lifesavers for many flora and fauna species

Another way to preserve the environment is the implementation of ecological corridors linking conservation areas, which ensures the survival and genetic flow between many flora and fauna species.

These corridors comprise fragments of the Atlantic Rainforest in southern Bahia State and northern Espírito Santo State which will be integrated into the Atlantic Rainforest Central Corridor. This is a program developed by the NGO Nature Conservancy with the support of the Brazilian Institute for the Environment and Renewable Natural Resources (Ibama), the Brazilian Ministry of the Environment, and the NGOs International Conservation and SOS Atlantic Rainforest. Within this region, conservation areas belonging to Suzano and other companies will be linked to national parks, thereby multiplying the benefits obtained from ecological corridors. This long-term program was launched about two years ago.

Forest handling practices and a mastery of all paper production stages allowed Suzano to obtain important certifications. Our Bahia State forests were the first worldwide to be certified by ISO 14001 and obtain the Forest Stewardship Council (FSC) certification.

The São Paulo State forests are ISO 14001 certified, and FSC certification is expected for 2006, thus giving them national and international recognition. The processes implemented for FSC certification compliance have improved the Company's relationship with the community. As was the case in Bahia State, the Company established in São Paulo an advisory forum composed of community representatives to discuss issues pertaining to forest plantation and its impacts on the environment.



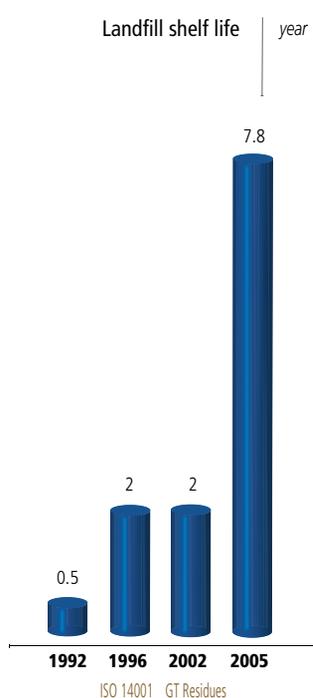
FSC Certification

The Forest Stewardship Council (FSC) certification for our forests located in São Paulo State will benefit not only eligible companies but employees and communities alike. Some of the benefits include:

- **Enhancement of corporate image:** FSC certification lends international credibility and adds value to the company's image, differentiating it from others and improving its reputation in the eyes of the public
- **Local communities and populations:** Have found ways to communicate more efficiently with the Company. They participate and seize opportunities to become partners in projects and social initiatives; they also have their rights preserved and gain access to new income alternatives
- **Employees:** Have their labor relations and rights preserved, better working conditions, food, hygienic conditions, etc.
- **Government authorities:** Use the FSC certification as a guideline to formulate local and regional forestry policies based on the number of certificates. Moreover, they can rely on support in controlling forest management and applying forestry legislation
- **Society in general:** To the extent that certification aids in the fight against illegal timber extraction and trading, the payment of applicable taxes and compliance with applicable laws are assured, while also fostering responsible wood consumption
- **Environment:** The FSC certification ensures minimization of impacts caused by forestry activities, conservation and restoration of forest habitats and protection of water resources.



We seek to
minimize the
generation of
residues in the
production process,
reuse and
recycle them



Emissions and Residues

Solid-residue generation by the Mucuri Site has fallen steadily on account of a program initiated in 2002 and still currently underway. In that year, a work team named Residues GT was set up to analyze the issue and concluded that although residues were treated in an appropriate manner there was room for improvement.

The team took steps to minimize the generation of residues in the production process, reuse and recycle them, and improve the methods for their final disposal. A study of companies regarded as benchmarks in this field was also carried out.

Some of the procedures introduced for material reuse were the employment of all lime mud generated during pulp production as agricultural input in eucalyptus plantation (nearly 2 thousand tons of lime mud are generated each year), the use of sludge compost produced by the Effluent Treatment Station for fertilizer in planted areas, and the use of wood processing residues as biomass in energy generation.

The team achieved outstanding results. The residue disposal cell or unit has a 1,590 cubic foot volume, equivalent to a 161.5 thousand square-foot area. In 2001, each cell took about two years to fill. By 2005, landfill life expectancy had risen to 7.8 years, exceeding by far the original goal of four years. The Company is now in the tenth cell, with a capacity of 42%. In 2006 new goals will be set to increase cell life expectancy.



In addition to its positive environmental impact through reductions in residues and the need for disposal areas, the project also yielded positive economic results. Since landfills cannot be further utilized for other purposes, the lands where they are built tend to lose market value. Therefore, a reduction in land use for residue disposal can prove economical.

Many residues were recycled and reused in other phases of the production process. One such example is the use of sludge compost as fertilizer in eucalyptus forestry as a replacement for chemical fertilizers.

The Mucuri Site has applied to the Bahia State environmental authorities (Center for Environmental Resources – CRA) for a license to use residues such as dregs, grits and lime mud in an alternative manner. The proposed method envisages the use of these residues to pave the roads surrounding the eucalyptus plantations and the production plant. This breakthrough alternative would not only entail a nobler use of residues but would also render unnecessary the use of clay beds, which are currently utilized for this purpose.

Solid residues – 2004

Residues	Mucuri		Suzano	
	M ³ /year	Disposal	M ³ /year	Disposal
Waste – general	12,187		9,048	
Dregs	25,614	Company-owned industrial landfill	22,432	Company-owned industrial landfill
Grits	4,364		6,042	
Boiler ashes	35,602		6,500	Eucalyptus plantation
Husks	25,958	Company-owned composting	5,235	–
ETE sludge	48,519		130,057	Company-owned industrial landfill
			15,099	Recycling

Solid residues – 2005

Residues	Mucuri		Suzano	
	M ³ /year	Disposal	M ³ /year	Disposal
Waste – general	5,790		4,600	
Dregs	20,020	Company-owned industrial landfill	20,336	Company-owned industrial landfill
Grits	3,598		3,674	
Boiler ashes	33,024		5,762	Eucalyptus plantation
Husks	6,696	Company-owned composting	4,352	–
ETE sludge	49,100		33,708	Company-owned industrial landfill
			56,407	Recycling

The Suzano Site (see further information in the box below) has also conceived a plan to reduce solid residues and currently awaits authorization by the São Paulo State environmental agency (Cetesb) to reuse them along the same lines as at the Mucuri Site.

The Mucuri expansion project involves the modernization of the current production plant. The new production line will go on-stream in 2007, but investment in the plant already began in 2006, e.g., in the implementation of systems to reduce residues and the undesirable odors given off during pulp production.

The organic load discharged into the Mucuri River increased over previous years, but remained within the limits established by the Bahia State environmental authority. This increase was caused by an optimization process implemented at the Mucuri Site which improved pulp-washing techniques but concurrently generated an additional effluent load. To mitigate these effects, a project is underway to remove silt deposits from the sandy lake and expand treatment capacity. The current system will be completely overhauled for the expansion project.

Suzano Site

Fuel oil consumption – A reduction in fuel oil consumption at Suzano Site was achieved thanks to an increase in biomass consumption in the Zanini boiler following the purchase of third-party wood chips. The Site's low consumption figures are due to a nearly 100% replacement of fuel oil with natural gas. Today, the biomass boiler is the only boiler burning oil as complementary fuel.

Liquid effluents – DB05 also managed to reduce its consumption in 2005 owing to greater electrical stability at the ETE entry point, which by reducing spikes and surges increased efficiency of the treatment plant. Nevertheless, emission levels rose after 2003 due to increased pulp and paper production.

Odor – A considerable odor reduction was achieved at Suzano Site by controlling TRS type gas emission (odorous gases) in the smelt tank of the Gotaverkem boiler and implementing the project for low emission diluted gases. Even more significant reductions are expected for 2006 when a solution will be found for the smelt tank of the CBC3 boiler and through the use of diluted gases in the washing center.

Solid Residues – A sludge dewatering screw press with 40% consistency, which started operating late 2005, allowed an increase in the external recycling of primary sludge at ETE as an alternative fiber source – 75% of the sludge composition is made up of pulp fiber. With the installation of an additional screw press in 2006, 100% of the sludge is expected to be sold in the alternative fiber market, thus reducing the need for industrial landfills.

TRS Emission (odorous gases)

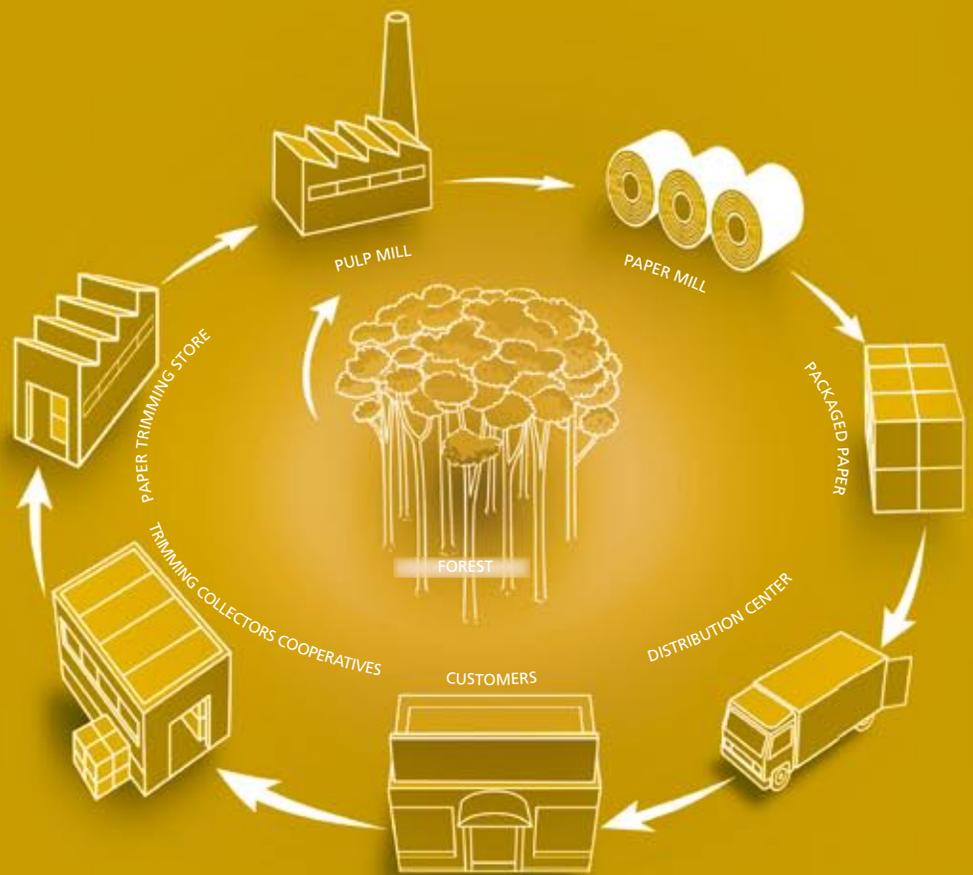
Year (average)	Recovery Boilers		Lime Kiln	
	Mucuri	Suzano	Mucuri	Suzano
	Ppm		Ppm	
Legal limit	5,0	Until 2003: 5,0 As from 2004: 2,5	8,0	Until 2003: 8,0 As from 2004: 4,0
2002	3,8	0,6	3,6	4,1
2003	4,5	0,5	1,7	3,9
2004	3,0	0,4	1,3	1,5
2005	0,4	0,5	2,5	0,7

Liquid effluents

Year (average)	DBO ₅ (kg/day)		Aox (kg/t pulp)		Temperature (°c)		Ph	
	Mucuri	Suzano	Mucuri	Suzano	Mucuri	Suzano	Mucuri	Suzano
Reference limit	3,454	2,100	–	–	Máx. 40°C		5 - 9	
2002	794	1,480	0,14	0,05	32	27	7,8	7,7
2003	911	1,250	0,07	0,06	32	27	8,0	7,5
2004	989	2,050	0,10	0,05	31	26	8,1	7,6
2005	2,136	1,831	0,08	0,07	31	26	8,2	7,4



We do not
use free elemental
chlorine in
pulp bleaching



Life Cycle Analysis

In 2003, Suzano Pulp and Paper implemented the Life Cycle Analysis (ACV) of its products. This methodology allows the Company to monitor the ecoefficiency of its products and compare them with the competition as well as other products, besides setting goals and targets for reducing environmental impacts. The ACV analysis also paves the way for the development of new solutions and raw material substitutes.

The Company chose to conduct a cradle-to-grave analysis, which takes into account all environmental impacts from raw material extraction to either final disposal in sanitary landfills or recycling. Data on emissions and other impacts were analyzed at all phases of the production process of the Reciclato® and High Brightness® paper. This wide ranging survey was performed in compliance with the ISO 14040 Standard.

The impact generated by High Brightness® paper was negligible if compared to European databanks. What differentiates Suzano Pulp and Paper from the competition is its non-use of chlorine in pulp bleaching and the low impact of its forestry activities on the areas surrounding its production sites. The impact generated by Reciclato®, which is composed of 75% pre-consumption trimmings and 25% post-consumption trimmings, proved extremely low.

In 2006, the ACV analysis will be applied to the Paperfect® paper produced at the Mucuri Site and long-term plans involve the analysis of all of the Company's products. Suzano Pulp and Paper is seeking partnerships with universities and foundations to perfect the assessment of indicators associated with economic, social and environmental impacts.

Three-pillar sustainability

Reciclato® combines **economic, social** and **environmental** goals

To provide livelihood opportunities for socially excluded groups, contribute to environmental preservation and add economic value to our business. These apparently conflicting goals can in fact be perfectly reconciled.

More than this, they are today a reality manifest in Reciclato® paper, produced by Suzano Pulp and Paper.

Reciclato® paper was conceived and manufactured in complete harmony with the Company's three-pillar sustainability framework: Environmental, Social and Economic. Reciclato® is composed of 75% pre-consumption trimmings and 25% post-consumption trimmings.

Part of post-consumption trimmings is acquired directly from seven recyclable material collectors cooperatives located in São Paulo State. About 400 cooperative members sell paper trimmings to the Company. Suzano's entry into this market immediately raised collectors' income and eliminated layers of middlemen involved in this business.

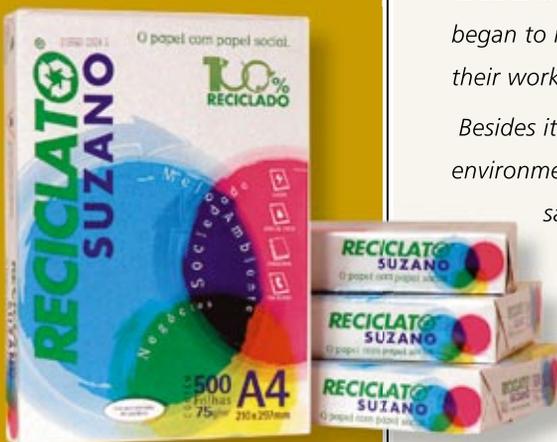
Two percent of the proceeds from the sales of Reciclato® goes to Ecofuturo Institute educational projects. In partnership with Suzano, Ecofuturo develops a program for training and qualifying members of collectors cooperatives. This joint effort is set in motion through the strengthening of the cooperatives' management and has become a benchmark for paper collectors everywhere.

Management was strengthened by means of process enhancements which led to improved working relations. Engineers were hired to teach professional training courses on material sorting and to improve the layout of processes. Collectors began to regard the industry as a partner capable of contributing to improving their working conditions and quality of life.

Besides its social impact, Reciclato® also contributes towards a better urban environment by significantly reducing the amount of materials discharged into sanitary landfills, rivers and brooks.

Many socially and environmentally responsible companies have shown interest in the product and are using it.

Originally launched for the advertising, editorial and corporate markets, Reciclato® is currently distributed through stationery shops and other retail outlets.



Water consumption at **Mucuri** Site will be **22 m³/t**, one of the **lowest rates** worldwide

Consumption indicators in the production process

Regular investments are made by Suzano in its industrial sites to decrease the quantity of raw materials and industrial inputs they consume. The Mucuri Site expansion will drastically reduce water consumption and as of 2006 further investments will be made in the existing site. The goal is to slash consumption from the current 33.9 m³/ton to 28 m³/ton, whereas the new production line will consume a mere 22 m³/ton, one of the lowest rates in the world.

An extensive program for reducing and reusing water resources through an internal shutoff system and operational control methods has significantly cut down industrial water consumption at Mucuri Site.

Specific consumption

Year (average)	Water (m ³ /t)		Oil (kg/t)		Energy (KWh/t)	
	Mucuri	Suzano	Mucuri	Suzano	Mucuri	Suzano
2002	42.8	46.3	58.0	42.1	939	896
2003	41.5	46.5	53.9	39.6	930	936
2004	42.7	46.1	70.1	20.7	963	932
2005	33.9	40.3	62.2	18.5	923	919



RENEWABLE ENERGY CASE

Mucuri Site achieves energy self-sufficiency

Renewable energy source ensures the **Mucuri Site** operations

Suzano Pulp and Paper's Mucuri Site was built prior to the Kyoto Protocol but it always operated with nearly 95% of renewable energy sources. The Kyoto agreement was signed in 1998 and signatories commit to reducing the use of fossil fuels in an effort to prevent global warming. The Mucuri plant was built in 1992.

During pulp manufacture, wood chips are cooked to separate fibers from a substance called lignin, responsible for binding the cellulose fibers in wood. The resulting dark substance is named black liquor, which is burned in a boiler and generates energy.

Due to this adaptation process, the Mucuri Site is not eligible for carbon credits since these are only offered when a fossil fuel is replaced with a renewable energy source. Due to the fact that the Site has used renewable fuel from its inception, no relevant improvement was required.

- Expansion Project of the Mucuri Site, Mucuri – Bahia State



Suzano trades carbon credits

The Company was the **first eucalyptus pulp manufacturer** to join the **US Stock Exchange**

Suzano Pulp and Paper was accredited by the Chicago Climate Exchange (CCX), a commodities exchange that conducts an emission reduction pilot plan and trades greenhouse gases in North America. Suzano is the first manufacturer of 100% eucalyptus pulp to join the CCX as an associate member, which occurred in October 2004.

More important than financial gains from carbon credits, the Company's decision to join the CCX was motivated by an earnest concern with the environment and the opportunity to learn about this fledgling but rather promising market.

The Company obtained credits worth 5 million tons of CO₂ which correspond to 40 thousand hectares of its forests located in Bahia and Espirito Santo states.

These credits refer to the period from 2003 through 2006 and can be sold until 2010. An inventory of the Company's industrial emissions is scheduled to be launched in 2006.

The Company

obtained

5 million tons

worth of CO₂

credits, equivalent

to 40 thousand

hectares of forests



Suzano

Site on

the way to

energy self-

sufficiency

CAPIM BRANCO I CASE

First turbine goes on stream

Social and environmental management

practices highlighted at Capim Branco Powerplant

One of the Brazilian hydroelectric projects responsible for the least social and environmental impacts has recently started operations. The first turbine of the Capim Branco I powerplant located on the Araguari river, Minas Gerais State, went on stream in February 2006.

The powerplant was built by the Capim Branco Energia Consortium made up of Suzano Pulp and Paper, Companhia Vale do Rio Doce, Companhia Energética de Minas Gerais S.A. (Cemig) and Votorantim Metais Zinco. The total project investment amounts to R\$817 million, R\$543 million of which were made until February 2006. During the current year, the Capim Branco II powerplant will also be inaugurated as part of the same project.

The total installed power will be 450 MW, 80.5 MW of which will be available to Suzano, rendering its paper production at Suzano Site self-sufficient in energy supply, while also reducing production costs.

The goal of causing the least possible environmental damage was set at the project inception. The existence of other powerplants alongside the Araguari river allowed the Capim Branco I reservoir to be small, in other words, the ratio between its flooded area and each megawatt it generates is very low. Since other plants regulate their lake water level, it is not subject to rainfall volume and its size can be smaller than usual, thus reducing its environmental impact.

The project started from a good standing. The implementation of another 79 initiatives to minimize environmental and social impacts also made a difference. Noteworthy among these are the set up of a conservation unit with over 5 thousand hectares, including recovery of native vegetation, saving fauna and flora species and the area's evacuation process.

Flora and fauna conservation activities were carefully planned. Prior to flooding, the species were mapped out and the flooding of the reservoir lasted for 30 days to allow the animals to leave the flooded area and facilitate the rescue of others that might be stranded. Once rescued, the animals were taken to conservation units. Samples of typical flora species were collected.

Financial support was provided for the uprooted local population to settle elsewhere.

Damages were paid not only to landowners but to all people working in the flooded area. All were given assistance in either purchasing parcels of land in the vicinity or moving into town. The ratio between relocated people and megawatt generation was considered low according to data used by international agencies such as the World Bank.



In 2005, the

Company's Added

Value reached

R\$1.16 billion

sustainability ► **suzano pulp and paper**

Economic and Financial Management

Suzano Pulp and Paper^(*) closed 2005 with a consolidated net profit amounting to R\$499.6 million from R\$603.0 million in 2004. Net revenues, not including Ripasa, went from R\$2.64 billion in 2004 to R\$2.55 billion in 2005.

The 2005 Ebitda recorded was R\$848.9 million, an 18.3% drop from R\$1,038.9 million in 2004; Ebitda margin over net revenues stood at 33.2%, compared to 39.4% in the previous year. When computed in US Dollars, the Ebitda reached US\$349.5 million, reflecting a 1.4% reduction compared to 2004 figures.

Statement of Added Value (SAV) – Comparative Analysis

In 2005, Suzano Pulp and Paper recorded an added value of R\$1.158.4 million, equivalent to a 15.9% increase over 2004. Variations are mostly due to the incorporation in June 2004 of Cia. Suzano Pulp and Paper by Bahia Sul Celulose S.A., subsequently named Suzano Pulp and Paper. As from July 2004, all Company operations are included in the 2004 results and likewise in 2005.

The table below shows the distribution of added value in 2005 and the accumulated distribution from 2002 through 2005. The variation is due to the devaluation of the US Dollar against the Brazilian Real (R\$) occurred in 2002.

^(*) Figures do not include Ripasa

Statements of Added Value (SAV)

FISCAL YEAR ENDED ON DECEMBER 31st - IN MILLIONS OF BRAZILIAN REALS

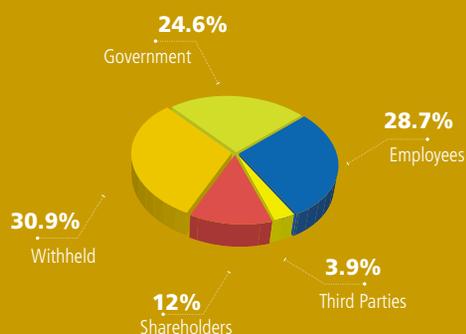
	Parent Company		Consolidated	
	2004	2005	2004	2005
Revenues				
Sales of products and services	2.109.273	2.875.888	3.017.532	3.201.048
Other operating income	13.704	30.295	36.737	50.547
Provision for bad debts	(9.408)	(10.561)	(9.600)	(10.863)
Non-operating income	16.444	15.722	30.072	9.332
	<u>2.130.013</u>	<u>2.911.344</u>	<u>3.074.741</u>	<u>3.250.064</u>
Consumables acquired from third-parties				
Raw materials consumed	475.582	685.997	682.263	829.743
Third-party materials, energy and services consumed	544.635	853.103	855.989	900.453
Loss/recovery of asset values	-	26.250	-	26.250
	<u>1.109.796</u>	<u>1.345.994</u>	<u>1.536.489</u>	<u>1.493.618</u>
Gross added value				
	<u>1.109.796</u>	<u>1.345.994</u>	<u>1.536.489</u>	<u>1.493.618</u>
Withholdings				
Depreciation, depletion and amortization	152.342	212.867	200.430	250.642
	<u>957.454</u>	<u>1.133.127</u>	<u>1.336.059</u>	<u>1.242.976</u>
Net added value produced by the Company				
	<u>957.454</u>	<u>1.133.127</u>	<u>1.336.059</u>	<u>1.242.976</u>
Added value received from transferred amounts				
Result at equity	(34.036)	(48.989)	(286)	(351)
Premium amortization	-	-	-	(37.679)
Dividends received from investments recorded at cost	316	1.235	886	1.238
Financial revenues	39.084	73.073	78.642	51.371
Revenues appropriated through the incorporation	36.309	-	-	-
	<u>999.127</u>	<u>1.158.446</u>	<u>1.415.301</u>	<u>1.257.555</u>
Total added value to distribute				
	<u>999.127</u>	<u>1.158.446</u>	<u>1.415.301</u>	<u>1.257.555</u>
Distribution of added value				
Personnel and charges	182.619	284.937	288.976	344.224
Taxes, fees and social contributions	249.701	331.917	346.983	359.753
Interest and financial charges, net	(40.075)	11.840	147.150	19.840
Rents and leases	18.693	33.810	29.233	33.915
Dividends and interest over own capital	140.115	138.504	140.115	138.438
Withheld profits	448.074	357.504	462.844	361.385
	<u>999.127</u>	<u>1.158.446</u>	<u>1.415.301</u>	<u>1.257.555</u>

Explanatory notes are an integral part of these financial statements

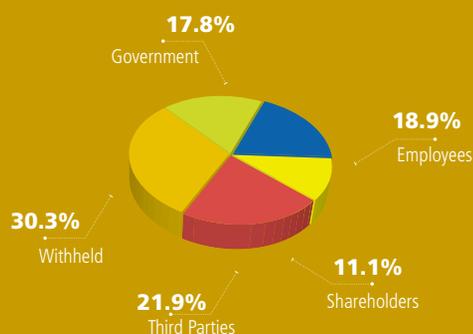
Consolidated financial statements can be found in the Company's Annual Report.

Requests for copies of the Annual Report can be made by phone at (5511) 3037-9061 or by email ri@suzano.com.br, or at www.suzano.com.br

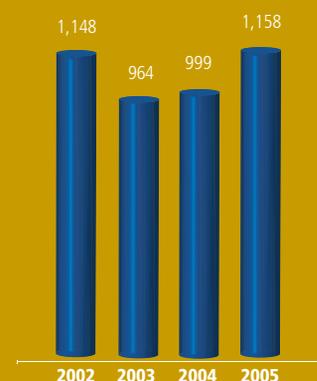
SAV – 2005



Accumulated SAV - 2002 / 2005



Evolution of Added Value Distribution R\$ million





► **suzano petrochemicals**

- Strategic Map
- Ethos Indicators
- Corporate Responsibility Policies
- Stakeholder Engagement
- Social Responsibility and Management
- Environmental Responsibility and Management
- Economic and Financial Management

Initiatives that lead to sustainability

The importance of the **sustainability concept** for **Suzano Petrochemicals**

is manifest in its 2005 **strategic map**.

In the 2006 version, this concept follows an in-depth discussion within the strategic map **designed according** to the standards laid down by a methodology known as **Balanced Scorecard**

For the purpose of this report, Suzano Petrochemicals means all operations for which it holds 100% voting capital

FINANCIAL
OUTLOOK

MARKET
OUTLOOK

INTERNAL
PROCESSES
OUTLOOK

LEARNING
AND GROWTH
OUTLOOK

Sustainability and Governance

■ Profitability ■ Growth ■ Social and Environmental Responsibility

Add value for shareholders
while respecting the principles
of sustainability and differentiated
practices of Corporate Governance

Ensure adequate return on
invested capital at a level
higher than capital cost

Generate increased
operating cash flow

Optimize margins
by seeking the best
trading opportunities

Ensure market
share growth

Establish
competitive
edges

Be recognized by society for
the excellence in social and
environmental practices of the
Organization and its Affiliates

Maximize its
capital structure
and pursue
excellence in
investment
management

Maximize the
installed capacity
of property, plant
and equipment,
and ensure safe
production and
operational
efficiency

Ensure the
acquisition of
raw materials,
consumables
and services
at competitive
prices

Develop new
businesses,
products,
processes and
services through
differentiation,
innovation and
competitiveness

Ensure
sound
Corporate
Governance
Practices

Assure that social and
environmental aspects
are addressed in all
activities performed
by the Organization
and its Affiliates

Develop the Organization
towards strategy
implementation

Develop the Organization
towards strategy
implementation

Assure a management
system grounded on
Suzano Group values

Train individuals on the
concepts of sustainability

Suzano Petrochemicals and Affiliates Operations

Ethos Indicators

With the purpose of evaluating its degree of **corporate citizenship**, Suzano Petrochemicals adopts the Corporate Responsibility Indicators laid down by the **Ethos Institute**, an NGO devoted to fostering **social responsibility** in Brazil

The Ethos indicators allow the Company to identify its strengths and weaknesses, and compare them with those of other companies. The Ethos Institute evaluates corporate citizenship in light of the depth and comprehensiveness of the Company's initiatives based on the following parameters: values and transparency, internal public (employees), the environment, suppliers, customers and consumers, community, government and society

According to the Institute's evaluations, Suzano Petrochemicals has reached a high level of corporate citizenship when compared with the average. However, it must improve its practices further to approach the indicators achieved by benchmark companies. With this goal in mind, the Company is currently developing studies to align itself with the best references in the market. It should be remarked that in the last evaluation conducted by Ethos Institute, Suzano Petrochemicals was assessed under its former name (Polibrasil) based on 2004 data.



- ▶ Suzano
Petrochemicals
employees

Suzano Petrochemicals

TOPICS	Company's Rating	Population Data	
		Database average	Benchmark group average ^(*)
Values and Transparency	7.67	4.97	9.38
Internal public	6.40	4.13	8.79
Environment	7.23	4.10	9.05
Suppliers	7.14	3.77	8.90
Consumers and customers	8.87	5.93	6.93
Community	7.86	3.74	9.45
Government and society	7.58	4.04	9.02

^(*) Group of companies defined by the Ethos Institute.

The above figures are the result of the Company's self-evaluation based on the Ethos Social Responsibility Indicators. Consequently, the diagnostics is not validated by a certification. Its objective is to stimulate reflection and learning, and promote improvements to the Company's Social Responsibility practices.

Quality, Health, Safety, Environmental and Social Initiative Policies

Suzano Petrochemicals, an organization that manufactures and markets thermoplastic resins, is committed to excellence in its management of quality, health, safety and the environment and conducts its business with social responsibility in consideration of the needs and expectations of its shareholders, customers, suppliers, employees and society. The Company hereby states its commitment to act according to the following principles:

- Comply with the legal requirements of its activities, products and services while seeking continuous improvement of its processes
- Manage its processes in an appropriate manner to supply quality products and services which not only meet but also exceed customers' expectations, while also adopting an integrated network approach with its suppliers
- Continually seek to adopt the best possible practices to protect and promote health and safety in all its operations, ensuring safe and healthy environments
- Embrace the concept that any accident can be prevented and that it is the personal responsibility of all employees and contract personnel to pursue this objective

Policies

- Implement all its processes by preserving the environment, employing technologies focused on the reduction of environmental impacts and defining goals that meet and surpass those required by applicable legal requirements
- Act ethically and responsibly in accordance with the *Suzano' Code of Conduct* by adopting social initiative practices that contribute to people's quality of life
- Adopt the best practices in the design of its projects, processes and facilities, ensuring the integrity of its operations so as to avoid creating hazards for people and the environment
- Adopt principles and practices set forth by the Brazilian Chemical Industry Association (Abiquim)



Stakeholder Engagement

Perception **studies**
with the **Company's**
neighboring
communities are
performed **every**
two years

Communities

The Company takes part in Community Advisory Councils composed of community-elected representatives who act as a liaison between the community and the companies in the Camaçari and Mauá petrochemical complexes. Participants include mayors, city council members, representatives of community associations, schools, environmental groups and state agencies in charge of environmental control. The Councils meet quarterly in scheduled meetings or extraordinarily, depending on demand. All issues raised by the neighboring communities of Suzano Petrochemicals's production sites are reviewed by these Councils.

Once the concerns of the population are identified, the teams working inside the petrochemical complexes take immediate measures to address them. When Suzano Petrochemicals is the only party involved in a given initiative, either the Communication and Marketing area or the Site's Industrial Management is responsible for its implementation.

Other communication channels open to the community are the Suzano Petrochemicals website and surveys that allow it to identify the community's concerns and perception of the Company's actions, as well as improvement opportunities. Olefin companies based in the Mauá Petrochemical Complex are members of the Greater ABC Petrochemical Complex Association (Apolo), which has conducted biennial surveys in the neighboring communities since 2002. The last survey showed that the image of the petrochemical complex among the population has improved over the years as a result of the companies' initiatives in partnership with the local community.



Customers

Suzano Petrochemicals seeks to meet the needs of its customers by offering them the best solutions. This is possible thanks to an ongoing relationship with customers through technical and commercial visits, seminars and other events sponsored by the Company. Information on customer needs is reviewed by the Sales Area (Sales, Technical Services and Logistics). Suggestions on the development of new products are evaluated by the Technical Services area. If the project proves feasible it is implemented by the Company. Otherwise, the customer is notified of the unfeasibility.

Another way of monitoring consumer needs is through a biennial survey to identify desirable product features, customer needs and factors that influence a customer's purchase decision regarding the Company's products or the competition's. This survey also reveals possible customer satisfaction and dissatisfaction factors.

Should customers' inputs point to an adverse satisfaction rating, these will be promptly analyzed by the Sales and Industrial areas. They are also reviewed annually by the Health, Safety, Environmental and Quality (SSCA&Q) Committee. If required, actions are undertaken to address the issues and improve customer satisfaction.

Surveys of customer needs are often conducted through direct communication channels, such as call centers, website, technical visits, customers' access to cell phones used by the sales team and an e-mail address for comments, suggestions and enquiries. An online link is also available for real time information and follow-up of orders.

In case of a complaint about the quality of a product or service, an investigation process is undertaken to detect the roots of the problem and determine measures to prevent its recurrence. The process

is carried out electronically and can be followed up by the areas concerned. On a monthly basis, results are analyzed by the Management and Executive Office in specific forums and in meetings of the Sales Coordination, Strategy and Process Management Committee, Corrective Action Group and SSCA&Q Committee. These groups then outline an action plan to solve the problem, and customers are kept abreast of the investigation process. If the complaint is found justified, the Company will pay compensation accordingly for the loss incurred.

Suzano Petrochemicals seeks to anticipate trends and work with partners towards developing polypropylene applications and opening up new markets for its customers. These initiatives are carried out either in response to external demand or through in-company projects which are subsequently implemented in partnership with customers.

Bulk polypropylene sales on the rise

Suzano Petrochemicals **encourages customers to build silos for polypropylene storage**

Suzano Petrochemicals is encouraging its customers to build silos for bulk polypropylene storage in their facilities. This is a breakthrough storage method in Brazil, which is growing gradually and presently accounts for 20% of the Company's domestic sales.

When silos are used for storage, delivery can be made in bulk with numerous advantages. Unlike the traditional method of storing polypropylene in pallets containing 25kg bags or 1,250kg big bags, bulk delivery dispenses with material handling thereby minimizing product loss.

As it is a fully automated process, the polypropylene is unloaded directly from the truck into the customer's silo involving less waste, more flexibility and a reduction in packaging costs since neither bagging nor pallet wood is required. Savings derived from bulk delivery method are estimated to be between \$6 and \$8 per ton.

Silos are appropriate for large consumers who purchase in excess of 200 tons of polypropylene monthly and recommended as economical for those located within a 500-km radius of Suzano Petrochemicals's industrial sites. For longer distances, however, savings are outweighed by freight costs since trucks often return empty. Forty silos have been built for 25 customers' facility predominantly in the southern and southeastern regions. Fifteen silos are scheduled to be built in 2006, mostly in northeastern Brazil.

An innovative stock control software program is expected to be implemented to provide electronic information on the inventory level of the customer's storage silo. Therefore, the delivery process will be optimized as the customer will be able to place a new order automatically.



Suzano Petrochemicals reports zero cargo thefts

GPS system on trucks ensures safety

The increasing number of cargo thefts in Brazil has prompted Suzano Petrochemicals to launch a benchmark program of truck cargo theft prevention. The Company delivers about 600 thousand tons of polypropylene to the domestic market yearly, and this cargo is transported exclusively by truck across the country. Since 2004, cargo thefts involving the Company's trucks have dropped to zero.

Delivery trucks are continuously tracked by Global Positioning System (GPS) satellites. Implemented in 2002, the system enables customers to track their orders on Suzano Petrochemicals's website. Since this automated system was installed, personnel formerly engaged in providing delivery information to customers have been able to perform other activities.

Providers of transportation services to the Company must participate in the Safety, Health, Environment and Quality Evaluation System (SASSMAQ), a program developed by the Brazilian Chemical Industry Association (Abiquim) to gradually and steadily reduce risks involved in the transportation and distribution of chemical products. The GPS system installed on trucks was first launched by Abiquim in May 2001 targeting road cargo and has slowly expanded to encompass other transportation modes, as well as storage terminals.

Evaluation of companies is performed by independent certification agencies accredited by Abiquim. Key features such as administrative, financial and social aspects of the contracted company are evaluated, and also specific elements like the level of services provided and the company's operating structure.

As of March 2005, Abiquim member companies co-signed the Responsible Care Program, a plan whereby they commit to hiring the services of companies that are evaluated by the SASSMAQ for the transportation of bulk chemical products. From January 2006, the same commitment was extended to road transportation of packaged chemicals.

Customers
can track orders
over the Internet

Information on
**results, goals
and projects** are
communicated to the
Company's teams on a
quarterly basis

sustainability ► **suzano petrochemicals**

Employees

Suzano Petrochemicals seeks to strengthen its ties with employees and managers by means of an open communication channel that reaches into the highest echelons of the Company. All employees are given full access to the Company's Intranet and can use it to communicate at all organizational levels. Enquiries are sorted by subject matter and forwarded to the applicable area (Audit, Human Resources, etc) for analysis and action.

Quarterly, the Company's executive officers present to employees information on the status of enquiries, corporate goals, key activities and projects underway. All employees are invited and encouraged to participate so as to gain a broader insight into the Company's reality, its future goals and people's role in cooperating towards attainment of those goals.

An organizational climate survey named Employee Satisfaction Evaluation System (SASC) is conducted every two years to monitor employee satisfaction (*For further information on SASC, please see the People Management chapter*).



Investors

Suzano Petrochemicals' Investor Relations area interacts with investors and current or potential shareholders in several ways in an effort to provide transparent and comprehensive information on the Company's activities, while ensuring that its operations are fully understood by the market. Information pertaining to the Company's performance and its prospects is released at periodic public meetings, by teleconference and other events organized by the Company or a third party.

Suzano Petrochemicals' participation in roadshow events and conferences promoted by banks opens up communication channels with institutional investors, both in Brazil and abroad. Since its public offering of shares in December 2004, the Company was included in the databases of important financial institutions that usually sponsor similar events. This inclusion largely resulted from investors' interest in getting better acquainted with Suzano Petrochemicals's profile. The Company also organizes national and international roadshow events to keep investors up to date with its recent achievements and performance.

Suzano Petrochemicals has increasingly reinforced its relationship with minority shareholders in addition to providing a wealth of information to individual investors, who make up a significant percentage of its share base. The Company often forwards relevant information to its shareholders on its performance and activities.

The Company's website (www.suzanopetroquimica.com.br) is yet another communication channel used not only by investors but also university students, professors, communities, customers, suppliers and society as a whole. On the website, the Company provides clear and transparent information on its activities, products, practices and Corporate Governance principles.

Suzano

Petrochemicals

has increasingly

strengthened its

relationship

with **minority**

shareholders

Monthly
evaluations are
conducted based
on criteria such as
punctuality
and **efficiency**

Suppliers

Suzano Petrochemicals pays close attention to its suppliers since they are regarded as a vital part of the company's production chain. With the purpose of monitoring the performance of its suppliers, identifying improvement opportunities and realizing mutual gains for both parties in their partnership, the Company devised its own evaluation system to recognize their merits: the Supplier Evaluation and Classification System (SACF).

In this evaluation, suppliers are divided into the Materials and Services categories. Suppliers are evaluated on a monthly basis against criteria such as delivery punctuality, compliance with sale agreements, problem-solving efficacy, social responsibility, business flexibility, focus on continuous improvement, adherence to safety, health and environmental regulations (transportation companies are further required to produce Abiquim's SASSMAQ certification). The Company created a color coded classification system in which blue symbolizes outstanding performance, green stands for good, yellow is regular and red indicates below average performance.

Criteria and evaluation results are available on the Internet for consultation by suppliers who wish to implement action plans to conform to contract parameters and improve their service or product quality, thereby adapting to the fundamental principles established by the Company.

Suppliers found to have reached an appropriate level are classified as long-term partners, and are aligned with the concepts of organizational sustainability and continuity. Those found to be below expectations must devise plans to meet the Company's requirements.

Government

The guidelines underlying Suzano Petrochemicals's relationship with the government are established by Suzano Group. The Group supports government projects and initiatives that create, foster or afford opportunities related to education, income generation and entrepreneurship.

**2006 Elections in Brazil: Any donations by Group Companies to campaigns of candidates running for political offices are made in strict conformity with Brazilian laws. All such donations are recorded and disclosed to the Electoral Commission and are limited to a maximum amount provided by the legislation, equivalent to 2% of the previous year's gross revenues.*

Periodic evaluation raises standards

Percentage of **outstanding suppliers** up from **69%** to **93%**

The number of Suzano Petrochemicals's outstanding suppliers has increased in the last few years. This result can be attributed to the implementation of the Supplier Evaluation and Classification System (SACF) in 2002. The percentage of suppliers who achieved the blue color classification, which is considered outstanding, rose from 69% to 93% between 2002 and 2005.

Suppliers are encouraged to undergo continuous improvement. Even suppliers classified as outstanding are confronted with challenging situations each year so as to continually enhance their products and services. Each year, adjustments are introduced as a result of new requirements, thus the number of suppliers in each category vary accordingly.

This fact would explain the decrease in the percentage of materials suppliers in the outstanding category between 2004 and 2005. Such downturn was caused by the need to adjust to the new requirements imposed by Suzano Petrochemicals, and do not necessarily reflect a decline in supplier quality.

In recognition of the outstanding suppliers whose major contributions are worthy of acclaim, the Company sponsors an annual award event.

The last event took place in 2006 and was attended by over 300 suppliers. It featured presentations by representatives from various Company areas on the nature of their activities as well as relevant themes for the future of Suzano Petrochemicals and the maintenance of its supplier partnerships.



Evolution of outstanding suppliers

Category	2002	2003	2004	2005
Consolidated	69%	93%	83%	93%
Materials	82%	99%	100%	96%
Services	56%	91%	72%	85%

Environmental management

includes providing

safe facilities, quality

healthcare and

environment

protection

Industry Organizations

Suzano Petrochemicals participates actively in economic and social forums of industry organizations and state and federal government programs with the aim of contributing to the formulation of sector policies which encompass issues such as health, safety and social initiatives. In addition to its participation in associations through Suzano Holding, the Company is also a member of the Brazilian Chemical Industry Association (Abiquim), Greater ABC Petrochemical Complex Association (Apolo), São Paulo State Federation of Industries (Fiesp), Rio de Janeiro State Federation of Industries (Firjan) Bahia State Federation of Industries (Fieb) and the São Paulo State Synthetic Resins Association (Siresp).

The Company seeks to foster economic and social growth through partnerships with other players involved in this process. One such example is its joint participation with other petrochemical companies in Camaçari through the Camaçari Industrial Development Committee (Cofic), which comprises 60 olefin companies from the Camaçari complex. In the Mauá Complex, the Company's participation is done through Apolo, and in Duque de Caxias through the Campos Elíseos Business Association (Assecamp). Some examples of how these initiatives are developed are presented below:

- **Abiquim Responsible Care Program:** its main purpose is to be an efficient instrument towards adequate environmental management. In its broadest sense, environmental management entails providing safe facilities, processes and products, healthcare for the employees, in addition to environment protection by the sector's companies and throughout the production chain. The program is developed by means of ongoing stakeholder engagement in issues related to health and safety in the workplace and the environment. This engagement takes place in forums where companies can express their views and exchange experiences in process implementation. Moreover, the program posits the development of indicators to measure performance improvements and establish progress tracking systems. The Responsible Care Program endorses the following codes of management practices:
 - Process Safety
 - Employee Health and Safety
 - Environmental Protection
 - Product Management
 - Transportation and Distribution
 - Dialog with the Community, Emergency Training and Assistance



Suzano is actively engaged in the Abiquim program, be it through representatives in coordination commissions (Steering Committee, Technical Committee and code specific committees), be it through in-house groups who implement the recommended practices.

Implementation status for each code

A self-evaluation conducted on the implementation of the program's management practices achieved in 2005 is shown below:

	Suzano	Abiquim Average 2004
Dialog with the Community, Emergency Training and Assistance (DCPAE)	91	69.1
Environment Protection (PA)	98	74.6
Product Management (Gepro)	99	72.0
Process Safety (Sepro)	100	75.2
Employee Health and Safety (SST)	100	83.3
Transportation and Distribution (Tradi)	100	68.7

- Plastivida – Social and Environmental Plastics Institute:** The Company participates in the Plastivida program designed to encourage the reuse and recycling of plastics. It also supports environmental education programs related to selective waste collection and material recycling.
- Bahioplast and Plast-Rio Programs:** Sponsored by the Bahia and Rio de Janeiro State Governments, the purpose of these programs is to attract plastic transforming companies to those two states. Other goals include promoting customer development and growth, job and income generation, incentives to small local manufacturers and to regional development.



Social Responsibility and Management

Suzano Petrochemicals finds it relevant to forge **partnerships** with **local communities** and cooperate responsibly to the **development** of the regions where it operates. The Company **strives to incorporate** the concerns and **needs** of its **stakeholders** into the planning of its activities

Communities

Suzano Petrochemicals is aware that its responsibilities do not end with the payment of taxes, job creation and the delivery of quality products to the market. Beyond financial contributions, it actively participates in projects that improve the living standards of the communities where it operates. Its social initiatives do not take a condescending approach towards the communities, but rather encourage their independent and autonomous development.

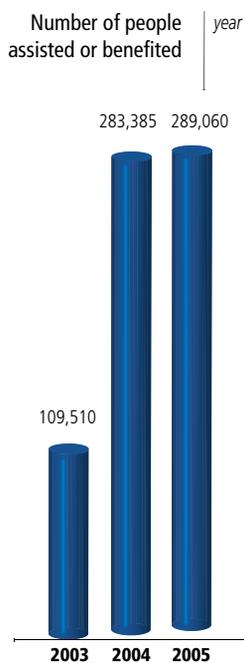
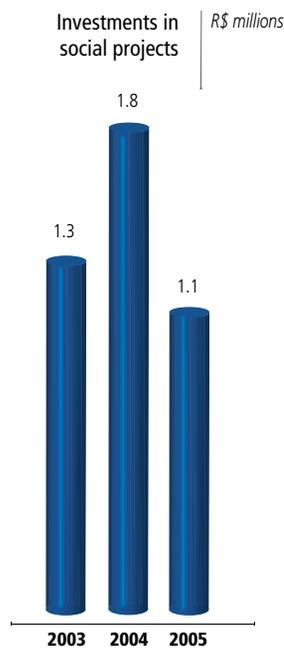
To Suzano Petrochemicals, support for education-related projects is a priority in its community initiatives. Education is understood as a fundamental asset to achieve local development and satisfactory social indicators in the long term, thus creating sustainable conditions to improve the social status of Company's neighboring communities.

The Company's investments in social projects amounted to R\$1.3 million in 2003 (0.1% of its net revenues), R\$1.8 million in 2004 (0.1% of its net revenues) and R\$1.1 million in 2005 (0.1% of its net revenues). The number of people assisted by the programs supported by Suzano Petrochemicals reached 109 thousand in 2003, 283 thousand in 2004 and 289 thousand in 2005. The Company's initiatives generate benefits that spread across the whole production chain. We estimate that 50 indirect jobs are created within the production chain for every one thousand tons of polypropylene manufactured, which currently would be equivalent to nearly 30 thousand jobs.



Suzano Petrochemicals sponsors waste collectors cooperative

Technology transfer to Coopmarc yields positive outcomes



In 2004, Suzano Petrochemicals took part in the project Adopt a Small Environment Company (Adote uma Pequena Empresa na Área Ambiental), which began when the Center for Environmental Resources (CRA), a Bahia State environmental agency, launched a program to stimulate large-sized companies to transfer environmental technology to small-sized companies. In an innovative move, in 2004 the Company adopted a recyclable material collectors cooperative named Camaçari Recyclable Materials Cooperative (Coopmarc) in an effort to lay solid foundations for the sustainable development of the collectors' activities.

Initially, the Company paid visits to the cooperative facilities to get a first-hand perspective of its reality and identify its problems and difficulties. Among the issues pinpointed in these visits were a lack of accident prevention programs and team vision, ignorance of basic cooperative concepts, difficulties with marketing their materials, inability to save up for equipment acquisition, in addition to a poor self-esteem among members and collectors due to lack of prospects.

In light of this diagnosis, the first measures the Company undertook with Coopmarc were focused on structure improvements and collectors training. Subsequently, environment-related initiatives were developed. Among other initiatives, the Company donated to the cooperative a classroom for literacy education of members through the Social Service for the Industry (Sesi) Program for Worker Education. It also donated a van for transportation of the cooperative's production and provided training on workplace safety and business management to members.

The Company further supported the implementation of a productivity-based incentive system among cooperative members. They attended training on solid residues conducted by the CRA with the purpose of raising their awareness to the significance of their activities for the environment. Concurrently, the Company launched initiatives in the Camaçari region to encourage selective waste collection by handing out information booklets.

Suzano Petrochemicals's partnership with Coopmarc is ongoing and evolving. The goal now is to expand even further the selective waste collection around Camaçari to benefit a greater number of cooperative members. More than 30 cooperative families are engaged in the program. In 2005, cooperative members sold nearly 117 tons/month of recyclable solid residues. In 2003 the figure was 70 tons/month and in 2004, when the Company joined the Program, 80 tons/month. The Coopermarc project won two awards in 2005: the Bramex Ambiental, granted by the Brazil-Mexico Chamber of Commerce, Industry and Tourism, and the Bahia State Industry Federation award in the Ecology category.

Community education towards a better life

The initiatives spearheaded by Suzano Petrochemicals in the social field aim to empower its neighboring communities to develop by themselves without being exclusively dependent on the Company. Thus, Suzano Petrochemicals has focused on educational programs that contribute to developing and improving the quality of life of individuals.

The Company maintains a partnership with Ecofuturo Institute in the *Ler é Preciso* Program ("Reading is a Must"), which is a two-tiered program consisting of the organization of a writing contest for students from public and private schools, and the implementation of Community Libraries.

The objective of *Ler é Preciso* is to help individuals overcome one of today's greatest challenges: to prepare new generations to perform well in a knowledge-oriented society by equipping them with the critical mastery of language and the competence to communicate through writing. The program offers children and youth the opportunity to enjoy reading and encourages them to cultivate the humanistic and ecological values that underlie the voluntary engagement of young people and the communities around them. The program therefore hopes to support the upbringing of conscientious individuals capable of achieving their personal goals and acting as transforming agents in their communities.

In 2005, the Writing Contest was aimed at children and adolescents aged 7-14 and counted on the participation of Ayrton Senna Institute. Four hundred thousand people from over 5,800 Brazilian schools were involved in the activity. Approximately 21 thousand compositions were submitted. The Company believes that this initiative encourages and values the act of creative writing as a means to share ideas, stories and adventures.

With a view to democratizing access to books, encouraging reading and writing, promoting the dissemination of cultural and artistic activities, and recovering the local culture, the Company also set up two community libraries in partnership with Ecofuturo: One at Camaçari, Bahia State, and one in Mauá, São Paulo State. Suzano supported this initiative by donating children's furniture, while Ecofuturo Institute conducted studies to determine the best location for the libraries, which together hold a collection of 2.5 thousand books.

The goal is to increase both the number of libraries and the number of library users. The promotion of recreational and cultural activities with easy access to computers can raise community awareness regarding the importance of libraries as gateways to knowledge.

Another educational initiative jointly sponsored by Suzano Petrochemicals and Greater ABC Petrochemical Complex Association (Apolo) is the *Balão é Fogo* ("Balloons Mean Fires") program designed to teach school children about the potential hazards associated with releasing small hot air balloons into the air, a Brazilian tradition during certain festivities. Nearly 30 thousand children from seven different towns in the Greater São Paulo region have benefited from this awareness-enhancing activity. Contests, puppet shows and visits by firefighters and police officers were organized at the schools. The program kicked off in 2001 and a considerable reduction in the number of hot air balloons flying over that region can be observed. In 2001, 117 instances were recorded against only 36 in 2005.

ECOFUTURO



People Management

People management was considered one of Suzano Petrochemicals' greatest strengths during the awarding process conducted by the National Quality Foundation as it granted the 2005 National Quality Award (PNQ) to the Company. Some of the highlight our people management model are:

1. Compensation and Benefits

Suzano Petrochemicals closed 2005 with 474 employees in its ranks. Their compensation is made up of one fixed and one variable portion consisting of multiple salaries paid in accordance with the achievement of individual and corporate targets. Executive officers and vice-presidents of Suzano Holding and Suzano Petrochemicals' senior executives are provided with an additional long-term incentive, the so-called phantom shares, a hypothetical purchase and sale lots of shares which are gradually transferred to the executives subject to grace periods and their performance compared to their peers.

All employees are entitled to a benefit package, which includes private pension plan, life insurance and health plan, dental assistance, drug discount benefits, gym allowance and a special allowance for parents of physically challenged children, among other perks.

2. Organizational Climate

Suzano Petrochemicals conducts an organizational climate survey every two years to assess employee satisfaction. The last survey was performed in 2004 and pointed to an increase in satisfaction level from 69% in 2002 to 76% in 2004.

3. Competency Evaluations

The Competencies Model has been used by Suzano Petrochemicals to evaluate certain aspects of employee behavior. This model helps employees and their managers determine whether or not each employee's goals are met.

All Company employees are evaluated annually by their immediate superiors and by their subordinates, if applicable. Collected data are analyzed by the Human Resources areas. If the performance of a given behavior yields poor results across the board, the Company will offer specific training to fulfill the employee's identified needs.

All employees are
eligible to participate
in the **Company's**
benefit plan
and are paid **fixed**
and **variable**
compensation

The **quality of life**

program aims to

help employees

develop **healthy**

living habits

4. **Quality of Life**

Since 2004, Suzano Petrochemicals has maintained a wide-ranging program to encourage its employees to develop healthy living habits. The Quality of Life program comprises the development of nutritional activities individually guided by a nutritionist; balanced meals served at Suzano's plants cafeterias; motivation towards physical activities with daily fitness exercises in the workplace; guidance for the adequate performance of physical activities and partial reimbursement for gym, tennis and swimming classes expenses. The program also sponsors employee participation in sports events such as races and hikes. Currently, 72 Company employees participate regularly in these events.

Also included in the Quality of Life program are stress management activities provided to all Company and contracted personnel such as antistress massage twice a month and recreational activities on weekends.

Another Company-sponsored activity that was met with a positive response was the Anti-Tobacco Campaign, whereby groups of employees are submitted to cognitive therapy for one year to help those who wish to stop smoking. Sixty-two percent of the employees who joined the program quit smoking.

5. **Training**

At Suzano Petrochemicals, investments in employee training have risen steadily since the beginning of the decade. The training/compensation ratio grew from 0.77% in 2000 to 2.66% in 2005. In addition to in-house courses and lectures, the Company also grants scholarships to employees interested in taking technical, graduate or post-graduate courses.



Emotional Quotient evaluation

Behavior is the first step towards the **achievement of targets** and **objectives**

The concept of emotional intelligence was introduced in the mid-1990's and argued that individual success is not dependent solely on the Intelligence Quotient (IQ). By the same token, corporate success does not depend only on the technical qualification of employees. Today, it is an accepted fact that both knowledge and emotional control are decisive for the attainment of targets and objectives.

Concerned with the development of its employees' emotional quotient, Suzano Petrochemicals has applied this concept through its so-called Competencies Model. This model defines the desirable employee behaviors that will help the Company achieve its intended results. Training is provided in accessible language to pin down the types of employee behavior that are essential and the attitudes that underlie such behavior.

During training, other important topics are addressed such as giving and receiving feedback, the need to focus on results, envisage the future of the Company and enhance their own emotional intelligence. An essential quality for managers is the ability to develop work teams, while other employees are encouraged to seek their own self-development.

The Competencies Model is also comprised of a behavior evaluation module. Managers use questionnaires to evaluate their subordinates' performance who, in turn, evaluate their seniors. Achieved results will affect each employee's variable compensation. Together, evaluations allow the whole Company to be evaluated.

On a zero-to-160 scale, the minimum desirable level for the Company is 100. In a February 2006 evaluation, the rating attained by the Company for the average results of the previous year reached 124. To reach this level is the Company's goal for next year. Data obtained through this evaluation furnish an important input for initiatives that focus on neutralizing the weaknesses detected.

Leadership for changing times

Training program seeks to **achieve targets** through the **alignment of expectations**

New strategic orientations require changes in employee skills and behavior. This premise led Suzano Petrochemicals to create the Educational Leader Program.

Until 2002, the Company strived towards operational excellence and prioritized the achievement of the highest levels of production quality. In the following year, it turned its focus to the market, and customer relations was placed high on its growth strategy agenda. Spurred by new challenges, the Company felt the need to align its personnel development programs with its strategic orientation.

That's how the Educational Leader was born. This program is aimed not only at leaders in management positions, but all employees across the board. They undergo special training designed to provide information on Suzano Petrochemicals's priorities for the upcoming year and to align employee behavior with the Company's new needs so as to facilitate the attainment of each year's targets.

Employees holding managerial positions are trained for two days and other employees for one day each year. For the training of both groups, instructors use methodology and language that are compatible with their position in the Company. This program was one of the elements that contributed to improving the organizational climate since it gave the Company a clearer perception and appreciation of its employees. Furthermore, the program reduced the likelihood of discrepancies between expected and actual employee behavior.



The Company

believes that **all**

accidents are

preventable



Occupational Health and Safety

Suzano Petrochemicals seeks to adopt the best available practices to protect and promote the health and safety of its employees and contract personnel. The Company acts on the principle that all accidents are preventable and believes all employees should give their contribution towards accident prevention.

In 2001, the Company implemented the Integrated Management System (SIG) for Health, Safety and Environmental Conservation which was certified by the Management Quality System ISO 9001 standard, Quality Management System ISO 14001, and by the Occupational Health and Safety Management System OHSAS 18001. Additionally, Suzano Petrochemicals is signatory of the Brazilian Chemical Industry Association (Abiquim) Responsible Care Program designed to implement the best management practices in the fields of health, safety and environment.

In 2005, Suzano Petrochemicals recorded 14 workplace accidents involving both employees and contract personnel, three of which reportable under stricter parameters than those provided in the Brazilian legislation since they include all employee accidents requiring additional care other than first aid. Of the three reportable accidents, only one involved employee temporary leave of absence. Our goal in 2006 is to bring those figures down to zero.

Environmental Responsibility and Management

Impacts on the **environment** are properly **assessed** at the beginning of each project

Suzano Petrochemicals adopts the necessary measures to minimize the environmental impacts of its activities by carefully managing them and continually assessing opportunities for improvement. The environmental variable is taken into account in all of the Company's projects and is one of the aspects that influence decision-making processes.

Stage	Impacts	Control Measures
Acquisition of raw materials and consumables	Use of non-renewable resources	<ul style="list-style-type: none"> • "Registration, Assessment and Development of Suppliers" instruction • Specific contract requirements
	Consumption of natural resources	<ul style="list-style-type: none"> • Process technology • Operational procedures • Process control
	Effluent generation	<ul style="list-style-type: none"> • Process technology • Operational procedures • Effluent treatment
	Residue generation	<ul style="list-style-type: none"> • Process technology • Selective waste collection • Return to manufacturers (packages and batteries) • Residue treatment (lamps for mercury recovery) • Proper disposal
Production process (activities and facilities)	Atmospheric emissions	<ul style="list-style-type: none"> • Process and project technology • Control equipment: Fabric filters, gas washers • Flares
	Water consumption	<ul style="list-style-type: none"> • Process technology • Water consumption reduction and water reuse studies • Equipment and facilities maintenance
	Energy consumption	<ul style="list-style-type: none"> • Process technology • Energy consumption reduction program • Equipment and facilities maintenance
	Soil and underwater pollution	<ul style="list-style-type: none"> • Operational procedures • Inspection and maintenance of equipment and pipes
Product	Generation of non-biodegradable residues	<ul style="list-style-type: none"> • Participation in the Plastivida Program • Environmental education programs • Customer guidance
	Generation of packaging residues	<ul style="list-style-type: none"> • Incentive to bulk delivery
Service	Use of fossil fuels	<ul style="list-style-type: none"> • Contract requirements: smoke control and truck maintenance • Assessment of other modes of transport
	Generation of office residues	<ul style="list-style-type: none"> • Selective waste collection • Proper disposal



Emissions and Residues

Over the years, Suzano Petrochemicals has significantly reduced its effluent emissions.

This was possible thanks to investments made to adjust the Company to the environmental standards of the World Bank, which stipulates more stringent emission limits than the Brazilian legislation.

Major environment-related investments made by Suzano Petrochemicals in 2005

■ Mauá Site

Improvements to effluent treatment system	R\$ 87.6 thousand
Adaptation of residue storage area	R\$ 48.4 thousand
Total	R\$ 136 thousand

■ Camaçari Site

Dust emission reduction	R\$ 187.1 thousand
Boiler improvements	R\$ 260.3 thousand
Drainage system improvements	R\$ 37.0 thousand
Water consumption reduction projects	R\$ 37.1 thousand
Total	R\$ 521.5 thousand

■ Duque de Caxias Site

Exhaust line extension	R\$ 6.9 thousand
Water consumption reduction	R\$ 9.0 thousand
Adaptation of effluent system	R\$ 502.4 thousand
Total	R\$ 518.3 thousand



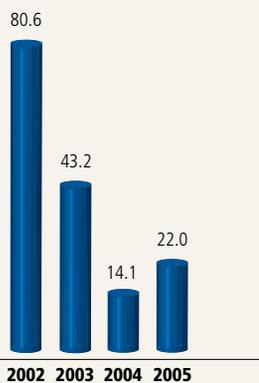
A treatment plant was built at the Mauá Site in 2002, when the new industrial facility went on stream, for treatment of manufacturing process effluents and sanitary sewage. The purpose of the treatment plant is to adjust the Site's effluent discharges to meet World Bank standards. The treated effluent is disposed into the Tamanduateí River. The new industrial facility was equipped with advanced Spheripol technology, which has brought about a 90% reduction in the Site's organic waste load.

At Camaçari Site, effluents are directed to the Cetrel treatment plant, which services all the companies within the petrochemical complex. At Duque de Caxias Site, effluents are treated within the Petroflex facilities. Effluent generation across the Site dropped from 1.28m³/ton to 0.65m³/ton of waste produced from 2002 to 2005.

Suzano's adaptation to the World Bank standards was easily achieved by various parameters in 2005, except for oil and grease wastes, whose level according to the Brazilian legislation is 20mg/k while the World Bank requires 10mg/l. The Company acquired two floaters to reduce its oil and grease levels, which by early 2006 had been fully achieved.

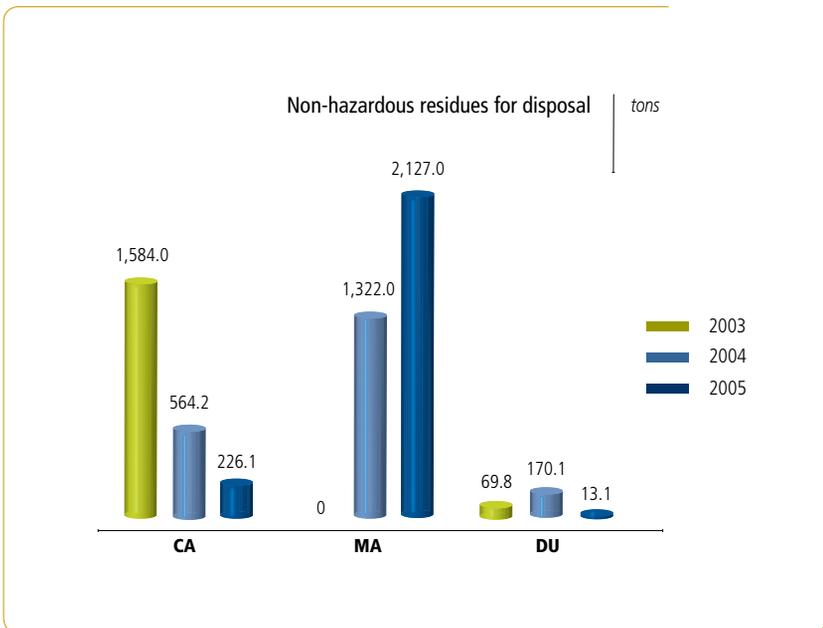
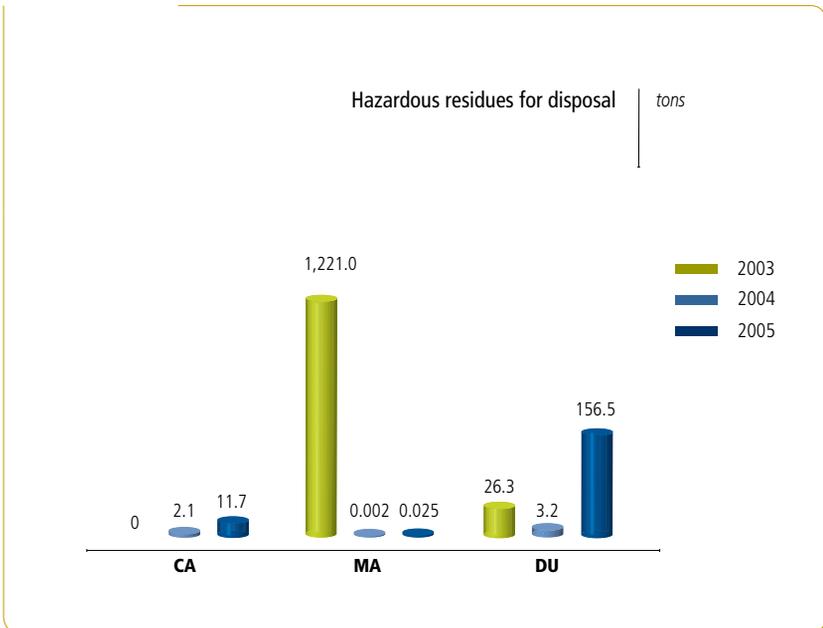
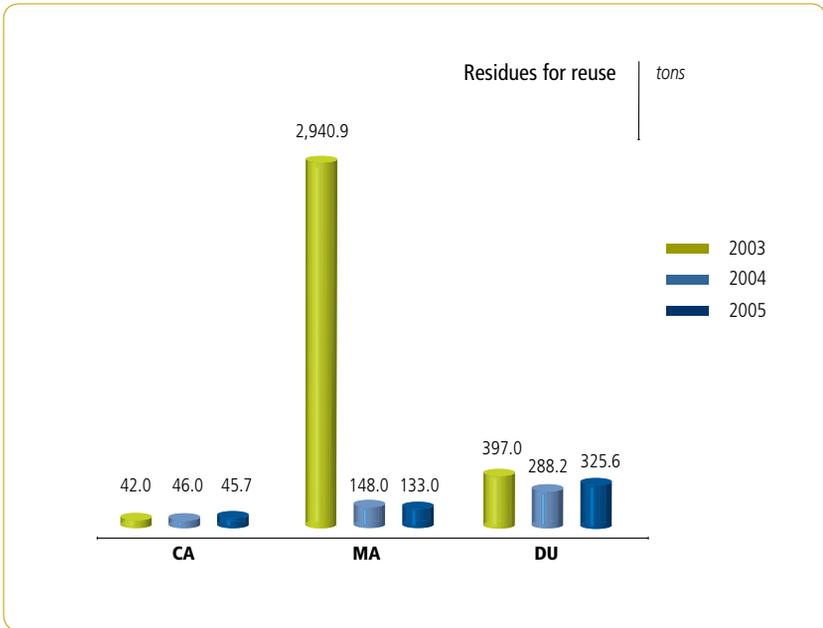
All residues generated at Suzano Petrochemicals sites are treated and disposed of according to Brazilian environmental regulations. The Company implements selective waste collection and garbage recycling in all its plants. The graph on the left shows the total amount of solid residues generated within the Company's sites.

Solid residues | *kg/tons per product produced*



The evolution of residue generation for reuse and hazardous and non-hazardous residues for disposal can be followed in the graph on the next page. Whenever possible, residues are recycled or reused.

The high generation of solid residues in 2003 at the Mauá Site is owed to the shut down of the old facility, which generated residues of additives and solvents, among others, and the start-up of the new facility. The new manufacturing process at the site generates fewer residues and consumes less energy and water.



Suzano Petrochemicals

fully complies with the

environmental

standards stipulated

by the **World Bank**

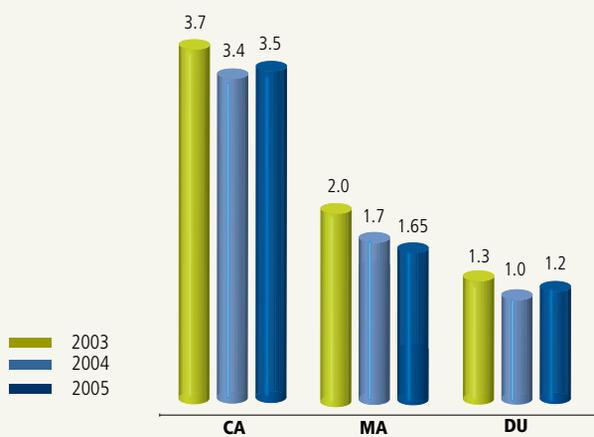


Life Cycle Analysis

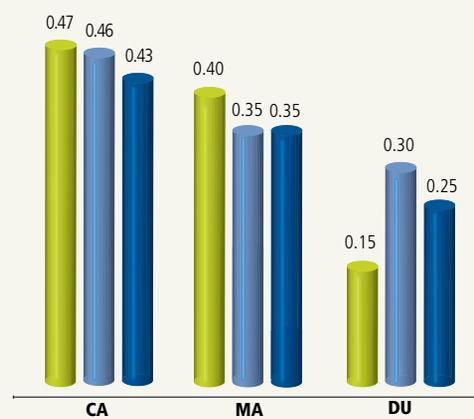
Suzano Petrochemicals has started up the Life Cycle Analysis process of its products and is currently undertaking an impact survey of converting propylene into polypropylene. The scope of the survey will be broadened to include an impact assessment of converting polypropylene into end products, and post-consumption recycling or waste disposal in sanitary landfills.

In 2006, the Company will implement a pilot project for selective collection and post-consumption recycling of polypropylene.

Water consumption | m^3/t of product



Electricity consumption | MWh/t of product





Production and Consumption Indicators

Suzano Petrochemicals is engaged in improving the efficiency of its manufacturing processes to reduce waste.

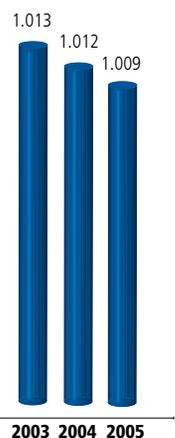
Propylene is the main raw material for polypropylene production. Its consumption has decreased steadily over the years as a result of improvements in the Company's manufacturing processes. In 2003, for each thousand tons of polypropylene produced, 13 tons of propylene were wasted. In 2005, this ratio dropped to 9 tons per each ton of polypropylene. Although the reduction may seem small, it makes a substantial difference in the Company's production capacity, which is roughly 685 thousand tons a year.

Electricity consumption varies from Site to Site depending on the technology employed. Energy consumption also varies according to the Site's manufacturing method, and depends on the combination of different polypropylene families used.

Water consumption reduction is also a matter of continuing concern for Suzano Petrochemicals. At Mauá and Camaçari Sites, a water reuse project is underway, while at Duque de Caxias, studies are being carried out to eliminate water blow-out from the air inlet of the cooling tower.

In 2006, the Company will conduct a detailed study to identify new opportunities to reduce water and energy consumption in its facilities.

Raw material consumption | Propylene per ton of polypropylene ratio



Suzano Petrochemicals

monitors its

environmental

performance to

assess the impact of

its activities on the

environment and to

formulate action

plans to increasingly

minimize it

Environmental Liabilities

The Company runs monitoring programs for estimating environmental liabilities. In 2001, it identified a zone of soil and underwater contamination in its Mauá and Camaçari Sites. No contamination was detected at Duque de Caxias Site.

The contamination was caused by an effluent leakage found in the plants' distribution network from an underground solvent storage tank. Immediate action was taken to detect and eliminate the leakage streams. Environmental agencies in Bahia and São Paulo states were duly notified and the Company is currently conducting the repair of the leakage areas. Below is a detailed account of the leakage in each Site.

Mauá Site

The iso-octane solvent was used in the old plant, which was shut down in 2003, and is no longer used by Suzano Petrochemicals. Recovery of the leakage area is still underway by means of a multiphase extraction unit operation. In 2005, a system expansion plan was started and will be fully operational by late 2006. Recovery works should be completed by 2012. So far, the Company has spent R\$1.8 million on the recovery of the area, and an additional R\$5 million are expected to be spent over the next years.

Camaçari Site

Upon identification of the leakage of the pentamethyl-heptane solvent used in the Site's manufacturing process, a comprehensive program of inspection and testing of pipes and grooves was carried out to prevent further occurrences.

A hydraulic barrier was installed to avoid dispersion of the solvent to the surrounding areas. The solvent has been recovered through suction pumps since the leakage was first detected in 2002. In 2005, the system was expanded through multiphase extraction technology with the purpose of expediting the recovery of the affected area, scheduled to be completed by 2010 at an estimated cost of R\$2.5 million, of which R\$1.3 million have already been disbursed.

Petrochemical complex creates a groundbreaking model

Riopol was **designed** to cause minimal environmental **impact**

The year 2005 marked the start-up of Riopol, a milestone in Suzano Petrochemicals' history. Located in Duque de Caxias, Rio de Janeiro State, Riopol is the first Brazilian olefin complex to use natural gas fractions as raw material and fully integrated production methods. The facility was the result of a partnership between Suzano Petrochemicals, Unipar, Petroquisa and BNDESPar. Besides using natural gas, another key element for the success of the undertaking is the integration of ethylene and polyethylene manufacture, which enables greater competitiveness.

Since its inception, Riopol has melded social and environmental concerns into its business strategy. In addition to offering significant production and environmental advantages, natural gas is an important substitute for naphtha, which is becoming an increasingly scarce and costly feedstock. Furthermore, the yield in ethylene – the main raw material for polyethylene manufacture – is significantly higher when natural gas is used. One ton of naphtha generates roughly 0.3 ton of ethylene, while one ton of ethane yields approximately 0.8 ton of ethylene. A higher yield translates into lower investments and a larger production scale. Another advantage of natural gas fractions in ethylene manufacture is that it generates fewer chemical co-products, and the co-products generated from natural gas are less polluting than naphtha derivatives.

Riopol not only uses products that cause less environmental impact, but it also supports strategic initiatives. It has invested R\$1.9 million in five social and environmental projects over the past four years, starting from the period when the company was still in the design stage. Riopol's most important social program is the Manguezal Project, which consists of the cultivation of cuttings and the recovery of degraded mangrove areas surrounding Guanabara Bay, in Rio de Janeiro. Sixty-five thousand cuttings have been planted over 13 hectares. Programs for selective collection of solid residues were also developed. Another important Riopol program is the Fabricando Saúde ("Producing Health") aimed at providing guidance to youths aged 15-23 from the Jardim Ana Clara community on pregnancy prevention and sexually transmitted diseases. Another program sponsored by Riopol is titled Crianças Saudáveis, Futuro Saudável ("Healthy Children, Healthy Future"), which teaches environmental education and provides basic advice on hygiene and nutrition to approximately 5,000 children in the city of Duque de Caxias, besides offering medical and outpatient services.



Economic and Financial Management

Proforma **Ebitda**

following Polibrasil's

incorporation

totaled

R\$156.5 million

The year 2005 presented many challenges for the petrochemical industry. Following a rapid market growth in 2004, the petrochemical sector experienced an unexpected decrease in demand in 2005 resulting from low converter stocks by late 2004, which had a direct impact on resin prices. This strongly affected Brazil in particular, since in addition to following international market trends, some aspects of the Brazilian economy impacted negatively on the country's petrochemical activity.

These factors influenced directly the Company's financial results, which recorded a net consolidated profit of R\$15.2 million in 2005 against R\$109.1 million in 2004. For comparison purposes, proforma Ebitda, considering Polibrasil's incorporation in January 2004, was R\$156.5 million in 2005 against R\$320.3 million in 2004. Proforma net consolidated revenues were the same for both fiscal years, R\$2.52 billion.



The Statement of Added Value (SAV) identifies the amount of wealth generated by the Company. The added value is calculated by deducting costs of resources received from third parties from sale revenues, resulting in the compensation for the efforts expended to create the Company's wealth



Consolidated financial statements can be found in Suzano Petrochemicals's Annual Report. To order a copy, please contact (55 11) 3345-5856 or e-mail szpq_ri@suzano.com.br, or through the Company's website www.suzano.com.br

SAV – Comparative Analysis

The Statement of Added Value (SAV) shows how the Company's wealth has been distributed among the groups that contribute directly or indirectly to generate it: (i) employees, who provide the labor; (ii) the government, which provides the law, order, social and economic infrastructure and support services; (iii) shareholders, who provide capital; (iv) third-parties or lenders, who provide resources besides recording the amount retained by the Company for investment in the generation of further wealth.

Suzano Petrochemicals's Statement of Added Value is described below and the key variations between 2004 and 2005 can be explained as follows:

(i) reduction from 43% to 41% recorded in the percentage of wealth distributed to the government is regarded as a normal variation, considering that the Company's sales are carried out through products manufactured in three Brazilian States, and the tax burden varies according to each State. Therefore, different production allotments result in different amounts of collected tax revenues. The smaller amount distributed to the government can also be explained by lower profits achieved during the 2005 fiscal year, which reduced the amount of Income Tax and Social Contributions payable; (ii) the rise in the percentage of wealth distributed to employees, from 16% to 22%, is owed to the reduction in the added value to distribute, which resulted in a larger percentage amount spent on personnel compensation and employee withholding taxes; (iii) the significant increase – from 9% to 31% – in resources distributed to lenders (third parties) is due to the Company borrowing resources from third parties to acquire full ownership control of Polibrasil; investments in the expansion of Mauá and Duque de Caxias Sites; repayment of former Polibrasil debts; and to the corporate restructuring of the Company, which caused its indebtedness to increase significantly and generated higher levels of financial expenses. As a consequence, there was less availability of resources retained and their participation in the SAV went down to 5% from 25%.

With regard to the distribution of resources to the Company's shareholders, it should be noted that Suzano Petrochemicals pays minimum compulsory dividends equivalent to 30% of its adjusted net profit. This percentage is higher than stipulated by the Brazilian legislation. Nevertheless, the difficulties faced by the petrochemical sector in 2005 caused the Company's profit to decrease, thus reducing the percentage of wealth distributed to this group, from 7% to 1%.

How the added value is calculated ⁽¹⁾	2005	2004
Revenues + Allowance for Doubtful Accounts + Non-Operating Results	2,427,685	2,327,584
Consumables acquired from third parties, including taxes, materials, energy, and third-party services	2,147,388	1,827,982
Gross added value	280,298	499,602
⁽¹⁾ Retentions (depreciation, amortization)	76,781	87,860
Added value produced by the Company	203,517	411,742
Transferência (equivalência patrimonial ≠ receitas financeiras)	104,219	31,803
Transfer (equity accounting financial income)	307,736	443,545

Added value to distribute	2005		2004	
Government (taxes and social contributions)	124,807	41%	188,263	43%
Employees (compensation and withholding taxes)	89,003	22%	71,143	16%
Third parties (interest and leases)	94,284	31%	41,965	9%
Shareholders (interest over capital and dividends)	4,383	1%	33,110	7%
Retained (profit for the fiscal year)	15,244	5%	109,064	25%



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Statement of Certification

The Certifying Agency BVQI do Brasil was required by Suzano Holding S.A. to conduct an independent verification of the Suzano Group Sustainability Report for the period between January 2005 and July 2006, with the foremost purpose of assessing the consistency and reliability of the social and environmental data published therein.

The inspection work was carried out in the Organization premises comprising its operating companies (Suzano Petrochemicals and Suzano Pulp and Paper) and their respective offices and industrial facilities. The inspection was based on the Organization's policies and procedures providing clear and concise evidence of the information contained in the Sustainability Report.

The methodology employed by BVQI was based on interviews with the personnel responsible for the various departments of the Organization who contributed directly or indirectly to the collection, treatment and publication of social and environmental data presented in the aforementioned Report, with emphasis on evidence of facts therein stated and evaluation of the consistency of their respective data.

We would stress that the information contained and the format adopted in the presentation of the Sustainability Report are the sole responsibility of Suzano Group, while BVQI may not be deemed co-responsible for the decisions made by any person, whether or not an interested party, based on this statement of verification.

We hereby declare that the social and environmental data contained in the Suzano Group Sustainability Report comprising the period between January 2005 and July 2006 reflect consistently and accurately all data collected in the Organization's production sites and administrative offices during the verification period.

BVQI
14th JULY 2006

Glossary

- **1st Generation Producer:** petrochemical cracking unit which converts naphtha and/or natural gas (following processing through the Natural Gas Processing Unit) into other petrochemical feedstocks such as ethylene and propylene which are then directed to 2nd generation producers
- **2nd Generation Producer:** converts 1st generation petrochemical feedstocks into resins, elastomers and other intermediary and finished petrochemical derivatives
- **3rd Generation Producer:** converts resins, elastomers and other derivatives from 2nd generation producers into finished products such as films, packages and tires
- **Avifauna:** the set of bird species found in a given area
- **Big Bag:** is a heavy-duty bag with the capacity to hold up to 1,250 kg of polypropylene. Its main advantage is flexibility, which maximizes on-site handling of resin
- **Biodiversity:** the set of species and its natural habitats existing in a given area
- **Bulk delivery:** transport modality pioneered by the Company for servicing customers with existing infrastructure to receive packaged products from a straight truck without the need for bagging. For this purpose, customers must have silos installed in their facilities to receive the product. Bulk delivery also enables the automation of resin transfer molding processes
- **Capital market:** a securities trading system e.g. shares and debentures composed of stock exchanges, government agencies, banks and brokerage houses, among others. Its main function is to ensure financial resources for commerce, industry and the government. It is, therefore, connected to the country's economic growth
- **Carbon sequestration:** process of capturing and storing carbon from natural vegetation during cellular respiration and photosynthesis
- **Corporate Governance:** the set of practices based on transparency, equality and accountability for one's acts or issues related to the management of an organization with the purpose of maximizing results to protect all stakeholders
- **Ebitda:** financial acronym meaning earnings before interest, income taxes, depreciation, and amortization. It represents a company's operating cash flow excluding the accounting effects
- **Ecological corridors:** are strips or patches of natural or seminatural ecosystems connecting conservation units to other natural areas, thus facilitating the circulation of species
- **Effluents:** residues and/or emissions generated by industrial process
- **Environmental management:** a set of activities and practices that, when functioning harmoniously, promote social and economic development and environmental conservation
- **Environmental monitoring:** follow-up and qualitative/quantitative analysis of a natural resource with the purpose of meeting its conditions over time; a basic tool in environmental control and preservation
- **Forestry Incentive Project:** an activity that promotes rural development based on forest plantation. It has proved to be an efficient mechanism for the expansion of planted forest base to supply the paper and pulp industry, the furniture market or for energy generation
- **Genetic improvement:** alterations in the genetic constitution of a living organism to produce a superior individual within the same species
- **Genetic mapping:** is a process by which biologists determine the location of the genes on chromosomes. It is of great importance for biotechnology
- **Greenhouse effect:** the warming of the Earth's crust caused by the emission of gases e.g. carbon dioxide and methane that trap the sun's heat in the atmosphere
- **Level 1:** Bovespa listed companies committed principally to supplying larger amounts of information to the market and to promoting a wider circulation of shares

- **Level 2:** Bovespa listed companies which, besides abiding by Level 1 procedures, are committed principally to guaranteeing additional rights and equal conditions to minority or non-voting shareholders
- **Logistics:** a competence combining planning and execution of a project. In the case of a business, it involves working along the chain of development, purchase, storage, transportation, distribution, maintenance and disposal of industrial inputs and various materials for operational or administrative purposes
- **Minimum cultivation:** a plantation technique that causes the least possible interference on the soil
- **Monomer:** a chemical compound made up of molecules capable of combining with each other and with others to form polymers
- **Mosaic:** a system of extensive forestry plantations comprised of several subareas e.g. crop fields, agricultural blocks or parcels, which differ among each other by the composition of the genetic material, age and native reserves
- **Naphtha:** is a petroleum distillate used mainly as a petrochemical feedstock (“petrochemical naphtha” or “non-energetic naphtha”) in the production of ethylene and propylene, besides other liquid residual fractions such as benzene, toluene and xylene
- **Net income or net earnings:** operating profit minus non-operating expenses and minus provisions for tax liability and contributions to pay over profit
- **Net revenue:** gross revenues minus product returns and taxes paid by the Company
- **Pallet:** a system of 55 bags of polypropylene totaling 1,375 kg which are tightly wrapped by a shrink film, protecting the product against environmental conditions while also providing excellent quality, flexibility and safety in conveyance and storage operations
- **Petrochemical Raw Material Unit:** an independent industrial facility for the processing of condensed gas, natural gas, naphtha and other petrochemical feedstocks. The facility features a thermal cracker unit using steam cracking (pyrolysis unit) and/or a catalyst reform unit, and also an area for the separation of petrochemical products (cooling area). It mainly produces basic feedstocks for the petrochemical industry such as ethylene, propylene, butene, butadiene and their compounds; benzene, toluene, xylene and their compounds
- **Plastic:** a material formed by joining together large molecular chains known as polymers, which are broken into smaller molecules to form monomers
- **Polypropylene:** is a semicrystalline thermoplastic resin which is produced through polymerization of propylene monomers
- **Propylene:** a non-saturated hydrocarbon composed of three carbon atoms and six hydrogen atoms (C₃H₆) found in gaseous colorless state and obtained from hydrocarbon cracking, especially naphtha. Commonly used as raw material for polypropylene production
- **Shares:** a security which represents a fraction of a company’s registered capital. Also known as “instrument” in the financial market
- **Silviculture:** the science applied to the cultivation and maintenance of forests, and to the exploration of forestry resources
- **Soil erosion:** the wearing away, detachment and transportation of soil from one place to another place and its deposition by moving water, blowing wind, etc.
- **Stakeholders:** any person or organization with a direct or indirect interest or relationship with the Suzano Group or who may be affected by its activities e.g. owners, shareholders, employees, service providers, customers and clients, suppliers, partners, communities, NGO’s, associations, lenders, government and society
- **Sustainable Development:** development which harmonizes economic growth with social equality and conservation of the natural heritage, thereby ensuring that the needs of the present generations are met without compromising the needs of future generations

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Graphic art and image design

Originale Arte + Disegno

Printing

Gráfica Arizona

Photos

Ricardo Teles and Suzano Archive Center collection

Acknowledgements

Our deepest thanks to all Suzano Companies' employees and business partners who collaborated in the edition of this Sustainability Report, especially those who contributed their photos.



This report was printed on 150g/m² Reciclato® paper made by Suzano Pulp and Paper, the first industrial scale 100% recycled offset paper produced in Brazil.

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