



Annual and
Sustainability Report
2008

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Access our online report to see the Financial information:
www.aracruz.com/2008sustainabilityreport

About this publication

Aracruz Celulose's economic, social and environmental performance in 2008 is presented from the four perspectives that reflect the Company's overall strategy — Value Creation, Customer Satisfaction, Internal Processes and Learning & Development.

During the course of the year, we sought a deeper understanding of the expectations of our stakeholders with regard to sustainable development. To this end, we listened to representatives of our major stakeholders, with a view to identifying, among the many complex issues surrounding the operations of a company like Aracruz, those that they consider to be most important, as well as the impact these have, or could come to have, on the development of our business.

The results of that survey are reflected in this edition of our Annual and Sustainability Report, which seeks to raise the focus on issues identified as being a priority for our stakeholders. For an easier identification by readers, these issues are highlighted in boxes.

As in previous years, this publication has a cross-index that reflects the indicators of the Global Reporting Initiative (GRI) and the UN's Global Compact. Although we do not follow the entire GRI model, our intention is to make it as easy as possible for readers to find the information they are looking for.

This report includes the sustainability features of our operations at the Barra do Riacho Unit, in Espírito Santo, and the Guaíba Unit, in Rio Grande do Sul.

The activities of Veracel – our joint venture with the Swedish-Finnish company Stora Enso – in which Aracruz has a 50% controlling equity stake, are presented in condensed form, in the Internal Processes section, as well as in the Financial Statements.

Information about Portocel is presented in the context of the Company's operational and financial activities. The activities of Aracruz Produtos de Madeira, in which Aracruz holds one third of the shares, are beyond the scope of this report.

Financial and legal information regarding Mucuri Agroflorestal, an Aracruz subsidiary dedicated to forestry and eucalyptus reforestation on borrowed rural property (commodatum), is included in this report.

The contents of this report have been submitted for independent verification by Bureau Veritas Certification, in order to ensure the consistency and accuracy of the information provided, as well as its comparability, reliability, timing, materiality and the inclusion of stakeholders.

As in previous years, this edition of the report has also been examined by two independent readers, whose observations are shown in the External Views section

The readers are also invited to send in their comments, criticism and suggestions, so that we can understand and better live up to their expectations. Our contact details can be found in Additional Information

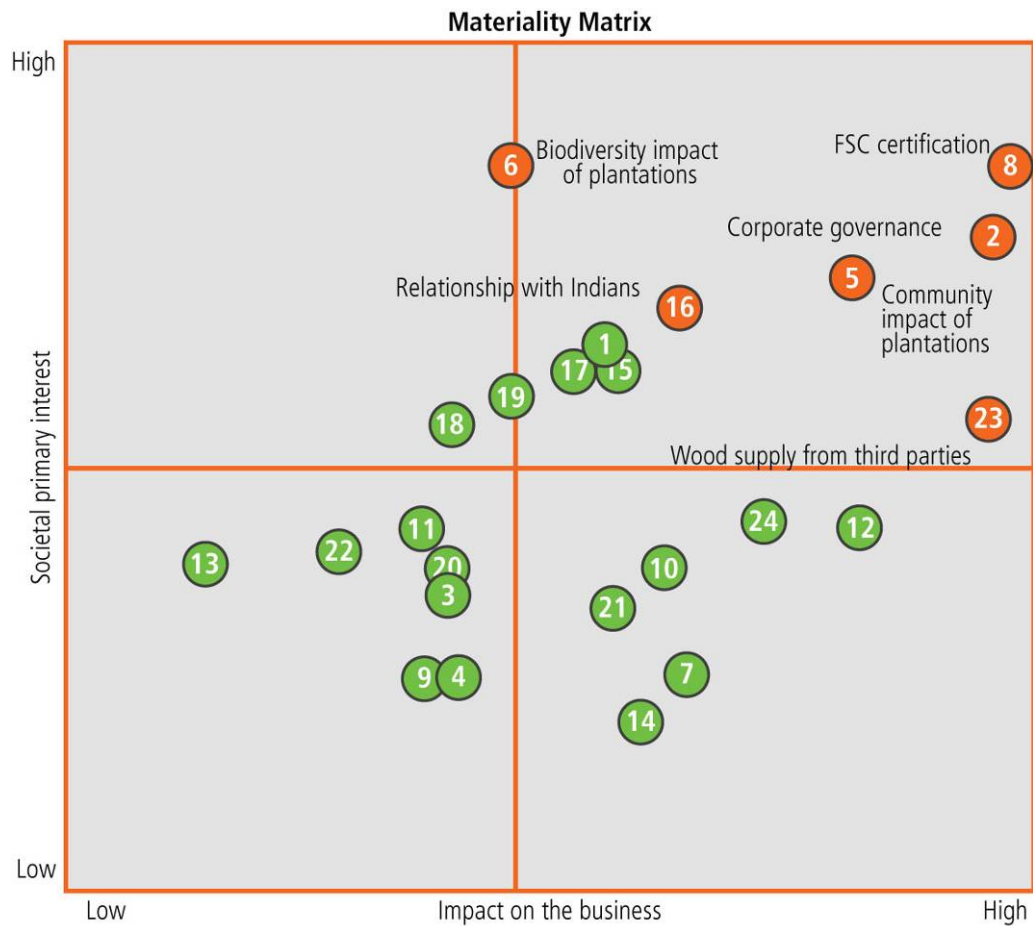
Materiality matrix

In order to deepen our understanding of the priorities of our stakeholders with regard to sustainable development, during 2008, we updated and supplemented our Materiality matrix.

With the help of specialized consultants, we interviewed 13 representatives of our principal stakeholders — clients, investors and financial analysts, social and environmental NGOs and suppliers — in order to learn their priorities in relation to Aracruz activities. The opinions of five employees were also heard, so that we could assess the potential impact on the Company's operations of the issues raised.

The result of this work was that the six issues identified as being the most material to Aracruz are: Forest Stewardship Council (FSC) certification, corporate governance, the impact of the plantations on biodiversity, the impact of the plantations on local communities, our relationship with Indian communities and the supplying of wood by third parties.

The information provided in the Materiality matrix will serve as essential pointers for the continuity of Aracruz's strategy for sustainability. The contents of this report, for example, were compiled in an effort to give more focus on the questions highlighted as being most important to our readers.



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Message from the Management

The pulp market, which had been performing extremely well in recent years, was strongly affected, towards the end of 2008, by the crisis that shook the global economy. Aracruz, the world's leading supplier of hardwood pulp, was affected by the negative scenario caused by the collapse of credit and liquidity in the USA, which led to a worldwide impairment of assets, decline in consumption and reduction of investment in production on a global scale.

In Brazil, the first direct repercussion of the crisis was the unexpected, sharp appreciation of the dollar against the local currency, the real, which brought about financial losses to corporations, particularly in relation to derivative transactions. On top of this instability, there was the fact that the price and sales of pulp, the raw material for a wide variety of consumer goods, were both negatively affected, as from the last few months of the year, in line with the rapid shrinking of demand worldwide for all the other leading commodities.

Aracruz, which was strongly impacted, reacted to the unfavorable scenario, adopting various measures to protect its operational efficiency and preserve its liquidity. The Company's growth plan was revised, leading to the postponement of projects to expand capacity, and thereby reducing the level of capital expenditures over the next few years. We established a Control and Risk Management area, to work together with the Finance and Investor Relations area. We also engaged the services of consultants to recommend best internal control practices and perform an evaluation of the Company's models for managing corporate risk and internal control. And we started restructuring the Company's debt in a way that we could perform our business plan.

The tight market conditions and the financial losses on derivative transactions were not a deterrent to the Votorantim Group pursuing its negotiations with the members of the Lorentzen, Moreira Salles and Almeida Braga (Arapar Group) families to acquire approximately 28% of Aracruz Celulose's voting capital, as well as with the Safra family, who exercised their tag along rights to sell their approximately 28% controlling stake. Furthermore, in payment for subscribed capital, the Brazilian Economic and Social Development Bank (BNDES) transferred its 12.5% holding of Aracruz common stock to VCP. As a result of this corporate restructuring process, VCP came to own 96.5% of Aracruz's voting capital, thus presenting a new opportunity to create a Brazilian global leader in the pulp and paper sector*.

Although the economic scenario is now more complex than in previous years and has presented new challenges to companies, with the drying up of credit and shrinking demand, Aracruz has kept its commitment to a management model based on the principles of business sustainability. An example of this is the progress made in honoring our responsibilities under the Conduct Adjustment Agreement (TAC), signed in 2007 by the Company and the Indian communities in Aracruz, the Foundation for Indian Affairs (Funai) and the Federal Prosecution Service (MPF).

We obtained the recertification of our forest management and chain of custody, in accordance with CERFLOR standards. For the first time, the audit also covered the Company's offices in the USA, Switzerland and Hungary. Veracel was certified in accordance with the FSC system. We intend to make the necessary preparations, over the course of 2009, for the future certification of our areas by the FSC.

In 2008, we began to implement a new strategy for the conservation of biodiversity, aimed at enhancing the Company's forestry management, ensuring the integration of biological and social aspects and alignment with the existing systems of forest certification.

In the social sphere, we initiated a new model of dialogue and engagement with the communities adjacent to our forest plantations, as well as reviewing our socioenvironmental projects. With these measures, we are seeking to refine and deepen our relationship with a sizeable and important group of stakeholders. We also proceeded with our training and skillbuilding program, to the benefit not only of our employees, but the local communities also, leading to professional qualifications for both teenagers and adults.

We continued our participation and involvement in forums and meetings with local and international NGOs, as part of our efforts to develop a more intimate dialogue and closer ties with the Third Sector.

Aracruz Celulose faced new and even greater challenges in 2008. In spite of the unfavorable economic scenario, we took another step towards becoming an even more important player in the competitive international pulp and paper market and consolidating Brazil's position, as is occurring in other economic sectors, as a global force. All this is due to the operational excellence achieved and sustained over the last few decades, as well as our commitment to the set of values governing sustainable development.

The leadership position that we have attained in little more than 40 years is the fruit of serious and consistent efforts, that we are proud of and which spur us on. This merit has been earned by our shareholders, customers, employees, suppliers and the communities in which we are inserted. People who believed, and continue to believe in the sustained success of our business, to whom we wish to express our sincere gratitude.

Carlos Augusto Aguiar - President and CEO

** Date of the information: May 19, 2009.*

Management team*

Board of Directors

Chairman: Raul Calfat

Titular members: Sergio Duarte Pinheiro, Alexandre D'Ambrosio, Gilberto Lara Nogueira, Wang Wei Chang

Executive Board

CEO: Carlos Augusto Lira Aguiar

Executive Officers: João Felipe Carsalade, Walter Lídio Nunes, Marcos Grodetzky, Evandro Cesar Camillo Coura

Associate Officers: Carlos Alberto de Oliveira Roxo, José Luiz Braga

Fiscal Council

Members: Luiz Aparecido Caruso Neto, Paulo Sérgio Ávila, Armando Simões de Castro Filho

** Date of the information: May 19, 2009.*

About Aracruz

The company

Aracruz Celulose is a Brazilian company, which is the world leader in the production of bleached eucalyptus pulp. It exports 98% of its entire output, which reaches the final customers in the form of printing and writing papers, toilet paper, tissue papers, napkins, diapers, sanitary pads and high value-added specialty papers.

Our renewable eucalyptus plantations are located in the states of Espírito Santo, Bahia, Minas Gerais and Rio Grande do Sul. We have approximately 313,000 hectares of plantations, interspersed with around 198,000 hectares of native forest reserves, which are untouchable, protect the eucalyptus plantations, help to keep down pests and maintain the balance of nature, preserving the ecosystem and its biodiversity.

Aracruz gains its sustenance from the land, and from that is born its commitment to sustainable development, which not only guides its practices for managing its renewable eucalyptus plantations, but all its other activities as well.

As part of that commitment, Aracruz is growing, and fostering the growth of the communities with which it does business, while seeking to constantly improve its relationships with the local NGOs, institutions, leadership and communities.

These are historical investments, embedded in Aracruz's roots from the time it was founded and reflected in housing complexes, schools, medical centers, community centers, and power, sanitation, water, road and transport networks. They cover programs, projects and social work that have provided opportunities, dignity and a future to generations of citizens and their communities.

In addition to its own plantations, Aracruz encourages the planting of eucalyptus by third parties, through its Forestry Partners Program, which covers around 96,000 hectares under contracts with more than 3,000 farmers in Espírito Santo, Bahia, Minas Gerais, Rio de Janeiro and Rio Grande do Sul. These independent farmers have added eucalyptus to the other agricultural activities carried out on their properties, thereby increasing their business and their income.

Aracruz's nominal production capacity, of approximately 3.3 million tons a year of bleached eucalyptus hardwood pulp, is spread amongst its units at Barra do Riacho – ES (2.3 million tons), Guaíba – RS (450,000 tons) and Veracel – BA (550,000 tons, Aracruz's 50% share of the unit's total capacity).

In Espírito Santo, Aracruz operates an industrial complex comprising three fiberlines, which are fully integrated with the plantations, and a specialized private port, Portocel, through which it exports a large proportion of its annual production, of 2.3 million tons of pulp. The practices and environmental controls at the mills, and their modern systems for treating emissions, effluent and solid waste, are under a continual process of development and fine tuning.

The Guaíba Unit, located in the municipality of Guaíba (RS), operates a single high-tech fiberline with a nominal capacity of 450,000 tons of pulp per year, which is also equipped with advanced environmental protection features. The unit allocates part of this volume to the production of printing and writing papers (58,000 tons in 2008), largely for the domestic market.

The third industrial complex – Veracel Celulose, with an initial nominal capacity of 900,000 tons of pulp per year, currently producing 1.1 million tons per year – is located in the municipality of Eunápolis, in the south of Bahia. This is a joint-venture between Aracruz and the Swedish-Finnish group Stora Enso, in which each company holds a 50% equity stake and is entitled to half the production.

In association with the US group Weyerhaeuser, Aracruz has a one third stake in Aracruz Produtos de Madeira, a high-tech industrial unit situated in the extreme south of the state of Bahia. The company supplies high quality solid wood products, from renewable eucalyptus plantations, to the furniture and interior design sectors in Brazil and abroad.

Until the end of the 2008 financial year, shareholder control of Aracruz was held by the Safra, Lorentzen and Votorantim groups (each with 28% of the voting capital) and by the Brazilian Economic and Social Development Bank – BNDES (with 12.5%), while the Company's preferred stock was traded at the São Paulo (Bovespa), Madrid (Latibex) and New York (NYSE) stock exchanges.

At the beginning of 2009, Votorantim increased its controlling stake in Aracruz to 96.5%, through acquisition of the holdings of the Lorentzen and Safra groups, and incorporation of BNDES Participações S.A. (BNDESPar) stake. This change opened the door to the creation of a Brazilian global leader in the pulp and paper sector*.

** Date of the information: May 19, 2009.*

Global scenario and strategic realignment

The world economy is facing its worst crisis for many years. The loss of confidence that has spread through the market, together with the ensuing drying up of credit, have slowed economic activity worldwide, hurting investors, businesses and consumers. With diminished demand in all sectors, the pulp and paper industry has been heavily affected, just like all the other commodity sectors.

In this context, world demand for printing and writing papers fell by 5.5% in 2008, notably in the markets with the highest level of consumption – the USA, Europe and Japan.

The global pulp market, which until the middle of 2008 had been performing strongly, saw a significant downturn in the fourth quarter. After growing by about 5% in the first half of the year, world market pulp demand lost ground in the second half, closing at 0.9% down for the full year.

There appears to be a consensus that the USA, which announced the largest economic stimulus package, will come out of the recession in the second half of 2009, thereby helping to bring stabilization and growth to other regions. This scenario, together with the cutbacks in existing capacity and the postponement or cancellation of new projects, should arrest the decline in the balance between supply and demand, offering the possibility of an improved outlook for the industry before the end of 2009.

Once the global financial crisis took a turn for the worse, with the ensuing slackening of the leading economies and reduced demand for the principal commodities, Aracruz adopted measures to protect its operational efficiency and safeguard its liquidity in the hostile new climate.

The Company's strategic focus, over the next few years, will be an emphasis on operational excellence, to ensure greater cash generation, as a result of cost reductions. These measures have already begun to generate positive results for our operational performance, in terms of a lower cash cost of production, and our efforts to administer a higher level of indebtedness within an environment of restricted credit.

The Company's growth plan was revised, leading to the postponement of the capacity expansion projects and thereby reducing our forecast capital expenditures over the next few years.

Among the important measures already adopted by Aracruz in 2008, we highlight the reduction of operating expenses and the postponement of the expansion plans for the Guaíba (RS) and Veracel (BA) units.

Our views on sustainability

Our involvement in questions that are nowadays identified with and based upon the triple bottom line is a natural feature of our running of the business. It is a given in an enterprise that gets its raw material from the land and must work with a view to the long term. Planting to harvest seven years later; planning today the growth that will enable us to meet tomorrow's demands; helping with the vocational training of our partners and suppliers; preparing the people who will run the business in the decades to come.

This mindset has helped the Company to attain and retain leadership of its business segment. We pioneered the cloning of eucalyptus forests on a commercial scale, as well as the use of coastal shipping for the transportation of wood within Brazil. We have developed forestry technology that has benefited the whole sector. We maintain extensive areas of native forest reserves and work to preserve the biodiversity of the regions in which we operate. And we continue to invest in innovation, as a way of sustaining the level of our operational excellence in an ever more competitive market.

Our commitment to sustainability is, therefore, a deeply rooted asset of the Company that implies producing pulp from planted forests, being respectful towards the environment and treating the local communities as our partners.

But it is always necessary to push ahead, further and faster, for sustainability is a permanent objective with dynamic goals. The realizing of this commitment entails greater vigilance and increased demands by society, while assuming greater responsibility for the

well-being of local communities and for the quality of the environment around the plants, that are connected to our activities.

Aligning themselves with the new business environment, involving new and influential stakeholders, such as consumers, communities, NGOs, multilateral bodies and universities, is a huge challenge for companies that have perceived that sustainable development is the only viable response to guarantee their future. So, like a growing number of companies around the world, we are in the middle of an intensive learning process to adapt ourselves to a new era.

Obtaining consistent results on a sustainable basis requires modesty and openness to dialogue, responsibility in the use of natural resources, and profitability. That is the path that Aracruz has been trying to follow.

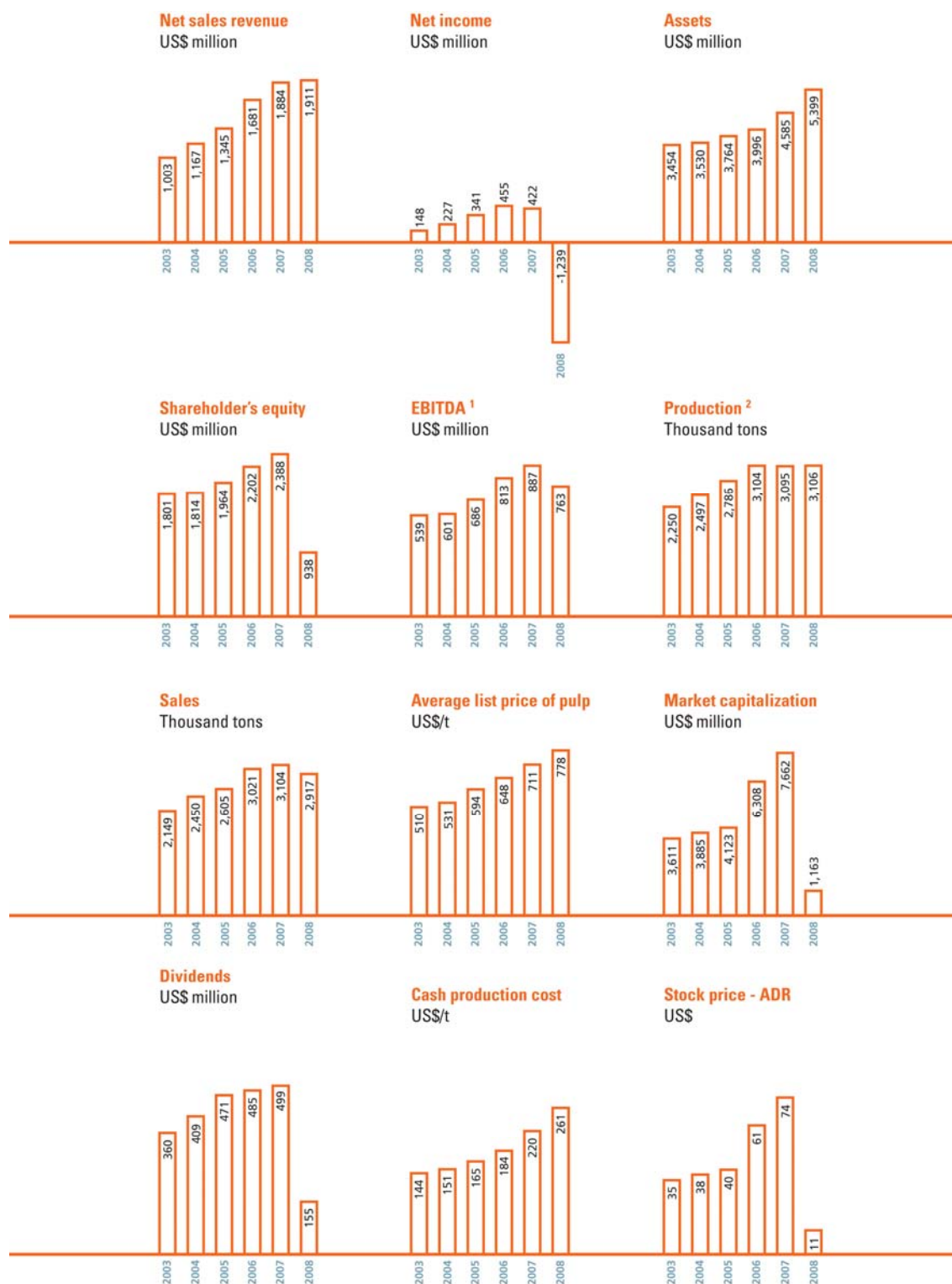
During 2008, we made progress in the development of a model for dialogue and engagement with the local communities that takes into consideration the characteristics and specific requirements of each region and the way our activities affect their lives. This model is in the process of being implemented and is already helping us to modify and refine our form of engagement, replacing social welfare activities with sustainable projects that seek a convergence between the needs of the communities and the responsibilities of the Company, particularly in the forestry sector.

Access our online report to see Aracruz's 2008 sustainability results*: www.aracruz.com/2008sustainabilityreport

The paper Aracruz Celulose Sustainable Growth Strategy — Challenges and Opportunities is available at: www.aracruz.com >> Publications >> Aracruz sustainable growth strategy.

** Due to the corporate reorganization, with the merger of Aracruz Celulose's shares into Votorantim Celulose e Papel (VCP), we are not publishing in this report our Sustainability Objectives for 2009.*

Selected data

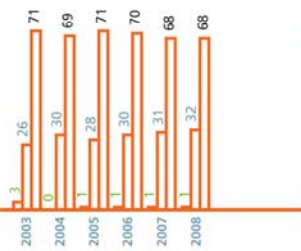


Proportion of women on the Aracruz staff
%

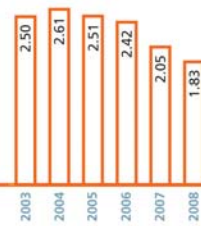


Distribution by color or race on the Aracruz staff ³ %

■ Caucasians
 ■ Afro-Brazilian and mixed races
 ■ Others (Asian/Indigenous)

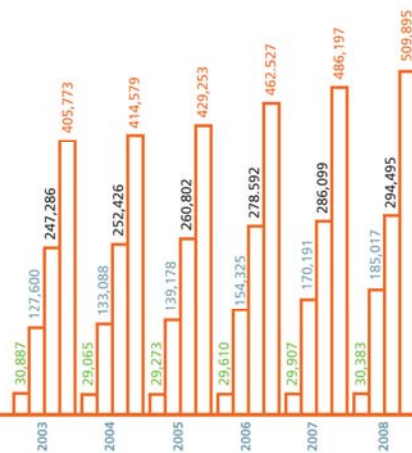


Accidents with lost time (Aracruz employees) ⁴

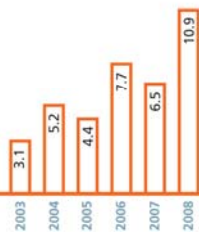


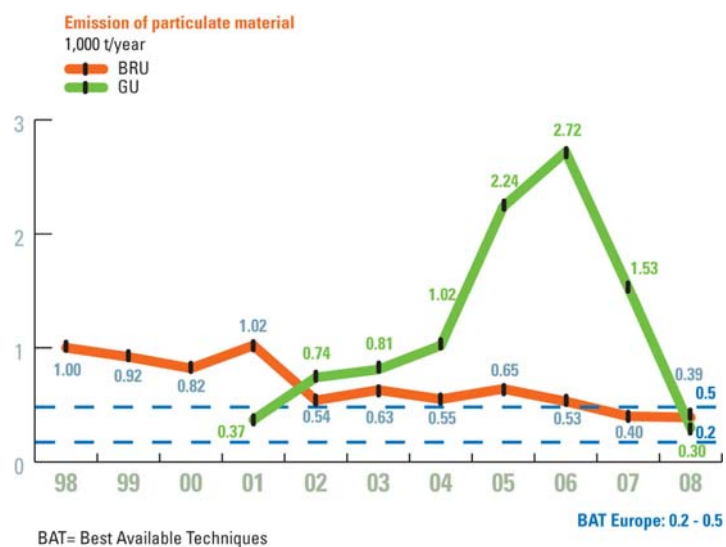
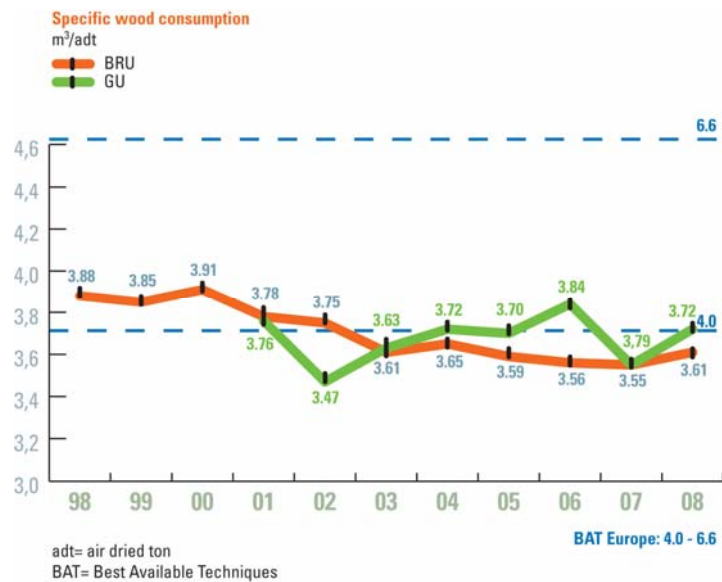
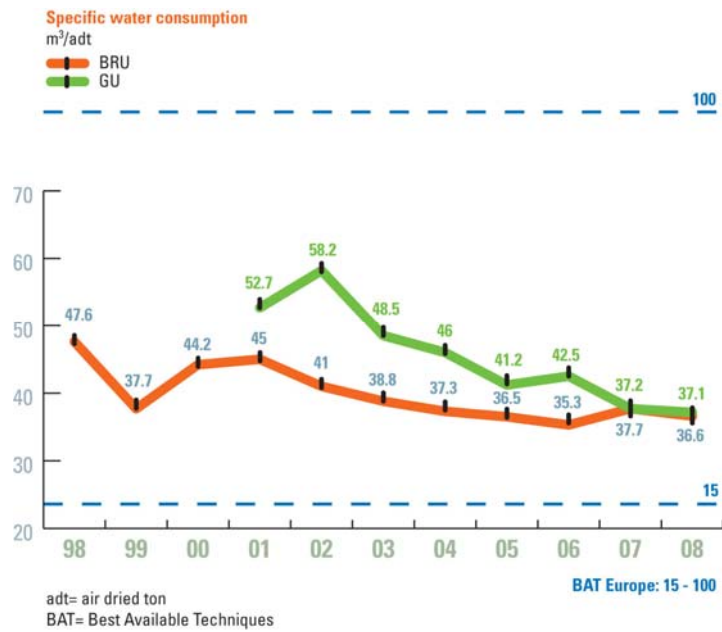
Forest base
hectares

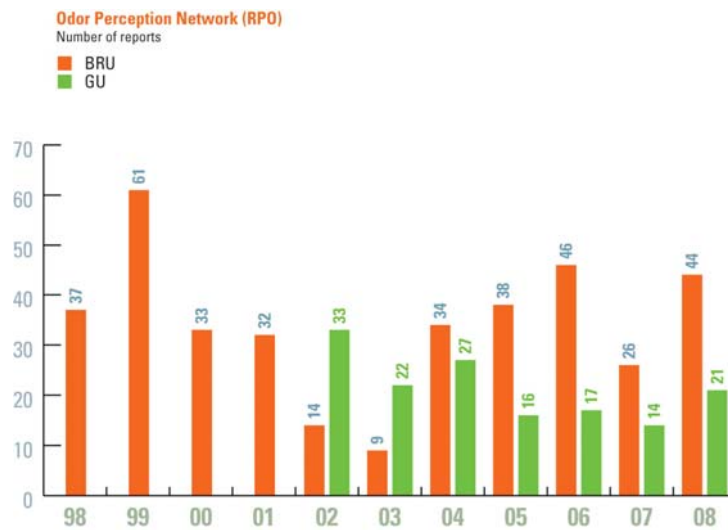
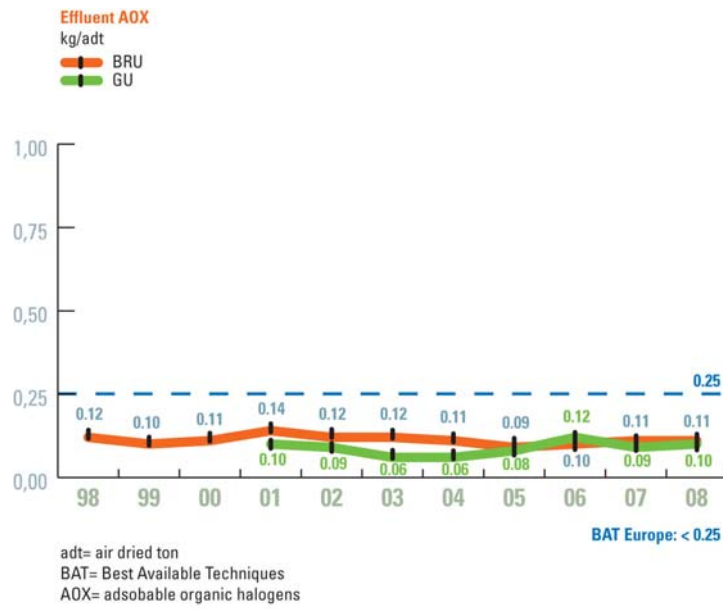
■ Eucalyptus plantations
 ■ Native reserves
 ■ Other users ⁵



Donations and social demands
US\$ million







Highlights

Consolidated Data (*)

US GAAP (US\$ million)	2007	2008
Income Statement		
Net sales	1.883,8	1.911,3
Operating income	593,9	342,5
Income (loss) before income taxes	619,4	(1.728,5)
Net income (loss)	422,1	(1.238,7)
Balance Sheet		
Cash and cash equivalents	53,3	60,0
Short-term investments	440,0	368,9
Other current assets	761,5	764,8
Property, plant and equipment, net	2.518,7	3.009,4
Investment in affiliated company	607,4	748,4
Long-term investments	3,5	2,7
Derivative instruments	29,7	-
Deferred income tax, net	-	271,0
Other assets	214,2	174,3
Total assets	4.628,3	5.399,4
Short-term / current portion of long-term debt, includes accrued finance charges	100,2	346,4
Derivative instruments	-	37,5
Other current liabilities	231,0	220,1
Long-term debt	1.312,4	3.566,7
Derivative instruments	-	23,5
Other long-term liabilities	586,2	256,0
Minority interest	11,4	11,7
Stockholders' equity	2.387,1	937,6
Total liabilities and stockholders' equity	4.628,3	5.399,4

Cash Flow		
Operating income	593,9	342,5
Depreciation and depletion	217,6	237,0
Depreciation and depletion - inventory movement	2,3	(10,3)
EBITDA	813,8	569,1
Non-cash items		
Provision (reversal) for loss on ICMS credits	(40,5)	83,6
Other	22,5	1,9
EBITDA (adjusted by non-cash items)	795,8	654,6
Financial (expenses) income and gain (loss) on currency remeasurement, net	68,0	(2.135,4)
Derivative instruments	(33,1)	94,1
Cash flow impact of other operating activities, except financial	(139,3)	(113,5)
Sub-total	691,4	(1.500,2)
Additions to property, plant and equipment	(589,7)	(691,4)
Acquisition of company, net of cash acquired	-	(46,0)
Investments in affiliate	(122,8)	(77,3)
Proceeds from sale of equipment and investment	0,5	7,7
Dividends and interest on stockholders' equity paid	(232,7)	(258,5)
Net cash flow before the increase / decrease of the net debt	(253,3)	(2.565,6)
Increase (decrease) in gross debt ⁽¹⁾	167,7	2.500,5
Net cash flow	(85,6)	(65,1)
Cash and cash equivalents / short and long-term investments, beginning of period	582,3	496,7
Cash and cash equivalents / short and long-term investments, end of period	496,7	431,6
Production volume (thousand tonnes)		
Barra do Riacho Unit	2.132,5	2.103,5
Guaíba Unit	436,5	453,1
50% of Veracel	525,7	549,7
Sales volume (thousand tonnes)		
	3.104,1	2.916,8
Year-end inventories (thousand tonnes)		
	380,7	525,1
Average list pulp price (US\$/ tonne)		
	711	778
⁽¹⁾ Includes gain / loss on remeasurement		
^(*) The Company's financial information have been prepared according to US GAAP		

Value Creation

Notable among the actions, based on the principles of good corporate governance, that have been taken to boost the Company's value and ensure that it is a worthwhile investment for our shareholders and society in general are the improvements made in the structure, processes and internal controls, the use of a system that provides an integrated approach to quality, environmental, social, forestry, health and safety management, and the fine tuning of the community relations model.

Corporate governance

Changes in the financial area - In November, with the aim of strengthening the corporate governance and reinforcing the structure of the financial area, the Company announced the creation of a separate Control and Risk Management area, independent of the existing Financial and Investor Relations area, which will monitor all questions relating to financial and operational risk. On that same date, the executives Marcos Grodetzky and Evandro Coura assumed their respective posts as Financial and Investor Relations Officer and Control and Risk Management Officer.

Internal control - In addition to setting up a new Control area, the Company also engaged the services of PricewaterhouseCoopers, towards the end of 2008, for the purpose of recommending best internal control practices and evaluating the Company's corporate risk management and internal control models. Based on that assessment, the Company is revising its internal controls and making improvements in its management of corporate risk and internal control practices.

The principal steps in this process include reviewing the model of corporate governance; organizing the processes and controls; reviewing the financial policy and authorized limits, and reviewing the reporting structure. This will lead to changes being made in part of the functional structure, with the strengthening, principally, of the monitoring of financial and operational risk.

As regards the reviewing of procedures, a detailed plan is in the final stage of preparation, that makes recommendations with respect to controls (approvals, reconciliations), automation, optimization and changes in the flowcharts and descriptions of the activities and control frameworks, which, in turn, should generate further reports and flowchart suggestions. The reporting structure will be determined according to information needs of the senior management, the committees and the Board of Directors.

At the present time, some of the steps have already been carried out, including the reviewing of the approvals flowchart and definition of the new risk management model. The expected return, even in the short term, is a high standard of corporate risk management.

Corporate restructuring - Votorantim Group, acting through Votorantim Celulose e Papel (VCP), informed the market that it had completed its negotiations with the members of the Lorentzen, Moreira Salles and Almeida Braga (Arapar Group) families for the acquisition of approximately 28% of the voting capital of Aracruz Celulose, for the sum of R\$ 2.71 billion. Subsequently, in March 2009, the Safra family exercised its tag along rights and sold its stake, amounting to approximately 28% of the voting capital. Moreover, in payment for subscribed capital, BNDESPar transferred to VCP its 12.5% holding of Aracruz common stock.

As a result, VCP will hold 96.5% of the voting capital of Aracruz, thereby making it possible to set up a Brazilian company that is a global leader in the pulp and paper sector*.

** Date of the information: May 19, 2009.*

Policy regarding independent auditors - As recommended in CVM Instruction nº 381/03, Aracruz has adopted the formal procedure of consulting its independent auditors prior to engaging them for professional services that are unrelated to the external audit. This measure is intended to ensure that the provision of those other services does not jeopardize the independence and objectivity that are necessary to the performing of their independent auditing services, as well as to obtain the due approval of the Audit Committee.

The remuneration for additional services performed by the present external auditors (Deloitte Touche Tohmatsu Auditores Independentes), under contract to the Company, its subsidiaries, the joint venture and the affiliate, in relation to the 2008 financial year, came to a total of R\$ 1,540,000. Fees related to additional services performed by Deloitte represent 10.74% of the total amount paid.

Corporate governance model - Aracruz is in full compliance with the Brazilian corporate legislation and all the terms of foreign legislation applying to companies whose shares are listed at stock exchanges in the United States and in Spain, as well as with the stock market regulations issued by the Bovespa, NYSE and Latibex.

The corporate governance model follows guidelines that are determined by the Board of Directors, while adhering to the Company's by-laws. The principles governing the corporate governance model are transparency, the clear definition of duties, administrative independence, fair treatment of the shareholders and accountability.

At the end of 2008, Aracruz's Board of Directors comprised ten titular members and an equal number of substitutes, elected at a general meeting of the shareholders for a three-year term, none of whom hold executive positions. The Board of Directors meets at least four times a year, and among its responsibilities are the following duties:

- Provide overall guidance of the Company's business and define economic and financial policy;
- Supervise the Company's operations and administration, determining important matters in regard to strategy, investment, organization and finance;
- Choose, from among its members, the Chairman and Vice-Chairman of the Board;
- Choose the members of the Company's Executive Board;
- Approve the Company's organizational structure;

- Guide and advise the Executive Board in all matters of interest to the Company; Determine the setting up of internal committees, whose function is to assist the Board of Directors in specific matters. There are presently six such committees, namely the:

- Strategic Committee
- Sustainability Committee
- Audit Committee
- Finance Committee
- Tax Committee
- Remuneration Committee

The Sustainability Committee, with eight members, three of them independent, scrutinizes and evaluates the Company's social and environmental policies, strategies and activities. It meets every six months, or whenever the Board of Directors needs to hear its recommendations.

Aracruz's Fiscal Council, which plays a permanent role in the organizational structure, has three members and an equal number of substitutes, elected at a general meeting of the shareholders, with one of the members, and their substitute, chosen in a separate vote by the holders of preferred stock.

The Executive Board, comprising five members, at the end of the 2008 financial year, including the CEO, is responsible for the administration and day-to-day running of the Company's business and operational activities, as well as the evaluation and development of strategic projects, subject to approval by the Board of Directors. The Executive Board meets once or twice a month, or whenever necessary.

The Executive Board is supported by two non-statutory associate officers and a management group comprising — at the end of 2008 — 16 interface managers, who they appoint and who report directly to them. The associate officers and interface managers are responsible for the day-to-day management of the Company, covering the following principal areas:

Associate officers

- Legal area
- Sustainability and Corporate Relations

Interface managers

- Industrial Operations - BRU
- Industrial Operations - GU
- Forestry Operations
- Marketing, Sales and Logistics
- Pulp Sales – USA
- Pulp Sales – Asia
- Pulp Sales – Europe
- Port Operations
- Controllership
- Treasury
- Information Technology
- Planning

- Research and Development
- Human Resources
- Supplies
- Engineering and Projects

There are also seven tactical committees, which have the task of assisting the Executive Board in dealing with specific issues. They are the:

- Commercial Area/Operational Area Committee: discusses the main client and product requirements needing Executive Board approval and/or guidelines;
- Management Systems Committee: performs critical analysis of the Company's management systems (ISO 9001 and 14001, Cerflor and Chain of Custody);
- Product and Process Committees (BRU and GU);
- Forest Operational Development Committee;
- Outsourcing Committee;
- Logistics Committee;
- Conduct Committee.

Aracruz's management policies embrace the issues of quality, health and safety, and the environment. It also has corporate governance, forestry and financial policies, as well as those covering genetically modified organisms and the disclosure and use of material information, this last being approved by the Board of Directors, according to the provisions of CVM Instruction nº 358/02. Furthermore, Aracruz has rules governing uncompetitive practices, relations with suppliers, election campaign donations and the trading of Aracruz shares by the management, controlling shareholders, members of the Fiscal Council and others with access to privileged information, in keeping with the provisions of CVM Instruction nº 358/02.

Visit our website to learn more about Aracruz's policies: www.aracruz.com >> Policy

Visit our website to learn more about Aracruz's positionings: www.aracruz.com >> Positionings

The corporate governance practices adopted voluntarily by Aracruz have ensured a Bovespa Level 1 classification for the Company, since April 2002. Notable features of the practices adopted by the Company are keeping 45% of its issued shares in circulation; its commitment to holding public offerings for the placement of shares, using mechanisms that favor the spreading of the capital; the continual improvement of the information released on a quarterly basis, which is consolidated and subjected to special review; the ample disclosure by the controlling shareholders or management of operations involving the Company's assets, showing the shareholding position, per type and class of share, of every shareholder owning more than 5% of the shares of each type and class issued by the Company, as well as any shareholder agreements or stock option programs; and the distribution of an annual calendar of corporate events.

Reorganization of the Sustainability and Corporate Relations area - This area has been reorganized, providing it with an improved structure for handling the processes of sustainability, communication and political and institutional relations.

Anonymous communications channel - Aracruz has an anonymous communications channel, offering guaranteed confidentiality, run by an independent firm. Information obtained through this vehicle is passed on to the Conduct Committee or the Audit Committee, which are independent of the Company's management. A total of 11 anonymous communications were registered in 2008, 2 of which related to suggested improvements, 2 to employee behavior, 5 regarding the engagement of services, and 2 were questions. Those communications that merited further investigation were duly followed up.

The results of all the communications, whether investigated or not, were presented to the Audit Committee. Among its various activities, the committee holds meetings with the independent auditors and Aracruz's management, to make sure that the Company's internal controls include suitable measures to prevent fraud and other practices that contravene the Code of Conduct, including at senior management level. In their formal meetings with the Audit Committee, the independent auditors normally inquire as to whether the committee has knowledge of any irregularity practiced by the Company's senior management, but no such occurrences have been recorded.

Management systems

The Aracruz management process uses the Balanced Scorecard methodology and is directed towards:

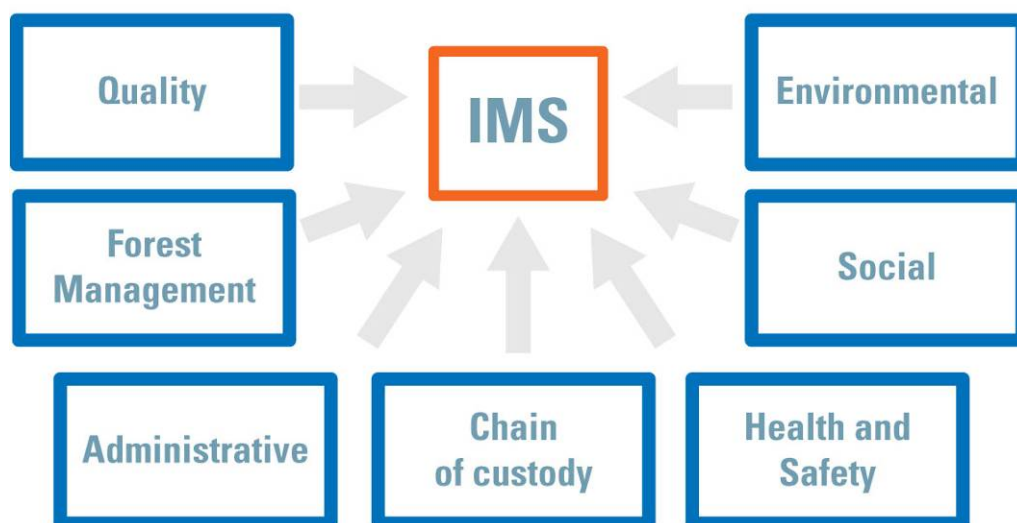
- Strategic alignment of the Company;
- A new vision, using a single systemic, corporate management model that is integrated throughout the Company, from the strategic vision through to the operational level;
- Integration of the management systems (quality, environmental, forestry, health and safety, social and administrative);
- Management through macroprocesses, processes and committees;
- Critical analysis of goals and its indicators, and the defining of action plans (initiatives);
- Traceability of management decisions.

The Company's strategic alignment is achieved through strategic planning; definition of the Mission, Vision, Business Principles and policies; assessment of the present and future needs of the Company and the markets we serve; recommendations from the critical analyses pertinent to the management and analysis of the performance of the Company's products and processes and the level of satisfaction of our stakeholders.

Aracruz's Management System area, with task of ensuring that the guidelines, pointers and new requirements of the Company are heeded and are harmonized to the business, is working to integrate the existing systems — quality (ISO 9001), environmental (ISO 14001); forest management, chain of custody; health and safety; social and administrative — so that will be implemented in an integrated manner.

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Aracruz's Integrated Management System (IMS)



Thus, it is possible to derive the benefits from the optimal use of the available human resources and materials; improve the Company's results; achieve greater understanding, at all levels of the organization, of the critical factors relating to the management of health, safety, quality and the environment, among other things; fine tuning of the relationship with our stakeholders; steady improvement of the Company's performance and synergies in common areas, like critical analysis, documentation, registration and auditing.

As part of the integrated system, the Management of Service Providers is conducted by means of evaluation of the services engaged and regular audits assessing the companies' overall performance, taking into consideration factors relating to quality, environmental, social, health and safety, and legal management.

The management, business and support macroprocesses and processes are defined by Aracruz, along with their respective performance indicators, which are regularly analyzed.

Using procedural management, it is possible to obtain a clear definition of who is responsible for the processes; of the suppliers and clients, and their respective needs; definition and monitoring of goals and indicators; detailed maps of the processes, showing the activities, sectors and job positions involved and their relationship with other Company processes, and the role of each individual in regard to the overall strategy.

The setting up of strategic, tactical and operational committees facilitates communication and integration of the various processes; makes it possible to use know-how and talent to better advantage, independent of the levels of hierarchy; enables corporate activities to be defined and increases the likelihood of more alternatives being put forward to resolve problems, through opinions from different areas of the Company. The Management Systems, Product and Process, and Outsourcing committees are just some examples of this.

Goals and indicators are established at Aracruz to assess the performance of processes, activities and operations. They are applied to the Company's management under the umbrella of Management by Results (GPR), and to the employees by means of Profit Sharing Agreements (PLR) and other management tools, such as budgets. From time to

time, an analysis is performed and, when necessary, corrective or preventive steps, or plans for improvement are defined. They are recorded in Aracruz's Management Traceability System (RGA), which unifies and standardizes the management, so that all the required information relating to the Company's indicators and plans for improvement can be retained in a single database.

Economic and financial performance

In 2008, Aracruz's net operating revenue was affected mainly by the lower volume of pulp sales (-6%), in comparison with 2007, while the average net pulp price was only slightly higher than that of the previous year, since the appreciation of the dollar against the real (6% average rate) largely cancelled out the effect of the increase in the dollar price of the product (7%).

The cost of goods sold (pulp) was mainly affected by the higher production cost, due to increases in the prices of raw materials and in the cost of the pulp purchased from Veracel, as well as higher freight charges, which were only partially offset by the 6% drop in the sales volume.

Operating expenses increased by 55% in relation to 2007, largely due to the renewing of a provision for losses on ICMS credits, which had been reversed in 2007, based on the expectation of selling these credits, as well as a provision for credits acquired in 2008. The balance of the provision for potential losses on ICMS credits, at the end of the year, amounted to R\$ 360 million.

As a result, the Company's operational cash generation, as measured by the EBITDA, adjusted for items not affecting working capital, came to a total of R\$ 1.4 billion, with a margin of 39%, 15% down from the R\$ 1.7 billion recorded in 2007 (margin of 43%).

Financial expenses totaled R\$ 432 million, while financial income showed a negative result of R\$ 4,577 million 2008, mostly due to the impact of the losses on derivative transactions (R\$ 4,696 million). The effect of monetary and exchange variations was a net loss of R\$ 915 million, largely brought about by the devaluation of the real over the period (32%).

Consequently, we made a total loss of R\$ 4,213 million, compared to a net income of R\$ 1,042 million in 2007.

The Company's net debt, representing gross debt less cash, increased by R\$ 6,467 in relation to the figure for 2007, largely as a result of the new debt assumed in relation to the losses on derivative transactions, and R\$ 1,427 million in capital expenditures, partly offset by operational cash generation.

Capital expenditures

In 2008, the capital expenditures by Aracruz amounted to R\$ 1.427 million — 20% more than in 2007 — which were allocated as follows (see table below):

2008 capital expenditures and investments

	US\$ million
Silviculture	184.6
Land and forest purchases	118.7
Other forestry investments	53.3
Ongoing industrial investments	49.3
Barra do Riacho Unit optimization projects	20.8
Investments in Portocel	9.3
Guaíba Unit expansion projects	240.2
Others	15.2
Total capital expenditures	691.4
Aracruz capital increase in affiliated companies	77.2
Company acquisition, net of cash received	46.0
Total	814.6

The Company's growth plan has been revised, leading to the postponement of expansion projects and the reduction of our planned investments over the next few years.

Portocel expansion - In January 2009, Portocel, the private port terminal jointly owned by Aracruz Celulose (51%) and Celulose Nipo-Brasileira S.A. (Cenibra), began work on a third mooring berth for vessels. This work represents the consolidation of the terminal expansion project, with a 40% in the terminal's capacity. The project was initiated in 2007 and involved overhauling all the terminal infrastructure, adapting it to be able to meet future demands. The cargo handling capacity has been increased from 11.4 million tons/year to 14 million tons/year.

Boise acquisition - In July 2008, the Company bought out Boise Cascade do Brasil Ltda., for the sum of US\$ 47.1 million, thereby acquiring 15,400 hectares of land, of which almost 10,200 hectares are planted with eucalyptus.

Guaíba Unit expansion - In April 2008, Aracruz announced that its Board of Directors had given approval for the expansion of the Guaíba Unit, located in the state of Rio Grande do Sul. Work was begun in the second half of 2008, but, due to the direct impact of the global economic crisis on the pulp market and the need to protect the Company's liquidity, the Board decided to temporarily suspend the expansion of the unit. Aracruz still intends to resume its investments in the project as soon as market conditions justify this.

Veracel II project - During 2008, investment in the acquisition of land and development of forests for the expansion of the Veracel plant, in the state of Bahia, came to a total of R\$ 54 million (Aracruz's 50% share). However, the Company, together with its partner, Stora Enso, has decided to postpone the planned expansion of the plant for at least a year.

New mill in Minas Gerais - In July 2008, in the town of Governador Valadares, Aracruz and the Minas Gerais state government issued a joint communiqué on the setting up of a Company plant in the region, with a production capacity of up to 1.4 million tons of pulp a year. However, in the second half of 2008, Aracruz suspended its land acquisitions and forest development for the project, because of the new market conditions.

Capital markets

Risk perceptions in the financial markets heightened considerably in the third quarter, particularly in the wake of the collapse of the investment bank, Lehman Brothers, as there were strong signs of a slackening in world economic growth. This was reflected by shrinking demand for commodities, including market pulp. The economic indicators during this period already showed a general decline in activity, in relation to the previous quarter, as born out by the GDP figures for the USA (-0.1%), European Union (-0.2%) and Japan (-0.1%).

In mid-September, as the impact of the systemic international crisis became more severe, the local currency, the real, fell sharply against the dollar, which had a strong negative impact on the Company's net financial position in relation to derivatives. On November 3rd, Aracruz announced, in a Material Information release, that it had unwound 97% of its derivative exposure, incurring a financial loss of US\$ 2.13 billion (fair value).

The negotiations with the banks that were counterparties in the derivative transactions, of the terms and conditions for the restructuring of the debt, were completed on January 19, 2009, with only the drawing up of the final document remaining. Under the agreed terms, Aracruz will pay the sum of US\$ 2.13 billion in relation to the derivative transactions, plus around US\$ 500 million in existing debt to some of the banks involved in the negotiations. The total amortization period is nine years*.

The only derivative transaction to be retained was a swap with strike verifications, with a total notional value of US\$ 300 million, representing 6 monthly verifications, each with notional value of US\$ 50 million. The verifications will occur between April and September 2009, and there is a ceiling of R\$ 2.50/US\$, with no leverage.

The Company also maintained the positions of its other swap contracts, in order to exchange its exposure to the cost of its local currency debt (TJLP or CDI rate) for an exposure in dollars, given that approximately 98% of the Company's revenues come from exports denominated in US dollars.

Although the repercussions of the crisis have affected Aracruz's liquidity, its business fundamentals remain sound: it has one of the world's lowest cash cost of production manufacturers of hardwood market pulp, with large scale operations, a solid client base, and acknowledged operational excellence, factors that gave the Company an EBITDA margin of nearly 40% in 2008.

** Date of the information: May 19, 2009.*

Stock performance - The commodities sector accounts for a significant proportion of the theoretical portfolio of the São Paulo Stock Exchange Index (Ibovespa). The decline in world economic growth and reduced demand for commodities were reflected in the market capitalization of companies in this sector, with the Ibovespa falling 41% in 2008.

As a result of the aforementioned events, during the same period, Aracruz's class "B" preferred stock lost 81% of its value, sliding from R\$ 12.91 on December 31, 2007 to R\$ 2.49 on December 31, 2008. The average daily share trading volume at the Bovespa and NYSE was 925,000, a 42% increase over the 2007 figure. The Company's investor base at the Bovespa increased significantly, from 5,600 in 2007 to 17,300 in 2008 (+ 207%).

Share information**Dec 31, 2008**

Total number of shares outstanding	1,030,587,806
Common shares	454,907,585
Preferred shares	575,680,221
ADRs (American Depositary Receipts)	1 ADR = 10 class "B" preferred shares
Market capitalization	US\$ 1.163 million
Average daily financial volume traded - 2008 (Bovespa and NYSE)*	US\$ 40 million

* Source: Reuters

Dividends and interest on shareholders' equity (ISE) - In October, Aracruz announced to the market that it had decided, in the best interests of the Company and its shareholders, to cancel the crediting and payment of interest on shareholders' equity (ISE), amounting to R\$ 84 million, which had been disclosed in a notice to the market on September 19, 2008, and was expected to take place as from October 15, 2008.

Nevertheless, with the two ISE payouts in the first half of 2008, a total of R\$ 155 million was distributed in pre-payment of the compulsory dividend for the 2008 fiscal year, equivalent to R\$ 0.15 per class "B" preferred share. R\$ 70 million was declared on March 18th and R\$ 85 million on June 20th, in accordance with article 9 of Law nº 9,249/95.

Risk ratings - Amidst the systemic crisis in the international financial market, and in the light of the Company's initial disclosure to the market, on September 25, 2008, of its losses on derivative transactions, Moody's, Standard & Poor's (S&P) and Fitch Ratings all announced that they were lowering their ratings for Aracruz Celulose.

S&P reduced their foreign currency rating from 'BBB' to 'BB' - with a positive outlook; Moody's reduced their foreign currency rating from 'Baa2' to 'Ba2' - outlook under review; and Fitch reduced their foreign currency rating from 'BBB' to 'BB+' - with a negative outlook.

Intangible assets - For the fourth year running, Aracruz Celulose was selected for the NYSE's Dow Jones Sustainability World Index (DJSI World), 2008/2009 edition, which highlights the world's best corporate sustainability practices. The Company headed the category "Forest Resources and Paper", in competition with 14 other forestry sector companies from around the world.

Aracruz was not chosen for the Bovespa Sustainability Index (ISE), 2008/2009 edition, despite having featured in all the previous editions. The Company will attempt to be restored to the ISE portfolio in 2009.

Institutional image - In 2008, the Aracruz brand was strongly affected by the negative news coverage surrounding the impact of the international crisis, as from the end of September. Nevertheless, the considerable positive exposure generated by announcements of important investments, particularly in the first half of the year, helped to mitigate the damage to the Company's image.

Media exposure - Taking the year as a whole, there was a 57% increase in the Company's total exposure (January to July: +9.5%; August to December: +113%) in the Brazilian press, both as a result of the announcements of investments in Rio Grande do

Sul, Espírito Santo and Minas Gerais and the Company's corporate restructuring (positive), and of the repercussions of the financial losses on derivative transactions (negative). On balance, for the year 2008, the positive visibility was almost double the negative visibility.

The positive visibility grew by 15% during the year, due to the news about investments and the Company's corporate restructuring, increasing from 27,500 to 31,800 cm/column. Analyzing the figures before and after the eruption of the crisis, the results were:

- **January to July:** increase of 10.3%, due to investment announcements;
- **August to December:** increase of 21.8%, also due to fallout from the investment announcements, and to the announcement of Votorantim's acquisition of Arapar.

The negative visibility increased by 6,700% during the year, basically due to the question of the derivatives, going from 200 to 16,200 cm/column. Analyzing the periods separately (before and after the financial crisis), the evidence is clear:

- **January to July:** increase of 1,000%
- **August to December:** increase of 28,100%

Visibility Index

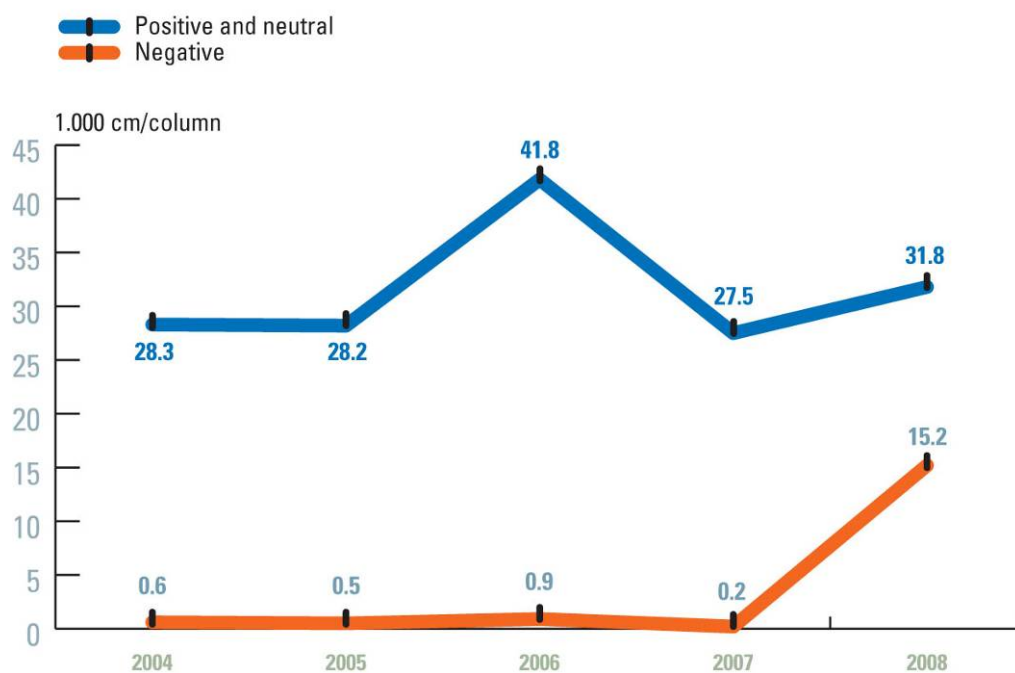


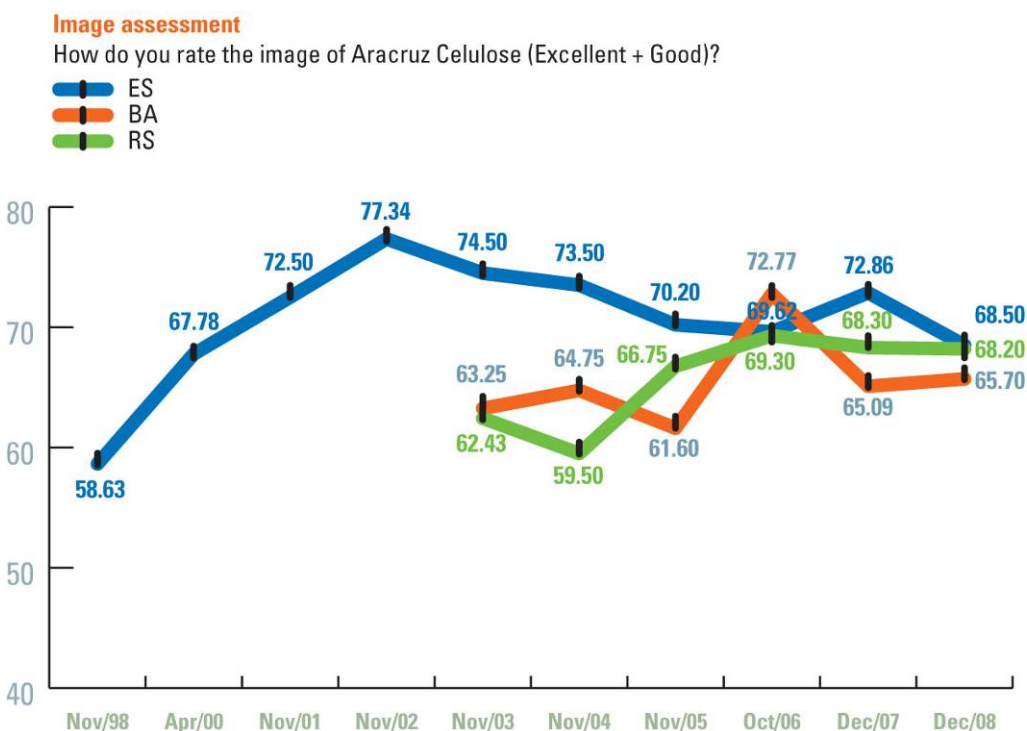
Image assessment - The annual surveys to assess the institutional image in the Company's areas of operation were carried out in December, and therefore, after the repercussions of the international crisis had been made known, as with the announcement of the postponement of investments.

- In ES, the positive assessments (excellent + good) declined from 72.8% of those interviewed, in 2007, to 68.5% in 2008.

- In RS, the positive assessments (excellent + good) remained stable, with 68.3% in 2007 and 68.2% in 2008.

- In BA (extreme south), the positive assessments (excellent + good) rose from 65.1% (2007) to 65.7% (2008).

The results of the surveys may be considered to be favorable, considering that, in spite of the adverse circumstances, the changes for better or worse were all within the surveys' margin of error (4%).



Socioeconomic performance

Community presence - In 2008, we pushed ahead with the set of initiatives aimed at structuring and fine tuning our relationship with stakeholders. We see this as a long term investment, which ought to yield positive results within a few years.

Over the course of the year, we completed the preparation of a new model for Aracruz's relationship with the local communities, which groups the activities into three main areas:

- **Operational dialogue:** applied in a structured manner to local communities that are affected, in some way, by the Company's forestry operations. The main objective is to discuss and make a list of actions to be taken in the event of positive or negative impacts arising from these operations.
- **Physical presence:** a Company representative (a professional chosen from the regional offices) experiences the local reality, by being constantly present within the communities and getting closer to the people. A physical presence facilitates the Company's access to the communities, and vice-versa.
- **Engagement:** a deeper structured relationship that establishes the Company as a partner in local development. Initially directed at communities that are considered a high priority for developing relations.

The new model will be put into practice at the Barra do Riacho Unit, in 2009, and will be adapted to the activities carried out at the Guaíba Unit.

Consulting the communities - Engagement with local communities forms an integral part of our ongoing quest for more sustainable management. And one aspect of this endeavor involves improving our ability to listen, since it is only by taking into account as many of other people's insights as possible that we will be able to build a business that can generate gains for everyone. Hence, we continue, in this edition of the report, to include the views of some of our stakeholders regarding Aracruz. With the support of external consultants, we heard the opinions of members of the communities of Helvécia, in Bahia, Barra do Riacho, in Espírito Santo, and Porto Alegre and Guaíba, in Rio Grande do Sul. We are very grateful for the positive feedback, that shows recognition of our efforts, and also for the negative ones, which help us to learn and constantly evolve. In addition to sharing these views with the readers, as part of our commitment to transparency, we take the opportunity to include actions on our part to address more objectively what still needs to be improved.

Interview with Dona Faustina Zacarias Carvalho - Helvécia, Nova Viçosa, BA

Dona Faustina is a popular person in Helvécia. At 55 years of age, she works at the medical center and is the leader of a traditional dance group. For her, dancing gives her much joy and is a manifestation of the pride she feels at being a member of the negro race (AfroBrazilian).

According to Dona Faustina, her connection with silviculture is an old one, dating back to the time when Flonibra planted eucalyptus, even before Aracruz came to the region. Dona Faustina and her husband worked for the company back then, some 30 years ago. At that time, the company and its contractors employed a lot of people in the region, but that's not the case nowadays.

Dona Faustina remarks that it was actually about five years ago that the company woke up to Helvécia and played a more active part. "Now the company is getting to know our culture better". Putting on a play at the local theater, organized by Ciro Barcelos and sponsored by Aracruz, is an example of the company's support to the much yearned for development of the local culture and traditions.

However, the crisis is interfering with this process: "Just when Aracruz is starting to notice us, along comes the crisis", and certain initiatives have gone by the board. The handicrafts group, for example, is a bit weak and there are a lot of expectations for the tree nursery. "...Everybody is a little anxious, waiting for new job opportunities that will come with the setting up of the tree nursery in the region". The nursery, in Dona Faustina's opinion, will be very good, because with more jobs the region will prosper.

Even so, Aracruz has been an important partner in the region, providing a lot of opportunities. "There are people who think that nothing concrete has been done yet, that the plans will just stay on the drawing board", but Dona Faustina believes that Aracruz won't let them down. It's all a matter of time.

Interview with Paulo Flávio Machado, President of the Barra do Riacho Community Association (ES)

Paulo Flávio has been president of the Barra do Riacho Community Association for two years. Born and raised in the community, his administration is based on a constructive philosophy. He never goes to a meeting alone and he believes that issues should be resolved collectively. The association has working groups addressing a number of areas, including sport, culture, fishing and health, and when they face a problem, they call upon specific groups to come up with a solution.

The relationship with Aracruz had been better. The members of the association have work closely with the company's Community Relations team and value this relationship, but have seen it deteriorate since the end of last year. "They're always in meetings and so far this year we still haven't been able to sit down with them once for talks", he says. But his greatest annoyance is with Portocel, a company in which Aracruz is the controlling shareholder. In Paulo Flávio's opinion, the management of that company doesn't take into consideration the needs of the community. "They alter the roads without consulting us, acting as if everything belongs to them and not offering any form of compensation", Paulo explains. The fishermen suffered, and continue to suffer losses because of the port and the movement of the barges. For example: a common practice of the local fishermen was gill netting, but this is no longer possible, due to the movement of barges transporting wood for Aracruz Celulose.

"When I took office, we tried a good neighbor policy, to get closer to Aracruz, and things went very well to begin with. Aracruz sponsored three or four courses here at the association, and we were even praising the company, but now things have worsened", Paulo laments. He reckons that there is an enormous gap separating the wealthy companies that have set up in the location and the needy population.

In Paulo's view, many companies come to Barra do Riacho and start expanding their operations, without taking into consideration that the community simply doesn't have the necessary infrastructure to absorb the population increase that this entails. "The community has over 8,000 inhabitants, yet you couldn't fill a (Volkswagen) kombi with local people hired by Aracruz Celulose." He says that the companies promise they will use local labor, but end up bringing a lot of the workforce from outside. These people end up staying and putting pressure on the local system, as well as creating social problems, with prostitution, drugs, theft, homicides, etc.

With regard to the future, Paulo believes that this worsening of the relationship with Aracruz is temporary and he expects the company to implement more projects in the community, hopefully including subsidiaries and contractors in these partnerships.

Interview with Prof. Eliane Margarete de Oliveira Ribeiro – Ermo, Guaíba, RS

When she started at the Colégio Augusto Mayer, Prof. Eliane Ribeiro found a school with a bad reputation, obsolete equipment and problems of violence. Through SESI (Social Service for Industry), she met Paulo Silveira, of Riocell (soon to become part of Aracruz), and thus was born a partnership that would endure for many years and bring about many local changes.

To begin with, Aracruz helped by renovating the equipment and installations and providing volunteers to conduct technical courses, training specialized workers, who could be taken on by the company itself or other partners in the chain of production. This was the Workshops Project, which has turned out 13 classes of qualified industrial mechanics apprentices. Four years later, Sindus, one of Aracruz's outside contractors, took a liking to the project and decided to get involved as well, helping to organize the Technical Course in Electronics that was in the process of being set up to train professionals who would be able to operate control panels. This course began in 2007.

Everybody's concern was not just to provide formal teaching, but with the education of young people and preparing them for a labor market that was becoming ever more competitive. Hence, on the Mechanics and Instrumentation courses, these young people had access to the internal installations at Aracruz, so that they could have classes outside the school and familiarize themselves with the laboratories and other equipment. What is more, the company assisted in the selection of the students and the preparation of curricula and planning, making the courses up-to-date and practical.

With its planned expansion, Aracruz used its partnership with the school as an outlet for a social counterbalance to its business investment. From a tiny project with a classroom for training manual workers, it was transformed, with the construction of 10 new classrooms and a shed – known as the Creole Shed, for activities under the Gaúcho Traditionist Movement. In this shed, the young can train dances and other activities and learn more about their cultural roots.

Over the years, the partnership has provided around 180 young people with professional qualifications under the Workshops Project and vocational training for 500 women, directly or indirectly benefiting some 1,300 families.

Now, in this time of crisis, the projects have been frozen. But the legacy lingers on. Through Aracruz, the school learned how to develop partnerships, and is now expanding the opportunities to include new partners and give continuity to the social work that has been achieved up till now.

The crisis has brought sadness: "This was a major setback for Guaíba, because high expectations had been created regarding the expansion of Aracruz. It was going to be our salvation". At the same time, there is a sense of mission accomplished: "Their participation was decisive, it was the mainspring. Now it's up to the school. The classrooms they gave us will continue to be used, through other partnerships. If not with Aracruz, there will be others. But we will never forget what they have done for our community and for having believed in the seriousness of our work".

In addition to gratitude, there is hope for a promising future: "We are hoping that, when the market gets back to normal, people will still think the same way. The people at Aracruz are ordinary people and they are concerned about the social side". We have a lot to thank Aracruz for. When they adopted us, they helped us to show just what this school, which is an inspiration to today's society, was capable of. We can only live the present and look to the future. To understand life, we have to look back – and our past was built with the help of our great partner, Aracruz."

Interview with Luiz Antônio Matheus Barbosa – President of the Indian Association for the Tupiniquim of Comboios (AITC) - Comboios Indian Reserve, Aracruz, ES

The AITC was founded in 1998, with the objective of seeking resources and developing projects for the community's self-sustainment. Their leader, like the chief of the tribe, is responsible for the well-being of the community. This leader is chosen directly by the community, from among two candidates, for a renewable mandate of two years. Luiz has been the leader for six months, and he makes every effort to make sure that everything is in order — documents, lawsuits — and that the association fulfills its role, demonstrating that they know how to take care of what belongs to them and seeking a dignified solution to their present social circumstances.

Having had their claims acknowledged and land granted, the association must decide what to do with the 374 hectares that now belong to them. Luiz is trying to come up with a sustainable use that would be compatible with their culture and traditions. For this reason, they long for projects that will bring back the wild animals, for example, so that they will be allowed to hunt. Nowadays, one can only find wild animals in conservation areas, where they are no longer allowed to hunt: "The Indian is by nature free. He doesn't hunt or fish to sell, but to eat".

The Tupiniquim Indians have inhabited this area for a long time. In the past, their survival depended on hunting and fishing, and the cultivation of the cassava root. And they would like to maintain that tradition. Although these are new times, and basic sanitation and homes made of bricks and mortar are welcomed, the Tupiniquim of Comboios long to keep up their traditions and live as their ancestors did, obtaining their sustenance from nature and from their lands. They, who number some 110 households, are not accustomed to the affluent lifestyle of the white people and don't want anything for free. They want to work, but doing what they know best: "Take the traditions of the past and adapt them to the present". Only two people work outside the village.

The battle over land lasted 40 years: "Indians like to make free use of the land. Land is not for trading". That is why he believes the acknowledgement and demarcation of their lands was a good thing". They didn't believe that arrangement that had been previously proposed would have been good for them, because they feared that they would have to use the land in accordance with the ideas of the white people – for the commercial cultivation of coffee, for example – something they would be unable to adapt to. "Now Aracruz recognizes that demarcation was the best solution."

The relationship with the company, aside from the struggle over land, began in 1994, with the first donation of land for growing coffee, maize, beans and coconuts. In 2002, the company built the local school, as well as making other investments, such as developing pastures, putting up fencing and a stockyard, buying cattle and donating a tractor. And they don't think about fighting anymore, now. They want Aracruz as a partner: "They are our neighbors...in the past they caused us problems, but now they can help us to find a sustainable solution". Luiz realizes that the destruction of nature did not occur just as a result of the actions of Aracruz: "Before them, other companies destroyed too". He adds that the company brought good things to the region: "The company has brought employment and the generation of income for our municipality".

Luiz knows that the Aracruz is under no obligation to help them, but as neighbors, they can be of mutual help to one another: "In the past, help came from nature, but nowadays, with the land so devastated, that is no longer true. Having this area does not resolve our nutritional problems. We believe that, in addition to financial assistance, Aracruz could help us to find partners and to develop projects that provide income and food". He continues: "Food baskets aren't right. We have the means to find our food. We don't want food baskets or money, but assistance so we can work in according to our culture". They are thinking, for example, of using part of their land for the resprouting of eucalyptus, but they know they cannot become dependents on a single crop: "It (eucalyptus) is good, but it takes a long time to grow. We have to find other solutions".

Repairing the indians' image is also a concern: "We have the reputation that we are only after money and that we don't work, but that is not true. We want to work and to protect nature according to our traditions". He also adds that there are protected forests and springs on their land and that they would like to manage and preserve these areas, as well as restoring others: "The ethnoenvironmental study ought to help us to find some solutions".

Interview with Valter Souza, President of the Porto Alegre Construction Workers' Union (RS)

Union president since December 2007, Valter has also served as general secretary and has been dealing with local companies for at least 15 years. A very active person, in addition to presiding over the union, he is also the vice-president of the Federation of Construction and Furniture Industry Workers (FETICOM) in RS, and is director of labor, health and workplace safety issues for the New Labor Union Center (NCST). As a result, he is always well informed about the situation of workers at national and state levels, participating in many hearings and striving for industrial development to be in benefit of the common good, socially.

In his opinion, the partnership with Aracruz is in the range of good to great and he recognizes that the company is collaborating in the efforts to consolidate local employment and income. There are groups that take an antagonistic stance towards Aracruz, but the union, in defending the interests of society as a whole, provide a contrast to the posture of these groups. The syndicates are in favor of the expansion, because they believe this will bring employment and income to the local communities, and recognize that Aracruz is doing a good job in trying to minimize its social and environmental impacts. "We could always count on Aracruz's support. The company helps us every year, by distributing three to five thousand tree seedlings to the building workers, as well as school notebooks to the workers' children." He notes the company's participation in improving the schools and streets, and even the Guaíba viaduct, which was built recently.

The economic crisis has interfered a bit with this process. The expected increase in jobs and wealth from the expansion of the local mill has been replaced by operational cutbacks, layoffs and the suspending of planting. As a spokesman for other labor unions, he hears lots of requests that there be no layoffs, but he knows that the economic situation doesn't help. Nevertheless, he believes that when things get better, Aracruz will have a great opportunity to further extend its social support. The company is expected to provide strong support to improve the living conditions of the neighboring communities.

Social investments - In 2008, Aracruz continued to invest in the various social programs that it has developed or supports, giving priority to activities directed towards education, professional training, preventive health care, nutritional concerns, local production arrangements, social inclusion, culture, leisure and sport. The total of these investments came to around R\$ 19.5 million.

The process of reviewing our socio-environmental projects has begun, in order to bring them into alignment with the Company's business. Consequently, these activities will henceforth be focused on conserving biodiversity and improving the quality of life in the local communities, integrating social and environmental features with local business aptitudes. This work is the job of the Aracruz "Bem de Raiz" Institute, which was specially set up to handle the development of socio-environmental projects.

This new approach will help to reinforce the sustainable nature of our activities, magnifying the positive impact on the local communities and ecosystems such as the Atlantic Forest and the Pampas. The process involves the integrated management of projects, whenever possible through partnerships, using the Company's own or outside resources, and the systematic monitoring of the activities and communication of the results to society.

Relations with interested parties

Black communities - Over the course of the year, Aracruz deepened its relations with communities located in the north of Espírito Santo and the south of Bahia, seeking more active participation in discussions about local problems and to involve more players in the dialogue. As part of this effort, various projects were developed to benefit black communities in ES.

Aracruz's actions involving black communities in ES during 2008

Donation of twigs and branches - In Conceição da Barra, situated in the north of Espírito Santo, through the local Small-Scale Farmers and Woodcutters Association (APAL-CB), which has 459 members, Aracruz has, since 2003, allowed the organized removal of eucalyptus twigs and branches from forested areas belonging to the Company, for use as firewood for the cooking and production of foods, the production of charcoal and other purposes of a socio-economic nature.

Flour shed - The São Mateus "quitungo" or flour shed, one of the symbols of the cultural heritage handed down by the former local inhabitants, was bought and installed by Aracruz Florestal at the company's operations center in that municipality, where, for many years, the people of the region were able to see how their ancestors produced cassava flour and "beiju", a confection made from tapioca. Then visits to the "quitungo" were suspended for a while. But in early 2006, through a partnership between the Company and the local government, the "quitungo" was renovated and opened to visitors once more, resuming its function of preserving the memory and culture of the people of Espírito Santo. In 2008, further investment was made in the structure of the "quitungo", with a view to providing better conditions for the sale of the cassava flour derivatives produced by the families responsible for the flour shed.

Projects involving the participation of black communities in the north of ES

Community Nursery - The Angelin II tree nursery ensures a monthly income for the nine families involved. During 2008, a total of 237,000 of native species and eucalyptus seedlings were sold, yielding R\$ 73,000 in revenue. Various improvements were also made in the nursery infrastructure last year.

Small-Scale Farming - 351 farmers in 16 locations in the municipalities of São Mateus and Conceição da Barra were helped in 2008, when the Company ceded agricultural machinery to them for a total of 1,156 hours, representing an investment of R\$ 90,827,330.

Community Beekeeping - The five communities participating in the Conceição da Barra Regional program — Jaguaré, Nova Vista, Itaúnas, Ponta de Jundiá and Coxi — obtained 4 tons of honey from their 2007/2008 harvest. In exchange for its support, part of the production (385 kg) was given to the Company, which donated it to welfare organizations and churches.

Also in 2008, the 2nd Region Federal Appeals Court, in a unanimous decision, annulled a suit, from the report preparatory stage, brought by INCRA (National Institute for Colonization and Agrarian Reform) to expropriate an area of land belonging to the Company, for the settlement of "quilombolas" (descendants of former slaves) from the community of Linharinho, in the municipality of São Mateus (Espírito Santo). Meanwhile, Aracruz, through the federal courts in Brasília, has brought an action for annulment of the entire lawsuit. No decision has yet been handed down regarding a similar case, in relation to the community of São Jorge, in the same municipality, which is also being contested by Aracruz.

Indian communities - We have carried out all the main actions for which we are responsible this year, under the terms of the Conduct Adjustment Agreement (TAC) signed in 2007, together with the Tupiniquim and Guarani communities in the municipality of Aracruz, the National Indian Foundation (FUNAI) and the Federal Public Prosecution Service, at the time of the demarcation of the Indian lands and the cutting and removal of all the Company's timber on the designated lands. The ethnoenvironmental study commissioned from the NGO Anai, who were chosen by Funai and the Indians, is under signature. During the year, we maintained a relatively tranquil relationship with the communities, broken by occasional tension that was quickly overcome. The challenge now is to build a relationship model with the Indian communities that is different from that of the past, which was characterized by polarization and paternalism, bringing into the process other players that can contribute towards the sustainable development of these communities.

Background - Aracruz's relationship with the Indian communities of Espírito Santo dates back to 1981, with the donation of 1,696 hectares of land (of a total of 4,500 ha determined by FUNAI) for setting up their villages. In 1998, the Company donated another 2,571 hectares, as part of an agreement mediated by the Public Prosecution Service that also provided for financial transfers.

The agreement was revised and expanded in 2002, with the determining of, among other things, Aracruz investment in vocational training, cultural projects and inclusion of the Indian communities under the Forestry Partners Program.

Three years later, the agreement and Company voluntary efforts were cancelled, due to the occupation of land belonging to the Company, to reinforce their claims for a further 11,000 hectares. The standoff was resolved towards the end of 2007, with the signing of a Conduct Adjustment Agreement (TAC).

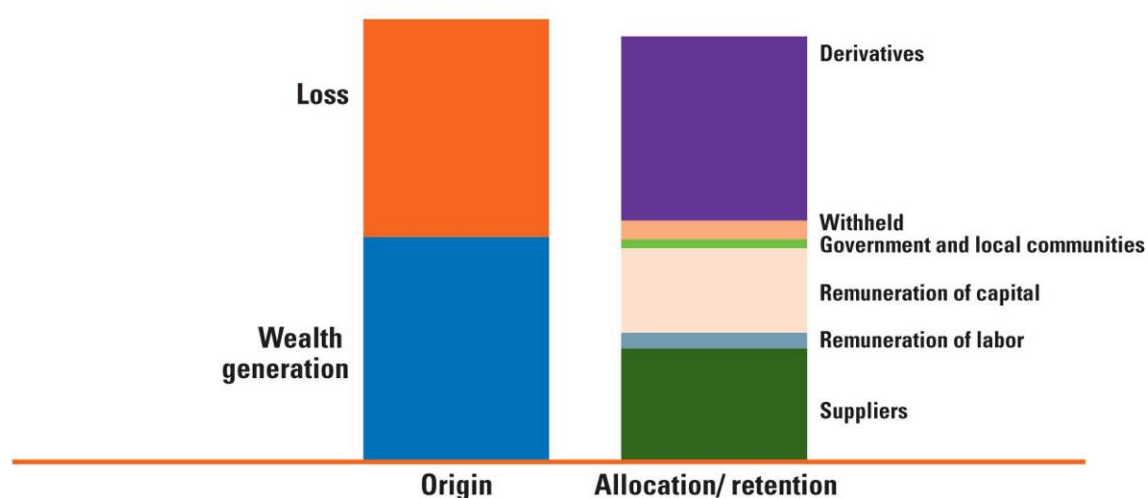
With the TAC, the Indians' area was enlarged by more than 11,000 hectares. The Company also agreed to pay for an ethnoenvironmental study, costing R\$ 3 million, to back the sustainable development of the villages. As indemnification for the demarcation of lands belonging to the Company, Aracruz was granted the right to remove the eucalyptus timber planted in the demarcated area.

Visit our website to learn more about Aracruz and the Indian communities in Espírito Santo: www.aracruz.com >> Positionings >> Aracruz and the indian issues.

Investigation into Indian land in Rio Grande do Sul - FUNAI has set up a working group to study the possible existence of Indian land at Ponta da Formiga, which is claimed by Guarani Indians. This refers to an area situated at the far end of the Barba Negra Farm, owned by Aracruz, which is almost entirely covered by native vegetation. There is nobody living there and the farm's historical records, supported by ample documentation, confirm continuous occupation since 1784, based on a colonial land grant. Aracruz is closely following the work of this working group.

Allocation of resources - Aracruz's activities generate foreign exchange, incomes, taxes and, above all, employment for Brazil. Between 1989 and 2008, the sum generated has amounted to over US\$ 18.2 billion. A significant portion of these resources has been reinvested in the business, in line with the Company's strategy for growth.

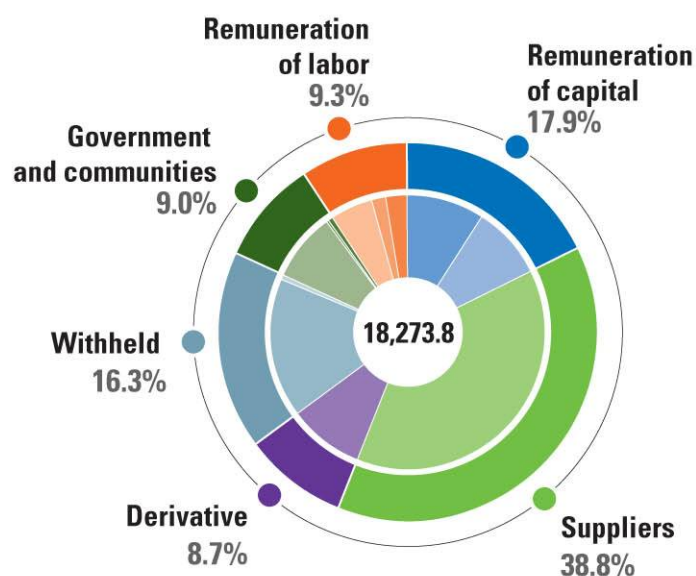
In 2008, the Company's activities generated more than R\$ 4.1 billion, with around R\$ 2.1 billion, or 51.2%, allocated to the purchasing of raw materials, other materials, products and services, with preference given to local suppliers, thus feeding an entire chain of wealth creation.

Allocation of the Resources Generated in 2008 US\$ million ¹

Government and local communities	128.0
Taxes and contributions, including social security	117.1
Donations and community projects	10.9
Remuneration of labor	145.7
Payroll	80.6
Compulsory benefits, except social security	22.1
Voluntary benefits	43.0
Remuneration of capital	281.4
Dividends and interest on shareholders' equity (ISE)	210.8
Financial expenses	70.6
Suppliers	1,115.5
Products, materials and services purchased	1,115.5
Losses on derivative transactions, net of corporate income tax and social contribution	1,596.3
Losses on derivative transactions	2,159.3
Corporate income tax and social contribution credits in relation to derivative losses	(563.0)
Withheld	237.0
Depreciation, amortization and depletion	237.0
Total allocated or retained	3,503.9

1. The chart presents the resources generated in 2008 according to the Added Value Demonstration criteria, based on the results of the year.

Allocation of the resources generated in 1989-2008 - (US\$ million)



● Government and communities	1,644.0
Taxes and contributions, including social security	1,507.4
Infrastructure	66.4
Donations and social demands	70.2
● Remuneration of labor	1,706.2
Payroll	957.3
Compulsory benefits, except social security	285.0
Voluntary benefits	463.9
● Remuneration of capital	3,276.5
Dividends and interest on shareholders' equity (ISE)	1,667.0
Financial expenses	1,609.5
● Suppliers	7,085.4
Products, materials and services purchased	7,085.4
● Losses on derivative transactions, net of corporate income tax and social contribution	1,596.3
Losses on derivative transactions, net of corporate income tax and social contribution	1,596.3
● Withheld	2,965.4
Depreciation and depletion	3,042.8
Retained result	(77.4)
Total allocated or retained	18,273.8

Visit our website to learn more about the wealth creation at Aracruz's production chain:
www.aracruz.com >> Publications >> From Trees to Homes - FGV Report.

Employees - Aracruz ended 2008 with a total of 8,969 personnel employed directly, of whom 2,665 were Company employees and 6,304 were outsourced personnel retained on a permanent basis. During the year, the Company augmented its own staff numbers, with the external recruiting of 358 new members, 11% of the places being filled by interns. The average Company employee is 37 years of age and has been with us for 12 years. At least 93% have completed their secondary education, 87% are men, and 78% were born in Espírito Santo, Rio Grande do Sul or Bahia.

Employees – 2008 consolidated data	
Company	2,665
Aracruz Celulose S.A.	2,367
. Barra do Riacho Unit	1,796
. Guaíba Unit	545
. Subsidiaries abroad	26
Portocel – Terminal Especializado de Barra do Riacho S.A.	298
Permanent outsourced personnel	6,304
Barra do Riacho Unit	4,841
Guaíba Unit	1,463
Total employed directly	8,969

Remuneration of labor (Company employees)	R\$ thousand
Pay	150,447
Compulsory social charges	41,789
Benefits	76,946
Profit sharing	8,336
Health care	19,816
Meals and food basket	10,991
Transportation	13,175
Professional training	3,954
Private pension scheme	7,783
Other benefits	12,891
Total	269,182

Selected data (Company employees)	
Admissions	358
Average nominal wage (R\$)	3,533.83
Wage minimum (R\$)	720.79
Hours dedicated to professional training and development activities	207,656
Hours of training and development per employee	78
Number of beneficiaries assisted under the health scheme	7,498
Number of medical consultations under the health scheme	42,902
Number of occupational health consultations	2,555
Number of occupational health examinations	40,953
Number of days in hospital covered by the health scheme	2,840
Number of meals served	2,316,507
Company employee turnover rate (%)	1.7%
Proportion of employees covered by union collective labor agreements (%)	97.4%

Lowest pay level at Aracruz vs annual national minimum wage	2.05
Proportion of women on the Aracruz staff (%)	13%
Proportion of Caucasians on the staff (%) *	68%
Proportion of Afro-Brazilians and people of mixed race on the staff (%) *	32%
Others (Asian/Indigenous) (%) *	1%
Proportion of employees with disabilities (%)	5%
Average age of employees	37
Average length of time with the company	12

Turnover	Annual average	Annual total
Joined the Company	30	358
Left the Company	15	184
Average number of staff	2,583	2,665
Average accumulated turnover	1.7%	10%

Education (completed)	Number	%
Basic education	152	6%
Secondary education	1,419	54%
Higher education	783	30%
Specialization	225	9%

* According to the Brazilian Institute of Geography and Statistics (IBGE) criteria.

Suppliers - At the end of the year, there were 231 registered suppliers providing services for Aracruz's operations, 89 of which were on long-term contracts (involving 6,304 employees) and 142 on short-term contracts (accounting for approximately 985 jobs).

Competence and specialization in their particular area are two of the criteria Aracruz adopts when choosing its suppliers. The Company also demands, in its contractual clauses, respect for environmental and social considerations, with the emphasis on full compliance with the labor legislation, including the prohibition of any form of child or slave labor.

PRODFOR (Integrated Program for the Development and Training of Suppliers), set up in Espírito Santo in 1997, with the aim of developing suppliers within the state, is a joint initiative of the leading local companies, including Aracruz and FINDES (Federation of Industries of the State of Espírito Santo), under the coordination of the Euvaldo Lodi Institute (IEL). Some 348 companies have joined the program since it was first established, and have undergone the program's training and development process, with 287 of them obtaining their certificates. Aracruz recommended 8 companies for the procedure in 2008, investing around 132 man hours of its professionals' time, including auditing.

Political campaigns contributions - With the aim of helping to create a sound political-institutional environment in which the political figures are committed to sustainable development and improving the level of public administration, Aracruz participated in the 2008 municipal elections, by making campaign donations. The Company does not engage in party politics, but it does support parties and/or candidates whose ideas and platform are consistent with its business principles.

The donations made to finance political campaigns obeyed the following criteria:

- Strict compliance with the prevailing legislation;
- Donations only to candidates or parties whose campaign finance committees were duly registered with the electoral court;
- Transparency and traceability of the donation process;
- Improvement of public administration at the federal, state and municipal level;
- Promotion of sustainable development;
- Reinforcement of citizenship and democracy.

The campaign donations were made under the General Plan for Political Donations, in accordance with the Company's specific policy, with Executive Board approval. The total amount of the donations and a list of the candidates supported by the Company are accessible to the public through the regional courts in each state.

Visit our website to see Aracruz position on political donations: www.aracruz.com >> Positionings >> Political Donations.

Customer Satisfaction

We continue to maintain our policy of investing in research and innovation, in order to anticipate, meet and exceed our customers' requirements, thus guaranteeing their satisfaction and helping to build and sustain long-term commercial relationships. Advances in forest and environmental management techniques and in the development of processes and products enable us to produce fibers that are distinguished by their high-tech characteristics.

Forest certification

In 2008, Aracruz obtained the recertification of its forest management and chain of custody by CERFLOR, which is recognized by the Programme for the Endorsement of Forest Certification (PEFC). For the first time, the recertification audit was extended to the Company's offices in the USA, Switzerland and Hungary. Veracel's plantations, which have also been certified by CERFLOR, obtained FSC certification in March 2008.

Aracruz has chain of custody certification to sell Veracel's certified pulp. Depending on the findings of the assessment which we are planning to carry out by the end of 2009, we will move on to apply to the FSC certificate still in 2010. The announced corporate restructuring involving Aracruz and VCP may favor further possibilities of getting CERFLOR/FSC certified pulp in a shorter term.

Visit our website to see Aracruz position on forest certification: www.aracruz.com >> Positionings >> Forest Certifications

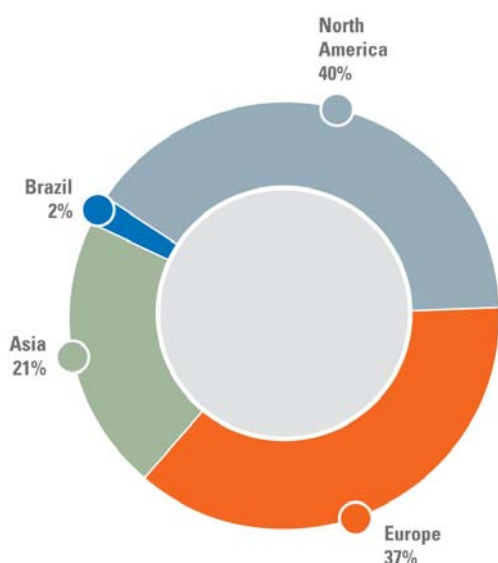
Sales performance

The adverse economic and market situation, especially in the fourth quarter of 2008, affected Aracruz's pulp sales volume, which came to a total of 2.9 million tons, about 6% below the figure for 2007.

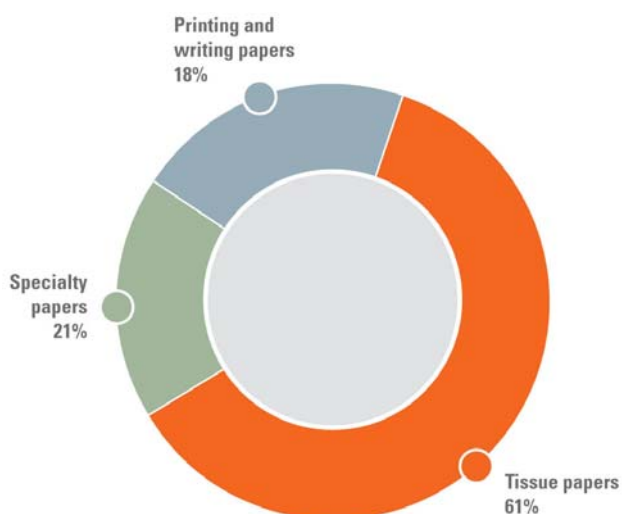
The greatest reductions were in the European and Asian markets, which accounted for 37% and 21%, respectively, of Aracruz's total sales in 2008, compared to 41% and 23% in 2007. In contrast, the North American market share grew to around 40% of the global total, bolstered by the fact that most of our sales to that market are for the production of high quality tissue, and are therefore less sensitive to market swings.

In general, the tissue segment continues to be the principal end user of Aracruz pulp, accounting for little more than 60% of the total sales volume. An increased proportion also went to produce other higher value-added papers, such as specialty papers, which accounted for 21% of total sales.

Sales by region



Sales by end use



Research and technology

The projects to introduce innovations in 2008 led to gains in terms of operational, environmental and social excellence, as well as expanding the technological boundaries.

Of particular note is the progress in perfecting and silvicultural management of the *Eucalyptus globulus* and its hybrids, to develop a distinctive new fiber base. The latest research has helped to improve forest productivity, especially in regard to the results obtained from the integrated management of pests and disease, the understanding of the physiological processes and the quality of the seedlings. The overall consumption of fertilizers and corrective agents has been optimized, thanks to the intensive use of waste and better stratification of the environments. Furthermore, the Company has developed and implemented the Aracruz BioIndex, a new index-based and landscape management concept-based environmental management supporting tool that allows us to prioritize and monitor the forest management activities, in a constant quest for the best environmental performance.

Product development also made advances in the drive to meet the principal demands of the paper market, with a view to augmenting the market share of eucalyptus fibers. As part of this process, distinctive alternative features of the fibers have been developed, in tandem with well-known and strategically chosen partners, involving the engineering of the fiber, the pulp production process, the use of topochemical agents, and technology offered to the client. The progress achieved has enabled us to keep offering exclusive products despite operating in a commodity market.

Technology forecasting has led to well thought out alternatives for new markets, as well as advances in basic know-how and applications in relation to bioenergy, climate change and the eucalyptus genome.

Internal Processes

We have continued our efforts to enhance the efficiency of our internal processes, in order to always improve the quality of the products and services we provide and maintain the high standard of social and environmental responsibility throughout the entire production chain. Special mention should be made of the identification and development of actions to minimize the impact of the Company's forestry activities on the communities near our plantations, the reutilization of solid industrial waste to nourish the soil in our plantations, and the development of software for advanced analysis of the biological diversity within the Company's forest areas.

Forest management

Management of water resources – As from 2008, the Company is monitoring the quantity and quality of the surface and underground water within 30 small drainage basins, located at Aracruz's Barra do Riacho (13) and Guaíba (8) units and in areas covered by the Forestry Partners Program (9), which embrace different types of soil use, such as eucalyptus plantations, pastureland and native forest.

The information gathered on these water resources will, most importantly, allow an assessment to be made of any changes in the quantity and quality of the water that could be linked to the eucalyptus plantations. In 2008, hydrological surveys of the Barra do Riacho Unit regionals showed an average rainfall surplus of 88 mm, equivalent to 6% of the average total precipitation at the Unit, providing a level of water replacement (recharging of streams and rivers) that is characteristic of the region. In a total of 72 exercises already carried out at the Barra do Riacho Unit, that included water, soil and sediment samples, the Company recently reached the mark of 1,000 analyses for contaminants, according to the standards laid down by CONAMA (National Environmental Council) and CETESB (Environmental Sanitation Technology Company), with no type of contaminant whatsoever having been detected.

At the Guaíba Unit, a hydrologic station was set up in 2008, in a small drainage basin used for experiments, in order to perform full studies of the hydrologic cycle of the forests in the region. The results for the quality of the water will be available in the first half of 2009. The results of the monitoring of the flow and quality of water in the 7 other small drainage basins at the Guaíba Unit confirm the sound management of the plantations, given that there was an increase in the level of water infiltration into the soil, due both to greater soil protection and to the setting up of biological channels, which facilitate percolation. This, in turn, stabilizes the average flow rate over the course of the year, which is important in times of drought. The Rate of Seasonal Variations, which shows the basin's susceptibility to severe drought, was calculated for the monitored basins and the average rate (43.52%) indicated a good flow distribution between the dry and rainy periods of the year. The amount of sediment in the watercourses was lower, as a result of reduced surface runoff and enhanced erosion control, leading to an even greater improvement in the quality of the water.

Wood supplied by third parties - At the end of 2008, Aracruz's Forestry Partners Program, through which the Company encourages the planting of eucalyptus by third parties, was active in 166 municipalities in the states of Espírito Santo, Rio de Janeiro, Bahia, Minas Gerais and Rio Grande do Sul, with a total of 95,800 hectares under contract, of which more than 92,000 hectares was already planted. Over the course of the year, the program accounted for 16% of the wood supplied to the Barra do Riacho and Guaíba units, with 486 new contracts signed and around 14,000 hectares were planted with eucalyptus. The quantity of wood purchased annually under the Forest Partners Program depends on two criteria: the demand from the mills and the availability of timber at a harvesting age in the Company's own areas.

The Forestry Partners Program fulfills various roles within the Company's strategy for sustainable growth. Besides being an important alternative source of wood, forecast to supply around 30% of the total demand for this input, it is a partnership with farmers that provides the farmers an additional income source, reduces the need for further land acquisitions by the Company, as well as integrating the rural communities and a whole chain of suppliers of services and materials with our production process. The program disseminates the culture of eucalyptus plantation — contributing towards a better understanding of the subject — and generates raw materials for other forest-based production chains in the regions where we operate, thus helping to preserve the remaining native forests. Implementation and expansion of the program follows a technical, economic and operational study that always seeks to integrate the modes of transportation, so as to optimize the process and reduce the impact on the highways.

To learn more about the Forestry Partners Program access:
www.produtorflorestal.com.br/en.

Impact on local communities - As part of its efforts to cultivate good relations with the local communities, at the beginning of 2008, Aracruz brought together its forestry operations professionals to identify and discuss potential negative impacts of the Barra do Riacho Unit's operations. The procedures were also reviewed and initiatives were defined to prevent or, at least, mitigate these negative effects, and thereby create a suitable basis for a relationship between Aracruz and its neighbors.

According to the operational teams, the Company's principal negative impacts on the local communities are:

- * Isolating properties or locations;
- * Altering the landscape;
- * Generating dust;
- * Generating noise;
- * Risk of knocking down pedestrians;
- * Deterioration of the quality of the roads.

Based on these findings, a plan of action and improvements was drawn up, and was put into practice during 2008. The second phase of this work will be to talk to the community about other negative impacts the Company might have, which will be carried out in 2009, based on Aracruz's new relationship model.

Wood production and supplies - During 2008, the Barra do Riacho and Guaíba units consumed 9,602,000 cubic meters of wood to produce pulp. The vast majority (82%) of this raw material came from the Company's own plantations, despite the growing contribution of wood supplied under the Forest Partners Program, which represented 16% in 2008.

At the end of the year, Aracruz had a forest base amounting to a total of around 511,000 hectares, with 313,000 hectares (61%) of eucalyptus plantations and 198,000 hectares (39%) of native forest reserves. The Company maintains a ratio of 0.6 hectares of native forest reserve for every hectare planted with eucalyptus.

In 2008, Aracruz's tree nurseries produced 102.5 million eucalyptus seedlings — 57.5 million at Barra do Riacho Unit and 45 million at Guaíba Unit —, and another 1 million seedlings of native species were supplied to the Company by community nurseries or third parties (800,000 produced at BRU and 300,000 at GU).

Forestry operations (December 31, 2008)

	BRU (ES/BA/MG)	GU (RS)	Total
Land use			
Eucalyptus plantations (ha)	211,264	102,077	313,341
Native reserves (ha)	133,552	64,063	197,616
Other uses* (ha)	20,534	11,001	31,534
Ratio eucalyptus plantations / native reserves	1.6	1.6	1.6
Eucalyptus			
Seedlings production (un)	57,471,197	45,005,310	102,476,507
Seedlings plantation (un)	46,717,683	41,825,093	88,542,776
Seedlings donation (un)	5,514,410	8,265	5,522,675
Native species			
Seedlings production (un)	801,527	300,000	1,101,527
Seedlings donation (un)	448,565	0	448,565
Harvest			
Average age of wood for pulp (years)	6.0	10.0	----
Forestry Partners Program			
	ES/BA/RJ/MG	RS	
Area contracted (ha)	91,148	4,697	95,845
Area planted (ha)	88,739	3,747	92,485
Number of contracts (un)	3,635	151	3,786
Average area per contract (ha/un)	25.08	31.11	25.32
Number of municipalities (un)	134	32	166

* Firebreaks, roads, instalations.

BRU - Barra do Riacho Unit

GU - Guaíba Unit

ha = hectare

un = unit

ES - State of Espírito Santo

BA - State of Bahia

MG - State of Minas Gerais

RJ - State of Rio de Janeiro

RS - State of Rio Grande do Sul

Wood logistics - The Company utilized the maritime transportation mode for handling 1.9 million cubic meters of wood, which meant an economy of 73,000 trips by triple trailer truck, thus helping to reduce traffic on stretches of the BR-101 highway where Aracruz carries out forestry activities and CO₂ emissions.

Fire fighting and prevention - During 2008, there were a total of 1,212 incidents of fires in the eucalyptus plantations and preserved areas in Aracruz, São Mateus, Bahia and Minas Gerais, representing a 21.1% reduction in relation to the previous year. Even more impressive was a 47.8% drop in the damaged area in the plantations and native forest reserves, compared to 2007.

These results are partly attributable to the setting up of a new mobile brigade, which is more agile and efficient at making an initial assessment and control of outbreaks in the forests, along with a variety of preventive measures, in addition to the training of more than 2,500 employees of Aracruz and its forestry service providers in safety and firefighting techniques.

Towards the end of 2008, Aracruz broadened the discussions on the issue, launching an educational campaign in the state of Espírito Santo and in the south of Bahia. Through hoardings, radio and TV messages, newspapers and posters, the Company sought to make the neighboring communities aware of the dangers and damage that fires represent to the population, the environment and the plantations and native forest reserves within the region.

Despite the improved results obtained in 2008, the incidence of fires in Aracruz's forested areas is still high, mainly as a result of localized problems involving the theft of timber for the illegal production of charcoal.

Soil management - The soil is an essential ingredient of the forest production system. And for this precious asset to remain productive over the course of the planting cycles, it is necessary to invest in the development of management practices that are compatible with the specifics of each environment. Such practices must reconcile high productivity levels with soil conservation, as well as the need for indicators that enable the monitoring of possible qualitative changes in the ecosystems.

The steady expansion of Aracruz's planted areas constantly presents new challenges, from the increased diversity of the environments being incorporated by the new areas of production. For the Company to be able to ensure sustainable growth, it has been necessary to invest, over these 40 plus years of research and development, in developing know-how about erosion and compaction control techniques, road building and preserving soil fertility and organic material. In this context, the introduction of conservation practices along forest roads, the handling of harvesting waste, the utilization of industrial waste as a source of nutrients and soil correction in Aracruz's plantations are all outstanding features of the forest management adopted by the Company.

The industrial solid waste that is used in the plantations (lime sludge, ash, dregs and grits) improves the soil quality and provides nutrients that are essential for eucalyptus growth. Aracruz has been conducting research into the utilization of industrial solid waste over the last 17 years, with the result that the dosages, the manner and timing of the application and the type of waste to be applied in each stand of plantation are now clearly defined. Currently, all the Company's annual output of ash and lime sludge is utilized in more than 30,000 hectares of plantations. In addition to reducing our spending on fertilizers, the re-utilization of the waste generated by the industrial process improves the quality of the soil, stimulates the growth of the eucalyptus and is environmentally sound.

For more information, access the Forestry Management Plans: www.aracruz.com >> Environment >> Forestry management program.

Pest and disease control - The principal measures adopted by Aracruz for detecting and combating eucalyptus pests and diseases are maintaining appropriate phytosanitary conditions during the seedlings production, the planting of resistant clones and the adopting of a monitoring system. To attain these objectives and minimize the use of pesticides, the Company is constantly investing in research related to forest protection.

In 2008, the research projects were directed towards ensuring the selection of resistant clones and introducing new monitoring tools. In the latter case, the field testing is now carried out in an integrated fashion, given the need to monitor pests, diseases and noxious weeds, as well as anything else out of the ordinary in the plantations. In addition to the optimal use of resources, this new system incorporates the development of essential technology for minimizing losses due to fires.

What is more, outbreaks of leaf stripping caterpillars have been controlled using a biological product (Dipel®: *Bacillus thuringiensis*) and application technology (ULV: Ultra Low Volume) developed and/or perfected at Aracruz, thus contributing to a better environmental balance in the plantations.

Efforts have also been directed at perfecting the system of warning and control of the leaf stripping beetle *Costalimaita ferruginea*, with a view to minimizing the use of pesticides to control this major scourge of the eucalyptus.

Research has also been directed towards possible future challenges, in the light of climate change and the growing use of the *Eucalyptus globulus*. In 2008, a project (Pest Assessment for Aracruz) was completed in partnership with the Commonwealth Scientific and Industrial Research Organisation (CSIRO) that specifically aimed at assessing the risk of the introduction of new pests and diseases and the results are already being utilized to guide Aracruz's forest protection research projects.

In the context of climate change, a study was finalized looking into the potential effects of global warming on the distribution of Eucalyptus rust, one of the principal diseases that attack the eucalyptus, in order to better understand the future challenges we might face and adapt the Company's control strategy accordingly. More intensive use of *E. globulus* in the genetic improvement program has also been considered, and studies have been initiated with a view to developing specific techniques to assess its resistance to defoliation caused by *Teratosphaeria* (= *Mycosphaerella*), a disease that has caused considerable productivity losses in certain parts of the world.

The protective practices introduced as a result of the increasing assimilation of the technological know-how generated over the years have helped to ensure the suitable development of the plantations, without any significant losses to pests or disease, thereby confirming the effectiveness of the strategies adopted by the Company.

Biodiversity - With the results obtained from the studies and monitoring carried out in 2008, it was possible to update Aracruz's biodiversity data, and notably the information about the birdlife. More than 136,000 birds have been registered since 1989 — by means of capture, census, line-transect sampling and observations — classified among 67 families and 588 distinct species. Within this total are 79 species that are identified as threatened, according to the list produced by the Brazilian Environmental Institute (IBAMA), the Espírito Santo State Environmental Institute (IEMA-ES), the Rio Grande do Sul State

Environmental Department (SEMA-RS) and the International Union for Conservation of Nature (IUCN). Approximately 13,300 birds have been ringed, for the gathering of information about their continuance and movements within the Company's areas.

The ongoing studies will make it possible to consolidate the parameters determining the effectiveness of the corridors connecting fragments of native forest, thus providing a basis for a more decisive implementation of this management initiative. Aracruz's Permanent Preservation Areas play a fundamental role in connecting isolated fragments of forest, emphasizing their importance to the conservation of the studied groups. It was also evident that the first stage vegetation contributes to the connectivity, but it cannot sustain all the bird populations of the forest species that have been studied.

Another highlight of the studies carried out in 2008 was a population estimate for the *Glaucis dohrnii*, the country's most endangered species of hummingbird. Twelve new individuals were ringed, bringing the total to 33 individuals recorded since 2004, the highest registration level for this species in the entire Atlantic Forest. On this basis, it is possible to estimate a local population of about 170 individuals, which is highly significant, in terms of the preservation of the species. The information from the studies and monitoring confirms that the forest management model adopted by Aracruz is enabling the bird communities to sustain themselves in the locations that have been studied.

A computer software, called the Aracruz BioIndex, was developed and tailored for the Company, in 2008. This software makes it possible to perform statistical analyses of the biodiversity indexes for the Company's plantations and areas of natural vegetation. This new tool performs complex calculations that couldn't be done manually, and provides an integrated and comparative view of the situation in the production areas, from a variety of perspectives — the diversity of the genetic materials planted, the age of the plantations, the type, size and form of the areas of native vegetation and the availability of water. The isolated use of field observations or a few indicators, alone, would not provide an integrated view of the true situation in the field, thus emphasizing the importance of the BioIndex as a support tool for decision making, capable of identifying opportunities to make improvements to the adopted forest management model.

Conserving biodiversity - Approval was given, in 2008, for a new Strategy for the Conservation of Biological Diversity, with the mission of ensuring appropriate forest environmental management, under a unified vision and aligned with the certification systems, in order to ensure technical, economic, social and environmental sustainability in areas under the influence of Aracruz Celulose.

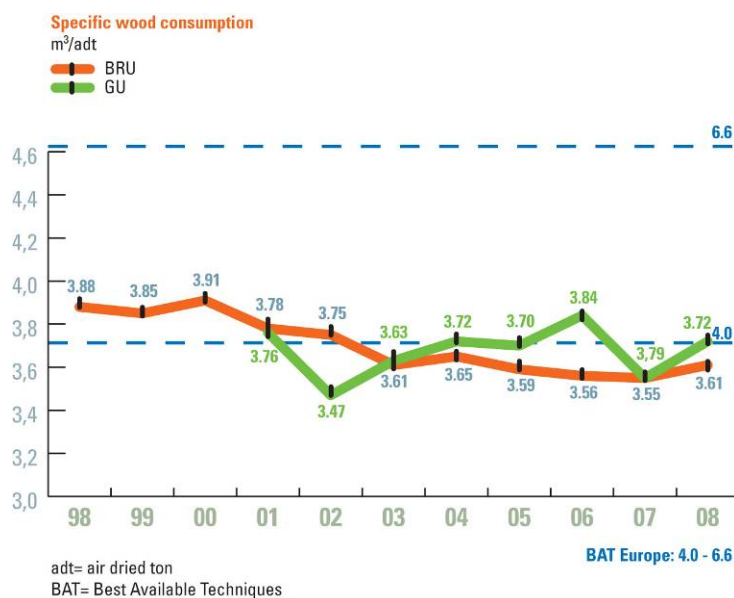
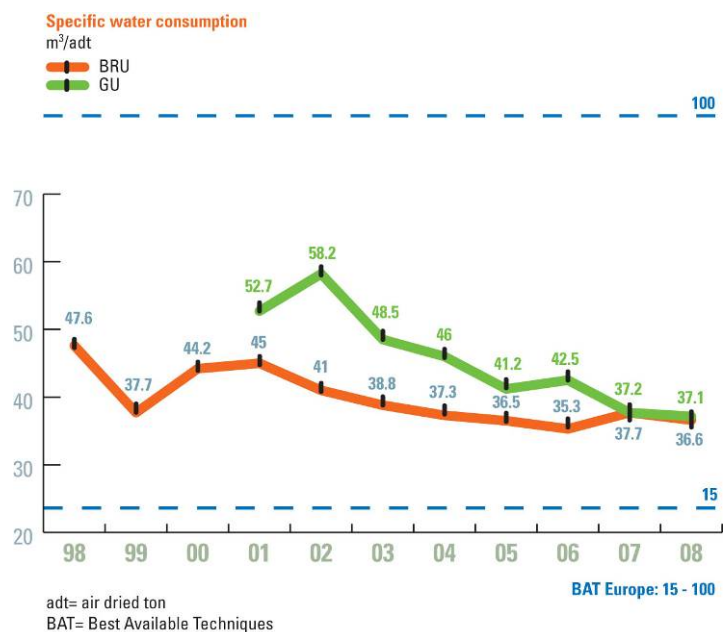
For the implementation of this strategy, a new biodiversity management model was developed in eleven areas of activity, addressing biological and social topics in an integrated manner, with the focus on landscape management; the restoring and protection of natural environments, with the emphasis on High Priority Conservation Areas (AAVC); the study, monitoring and sustainable use of biodiversity; and the Company's relationship with the local communities — including activities directed at education and other socioenvironmental responsibility related initiatives, with the scope of the activities applying both to the present boundaries of the enterprise and to the areas of expansion.

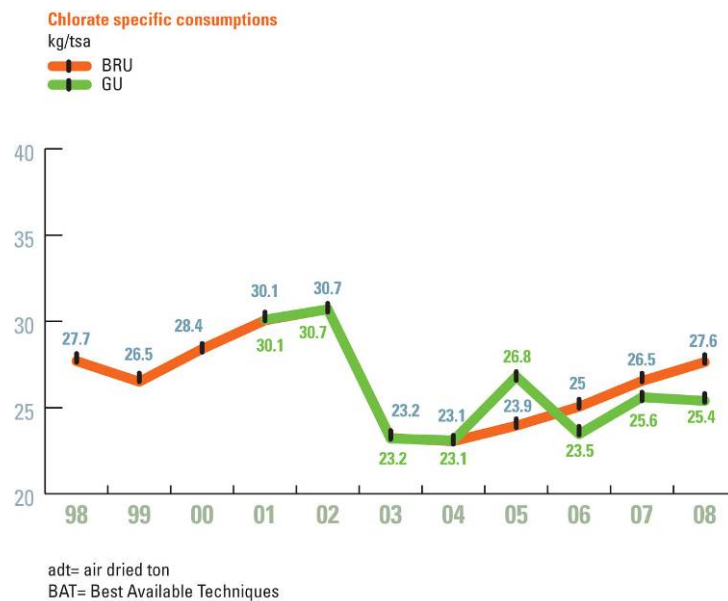
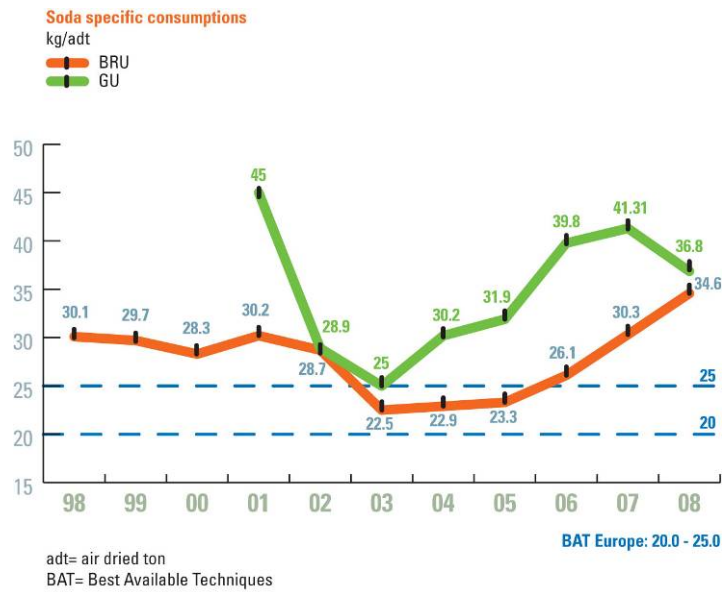
A multidisciplinary working group was set up to put into operation the action plans prepared by each area of activity.

Industrial Operations

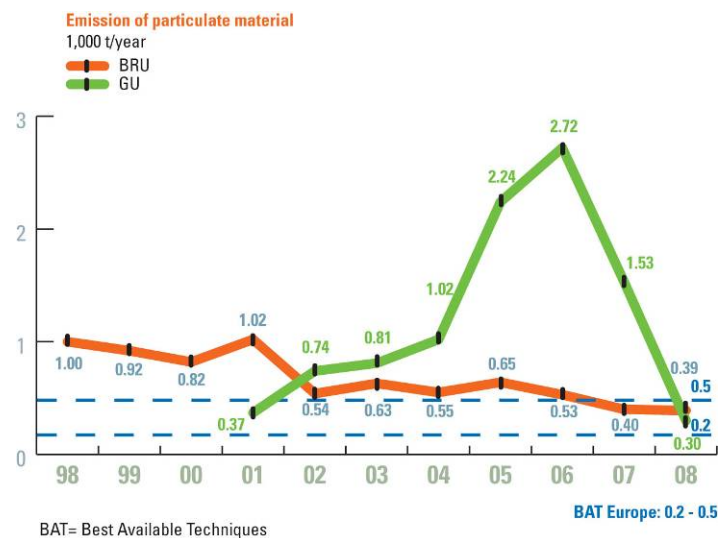
Pulp production - Aracruz's three industrial units produced 3.1 million tons of pulp in 2008, with the Barra do Riacho Unit contributing 2,104,000 tons, the Guaíba Unit 453,000 tons and Veracel 549,000 tons.

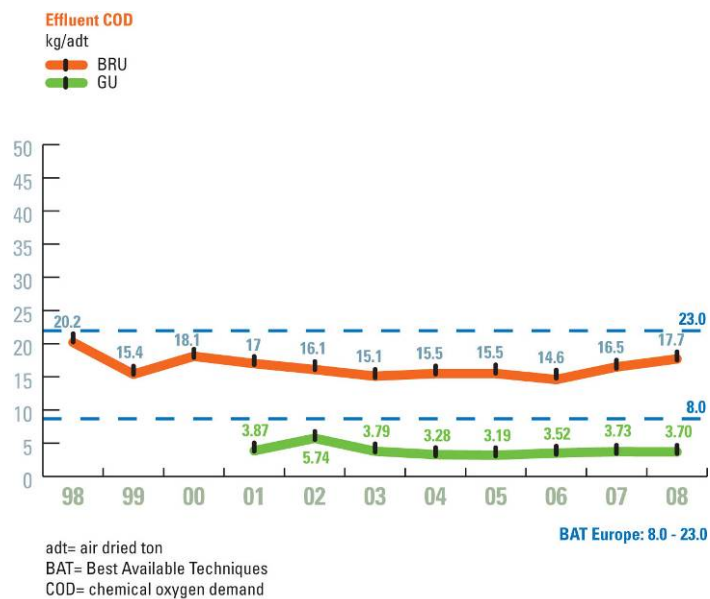
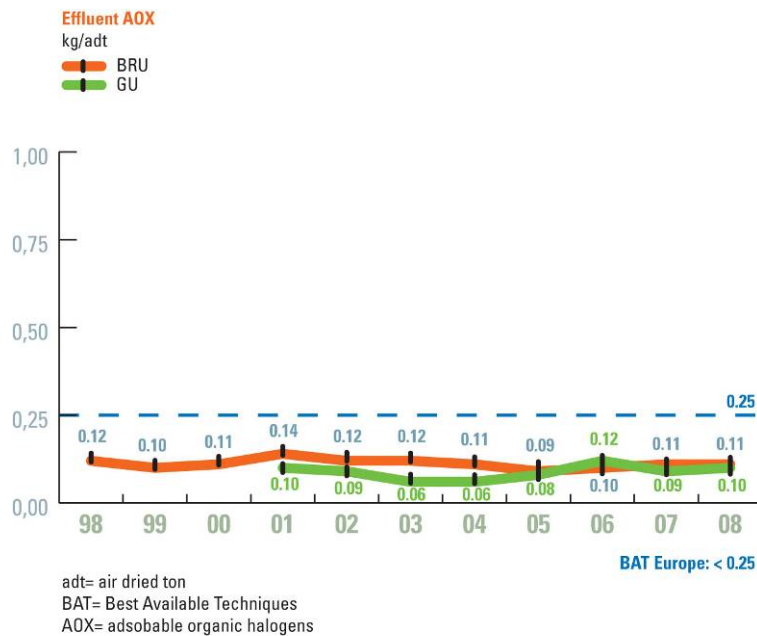
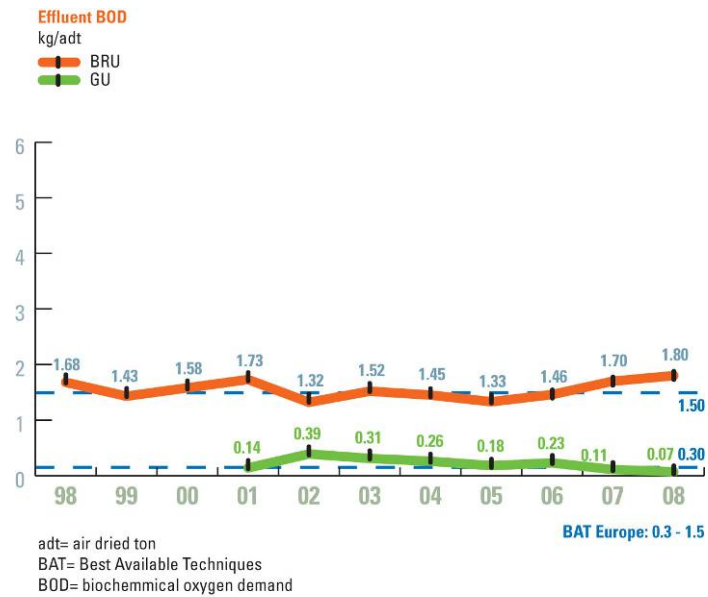
Pulp production specific consumption

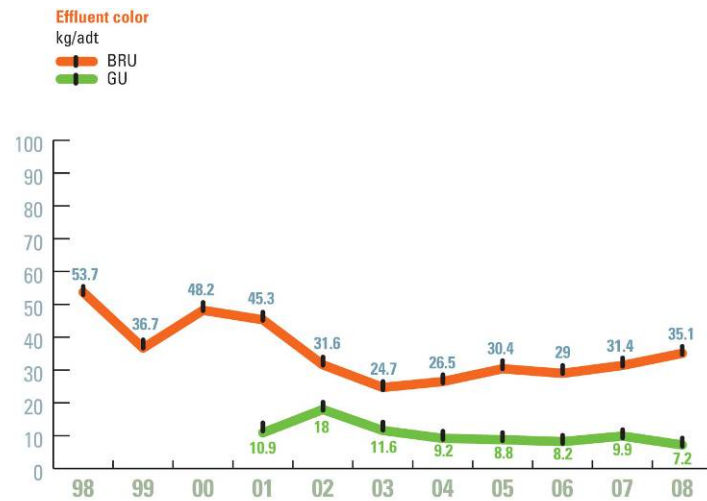




Pulp production emissions and effluents

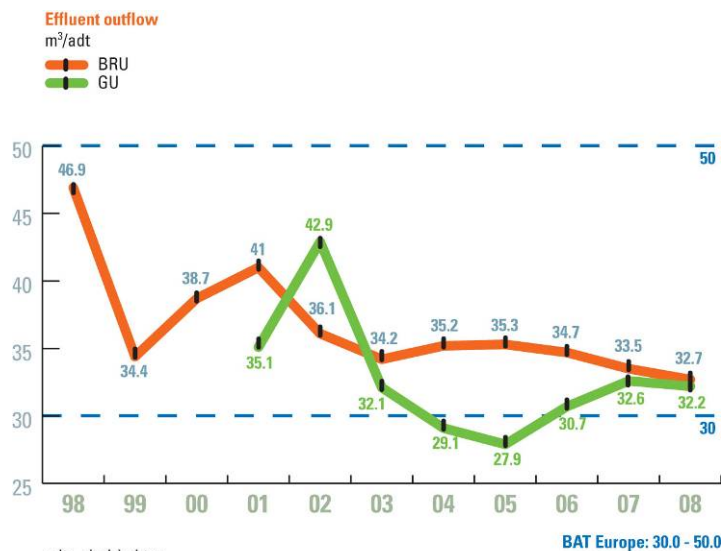




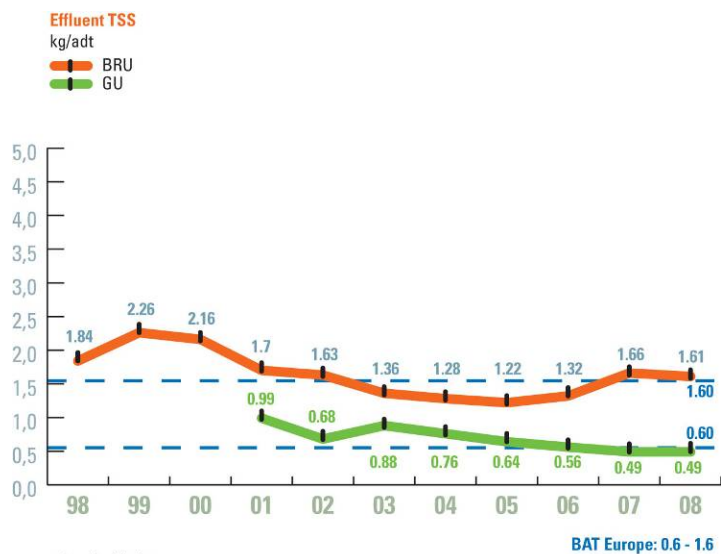


UBR: During 2008, the primary treatment unit underwent modifications and was affected by stoppages, interruptions and operational instability resulting from the refurbishment and improvements carried out to enhance its environmental performance. This affected the standards of the flows into the effluent treatment plant and, consequently, the efficiency and results of the

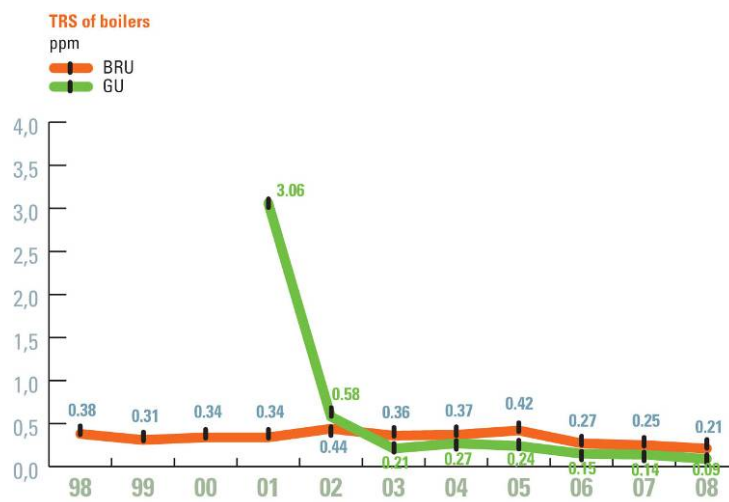
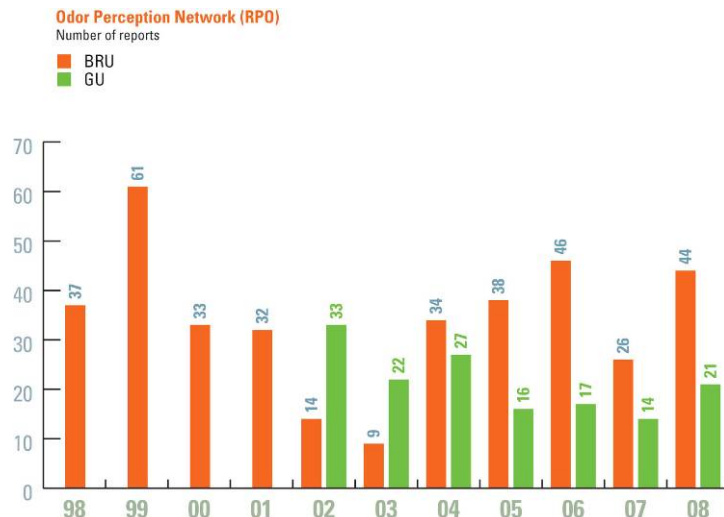
adt= air dried ton



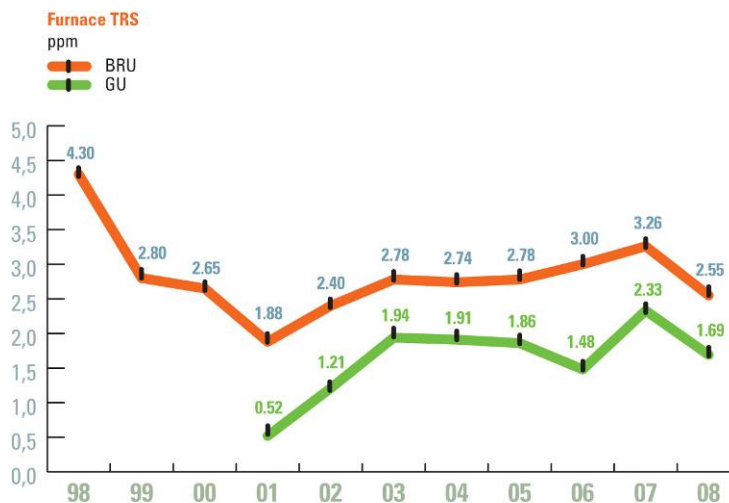
adt= air dried ton
BAT= Best Available Techniques



adt= air dried ton
BAT= Best Available Techniques
TSS= total suspended solids



TRS= total reduced sulfur

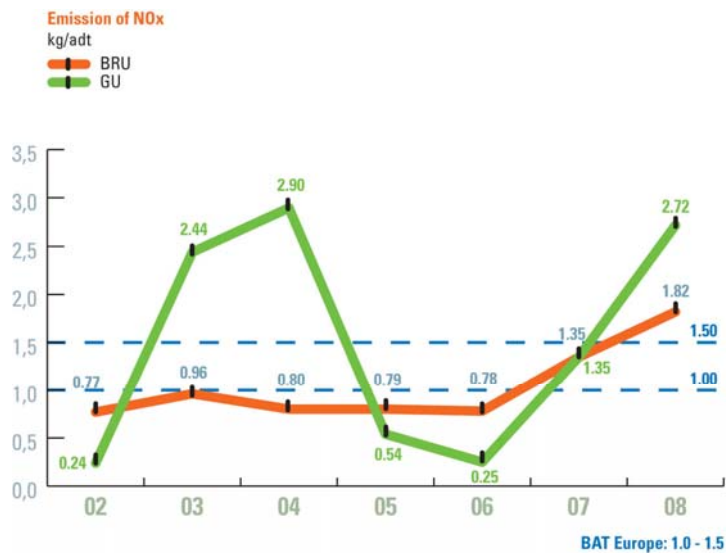


TRS= total reduced sulfur



GU: Coal is used to fuel the auxiliary boiler, resulting in a higher level of SO₂ emissions. There were also problems in 2008 with regulating the recovery boiler burning rate, which contributed to the higher emissions level.

adt= air dried ton
BAT= Best Available Techniques
SO₂= sulfur dioxide



BRU: Operational instability resulting from the fluctuations in production brought about by the market crisis, which dominated the second half of 2008, together with input variations that altered the operational parameters of the furnace and boiler units, all led to an increase in the NO_x figure.

GU: Results based on an isocinetic sample taken during the year (low level of representativeness).

adt= air dried ton
BAT= Best Available Techniques
NO_x= nitrogen oxides

Generation and disposal of solid waste

Barra do Riacho Unit								
(Industrial Landfill "B")	2001	2002	2003	2004	2005	2006	2007	2008
Generation of solid wastes (t/adt) ⁽¹⁾	0,09	0,08	0,05	0,058	0,052	0,041	0,091	0,136
% of waste recycled ⁽²⁾	27,39	17,23	18,52	21,26	25,50	55,2	64,7	58,7
Amount sent to industrial landfill (t)	81.086	107.932	82.536	95.167	82.172	54.384	68.720	122.010

Guaíba Unit								
Waste Treatment Center	2001	2002	2003	2004	2005	2006	2007	2008
Generation of solid waste (t/adt)	0.634	0.736	0.612	0.587	0.499	0.490	0.560	0.523
% of waste recycled	98.66	98.70	99.48	99.37	99.44	99.41	99.30	99.41
Amount sent to industrial landfill (t)	2,480	2,850	1,283	1,482	1,174	1,268	1,712	1,398

(1): Buscando alinhamento com o segmento e definições pela ABTCP, promovemos adequação no critério de medição da geração de Resíduo Sólido Industrial, anteriormente baseado em base seca e agora baseado em peso úmido.

(2): Apesar de ficarmos acima dos valores BAT, alcançamos resultado positivo em relação a nossa meta operacional 2008. Vivenciamos ainda ajustes e definições quanto ao encaminhamento de resíduos passíveis de aproveitamento operacional que tiveram sua absorção no mercado inibidas em decorrência da redução de produção pelos parceiros, resultando num enfraquecimento da demanda e tendo como resultado uma disponibilidade maior para o aterro e a consequente redução em nosso índice de reciclagem.

Generation and consumption of electrical energy and fuels - 2008 - Barra do Riacho Unit

Electrical energy	MWh	%
Self-generated	1,399,372	97.06
Purchased	41,397	2.94

Fuel consumption	Gj	%
Renewables ⁽¹⁾	53,434,562	92.8
Non-renewables ⁽²⁾	4,142,407	7.2

(1) Black liquor (84.5%), biomass (8.0%), non-condensable gases and methanol (0.27%)

(2) Fuel oil and natural gas.

Generation and consumption of electrical energy and fuels - 2008 - Guaíba Unit

Electrical energy	MW	%
Self-generated	376,640	77.8
Purchased	107,336	22.2

Fuel consumption	Gj	%
Renewables ⁽¹⁾	6,588,331	51.9
Non-renewables ⁽²⁾	6,100,711	48.1

1) Black liquor (99.3%), olein (0.7%).

(2) Fuel oil (10.9%), coal (80.7%), low sulphur oil (4.7%), petroleum coke (3.4%) and LPG (0.3%).

Fines and lawsuits

Assessments and notifications

Barra do Riacho Unit - The Attorney General's office in the municipality of Governador Valadares, Minas Gerais, initiated two civil inquiries, one of which was to monitor the licensing procedure for the Aracruz industrial unit in that state, and the other to verify alleged non-compliance with Forest Code provisions in relation to Permanent Preservation

Areas (APPs) and Legal Reserves on the Company's property. With regard to the former, the licensing process has been frozen, while in the latter case, the Company has submitted all the necessary documentation to straighten out the situation of the property and is awaiting a formal pronouncement from the relevant environmental body.

Moreover, police inquests were initiated in the districts of Montanha, Mucuri (ES) and Nanuque (MG), following complaints of encroachment by cattle within APPs belonging to the Company.

Guaíba Unit - The office of the State Attorney for Environmental Protection in Porto Alegre (RS) initiated two civil inquiries, one of which was to investigate the situation of the licensing process for expansion of the Aracruz plant in Guaíba, while the other was to verify a possible environmental liability in relation to the silviculture activities within the state of Rio Grande do Sul of the subsidiary Aracruz Riograndense Ltda (formerly Boise Cascade do Brasil Ltda). In both cases, the Company has submitted all the necessary documentation and is awaiting a formal pronouncement by that body.

The office of the District Attorney of Rosário do Sul (RS) initiated a civil inquiry to investigate possible environmental damage arising from mining activities carried out without due authorization from the relevant environmental body. Aracruz has submitted all the necessary documentation to prove the legitimacy of its procedures and awaiting a formal pronouncement by that body.

Portocel - Two notifications were drawn up, one of which in relation to an allegation that Portocel, in exercising activities with the potential to pollute, was not duly registered with the Federal Technical Registry, and the other because of a spillage of heavy oil following the fueling of a push tug. In the former case, Portocel has presented its defense and is awaiting a decision. In the second, Portocel's defense was partly accepted, it has lodged an appeal and is now awaiting a decision.

Lawsuits

Barra do Riacho Unit - Aracruz has filed an action for annulment, with a request for acceleration of protection, seeking the suspension and annulment of the fine that was imposed for alleged forest development activities on property that was not environmentally legalized, with no Legal Reserve and no environmental license. The acceleration of protection sought by the Company was granted and the case is in the instruction phase.

Three criminal suits were filed against Aracruz, the first in response to an allegation that the Company had "damaged 2.3 hectares of APPs, using the justification of authorization by IBAMA for a plan to remove the eucalyptus from the area, but adopting technical procedures incompatible with said authorization and also cutting down native trees". The second case relates to an allegation that, during an inspection by agents of IDAF/ES (Institute for Farming and Forest Protection), it was ascertained that the Company had purchased a pesticide in violation of the prevailing legislation. The third case relates to an allegation that Aracruz carried out forest development activities in an area that did not have a registered Legal Reserve. In the first two cases, the Company has presented its defense and is awaiting a decision, and in the third case, an agreement was reached that led to the case being closed.

In 2008, Aracruz filed three possessory actions, all in the state of Espírito Santo, in order to protect its property. Two of these cases were for repossession, against individuals who had unlawfully occupied land owned by the Company in municipalities in the north of the state (Linhares and Conceição da Barra), while the other was for upholding of ownership following an incursion by cattle in an area owned by the Company in Linhares. In the first and third cases, agreements were reached and the cases were closed. The second case has been contested, and Aracruz is awaiting a decision.

Aracruz was also cited in three possessory actions, in 2008. Two of these were for repossession, alleging that the Company was making unlawful use of lands, in Caravelas and Nova Viçosa (BA), belonging to third parties. The other is an injunction, for alleged trespassing in Ibirapuã, also in Bahia. The Company has contested the first two cases and is awaiting a decision, while in the third case, an agreement was reached that brought the case to a close.

Mucuri Agroflorestal filed a lawsuit for repossession, along with a request for the demolition of buildings put up illegally on Company property in Alcobaça (BA). The company has obtained an injunction and is waiting for a judgement to be handed down.

Guaíba Unit - In 2008, Aracruz filed 14 possessory actions in the state of Rio Grande do Sul, for the protection of its property. Four of these lawsuits were for repossession, against individuals who had unlawfully occupied land owned by the Company in the municipalities of Canguçu, Encruzilhada do Sul and São José do Norte. The other 10 were injunctions for alleged trespassing on Company property situated in the municipality of Canguçu. In all the cases, the Company obtained the injunctions sought and the lawsuits are proceeding normally.

Aracruz was also cited in a lawsuit claiming repossession and indemnification for material damage, in 2008. The aim of the plaintiff is to impede Aracruz's access to one of its areas, for which it is necessary to cross his land, on the grounds that this transit was causing damage to his property. An injunction was granted to impede the transit of large vehicles at that location, with the exception of trucks suitable for the transportation of animals, until a judicial decision is handed down. Aracruz has presented its counter-arguments and is awaiting a decision on its request to reconsider the injunction, as well as the decision as to the merit of the case.

Access our online report to see the progress in regard to the fines and lawsuits reported by Aracruz in 2007: www.aracruz.com/2008sustainabilityreport.

Climate change

The planted timber consuming industrial sector has made significant investments in forestry research over the last three decades. The notable technological advances achieved during this period, together with the suitable soil and climate conditions to be found in much of Brazil, have led to the country recording the world's greatest productivity increase in wood biomass, with the forests currently five times more productive than they were in 1965.

Nevertheless, there is still much to learn. The many changes, particularly climatic, that are occurring present a huge challenge: to understand better the impact of such changes on our forest plantations. The increase in air temperature, reduced rainfall frequency and,

especially, the higher level of CO₂ in the atmosphere, should the reduction and removal mechanisms not be efficient, may have a positive or negative impact on plant growth. Learning "how" and "how much" the plants will react to these environmental changes is a scientific challenge.

Aracruz endeavors to identify the coefficients and sources of the greenhouse gas emissions (GHG) produced by its activities, quantifying both the emissions and the carbon sequestration by its plantations and areas of native forest reserves. This work is based on internationally adopted benchmarks for the development of emissions inventories and on studies that are respected within scientific community.

[Click here to see more about the eucalyptus in times of global warming](http://www.aracruz.com.br/eucalipto/en)
<http://www.aracruz.com.br/eucalipto/en>

Survey of the carbon stock within the native forest reserves - Approximately one third of the area belonging to Aracruz is covered by native vegetation that is protected, in the form of Legal Reserves, Permanent Preservation Areas and conservation units, such as the RPPNs (Private Natural Heritage Reserves). The adopted production model, having commercial eucalyptus plantations interspersed with natural areas, enables the interaction, multiplication and conservation of local species of fauna and flora.

What is more, by consuming wood from renewable plantations, the Company plays an effective role in the global effort to alleviate the pressure on native forests and mitigate climate change. The carbon sequestration by the native forests is worth emphasizing in this context, as it helps to reduce the level of GHG in the atmosphere.

The amount of carbon stored in the native forest reserves at the Barra do Riacho Unit, in areas located in the states of Espírito Santo, Bahia and Minas Gerais, was estimated at 5.4 million tons, in December 2008, which is equivalent to the emissions that would be given off by a car driving round the Earth, at the equator, one million times.

Estimated carbon stock in native reserves at the BRU - 2008

Ecosystem	Biomass (t/ha)	Area (ha)	Total C (t)	Total C (%)
Advanced stage (1)	384	12,941	2,487,260	46.23
Intermediary stage (1)	92	25,038	1,149,244	21.36
Initial stage (1)	13	49,921	319,494	5.94
Floodplain	15	7,615	57,113	1.06
Restinga	40	5,232	104,640	1.95
Mussununga	47	14,943	350,413	6.51
Swamp	135	13,527	911,720	16.95
Total		129,217	5,379,884	100.00

¹ Atlantic Forest

The technical and economic viability of a new scientific methodology — FullCAM — was also evaluated in 2008. This is a more thorough method of determining the carbon stock in native forest reserves, that has been developed in partnership with the Commonwealth Scientific and Industrial Research Organisation (CSIRO), an Australian scientific and industrial research body. In 2009, field trials will be carried out in order to calibrate the new tool to the specific conditions of each of Aracruz's units.

Survey of the carbon stock within the plantations - The Company possesses areas of land planted with eucalyptus trees, for the production of pulp and solid wood products, and these are extremely important for maintaining the balance and stability of this model of sustainable production. In this context, the carbon sequestration by the forests is fundamental, as it helps to reduce the level of GHG in the atmosphere, by retaining the carbon in the wood of the trees.

During 2008, the carbon sequestration by Aracruz's planted forests amounted to 340,500 tons, equivalent to 1.25 million tons of CO₂. In December of that year, the carbon stored in the forest plantations at the Barra do Riacho and Guaíba units was estimated at 9.8 million tons, representing a stock of 35.8 million tons of CO₂. In comparison with 2007, there was a 24.4% increase in the amount of carbon stored in the Guaíba Unit's forests, equivalent to an increase of approximately 465,000 tons in the carbon stock.

The Company's strategy for managing these forests envisages an increase in the carbon stock over the years, as areas that are in the initial and intermediary stages of regeneration evolve to an advanced stage and new areas are added.

Inventory of GHG emissions - In 2008, as in previous years, Aracruz conducted a review of the adopted premises, emission factors and sources, and the internal procedures used to compile data on GHG emissions and carbon sequestration related to its processes. The current review was based on the latest versions of documents that are used all around the world for drawing up GHG inventories, as well as on modified internal procedures and premises.

As in previous years, Aracruz's 2008 GHG Emissions Inventory followed the calculation methodology released by the International Council of Forest and Paper Associations (Calculation Tools for Estimating Greenhouse Gas Emissions from Pulp and Paper Mills, ICFPA, 2004). We also used the GHG emissions methodology adopted by WRI/WBCSD (A Corporate Accounting and Reporting Standard, WRI, 2004).

During 2008, companies around the world found themselves having to take action with respect to the effects of temperature change and drastic alterations to the landscape, brought about by climate change. Global warming is no longer merely the concern of environmentalists, but has been placed on the agenda of social, economic and strategic planning discussions at company and national levels.

In alignment with this trend, Aracruz, which has been monitoring and revealing its greenhouse gas emissions and carbon stocks since 2003, continues to include in its strategic planning measures to mitigate global warming.

As well as constantly looking into opportunities to reduce emissions by replacing fossil fuels with renewable ones, Aracruz endeavors to increase the efficiency of its processes, so as to reduce its consumption levels and, consequently, the level of GHG emissions in relation to its industrial activities.

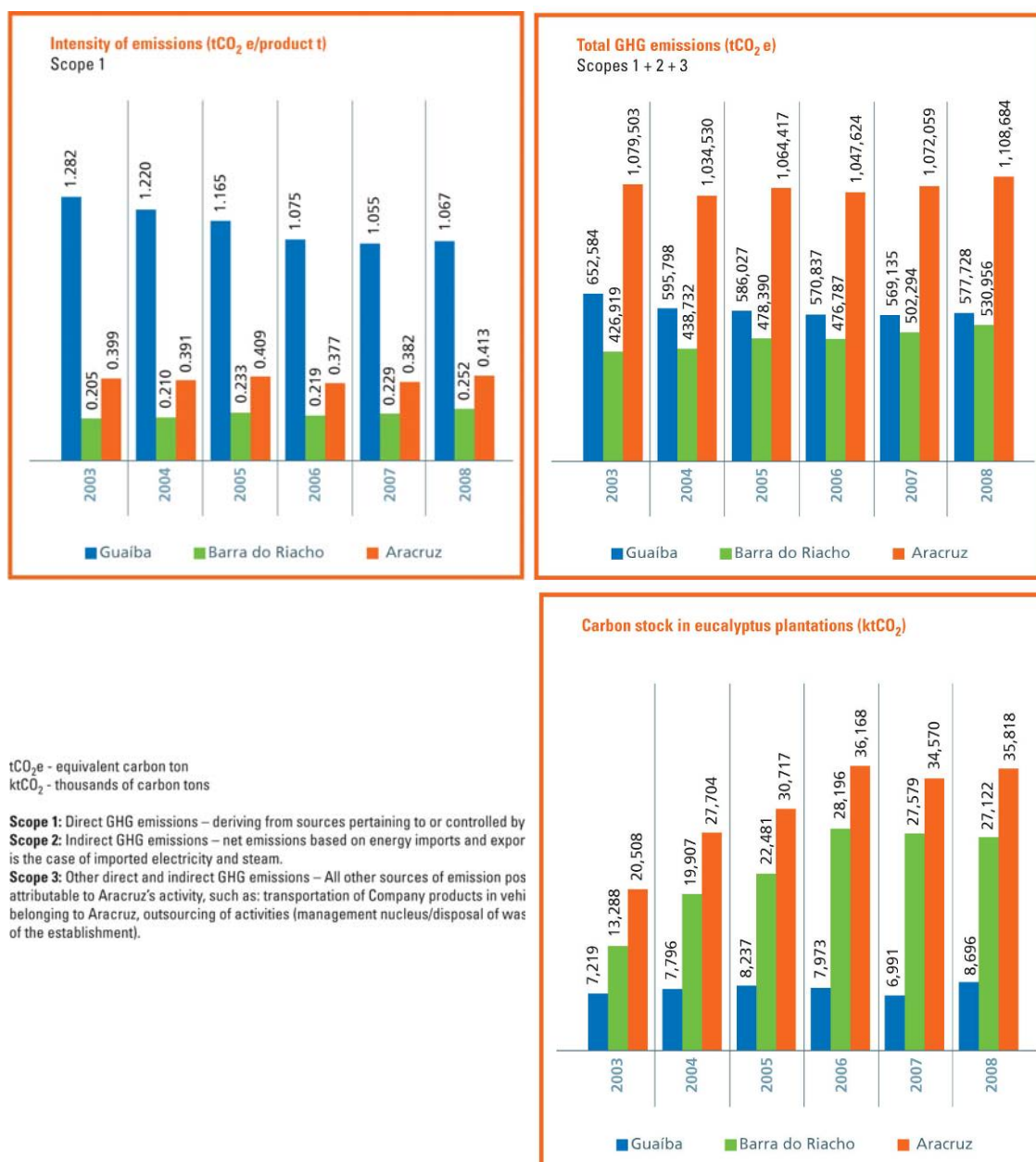
Since 2003, the Company has managed to reduce the direct emissions from the burning of fossil fuels at fixed points by about 2.8% and, since 2006, by 24.7% from mobile sources. Presently, around 84% of the energy used at fixed points, in Aracruz's production

processes, is derived from renewable sources.

By 2008, the Guaíba Unit had managed to reduce the level of its direct GHG emissions per manufactured production unit by about 17%, compared to the 2003 figure. This is a useful indicator for monitoring GHG emissions and energy efficiency, since the results are not distorted by fluctuations in production level. A decline in this indicator reflects improved emissions management.

Moreover, Aracruz had managed to reduce its total energy consumption in 2008 by around 8%, in relation to 2003, the year when it first began to monitor its GHG emissions.

The Company reports the direct emissions from its operations (Scope 1), those relating to its energy imports (Scope 2), and those from other sources that are attributable to the Company, such as transportation in vehicles that are not part of the Company's fleet or whose operations are not controlled by the Company (Scope 3).



Information Technology (IT)

Information infrastructure and security - Various steps have been taken to optimize the use of the IT infrastructure, including server consolidation and virtual storage, leading to enhanced service performance, accessibility and back-up, as well as reducing the cost of server maintenance and replacements.

The Company improved the level of security, performance and accessibility of the corporate network and introduced an Intrusion Prevention System and Automated Vulnerability Management, operated remotely through a Security Operations Center that works 24 hours/day, 365 days/year.

IT governance - The Company pushed ahead with its implementation of IT governance based on best market practices, refining the standard of customer care through the Service Desk helpline. This involved improving communication with users, extending the business hours and introducing caller evaluation of service quality. There was also a fine-tuning of the controls for compliance with the requirements of the Sarbanes-Oxley Act, with the introduction of a new version of the applications maintenance control tool and setting up of a critical maintenance control group to assess and reduce the attendant risks.

Information systems - Implementation of the integrated Enterprise Resource Planning system upgrade has been completed. The ERP SAP (ECC 6.0) will bring increased process automation, productivity gains and improved access control. The system of integration with customers and logistics partners has gained new features, which allows an increased number of partners to be integrated and greater automation of the information flow. Distance learning technology was also introduced, making this learning tool easier and cheaper to use.

Managing the workforce

Workplace health and safety - In 2008, Aracruz Celulose, Portocel and 29 service providers participated in the In-House Workplace Accident Prevention Week (SIPAT). This ninth edition of the event was held at Barra do Riacho (ES) and Guaíba (RS). In addition to activities aimed at the internal audience, the program also includes activities for the respective local communities.

Accidents with lost time

Company employees	
Year	Frequency rate*
2003	2,50
2004	2,61
2005	2,51
2006	2,42
2007	2,05
2008	1,83

* Does not include Portocel. Calculated using OSHA (Occupational Safety and Health Administration) methodology.

Permanent outsourced personnel	
Year	Frequency rate*
2003	19,99
2004	17,30
2005	15,05
2006	1,92
2007	2,37
2008	0,95

* Up to 2005, calculated using ABNT (Brazilian Association of Technical Standards) methodology. As from 2006, calculated using OSHA (Occupational Safety and Health Administration) methodology.

Quality of life - In 2008, Aracruz retained its programs aimed at improving the quality of life of its employees and their dependents, notably its support for smokers and those suffering from chemical dependency, professional rehabilitation, preparation for retirement, guided physical activities, dietary re-education and the maternity program (nursery and encouragement of breast-feeding).

Supplementary pension - At the end of 2008, the Aracruz Social Security Foundation (ARUS) — a closed supplementary pension entity, of which Aracruz is the principal sponsor — had 4,980 active and retired participants, and a net worth of R\$ 516 million.

Managing the supply chain

Aracruz seeks to engage its entire supply chain in the same social and environmental responsibility practices that it has adopted for its own activities, by means of contractual clauses, assessments and regular audits.

The Company requires that its suppliers demonstrate respect for social and environmental issues and compliance with the labor legislation, including the prohibition of child or slave labor. The Integrated Management System adopted by the Company embraces requirements in relation to social and environmental management, among others.

Veracel

Eucalyptus, pulp and dialogue: generating wealth and promoting sustainability

Veracel's mission is to produce high quality pulp fibers through sustainable practices and technological excellence.

Understanding people and their attitudes represents a huge step towards achieving harmony and obtaining results. It is like that too with organizations, which, more and more, need to talk and relate to society and give consideration to the different characteristics and cultures. One can only cultivate relationships through the exchanging of ideas, between people and social institutions, both public and private. This dialogue, maintained on a routine basis with the various different stakeholders, is helping Veracel Celulose S.A. to fulfill its mission and attain its vision: to be a world benchmark in sustainability.

If sustainability means doing what is best for the environment and the people — not only for today's generation, but for future ones — listening to and understanding the different demands and needs around us is a very good starting point for Veracel.

The company addresses its economic facets with transparency and good governance, contributes towards environmental preservation and conservation, and plays an important role in the social development of the region, by generating income; investing directly (using its own resources) in social projects, and investing indirectly, through the taxes paid.

In this context, the following results were achieved in 2008:

CORPORATE, FINANCIAL AND ADMINISTRATIVE

Human resources

2008	
Total	4,022
Company employees	764
Permanent outsourced personnel	3,258

Investments

(industrial, forestry and corporate areas / in millions of reais)

2008
267.52

Financial
Payroll (company employees / in millions of reais)

2008
45.05

Taxes (in millions of reais)

2008	
Federal	46.55
State	7.15
Municipal	12.52
Social welfare	28.27
Payroll charges	3.77
Total	98.26

Engagement of outside services (in millions of reais):

2008
357.44

Sustainability

From the time that it was set up, Veracel undertook to become a world benchmark for sustainability and endeavors to maintain ongoing dialogue with all its strategic stakeholders. Its operations adhere to the most stringent quality standards and are guided by the principle of balance between the economic, environmental and social platforms. Priority in its social investments is given to Education, Health and Income Generation.

Educational support program:

4,000 student beneficiaries in 3 municipalities, covering 10 districts, mobilizing 188 directors and teachers at the 21 schools involved.

Veracel environmental education program:

3,000 student beneficiaries, in 2 municipalities, covering 11 districts, mobilizing 142 teachers at the 35 schools involved.

Health support program:

28,400 beneficiaries in 3 municipalities.

Income generation program:

596 beneficiaries in 7 municipalities, where 10 income generation activities have been developed.

Community dialogue program:

147 meetings held and 48 communities visited.

Dialogue with traditional communities*:

Relations with 17 communities. 12 organized visits to the mill and Veracel Station, involving a total of 120 visitors.

Veracel Station RPPN "Good Neighbor" program:

Involves 300 people in 3 settlements in the neighborhood of the Veracel Station RPPN.

RPPN "Open Door" program:

1,080 beneficiaries at 24 schools and churches in communities in the neighborhood of the Veracel Station.

Social needs:

135 projects approved, in 15 municipalities covering 18 districts.

Number of visitors:

Mill: 496

Veracel Station: 3,694

** as defined under government decree no 6,040/07*

FORESTRY

Veracel is notable for, among other things, its efforts in the environmental field. A total of 104,000 hectares have been allocated for the conservation and protection of the native vegetation, representing 1 hectare of protected forest for every hectare of planted eucalyptus. The Veracel Station Private Natural Heritage Reserve (RPPN), where important research and environmental education projects are carried out, accounts for 6,069 hectares of the total protected area.

Forestry

2008	
Total land area	211,689 ha
Planted eucalyptus area	90,870 ha
Protected area	104,192 ha
Infrastructure	16,627 ha

Protected area for the restoration of the Atlantic Forest (including the Veracel Station RPPN, Legal Reserves (20.7%) APPs (9.7%), HCVAs and others)

Area	2008	%
Protected	104,192 ha	49.2
Native vegetation	74,130 ha	35.0
Earmarked for restoration	30,062 ha	14.2

Atlantic Forest program:

Reforested native forest area

495,000 trees in 2008

Total reforested area, since the program was started: 3,100 hectares

Forestry Partners program

2008	
Planted area	19,213 ha
Number of beneficiaries	98

INDUSTRIAL AND LOGISTICS

Strict control of atmospheric emissions has ensured extremely low odorous emissions and a high level of efficiency in the retention of solid particles. Since 2005, the company has maintained an Odor Perception Network, comprising 23 volunteers in 9 communities in the neighborhood of the mill. These volunteers alert the company whenever they notice, in their area, the characteristic odor given off by the pulp production process. Just 6 incidents were recorded in 2008.

- Self-sufficient in electricity generation, producing 900,000 MWh/year, enough to supply a city of around 400,000 inhabitants.
- Low water consumption (25.9 m³/air dried ton of pulp) and low level of effluent generation (22.7 m³/adt), which is lower than the European Commission benchmarks for pulp mills equipped with the best available technology (30 to 50 m³/adt – IPPC data, December 2001).
- Treatment of solid waste, 80% of which is recycled, producing 5,000 tons of organic fertilizer that is registered with the Ministry of Agriculture.

2008	
Pulp production (adt)	1,099,697
Average daily pulp production (adt)	3,089
Prime quality index	99.2%

Belmonte Maritime Terminal (TMB)

Located 60 kilometers from the mill, it ships the pulp to Portocel, in Espírito Santo, on sea-going barges. Built with the capacity to ship 1.06 million tons of pulp/year, the purpose of the terminal is to reduce the pulp distribution cost, as well as providing an ecologically correct transportation option: each barge trip represents 384 fewer truck journeys on the BR-101 highway.

2008	
Pulp shipment volume	910,964 t*
Average volume per barge	6,368 t

*tons

Learning and Development

In order to ensure a favorable environment for the development of the professionals who are responsible for the success of Aracruz, as well as, through engagement, helping to enhance the Company's relationship with its stakeholders, we organize in-house training and community vocational training, and participate with NGOs in dialogue and forums in Brazil and abroad.

Professional training and development

Training and skill building - During 2008, Aracruz sustained its investments in professional development activities, providing more than 207,000 hours of training, equivalent to about 78 hours per employee.

Community vocational training - Aracruz kept up its support, in partnership with Senai and Senar (respectively, the National Industrial/Rural Training Service), for training courses for forestry machinery operators, painters, water and sewage technicians, ironworkers and plant nursery workers, in Espírito Santo and Bahia. Since 2004, more than 700 workers have completed these courses. In Rio Grande do Sul, Aracruz, along with INSIFORP (Union Professional Training Institute), the Guaíba local government and SINE (National Employment System), has provided support for the 536 women to obtain professional qualifications as masons, carpenters, metalworkers, plumbers, electricians, and painters.

Opportunities for young people - During 2008, Aracruz took on as interns a total of 98 university students, most of whom are studying Business Administration, Biological Sciences, Law or Engineering, and 36 students on technical-vocational courses, predominantly Chemistry or Pulp and Paper. Meanwhile, the Young Apprentice Program at Aracruz and Portocel provided training to 57 teenagers, aged 14 to 18, from low-income households in the municipalities of Aracruz and Conceição da Barra (ES).

Citizenship - The Aracruz Voluntary Social Work program had a total of 560 registered volunteers in 2008, who organized 72 activities for a total of 13,800 beneficiaries. The program continues to focus on activities in support of rest homes, orphanages and hospitalized patients, as well as campaigns to collect food, clothes, books and toys. Also included among their activities are programs providing guidance to students on setting up and running a business, developing community leaders and stimulating interest in the world of business.

Managing the workplace atmosphere - Aracruz addresses the management of the workplace atmosphere in a procedural manner. Every two years, a survey is carried out in order to assess the employees' attitudes towards the Company, taking into consideration factors such as style of management, communication, pay and benefits, among others.

The last survey was carried out in 2007 and, based on the results, the various different areas of the Company drew up specific action plans, aimed at introducing improvements. The action plans can be studied, and their implementation monitored, by all the employees, on the Company's intranet, Aracruz Net, where there is a specific page devoted to the process of managing the workplace atmosphere.

Dialogue with NGOs and participation in forums

Aracruz participates, along with other companies, in regional, national and international environmental and social discussion forums. The Company also maintains relations with national and international NGOs, and intends to expand this process of engagement.

Participation in the TFD - The Forests Dialogue (TFD) international gathering for 2008 was held in Brazil, under the "Dialogue on Intensively Managed Planted Forests". Aimed at furthering dialogue with various segments of society, in order to determine under what conditions intensively managed plantations can provide a balanced combination of economic, social and environmental benefits, the gathering included visits to the installations of Aracruz and Suzano and debates involving national and international NGOs, forestry companies, labor unions, local communities and intergovernmental bodies, as well as visits to and discussions with rural, quilombola and Indian communities, farmers participants in forestry partnership programs and charcoal producers.

The full report on this gathering is available at:
<http://research.yale.edu/gisf/tfd/pdf/impf/TFD%20IMPF%20Review.pdf>.

Participation in the Forest Dialogue for the Atlantic Forest - In 2008, the fifth national gathering under this initiative was held, this time focusing on private protected areas and the connection between water, forests and biodiversity. Other important themes that are being addressed under the Forest Dialogue are forestry partnership programs and zoning. The FD also took the opportunity to formalize its adoption of the pampa biome, changing its name to Forest Dialogue for the Atlantic Forest and Pampa, since support for the efforts of the regional forums will be one of the FD's principal strategies over the next few years.

NGOs in Espírito Santo - At the single gathering held in 2008, the Espírito Santo NGOs Forum identified certain themes as being a priority for discussion in future forums. The chosen themes are: debates on forestry partnership programs; compliance with environmental legislation, particularly that dealing with Permanent Preservation Areas and Legal Reserves; the possibility of forming partnerships between forum participants; the need to influence other sectors in regard to compliance with environmental legislation; the exchanging of information between the participants in the dialogue; the development of environmental education activities; forestry forestry partnership programs and its environmental impact; invasive species; and the lack of effective surveillance by the responsible bodies and of incentives to plant native species for economic return.

NGOs in the south of Bahia - Since 2005, the Bahia Forest Forum has been discussing guidelines for forestry partnership programs in the south and extreme south of the state, and these have as a model for other regions. The group held four gatherings in 2008, which led to the monitoring of the forestry partnership programs agreements; the incorporation of the forum's guidelines in the participating companies' communications and integration with forestry partners; the establishing of formal agreements for the

development of technology for the planting of native timber species; and the implementation of systems for the multiple use of the planted timber. During the year, discussions took place with the Bahia state government on the question of Legal Reserves, which led to the creation of two specific working groups, for Zoning and Independent monitoring of the social and environmental impacts of silviculture.

NGOs in Rio Grande do Sul - In the south, seven gatherings were held in 2008, with the participation of representatives from Aracruz Celulose, VCP, Stora Enso, AGEFLOR (Rio Grande do Sul Association of Forestry Companies) and the NGOs Mira-Serra, the Canela Ecological Association and the Atlantic Forest Network, among others. Priority was given at most of the gatherings to questions relating to the evaluation of environmental zoning for silviculture, which is under discussion within the State Environmental Council (CONSEMA). However, at the most recent gatherings, the following themes were defined as being a priority for discussion: silviculture and water, with a seminar to be held in 2009; property management, environmental compliance; and mosaics of protected areas.

Awards and recognitions in 2008

- Included, for the fourth consecutive year, in the Dow Jones Sustainability World Index (DJSI World) 2008/2009.
- Gold class distinction, as the leader in the forestry/paper sector, in the Sustainability Yearbook 2008, published by Sustainable Asset Management (SAM), an organization that assesses and classifies the companies in the DJSI.
- Winner, in the Pulp and Paper category, of the Export Quality Award 2008, presented by the *Revista da Madeira* magazine to the leading exporters of forest-based products.
- Winner of the 22nd edition of the Highlights of the Year 2007 award, presented by the *Jornal do Comércio* business newspaper in RS, in the Environment category.
- Among the "50 Best Companies for Corporate Citizenship", in a survey of the 1,000 biggest and best Brazilian companies, conducted by the *Gestão & RH Editora* publishing house.
- Second place in the ranking of the 50 companies with the best corporate governance practices in Latin America, compiled by the Spanish consulting firm Management & Excellence.
- Winner of the 36th RS Export Award, sponsored by the Brazilian Association of Sales and Marketing Directors (ADVB/RS), in the Master Exporter category.
- Winner, in the Pulp and Paper sector, of the 2008 edition of the *Valor 1000* yearbook, published by the *Valor Econômico* business newspaper.
- Carlos Aguiar, the CEO of Aracruz, was awarded the title Sustainable Leader at the 8th Business Leader awards, presented by the TV Vitória program *Negócios de Sucesso* (Successful Businesses).
- 5th place on the list of the best sustainability web portals, in a study carried out by the consulting firm Management & Excellence and published in *Razão Contábil* magazine.
- Carlos Aguiar was one of three Brazilians mentioned in the Risi Power List 2008, presenting the 50 most influential figures in the global pulp and paper sector. The list was published by the magazine Pulp & Paper International (PPI).

- Leader in the Pulp and Paper sector, according to the rating of the "Most valuable brands in Brazil", compiled by the consulting firm BrandFinance, together with the *Gazeta Mercantil* business newspaper.
- Among the 100 Best Companies in the Corporate Human Development Index 2008, according to a survey conducted by *Gestão e RH* magazine, with distinction in Corporate Citizenship.
- Highlights of the Sector 2008 Award, sponsored by the Brazilian Pulp and Paper Technical Association (ABTCP), in the "Market Pulp Manufacturer" category.
- Chosen as the Best Company in the Pulp and Paper sector, in the Best in Agribusiness 2008 yearbook, sponsored by *Globo Rural* magazine, an Editora Globo publication.
- Winner of the Brazil Intangible Assets 2008 Award, for Sustainability. This is a Padrão Group initiative, through the *Consumidor Moderno* magazine and DOM Strategy Partners.
- CEO Carlos Aguiar was chosen by the Business Leaders Forum as one of the business leaders in the pulp and paper sector, and one of the five business leaders in the state of Espírito Santo, covering all economic sectors.
- COO Walter Lídio Nunes was chosen as the Private Sector Engineer of the Year, an award presented by the Rio Grande do Sul Engineering Society (SERGS).

External Views

Continuing the initiative begun two years ago, we once again present the views of two of our readers, who state their opinions about the quality, materiality and relevance of the information provided in this publication.

Their comments, as with those in the previous editions, will enable us to refine the way we report on our activities, including the addressing of more complex issues, always endeavoring to provide an ever more balanced presentation of the facts.

In this edition, we present the statements provided by the journalist Ricardo Voltolini and professor Celso Lemme.

An external view on the Aracruz Celulose 2008 Annual and Sustainability Report.

A company's report represents a link between the past and the future, an effort to evaluate the path that has been travelled and to identify the next steps to be taken. In this regard, the 2008 report from Aracruz Celulose has a number of positive features and a few that could be improved.

The first positive point is the integration within a single document of elements that are presented by many companies in different reports, generally called the Annual Report and the Corporate Sustainability Report. This integration reflects a more fitting appreciation of the concept of sustainability, which considers the economic and financial, environmental and social aspects of management and company assessment to be inseparable.

A second important point, for the reader, is the sheer quantity and variety of information, along with the clarity of the text, which reveals a concern over transparency. The blending of quantitative data with statements from stakeholders provides an insight into the business dynamics that one does not always find in company reports. The approach of providing information on two levels, to be accessed at the reader's discretion, is very sound, as is the indication of links to specific aspects of the company's policies and procedures.

For the third positive point, we have the opening pages, which includes the message from the management, which present an articulate and consistent picture of the company's position with regard to technological, political, social and environmental considerations.

There is always room for improvement in the years to come, given that the preparation of a company report demands a considerable communication effort, between the different areas of the company and with the external audience. The information presented suggests that the company is going through a period in which important details are being defined, in the light of the change of ownership.

The report could develop its approach, from descriptive to analytical, with the sequence of the sections underscoring the strategic link between the different sets of information, in line with the opening message from the management. The value chain and sustainable competitive advantages could be explored more fully, as well as the relationship between social and environmental factors and financial performance. This would make it easier to understand the business case for sustainability.

Another thing that would help the reader would be brief and objective description of the principal challenges and risks that the company is aware of, as well as initiatives to overcome them. Some scattered items in the report, from legal issues to the relations with local communities and non-governmental organizations, could be brought together, with an indication of how they fit into the company's long-term strategy.

The balance between the various parts of the report could be reexamined, considering that the contents are organized under four perspectives, but two of these, "Customer Satisfaction" and "Learning and Development", occupy very little space in comparison with the other two. It would be useful to have a set of performance indicators consolidating aspects of the four perspectives and enabling historical and sectorial comparisons to be made, as well as showing some of the company's goals and the strategies for achieving them. Furthermore, I felt that the six issues identified as being material to the company could be compared against others that a reading of the report suggests are of great importance at that particular time, such as managing risk, the level of indebtedness and corporate control.

Finally, I think that future reports do not need to be larger, in order to incorporate the suggestions offered, but could be smaller and better, taking advantage of the initiative of providing the two levels of information by adding further links and, obviously, holding back privileged information, the disclosure of which could hinder the company's operations within a competitive environment.

It is easier to suggest refinements than it is to put them into practice, but the high quality of the Aracruz 2008 report and the company's leadership in its business sector convince me that the challenges will be overcome and that the reports in years to come will be even better.

Celso Funcia Lemme
Professor of Finance and Corporate Sustainability
Head of the Finance and Management Control Department
The COPPEAD Graduate School of Business
Federal University of Rio de Janeiro - Brazil

An external view on the Aracruz 2008 Annual and Sustainability Report

Three specific points stand out in this sustainability report from Aracruz. (released in June) And, in provocatively highlighting them here, my foremost intention is to share with readers and company representatives some ideas aimed at refining the process that gave birth to the document, to make it not only a more reliable instrument for rendering account to society, but also a tool for managing sustainability within the company. After all, these are the two key-functions of such report.

The first point concerns materiality. In line with the recommendations of the Global Reporting Initiative (GRI), this report avails itself of the materiality matrix to identify, along with some of the stakeholders, the sustainability issues that are most significant to the business. And, with these in hand, it lends them due space in the structure of the text. It's not our intention here to discuss the strategic importance of the 13 stakeholders who were heard, as well as the questions they raised. However, I feel that, in view of the company's size, and in the interest of greater consistency in the process, the ideal would be for significant issues to be brought up, not in one-off interviews, but as opinions developed by panels of stakeholders, organized during the course of the year for that purpose. It is a case of putting into practice the new model of stakeholder relationship mentioned by the company in the report and bringing constancy and depth to this kind of procedure.

A second point for reflection relates to the lack of mention of goals or challenges. Comparability should be a quality that is sought in any report, for which reason it is recommended that the company provides the reader with information that makes it possible to assess to what extent it met the commitments that had been defined for the 2008 financial year and what commitments are being made for the coming year. Otherwise, the prevailing tone of the text is a lack of specifics, merely descriptive, with self-declared intentions. Pointing out goals — and how these relate to the business — demonstrates that the report, more than just reporting facts, serves as a management tool and that the question of sustainability permeates the company's strategies and decisions. This expedient communicates commitment and transparency to the readers.

As was to be expected, corporate governance was one of the questions raised by the stakeholders. At the height of the world economic crisis, the losses from derivatives put the company's very reputation at stake, and made it more vulnerable to the moods of public opinion and the market, to the extent that, as painful as this may be, the issue needed to be addressed in the report. And in effect, it was. Despite the restrained wording and cautious approach, the company addressed the matter with the necessary objectiveness, in the chapter entitled Creating Value, taking pains to emphasize the setting up of a Risk Control area and consulting work of PricewaterhouseCoopers, steps that were of importance to the market.

Among the positive points, which reflect the transparency of this report, particular note should be made of the Bureau Veritas audit, the mentioning of the conflicts with neighboring Indian communities (a vulnerable spot in the company's local relationships), the statements from stakeholders (not always critical, but honest and direct), the account of the fines and notifications and the environmental contributions, particularly in relation to the climate change scenario.

***Ricardo Voltolini, journalist, publisher of *Idéia Socioambiental* magazine in Brazil
and director of the consulting firm *Idéia Sustentável: Intelligence
and Strategy in Sustainability****

Independent verification

DECLARATION OF INDEPENDENT VERIFICATION – BUREAU VERITAS CERTIFICATION

TO THE ARACRUZ CELULOSE S.A. STAKEHOLDERS

INTRODUCTION AND OBJECTIVES OF THE VERIFICATION



Bureau Veritas Certification Brasil (hereinafter referred to as Bureau Veritas) was hired by Aracruz Celulose S.A. (hereinafter referred to as Aracruz) to conduct an independent assessment of its 2008 Annual and Sustainability Report (hereinafter referred to as the Report). The content of the Report is the exclusive responsibility of Aracruz's management. Our responsibility is limited to providing an independent verification of the information on the company's sustainability performance presented in the Report.

WORKING BRIEF

Aracruz requested Bureau Veritas to include the following considerations in its evaluation:

- Data and other information included in its Report on the year 2008;
- The suitability and strength of the systems and underlying processes used to obtain, analyze and review the reported information;
- Verification of the Report, in terms of the following basic essentials of Assurance Standard AA1000 (2003)¹:
 - Completeness
 - Materiality
- Verification of the reported information according to the principles of Stakeholder Inclusiveness, Balance, Comparability, Accuracy, Timeliness, Clarity and Reliability, as defined in the GRI G3 Sustainability Reporting Guidelines (GRI G3);
- Verification of Aracruz's inventory of greenhouse gas emissions and carbon stocks within its forests.

¹ Published by AccountAbility: The Institute of Social and Ethical Accountability (<http://www.accountability.org.uk>).

The verification of information relating to the following lies outside the scope of this work:

- Activities performed outside the defined assessment period;
- Declarations of positioning (expressions of opinion, belief, objectives or future intentions) made by Aracruz, as well as declarations regarding future commitments;
- Analysis of Financial Information and the Report of the Independent Auditors, disclosed together with the Report;
- Supplementary information regarding the Dialogue on intensive silviculture (The Forests Dialogue). This supplement may be accessed using a link within the Report.

METHODOLOGY

Our work was carried out during April and May 2009, in accordance with Bureau Veritas internal methodology for the Independent Verification of Sustainability Reports, which are based on current best practices², and covered the following activities:

1. Interviews with the Aracruz staff (process managers) involved in the preparation of the Report;
2. Analysis of the documentary evidence, produced by Aracruz, for the reporting period (2008);
3. Verification of the quality and content of the information and performance data;
4. Verification of the Report preparation process used by Aracruz, in terms of the collection, compilation and management of the information shown;
5. Visits to the Guaíba and Barra do Riacho units and to the São Paulo office;
6. Analysis of the activities developed by Aracruz for engagement with stakeholders;
7. Verification of the method used by Aracruz for defining the important questions included in Report, considering the context of sustainability and the balance of the information published.

The activities were planned and executed with the intention of furnishing a reasonable, rather than absolute, level of assessment, in order to provide an acceptable basis for our conclusions.

² The Bureau Veritas independent evaluation methodology is based on the International Standard on Assurance Engagements 3000 (ISAE 3000), GRI G3 Sustainability Reporting Guidelines (GRI G3) and the Assurance Standard AA1000 (2003).

TECHNICAL REPORT

Based on the brief defined above, it is the opinion of Bureau Veritas that:

- The information and data presented in the Report are accurate and free of significant errors or false declarations, within the scope of our evaluation;
- A large proportion of the information presented in the Report was obtained from and organized by the Aracruz Integrated Management System, which has been certified according to recognized international standards;
- The company's internal mechanisms for the collection, analysis and compilation of information for publication may be considered to be effective and reliable;
- The information in the Report has been presented in a manner that is accessible to all the stakeholders;
- The information in the Report has been presented in a manner that is clear to the reader and covers the stated period. Historical information, outside the reporting period, has also been presented, in certain circumstances;
- The current Report uses the same structure as its predecessor, allowing the reader to find comparative elements, making it possible to analyze the company's performance over time;
- The methodology utilized to determine Aracruz's greenhouse gas emissions and the carbon stock in its forests is consistent with the calculation methods introduced by the International Council of Forest and Paper Association – ICFPA in November 2004 and revised in July 2005.

With regard to the identification of important topics, we ascertained the following:

- An improvement in the application of Aracruz's methodology for determining the important topics for this publication. Unlike the previous year, the methodology this time included a series of interviews with individuals from various stakeholder groups: investors, customers, suppliers, NGOs and employees;
- No sustainability objectives for 2009 were published, as part of the abovementioned structural changes;
- The important topics "Impact of the plantations on local communities" and "Supplying of wood by third parties" could have been dealt with more fully, with the presentation of activities carried out during the reporting period and the expectations for the coming years;
- The stakeholder group representing communities did not participate directly in the process of determining the important topics, but five members of local communities were chosen and interviewed, and their opinions regarding the company were published in this edition of the Report.

FINAL CONSIDERATIONS

Based on the work carried out, we suggest that Aracruz consider the following recommendations when preparing the next edition of the Report:

- Give priority to the preparation of social performance indicators that will enable stakeholders to make a more objective assessment of this subject over time;
- Enhance the process of engagement with stakeholders, when defining the materiality, particularly in relation to local communities (including local groups organized into associations, NGOs, etc.) and market analysts;
- The Report could give more extensive coverage to the socioenvironmental performance of Portocel, in which Aracruz has a controlling equity stake (51%);
- Disclosure of information regarding the organizational changes at Aracruz that could affect the company's sustainability performance, giving priority to transparency in regard to stakeholders;
- Disclosure of the Report in a manner that is accessible to all stakeholders. The current publication has been released only in an on-line format, which implies restrictions for groups that do not have internet access;
- Establishing and publishing of sustainability goals, so as to assume commitments towards stakeholders.

DECLARATION OF INDEPENDENCE AND IMPARTIALITY

Bureau Veritas Certification is an independent company offering specialized professional services relating to Quality, Health, Safety, Social and Environmental management, and it has 180 years of experience in providing independent assessment services. Its revenues in 2008 amounted to € 2.5 billion.

No member of the assessment team has any commercial links with Aracruz. We conducted this verification in a fully independent manner that did not present any conflict of interest that we are aware of.

Bureau Veritas Certification has implemented a Code of Ethics throughout the organization, in order to help sustain the high ethical standards of its professionals in the conducting of its business activities.

São Paulo, May 28, 2009.

Francisco Nogueira
Technical Manager-Brazil / ICC-LAZ



CONTACT

Bureau Veritas is available for any further clarifications, through its website www.bureauveritascertification.com.br/faleconosco.asp or by telephone (55-11) 5070-9800.

GRI Cross-Index and the UN Global Compact

GRI Cross-Index and the UN Global Compact

Economic performance indicators

Economic performance				
Code	Description	Location	Section	Global Compact
EC1	Economic value generated and distributed, including revenues, operating costs, payroll, donations and other investments in local communities, retained earnings and payments to capital providers and governments.	Socioeconomic performance — Allocation of resources	Value Creation	
EC2	Financial implications and other risks and opportunities for the organization's activities as a result of climate change.	Climate change	Internal Processes	
EC3	Coverage of the obligations under the defined benefit pension scheme provided by the organization.	Socioeconomic performance — Employees Managing the workforce	Value Creation Internal Processes	
EC4	Significant financial assistance received from the government.	NR		
Market presence				
EC5	Changes in the ratio of the lowest wage to the local minimum wage at significant operating units.	Socioeconomic performance — Employees	Value Creation	
EC6	Policies, practices and proportion of spending on local suppliers at significant operating units.	Socioeconomic performance — Allocation of resources generated between 1989 and 2008 Socioeconomic performance — Allocation of resources Socioeconomic performance — Suppliers	Value Creation	
EC7	Procedures for local hiring and proportion of senior management recruited within the local community by significant operating units.	Socioeconomic performance — Employees	Value Creation	
Indirect economic impacts				
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit, by means of commercial or in-kind engagement or voluntary efforts.	Socioeconomic performance — Allocation of resources generated between 1989 and 2008	Value Creation	
EC9	Identification and description of significant indirect economic impacts, including the extent of such impacts.	Socioeconomic performance	Value Creation	

Environmental performance indicators

Materials

E EN1	Materials used, by weight and volume.	Forest management — Wood production and supplies Industrial operations — Specific consumption in the production of pulp	Internal Processes	x
A EN2	Proportion of materials used that come from recycling.	Forest management — Soil management	Internal Processes	x

Energy

E EN3	Direct energy consumption, by primary source.	Industrial operations — Generation and consumption of electricity and fuels	Internal Processes	x
E EN4	Indirect energy consumption, by primary source.	Industrial operations — Generation and consumption of electricity and fuels	Internal Processes	x
A EN5	Energy savings due to conservation and efficiency improvements.	NR		x
A EN6	Initiatives to provide energy-efficient or products and services, or those that use energy from renewable sources, and the ensuing reduction in energy requirements.	Generation and consumption of electricity and fuels Climate change	Internal Processes	x
A EN7	Initiatives to reduce indirect energy consumption, and the reductions achieved.	Industrial operations — Generation and consumption of electricity and fuels Climate change	Internal Processes	x











Water

E EN8	Total water withdrawal, by source.	Industrial operations — Consumption in the production of pulp	Internal Processes	x
A EN9	Water sources significantly affected by water withdrawal.	NR		x
A EN10	Percentage and total volume of water that is recycled and reutilized.	NR		x



Biodiversity

E EN11	Location and size of land areas owned, leased or managed within or adjacent to protected areas, and unprotected areas that have a high level of biological diversity.	Forest management	Internal Processes	x
E EN12	Description of significant impacts on biological diversity caused by activities, products or services, within protected areas or in unprotected areas that have a high level of biological diversity.	Forest management — Biodiversity	Internal Processes	x
A EN13	Protected or restored habitats.	Forest management — Biodiversity	Internal Processes	x
A EN14	Strategies, measures in place and future plans for controlling the impacts on biological diversity.	Forest management — Biodiversity Forest management — Management of water resources 2008 sustainability objectives — rendering of account	Internal Processes	x
A EN15	Number of species on the IUNC Red List or on national conservation lists whose habitats are in areas that are affected by the organization's operations, by level of extinction risk.	Forest management — Biodiversity	Internal Processes	x

Emissions, effluents and waste

 EN16	Total direct and indirect emissions of greenhouse gases, by weight.	Climate change — GHG emissions inventory	Internal Processes	x
 EN17	Other significant indirect emissions of greenhouse gases, by weight.	Climate change — GHG emissions inventory	Internal Processes	x
 EN18	Initiatives to reduce greenhouse gas emissions, and the reductions achieved.	Climate change — GHG emissions inventory	Internal Processes	x
 EN19	Emissions of substances that deplete the ozone layer, by weight.	Industrial operations — Emissions, effluents and waste from pulp production	Internal Processes	x
 EN20	NOx, SOx and other significant atmospheric emissions, by type and weight.	Industrial operations — Emissions, effluents and waste from pulp production	Internal Processes	x
 EN21	Total water discharge, by quality and destination.	Industrial operations — Emissions, effluents and waste from pulp production	Internal Processes	x
 EN22	Total weight of waste, by type and disposal method.	Industrial operations — Generation and disposal of solid waste	Internal Processes	x
 EN23	Total number and volume of significant spills.	No spills were recorded in 2008.		x
 EN24	Weight of transported, imported, exported or treated waste that is considered to be hazardous, under the terms of the Basel Convention – Appendixes I, II, III and VIII, and the percentage of internationally transported waste shipments.	Aracruz does not transport, import or export waste that is considered to be hazardous, under the terms of the Basel Convention.		x
 EN25	Identification, size, protected status and level of biological diversity of bodies of water and related habitats that have been significantly affected by water discharge or drainage carried out by the reporting organization.	NR		x

Products and services

 EN26	Initiatives to mitigate the environmental impacts of products and services and the extent to which these impacts have been reduced.	NR		x
 EN27	Percentage of products and their packaging that have been recovered, in relation to the total products sold, by product category.	Not applicable to Aracruz's operations.		x

Compliance

 EN28	Monetary value of significant fines and total number of non-monetary sanctions as a result of failure to comply with environmental laws and regulations.	Fines and lawsuits.	Internal Processes	x
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Transportation

A EN29	Significant environmental impacts from the transporting of products and other goods and materials used in the organization's operations, and from workforce transportation.	Climate change Forest management — Wood production and supplies	Internal Processes	x
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General

A EN30	Total environmental protection investment and spending, by type.	NR		x
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Social performance indicators: labor practices and decent working conditions**Employment**

E LA1	Total workforce, by job type, employment contract and region.	Socioeconomic performance — Employees	Value Creation	
E LA2	Total number and turnover rate of employees, by age group, gender and region.	Socioeconomic performance — Employees	Value Creation	
A LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, listed according to major operations.	Socioeconomic performance — Employees	Value Creation	

Labor-management relations

E LA4	Percentage of employees covered by collective agreements.	Socioeconomic performance — Employees	Value Creation	x
E LA5	Minimum notification period prior to significant operational changes, including whether this procedure is specified in collective agreements.	NR		x

Occupational health and safety

A LA6	Percentage of employees represented on formal joint management-worker health and safety committees that help to monitor and advise on occupational health and safety programs.	NR		x
E LA7	Rates of injury, occupational illness, days off work, absenteeism and work-related fatalities, by region.	Socioeconomic performance — Employees Managing the workforce	Internal Processes	x
E LA8	Educational, training, counseling, risk prevention and control programs in place to assist employees, their families or members of the local community in regard to serious diseases.	Managing the workforce	Internal Processes	x
A LA9	Health and safety related topics covered by formal agreements with labor unions.	NR		x

Training and education

E LA10	Average number of hours of training per year, per employee, listed by job category.	Professional training and development	Learning and Development	x
A LA11	Programs for skills management and ongoing learning in support of the continued employability of the staff and in preparation for retirement.	Employees Managing the workforce	Value Creation Internal Processes	x
A LA12	Percentage of employees who receive regular performance and career development reviews.	NR		

Diversity and equal opportunity

E LA13	Breakdown of the groups responsible for corporate governance and of the employees, per category, by gender, age group, minority group and other indicators of diversity.	Corporate governance Employees	Value Creation Internal Processes	x
E LA14	Basic pay ratio between men and women, by job category.	NR		x

Social performance indicators: human rights**Investment and procurement practices**

E HR1	Percentage and number of significant investment contracts containing human rights clauses or that have undergone human rights screening.	NR		x
E HR2	Percentage of key contractors and suppliers that have undergone human rights screening, and the steps taken.	NR		x
A HR3	Total number of hours of employee training on policies and procedures concerning aspects of human rights that are relevant to the organization's operations, including the percentage of employees who underwent the training.	Employees	Internal Processes	x

Non-discrimination

E HR4	Total number of cases of discrimination, and the steps taken.	No cases were recorded in 2008.		x
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Freedom of association and collective bargaining

E HR5	Operations identified in which the rights of freedom of association and collective bargaining could be in serious jeopardy, and the steps taken in support of these rights.	No cases were recorded in 2008.		x
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Child labor

E HR6	Operations identified as presenting a significant risk of involving child labor, and the steps taken to help do away with this practice.	No cases were recorded in 2008.		x
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Forced or slave labor

E HR7	Operations identified as presenting a significant risk of involving forced or slave labor, and the steps taken to help eradicate such practices.	No cases were recorded in 2008.		x
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Security practices

A HR8	Percentage of security personnel who have undergone training on policies and procedures concerning aspects of human rights that are relevant to the organization's operations.	NR		x
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Native indian rights

E HR9	Total number of cases of native indian rights violations, and the steps taken.	Socioeconomic performance — Relationship with stakeholders — Indian communities	Value Creation	x
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Social performance indicators: society**Local communities**

E SO1	Nature, scope and effectiveness of any programs and practices to assess and control the impacts of the organization's operations on local communities, stating entry, operation and exit.	Socioeconomic performance Forest management — Impact on local communities	Value Creation Internal Processes	x
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Corruption

E SO2	Percentage and total number of business units submitted to corruption risk assessment.	Corporate governance	Value Creation	x
E SO3	Percentage of employees trained in the organization's anti-corruption policies and procedures.	NR		x
A SO4	Steps taken in response to cases of corruption.	No cases of corruption were recorded in 2008.		x

Public policy

E SO5	Public policy stances and participation in public policy development and lobbying.	NR		
A SO6	Total amount of financial and in-kind contributions to political parties, politicians or related institutions, by country.	Socioeconomic performance — Donations to political campaigns	Value Creation	

Unfair competition

SO7	Total number of lawsuits involving unfair competition, anti-competitive practices or monopoly, and their outcomes.	No cases were recorded in 2008.		
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Compliance

E SO8	Monetary value of significant fines and total number of non-monetary sanctions as a result of failure to comply with pertinent laws and regulations.	Fines and lawsuits.	Internal Processes	
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Social performance indicators: product responsibility

Customer health and safety

E PR1	Product and service life cycle stages during which the health and safety impacts are assessed for possible improvements, and the percentage of products and services that are subject to such procedures.	NR		
E PR2	Total number of cases of non-compliance with regulations or voluntary codes concerning the health and safety impacts of the organization's products and services during their life cycle, listed according to type of outcome.	No cases were recorded in 2008.		

Labeling of products and services

E PR3	Type of product and service information demanded under labeling procedures, and the percentage of products and services subject to such demands.	NA		
A PR4	Total number of cases of non-compliance with regulations or voluntary codes concerning product and service information or labeling, listed according to type of outcome.	NA		
A PR5	Practices in relation to customer satisfaction, including the results of surveys measuring the level of satisfaction.	Customer satisfaction	Customer Satisfaction	

Marketing communications

E PR6	Programs for adherence to laws, standards and voluntary codes pertaining to marketing communications, including advertising, publicity and sponsorship.	NR		
A PR7	Total number of cases of non-compliance with regulations or voluntary codes concerning marketing communications, including advertising, publicity and sponsorship, listed according to type of outcome.	NR		

Customer privacy

A PR8	Total number of verified complaints regarding violation of privacy or loss of customer data.	NR		
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Compliance

E PR9	Monetary value of significant fines for non-compliance with laws or regulations concerning the supplying and use of products and services.	No cases were recorded in 2008.		
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Additional information

For clarification or more detailed information, please write to:

Aracruz Celulose S.A.

São Paulo – SP

Av. Brigadeiro Faria

Lima, 2277 4º andar

São Paulo, SP – Brasil

01452-000

Tel. +55 (11) 3301-4111

Fax +55 (11) 3301-4202

Sustainability and Corporate Relations Area

Carlos Alberto Roxo

e-mail: car@aracruz.com.br

Tel. +55 (11) 3301-4238

Corporate Communications

Luiz Fernando Brandão

e-mail: lfab@aracruz.com.br

Tel. +55 (11) 3301-4239

Corporate Relations

Leonardo Rego Genofre

e-mail: lrgenofre@aracruz.com.br

Tel. +55 (11) 3301-4201

Sustainability

Paulo de Sousa Coutinho

e-mail: pscoutinho@aracruz.com.br

Tel. +55 (11) 3301-4148

Aracruz Celulose S.A.

Barra do Riacho Unit

Rodovia Aracruz-Barra do

Riacho, s/nº

Aracruz, ES – Brasil

29197-000

Tel. +55 (27) 3270-2122

Fax +55 (27) 3270-2136

Community Relations
Robson Leite Nascimento
e-mail: rlnascimento@aracruz.com.br
Tel. +55 (27) 3270-2991

Environment and Forestry Safety
Luciano Lisboa Júnior
e-mail: llj@aracruz.com.br
Tel. +55 (27) 3270-2888

Technical Services and Industrial Environment
Marcelo Martins V. de Carvalho
e-mail: mmc@aracruz.com.br
Tel. +55 (27) 3270-2749

Aracruz Celulose S.A.
Guaíba Unit
Rua São Geraldo, 1800
Guaíba, RS – Brasil
92500-000
Tel. +55 (51) 2139-7111
Fax +55 (51) 2139-7109

Community Relations
Francisco Borges Bueno
e-mail: fbueno@aracruz.com.br
Tel. +55 (51) 2139-7477

Quality and the Environment
Clovis Zimmer
e-mail: czimmer@aracruz.com.br
Tel. +55 (51) 2139-7131

Forestry
Maurem Kayna Lima Alves
e-mail: mkalves@aracruz.com.br
Tel. +55 (51) 2139-7444

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