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# About this report

This is our second Sustainability Report and is timely as there have been important advances in our operations with both a significant increase in manufacturing capacity taking place as well as a change of name. During this period we maintained our focus on aspects related to sustainability throughout all stages in our business, with the awareness that communities and the environment are key and integral to our business.

In June 2008, we started operations on the second line in our plant, which increased our design capacity to 465,000 tons per annum (tpa) of highly pure soluble cellulose. This investment is part of our strategy to increase our market share.

An important change took place in the beginning of 2010. We adopted Bahia Specialty Cellulose as our name, with a new brand. On the one hand this change reflects the willingness to increase the focus of our business – to produce specialty cellulose with a very high degree of purity

for important industrial segments – on the other it reaffirms our commitment to the state of Bahia and to Brazil.

The operational information presented here refers to the 2008-2009 period, except where indicated otherwise. This information also includes activities from Copener Florestal Ltda, headquartered in Alagoinhas, which is responsible for the eucalyptus plantations that produce timber to supply our industrial unit. Since both companies have an exclusive operational relationship, as well as common ownership, the activities of both will be jointly reported here under the Bahia Specialty Cellulose name.

We are part of an international group with solid ethical, moral, and social values. We therefore consider this report to be an integral part of our efforts to maintain transparency to all stakeholders regarding our actions.

We welcome your interest and feedback. If you have any questions or comments about this report, please contact us on [faleconosco@bahiaspeccell.com](mailto:faleconosco@bahiaspeccell.com)

# Our commitment

In our first Sustainability Report we discussed our desire to continue to improve our performance in terms of corporate social responsibility and sustainability. We outlined a number of areas where we saw room for improvement and made commitments to achieve this.

## Stakeholder Relationships

\* Expand our dialogue with stakeholders, creating new relationship channels and engagement. We intend to apply to be a member of the UN Global Compact and other appropriate bodies dedicated to encouraging sustainability.

**Action:** We continued to build our relationship with stakeholders, particularly in the communities neighboring our plantations and mill. A major step forward was the creation of the Odor Perception Network (see Page 36). We postponed our application to join the UN Global Compact while we further developed our management resources to ensure that we would be able to sustain our membership. Our intention to join has not changed.

## Environment

\* Conserve biodiversity in the company's native flora and fauna reserves.

**Action:** We have maintained all reserves, corridors and conservation areas to ensure the protection of wildlife and plants while also reforesting riverside ecosystems (Page 26).

\* Contribute to the enriching of the biodiversity in areas outside of the company's properties through partnerships with governments, farmers, NGOs, communities and other institutions.

**Action:** We have stepped up our partnership with INCECC (Institute Ecological Corridor) to further environmental education within local communities. We have also provided native forest seedlings to communities to replant native vegetation (see Social performance Page 41).

\* Maintain all certifications for our own managed areas

through ISO 9001 and ISO 14001.

**Action:** All certifications have continued to be current (Pages 12 & 27)

\* Existing lime kiln will be stopped. New one will be installed and all Environmental Resource Centre (IMA) requirements will be met.

**Action:** A new lime kiln was started up during the reporting period. This had an immediate positive impact in reducing industrial solid waste; especially lime slurry (Page 31).

## Forestry Ring

\* Start the replanting of native vegetation in the area, called the Forestry Ring, which surrounds the Camaçari Industrial Complex where our mill is located.

**Action:** During 2009 our company planted 15.000 native seedlings in the Forestry Ring. We will be continuing this program.

## Social Investments

\* Contribute to the development of the communities in the region of our operations by enlarging the extent of the Beekeeping Project and the Piassava Project.

**Action:** During the reporting period we formalized arrangements for beekeeping in our forestry areas. This

will allow local communities to develop their activities with more security in the future. Under the Piassava Project, the company expanded its outreach to the families involved by teaching concepts related to sustainable management so that this species can be preserved and income levels maintained (Pages 42 & 43).

## Junior Achievement

\* Be a partner in the implementation and execution of a Junior Achievement pilot project in Alagoinhas, reaching 150 secondary school students.

**Action:** The target of involving 150 students was reached in 2008.

## Employees

\* Develop our Human Resources through improved training and development programs. In particular, we will continue to enhance our safety and occupational health training.

**Action:** Health and safety has remained a cornerstone of our operations, both in forestry and at the mill. While the number of industrial accidents was reduced by 35%, it is still considered too high and our aim is to achieve a zero accident rate. To this end we continued a range of training programs as well as instituting periodical performance evaluations (Page 39).

# Message

## from the Managing Director

In our business sustainability is not something intangible – we touch it every day when we manage 150,000 hectares of forest with 80,000 hectares of plantation trees. Our team goes into the field daily and our work is always around how to sustainably maintain our mill with a natural and renewable resource every day. At the same time there is no way we can work without thinking about at least 21 years from now, since each rotation for us is around 7 years. We have 4,000 forest compartments with planted wood and each is treated with care. We need to acknowledge that we cannot control nature; we must respect it. If we do not, nature is not going to respect us and our business will decline – there is no question about that. Therefore the work on preserving areas around rivers, hills, animals, maintaining corridors among properties, preserving natural forests, meeting all legal requirements as a starting point and maintaining social responsibility and relationship with 25 cities and communities around us is simply a MUST.

We take the same approach with the rest of our operations, whether it be transport of the wood to the mill or the manufacturing of specialty cellulose. Use of fuel and water and other inputs, are all approached with extreme care since we know that they are not infinite and a light touch on them will help the society by

preserving our natural resources to the utmost possible. The same applies to emissions from our operations. This year we have taken the serious step of measuring our CO2 emissions. Although we have a positive overall effect on the environment because of our renewable planted forests, we continue to drive internal processes to reduce the use of natural resources and mitigate or eliminate any impact on the environment.

This report is our commitment towards those goals and towards having a business that relies on sustainability. We do not fabricate our raw material (wood); we only manage it with the help from nature. It is upon that basis that we need to keep sustainability as a way of life in order to balance business goals, technical ability to produce cellulose and maintenance of an endless source of raw materials with minimal impact on the environment. That is our commitment and the commitment of all employees working for BSC.

I hope this report can be step towards improving and continuing the above journey.

**Ivan Alves**

# Company profile

## About Bahia Specialty Cellulose

Bahia Specialty Cellulose originated from Companhia de Celulose da Bahia, a company founded in 1976. In 2003, the Company and Copener Florestal Ltda. were acquired by Sateri Holdings Limited, and its name was changed to Bahia Pulp. On March 2010, a new brand, visual identity, and name for the Company were defined: Bahia Specialty Cellulose.

Bahia Specialty Cellulose is the largest producer of high purity specialty cellulose in Latin America. The manufacturing plant is located in the Camaçari Industrial Complex in the State of Bahia, Brazil. The Company has forestry activities in 25 municipalities within the Northern Forestry District of Bahia, where the eucalyptus plantations supplying the manufacturing unit are planted.

In 2008, the Company consolidated its expansion project, implementing a second industrial line that raised annual production to a design capacity of 465,000 tpa of specialty cellulose.

Our cellulose supplies the viscose fiber, ether, acetate, cellophane industries, among others, and is converted into products which are present in our daily activities, such as:

**clothing**

**food**

**medications**

**cosmetics**

**electronic devices**

**cigarette filters**

**paints**

**printing inks**

**tire filaments**

**varnish paints**

**enamels**

**emulsifiers and thickeners**

**cellophane paper**

**varnish supplies**

**contact lenses**

**photographic film**

In 2009, 94 % of our production was exported, primarily to Asia (84.7%), Europe (6.1%), and the US (3.1%).

The Company is a subsidiary of the Sateri Holdings Limited, one of the world's largest specialty cellulose and cellulosic fiber producers, with corporate offices in Shanghai and Hong Kong.



## History

- 1980 – Foundation of Copene Energética S.A., part of the Copener Group.
- 1989 – Acquisition by Klabin and change of name to Klabin Fabricadora de Papel e Celulose S.A.
- 1993 – Change of company type and denomination to Copener Florestal Ltda.
- 2003 – Acquisition by the Sateri Group and change of name to Bahia Pulp S.A.
- 2008 – Implementation of the second industrial line. The installed production capacity reaches 465,000 tpa.
- 2010 – Name and Brand change to Bahia Specialty Cellulose S/A.

## Location



## Sustainability

We at Bahia Specialty Cellulose are aware of how important our Company's activities are to society, the economy, and the environment. Our forestry operations are ISO 14001 certified, preserve native forests in the region, and contribute to maintain water resources and to the conservation of animal and plant species within areas owned by the Company.

Our cellulose is entirely produced from self-sustainable and renewable eucalyptus plantations, implemented amidst natural conservation, legal reserve, and permanent conservation areas, as well as natural heritage private reserves (RPPN).

Bahia Specialty Cellulose also understands the social realities in the regions in which we operate, and looks to effectively participate on the economic development of these areas. Our Company maintains and sponsors programs and projects to increase the income of local communities and foster the education of young apprentices.

Our Community Planting Program fosters the plantation of eucalyptus on third-party rural properties and helps to create jobs and income, maintaining people on the land.

Our harvesting procedures are carried out in a manner which leaves behind residues, such as branches, barks, and leaves. These are kept on top of the soil to provide nutrients to plantation areas. Planted forests also prevent soil erosion and help reduce the greenhouse effect, since they capture large quantities of CO<sub>2</sub> from the atmosphere.

Bahia Specialty Cellulose also requires that all third-party companies providing forestry services fulfill the applicable legislation regarding labor and environmental aspects.

Our Company employs approximately 1,200 people in permanent direct jobs, in forestry, industrial, and administrative operations. During eucalyptus planting periods, the number of third-party workers in the field can reach 4,000.

## Cultural pillars

Cultural Pillars are the essential values of a corporation, and as such help in guiding individual and organization behavior and decision-making towards common objectives.

### Our Cultural Pillars are:

- **Time, quality, and cost** – A continued search for more economical, efficient, and better quality alternatives. The focus is on actions that lead to improvements in all stages and processes.

- **Passion and teamwork** – People who communicate with each other and support each other, without personal or geographical barriers; respect and stimulation; constant learning; taking responsibility for collective results

- **Proactivity and innovation** – Anticipating marketing demands, working together with clients, being open to change, and participating at all levels in search for the best.

## Integrated Quality, Environmental, Health, and Safety Policy

Bahia Specialty Cellulose is committed to continuously improving our Integrated Management System (IMS), so that our forestry and industrial operations are developed according to health, safety, quality and environmental standards.

Our IMS is certified under the ISO 9001 and ISO 14001 standards, and our actions are guided towards:

- Awareness and ability of our employees;
- Fostering a safe and healthy working environment;
- Fulfilling contract requirements, the health and safety legislation, applicable legal requirements, and other requirements related to environmental aspects, to processes and products;
  - Manage processes and their respective environmental aspects and impacts, especially those related to the generation of solid residues, liquid effluents, and atmospheric emissions, focusing on pollution prevention;
  - Share the development of natural resource conservation and sustainable handling programs with society;
  - Strengthen internal and external communications processes.

## Certifications

Our manufacturing plant has been certified under the ISO 9001 standard since 1998, and under the ISO 14001 since 2005. Forestry activities achieved ISO 14001 certification in 2007. In 2008, an additional auditing cycle was started to maintain these certifications.

In 2009, line 2 – which began operations in June 2008 – was included in the scope of the ISO 9001 and ISO 14001 certifications. After the startup of the line, a new process was started to achieve compliance with the Integrated Management System.

## Corporate Governance

Bahia Specialty Cellulose has an Executive Management Committee who is responsible for the daily operations and also for developing operational and management policies, including those related to sustainability.

Operational and financial policies and guidance are regularly reviewed and improved as required.



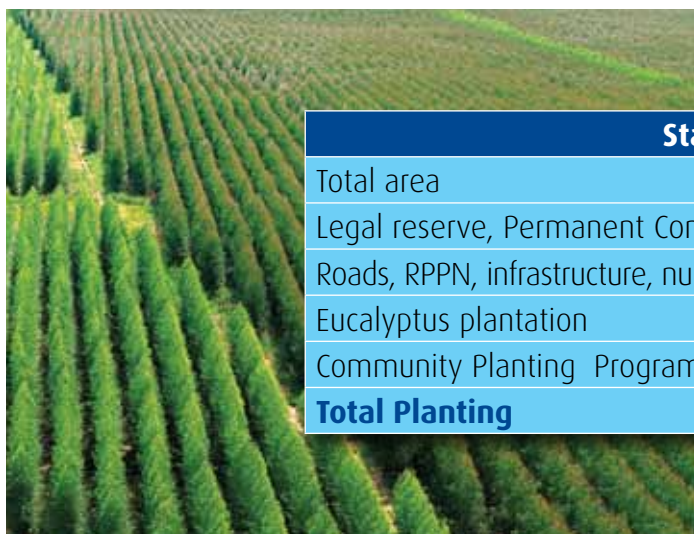


# Operational performance

## Forestry operations

### Use of properties

Bahia Specialty Cellulose owns a total area of approximately 150,000 hectares, occupied according to technical, environmental, and social standards that add shareholder value and assure the sustainability of our business in the short, mid, and long terms.



Status	Total (ha)
Total area	150,492
Legal reserve, Permanent Conservation Area	38,680
Roads, RPPN, infrastructure, nursery, available areas, and others	33,164
Eucalyptus plantation	78,648
Community Planting Program	5,607
<b>Total Planting</b>	<b>84,255</b>

## Community Planting Program

Since November 2006, Bahia Specialty Cellulose has implemented a Community Planting Program that stimulates small rural owners to partner with the Company in planting eucalyptus, and receive the necessary forestry technology. Farmers can therefore increase the productivity of their land, diversity their activities, and have an additional source of income.

The largest portion of timber produced is destined for the Bahia Specialty Cellulose plant, which directly finances all costs incurred in planting – including services and supplies. The producer reimburses only the costs – in timber – to Bahia Specialty Cellulose, on occasion of the harvest.

Land owners also receive annual advance payments proportional to the planted area. Producers may also use part of the timber on their own property, or sell it to other applications such as civil construction, the manufacture of furniture, or as a source of energy.

To participate in the program farmers are required to have a satisfactory production potential, have their properties located within 200 km of our plant, have their documentation in place, and have no environmental liabilities.

To date, the program has proved quite popular with local communities, with the amount of land involved more than doubling since our last Sustainability Report when we recorded 2,6097 ha being planted as at the end of 2007. The Company closed the year of 2009 with 79 partnering producers and 5,607 hectares of planted area, with harvests projected for 2013, 2014, and 2015. The goal is to achieve 15,000 ha of planted area.



## Production of seedlings

Bahia Specialty Cellulose owns a seedling nursery in Inhambupe (BA), capable of producing up to 40 million eucalyptus seedlings per year. Part of this output supplies planting on our own areas.

In 2009, total production was 13.9 million of cloned seedlings, of which 6.75 million were used in the replanting of the Company's forestry plantations. Note: In the 2008 Sustainability Report we reported a much higher figure for seedling production. Since then we have re-evaluated our production and now take into account only seedlings which are of suitable quality for planting.

At the nursery, each year awareness and training programs are offered to all employees, providing technical training as well as safety, health and work hygiene awareness.



## Eucalyptus plantation

The eucalyptus propagation technology we employ, combined with favorable geographical conditions, allows for the fast growth of trees, and the production of high-quality cellulose fiber.

Our eucalyptus plantation areas are studied to identify specific topographies and soil types, allowing the development of appropriate management programs to provide the best forestry practices and thus optimize renewable natural resources. This, in turn, leads to maximum productivity for forestry plantations.



## Timber harvesting

In 2009, a total of 5,824 hectares of timber were harvested, providing a volume of 1,725,081 m<sup>3</sup> of timber – an increase of 45 % over 1 million m<sup>3</sup> from 4,007 ha from the previous year.

The favorable climate, with adequate temperatures and abundant light, allied to the use of advanced forestry techniques, allow trees to reach cutting heights within 6 years – when they reach a height of 30 meters.

The Company's own plantations provide the largest portion of the raw materials used in the manufacturing process, complemented by timber from Community Planting Program members.





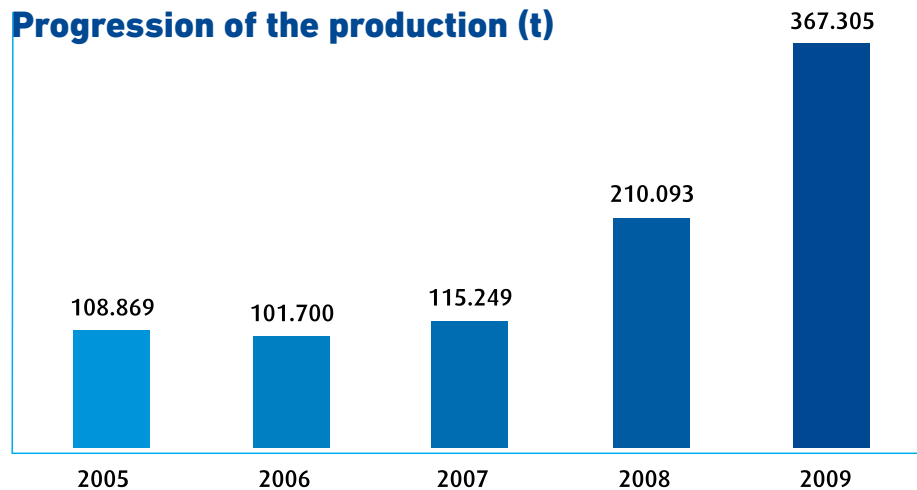
# Operational performance

## Industrial operations

### Production of specialty cellulose

In 2009, we achieved a new level with the production of 367,306 tons of specialty cellulose – an increase of 57 % over the previous year. This increase was primarily due to the first full year of operations of Line 2.

#### Progression of the production (t)





## Logistics

The timber produced at the eucalyptus plantations from Bahia Specialty Cellulose, as well as the cellulose produced by our plant, is transported through a easily accessible network of roads in the region. The main roads used are BR-110, BR-101, and BA-093. The average distance between these roads and plantation areas is 15 km, and the average transportation distance between reforested areas and the industrial base is 120 km.

The entire timber and cellulose transportation for Bahia Specialty Cellulose is made with trucks driven by qualified professionals, under the guidance of the safety standards, according to vehicle-specific loads and characteristics.

The cellulose for the export market is shipped through the Port of Salvador, located 52 km from our plant. The main roads used are BA-093 and BR-324. The cellulose is received and stored at the port until it is loaded onto specialized ships.

## Sales volumes

### International market

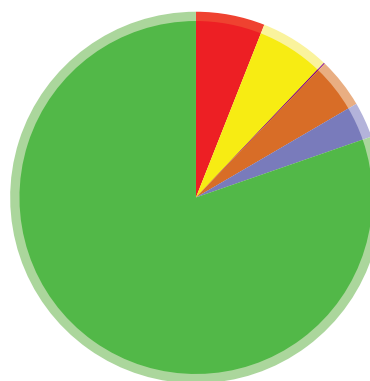
In 2009, we exported 378,000 tons of specialty cellulose to the international market, accounting for 94 % of total sales of the Company for the year. This amount included 2009 production as well as production held over from 2008.

China was the main purchaser, accounting for 85 % of total exports, followed by Taiwan, Austria, the US, and the UK.

This represents a 400 % increase in the volume of exports over the previous year. This increase reflects the entry of the second production line into operation, which increased the total production design capacity of the Company to 465,000 tpa.

### Local market

In 2009, a total of 24,000 tons of cellulose were sold within Brazil, accounting for an increase of over 200 % over the previous year. The local market was responsible for 6 % of total sales volumes of cellulose from Bahia Specialty Cellulose



**Volumes sold by Bahia Specialty Cellulose in 2009**

■ Brazil	6%
■ Europe	6.1%
■ Latin America	0.1%
■ Others Asia	4.4%
■ USA	3.1%
■ China	80.3%

## Quality Renewable Product

Bahia Specialty Cellulose is committed to delivering a high quality product to our clients, that incorporates advanced technology and complies with varying customer requirements.

Our specialty cellulose has a high alpha concentration, between 92 and 98.5 %, which is an indication of its high level of purity. We are capable of offering a range of products originated from soluble cellulose, from standard to special, produced at the newest and most sophisticated plant of its kind in the world.

Our specialty cellulose is produced without elemental chlorine (ECF – Elemental Chlorine Free), and also cellulose without chlorine compounds (TCF – Total Chlorine Free). These production processes are amongst the most environmentally friendly in the industry. Specialty cellulose is also a replacement for plastic and other petroleum-based synthetic fibers, that are non-renewable resources.





# Environmental performance

## Forestry operations

The Company owns 150,000 hectares of land, of which 38.680 ha are kept as permanent conservation areas and legal reserves.

Bahia Specialty Cellulose forests are handled with the concern of preventing environmental impacts and preserving

the productive potential of the soil. We treat residues generated in our processes adequately to assure the protection of land and sources of water. We also foster the production of eucalyptus on vacant or underused land by partnering with local farmers, always in accordance with the sustainable production standards set by Bahia Specialty Cellulose.

## Pest and disease control

To better understand the biological processes that include pests and diseases, we do Forestry Technology research with an emphasis on handling and control. Our enterprise adopts initiatives directed to combating infestations from ants, caterpillars, termites, bugs and other insects, as well as diseases caused by fungus and bacteria. Weeds are also harmful to the cultivation of eucalyptus and are adequately handled.

According to the results from diagnoses and monitoring of the incidence and severity of pests and diseases, control recommendations are set as needed. Natural, biological products are used, that affect only the insects being controlled, and, if and when it is absolutely necessary, low-toxicology defensives are deployed.

## Fertilization program

Our fertilization program serves to increase forestry productivity, with the use of genetic materials adapted to the specific conditions of each area. Fertilization on eucalyptus plantations is based on information covering the following aspects:

- Soil classification and analysis;
- Productivity forecast and nutritional monitoring of forests;
- Average rainfall of each region;
- Information from the Experimental Soil Network, a research program developed by the technical sector;
- Records from operations, kept since 1996.

The Company also prevents fertilizers from reaching water courses, and monitors the quality of water on six artesian wells in the region. All chemical products used in eucalyptus plantations are approved by the Ministry of Agriculture and by the responsible environmental agency.

## Disposal of solid residues

We dispose of our solid residues through a combination of partnerships with recycling organizations and by sending non-recyclable materials to the municipal sanitary landfill.

Empty packages of chemicals used in forestry activities are correctly discarded, taking advantage of a partnership with the Agricultural Defensive Vendor Association of Feira de Santana Region (Ardarfs). Paper and plastic are donated to the recycling organization Paper Gatherer Coop (Coral). Class 1 residues are incinerated or co-processed at Cetrel, the company in charge of operating the environmental protection systems within the Camaçari Industrial Hub. Other residues such as oils, tires, and metals, are sold.

Partnerships with companies that purchase and use our residues benefit the community, by creating jobs and business in the local economy.





## Farge River

Since 1997, the Company has been monitoring the Farge river micro-basin, an area of approximately 315 hectares, of which 199 ha are replanted with eucalyptus. The remainder is left for permanent preservation. The project includes monitoring of the river source and margins, as well as the highlands surrounding it.

This work is coordinated by a team of researchers from the São Paulo University (USP) and its objective is to identify hydrological indicators for the sustainable management of forests. This project includes the analysis of the water balance (natural availability of water), of bio-geo-chemicals (maintenance of the productive potential of the soil), and the quality of plantation management activities, which are measured in terms of chemical and physical variables in the water.

The results demonstrate that the water balance at the micro-basin on six year old plantations, as well as the cut ones, is within the characteristic climate patterns for the region. The depth of the water table was stable throughout the monitoring period.

Indicators show that our forestry activities have had no negative effects on the water quality monitored.

## Environmental conservation

The eucalyptus plantations of Bahia Specialty Cellulose are established under rigorous criteria for preserving large extensions of native forest, allowing the conservation of the fauna and flora. A total of 30,610 hectares (excluding Permanent Preservation and RRPM areas) were reserved as required by law. These regions were established with the application of the mosaic landscape concept, according to which plantations are interspersed with environmental conservation areas, and include 41 km of biological corridors connecting the various sectors of the native forest and allowing for the movement of wildlife.

Our Company performs environmental diagnoses and reforests riverside ecosystems and native forests to help conserve the biodiversity of the area.



## Lontra Natural Heritage Private Preserve

Bahia Specialty Cellulose is the owner of the Lontra Natural Heritage Private Preserve (RPPN), located in the municipality of Entre Rios, Bahia. This preserve was created in 1996, and has a total area of 1,377 hectares – the equivalent to 1,377 football fields – of which 600 ha are covered by primary forest.

Various studies made at the Lontra RPPN, in partnership with teaching and research institutions such as the State University of Bahia (Uneb) and the Federal University of the State of Bahia (Ufba), have resulted in the identification and environmental preservation of local fauna and flora.

## Aerial mapping assessment

Bahia Specialty Cellulose performed an aerial mapping of all areas it owns and abuts measuring actual distances and dimensions, in color, in a scale of 1:30,000 over 1.3 million hectares, including 150,00 hectares of our own land.

This mapping is key to managing forestry assets, since it allows the precise definition of Company areas, as well as control of its use and occupation.

The aerial assessment allows the current requirements set by environmental agencies, the Public Prosecution Service, and the National Institute for Colonization and Agrarian Reform (Incra) to be complied with, in addition to being aligned to Company planning requirements. The mapping has given us a large base of precise and reliable cartographical data.

In all, 481 gigabytes of information were generated, equaling the contents of 687 CDs of data.

## Water and energy consumption

The water we use in the forestry area is obtained from seven tubular wells approved by the Water and Climate Management Institute (Inga), linked to the Government of the State of Bahia.

We are committed to reducing consumption, and the entire volume of water collected is controlled with water gauges. Quality is monitored with periodic analyses performed by Cetrel, the company responsible for operating the environmental protection systems at the Camaçari Industrial Complex. We

## Forestry licenses and certifications

All our forestry activities follow the environmental legislation in force, such as the Brazilian Forestry Code, and the conditions set by the License of Operation approved by the Bahia State Council for the Environment (Cepam), and by the Institute for the Environment (IMA), which are the agencies from the State Government of Bahia. These licenses must be renewed every four years, and the current license is valid until 2011.

Our entire forestry area has achieved ISO 14001 certification from Bureau Veritas Quality International - BVQI. The certification process attests the environmental management systems associated with our activities.

also provide training and awareness to workers and service providers to reduce water consumption, and the equipment undergoes inspections and maintenance to prevent waste of water resources.

In addition to the responsible use of water, the reduction of energy consumption is also part of the objectives and goals of the Company. Awareness actions and periodic training are provided to employees in that sense.

## Carbon credits

Based on the assessment of greenhouse gas emissions (GEE) from Bahia Specialty Cellulose and information gathered about the supply chain involved in the production of Specialty cellulose, it was possible to ascertain the amount of GEE emissions from our manufacturing process related to the production and consumption of raw materials, and other production-related activities.

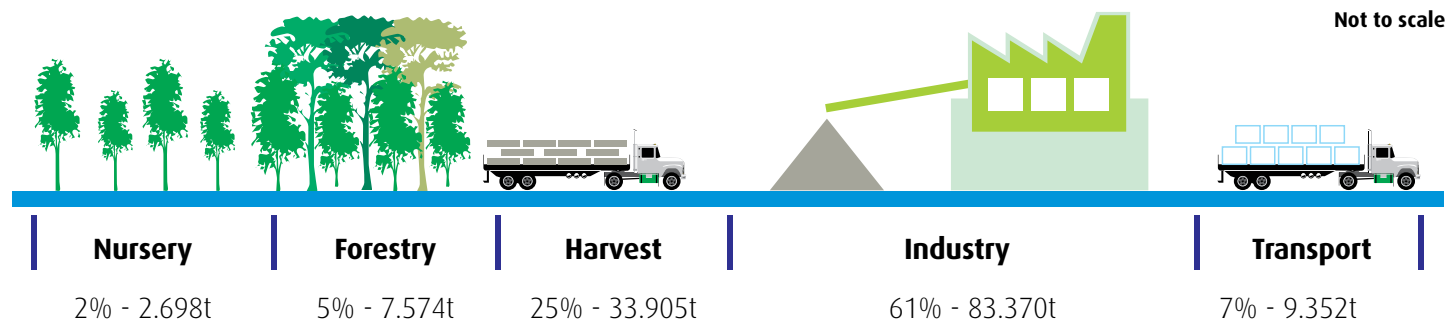
The study assessed information encompassing the entire production chain covered all inputs from the production of seedlings, including transportation, planting, forestry activities, harvesting, hauling and industrial production, up to the delivery at the port of Salvador.

The analysis was conducted by Geoclock, a consultancy specializing in carbon balance. It found that through the carbon sequestering in its eucalyptus plantations, Bahia Specialty Cellulose has recovered a carbon volume that is 20 times greater than its GEE number in 2009.

The carbon balance comprises the difference between the volume of greenhouse gases generated by industrial operations and the volume of carbon dioxide removed from the atmosphere by the eucalyptus forests. Companies that balance these volumes out eliminate their ecological footprint. Bahia Specialty Cellulose has accrued a positive balance, equivalent to 64,000 annual tons, a value that is 33 % greater than the results from previous years, due to the expansion of Company forest areas. The analysis was performed in accordance with the international methodology established by the World Resources Institute.

The main source of emissions assessed at Bahia Specialty Cellulose is in the industrial unit, and originates from the burning of natural petroleum gas. The second largest source is the burning of diesel oil in the transportation of personnel (freighted buses). During the execution of this work, it was requested that all diesel consumption data be reviewed, and these data were confirmed. The third largest source of emissions is in harvesting, followed by transportation of the end product.

### Proportion of emissions of each stage in the business chain of Bahia Specialty Cellulose in 2009







# Environmental performance

## Industrial operations

### Energy generation and consumption

As part of the industrial process, Bahia Specialty Cellulose uses black liquor – composed of lignin, water, and chemical products used in digesting pulpwood – as biofuel to generate electrical power. The burning of this substance generates steam and at the same time allows for the recovery of nearly all chemical components to be reused in the production process.

In 2008 we generated 65.5% of the energy we consumed. In 2009 our self-sufficiency has improved substantially, and Bahia Specialty Cellulose produced 95% of the energy consumed during the year. The energy excess purchased or generated by the Company is sold to the national grid, and may be more than 20 MWh/h.

Bahia Specialty Cellulose also uses Natural Gas (NG) as a source of energy, to feed the incinerators at the non-condensing gas system and the limekiln, in addition to

### Electrical energy (MWh)

	Purchased	Generated	Sold	Nett Consumption
2008	82,556	157,251	-	157,251
2009	50,263	314,632	34,210	330,685

serving as an alternative source of heat at the recovery boiler during stoppages, restarts, and reductions in the operational load. In emergency situations, Liquefied Petroleum Gas (LPG) can be used to cover any lack of NG.

A 5 % increase was verified in the volume of natural gas used by the plant in 2009 over the previous year. In the same period, Bahia Specialty Cellulose reduced the volume of LPG used in industrial operations by 98 %.

Reuse of substances, and the economy in the energy consumption afforded by internal generation, as well as the use of ecologically correct natural sources, have brought financial, social, and economic rewards to the Company, to nature, and the community.

## Auxiliary Fuels

	2008	2009
Total NG used (m3)	38,238,739	40,254,206
Total LPG used (t.)	21,890	469.22



## Generation and disposal of liquid effluents

Liquid effluents resulting from the industrial process are sent to Cetrel, the environmental protection company responsible for treating all effluents at the Camaçari Industrial Hub, and the world's first company in this sector to achieve the ISO 14000, ISO 9001, ISO 17025, and OHSAS 18001 certifications.

The volume of liquid effluents generated by our industrial process in 2009 was 34 % lower than in the same period in 2008. This positive performance is due to the start of operations of line 2 in June 2008, that produces lower volumes of effluent per ton if compared to line 1. Equipment using new technologies and the application of closed water circuits were key factors in achieving this result.

### Volume of liquid effluents in 2008/2009 (m3/Adt)

Meses	2008 Volume Efluente m <sup>3</sup> /Adt	2009 Volume Efluente m <sup>3</sup> /Adt	DQO Efluente kg/Adt
Jan	58	34	25
Feb	50	34	33
Mar	55	33	30
Apr	53	36	33
May	60	31	35
Jun	46	29	29
Jul	53	26	22
Aug	38	28	32
Sep	32	28	30
Oct	28	33	70
Nov	30	26	39
Dec	25	24	35

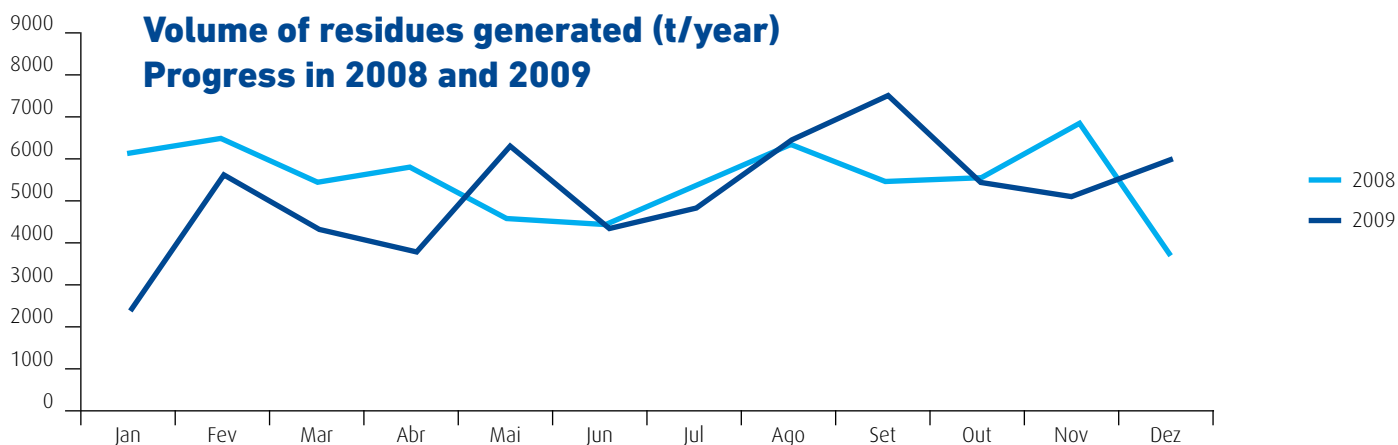
Effluent OCD kg/Adt  
 OCD = Oxygen Chemical Demand: quantity of organic raw materials that can be oxidized by chemical means.  
 Represents the effluent's organic load.

## Generation and treatment of industrial solid residues

The volume of solid residues generated in the industrial process in 2009 has shown a reduction of approximately 7 % over the same period in 2008. The main factor was the startup of the new limekiln, which reduced the production of lime slurry. These data demonstrate the breadth of objectives from the Company regarding the enduring

commitment to reduce environmental impacts from our productive activities.

In addition to the correct disposal of residues, the Company reuses various substances. Bahia Specialty Cellulose's plant recovers 95 % of chemical products used in the production of cellulose.



## Residue collection and recycling

Residues are collected throughout all areas in the Company, and are separated by category. Residues are initially classified as industrial and non-industrial. Industrial residues are sent to the Residue Recycling Plant, with the objective of correctly processing these materials and allow for their

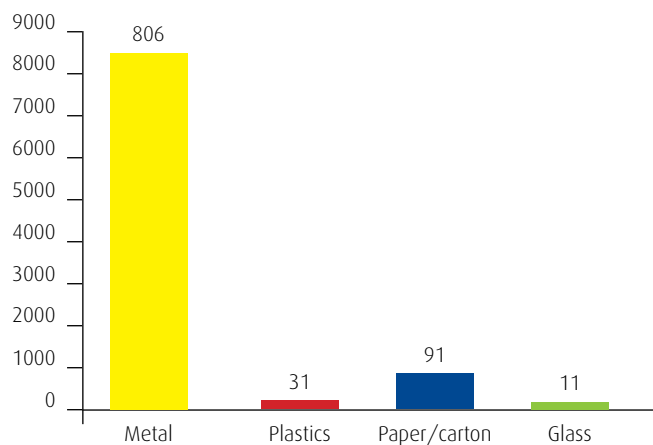
sale. Part of these residues is reused, such as limekiln, which is treated and used in agriculture to correct soil acidity and as raw material for the production of floor tiles, linings, and roof tiles. Sawdust is used as fuel by ceramic industries in the manufacture of bricks and roof tiles.

## Products, treatment, and original materials

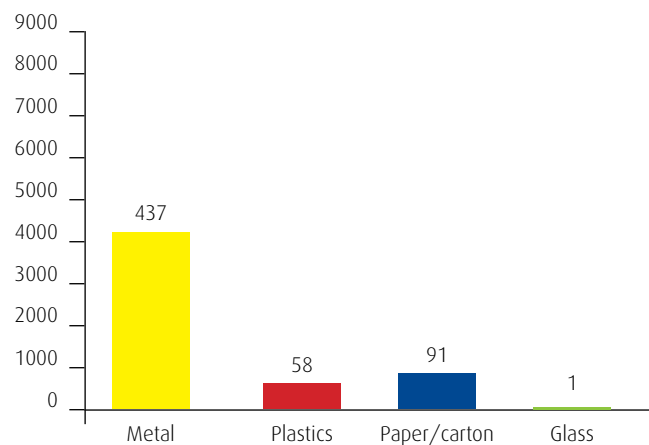
Product	Treatment	Original materials
Plant substrate	Composting	<ul style="list-style-type: none"> <li>• Eucalyptus bark</li> <li>• Primary slurry</li> <li>• Knots and refuse</li> <li>• Dregs and grits</li> </ul>
Raw materials for ceramics and roof tiles	Homogenization and drying	<ul style="list-style-type: none"> <li>• Slurry and Lime</li> </ul>
Acidity corrective	Homogenization and drying	<ul style="list-style-type: none"> <li>• Slurry and Lime</li> </ul>
Biomass for burning	Storage	<ul style="list-style-type: none"> <li>• Sawdust</li> <li>• Eucalyptus bark</li> </ul>

Non-industrial residues, such as paper, plastics, glass, and metals, are collected and sent to specialized recycling companies.

### Selective Collection in 2008 (t/year) Metal, Plastics, Paper/Carton, Glass



### Selective Collection in 2009 (t/year) Metal, Plastics, Paper/Carton, Glass

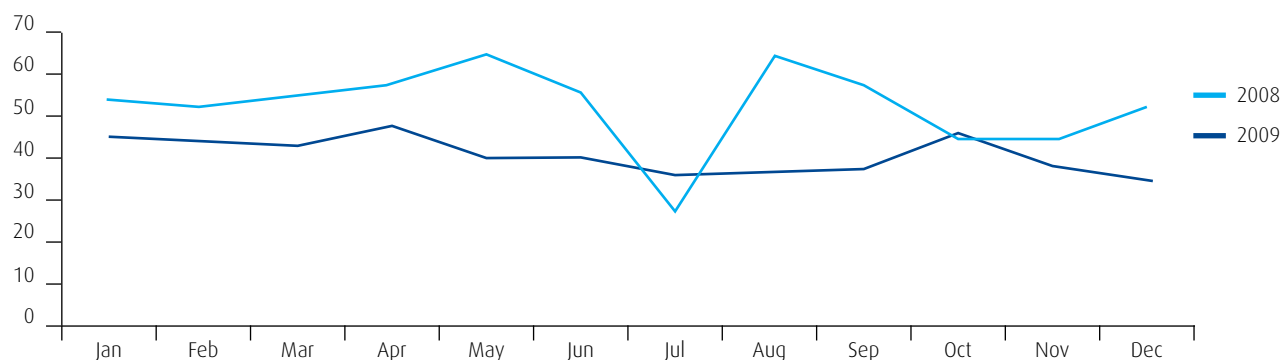


## Collection and consumption of water

The water used at the plant, collected from our own artesian wells, is provided by São Sebastião aquifer, one of the largest deep water reservoirs in Brazil. In 2009, our industrial activities consumed on average 49 m<sup>3</sup> of water per ton of product,

representing savings of 20% over the previous year. The Company complies with all the applicable legal requirements for its activities and the use of water resources, and is a member of Cetrel's Water Resources Monitoring Program from the Camaçari Industrial Hub.

### Volume of water consumed by the plant Progress in 2008 and 2009



## Atmospheric emissions

In our plant, Bahia Specialty Cellulose controls the emissions of gases to the atmosphere applying modern processes and equipment that provide fine-tuned monitoring – which is essential to plan any mitigation actions.

To minimize atmospheric emissions, we have electrostatic precipitators installed at the recovery boiler and at the limekiln, and a new incinerator for odoriferous gases generated in the process. All gas emissions from the plant are regularly verified and evaluated based on external standards, as well as on the requirements of the license.





## Odor Perception Network

Even with the main sources of emissions operating under control and within the established limits, adverse meteorological conditions – such as rains, low thermal inversion layers, or low temperatures – may affect the dispersion of gases coming from the plant. As a consequence, an increase of gas concentration may occur, causing the perception of odor.

For this reason, Bahia Specialty Cellulose created in 2009 an Odor Perception Network, which is formed by volunteers residing in neighboring communities. The Company selected and trained the volunteers to identify the typical odor from the plant, and provided guidance as to how to proceed in case this odor is detected.

By means of direct communication between the industrial unit and the community representatives, which is started through a toll-free line, the Company is able to more effectively monitor and control odor emissions, which provides added input to the continuous improvement process of Bahia Specialty Cellulose, looking to continuously minimize impacts caused by odor.

Members of the network participate of gatherings twice a year, where they are updated about actions to improve odor emissions and any other pertinent information. As a result of this process, in 2009 an increase of odor notices was recorded over the previous year. 20 notices were given in 2009 over 12 in 2008.

# Social performance

## Human resources

### Jobs

As at the end of 2009, Bahia Specialty Cellulose had 633 employees, of which 526 work on our plant. In addition, the company contracted other staff through third parties. These employees comprised 529 working in the industrial plant and 1,585 working in the field. In the forestry base, we hire temporarily up to 4,000 professionals during the planting season, which generally occurs between April and July.

### Compensation

#### Salaries and benefits

All employees receive fixed salaries based on market surveys and according to the criteria established in the Company's Position Plan. The average salary paid in 2009 was 5 % greater than in the previous year.

Bahia Specialty Cellulose provides its employees with benefits including medical and dental assistance, complementary pension program, group life insurance, transportation, and balanced meals at the workplace.

Through agreements with the Banco do Brasil Athletics Association (AABB) and the Industry Social Service (Sesi), employees have access to clubs with sports and leisure areas. Additionally, we provide scholarships covering between 50 and 80 % of course fees for university, post-graduation, and language (English) courses.



## Bonus program

In addition to fixed salaries and benefits, Bahia Specialty Cellulose offers a performance bonus program that stimulates and compensates employees for good results. It is called Results-Sharing Program (Programa de Participação nos Resultados - PPR). Bonus evaluation and awarding criteria are established by an employee committee, in accordance with the collective agreement signed in 2005 with Sindicelpa, the Bahia cellulose and paper region worker's union.

## Medical and dental assistance

The occupational health sector provides Company employees with periodical examinations, medical assistance, consultations, and treatments. In 2009 the following numbers were recorded in medical assistance:

Assistance report 2009	
Medical and nurse assistance	2,761
Periodical clinical examinations	451
Medical appointments	798
Third-party medical and nurse assistance	1,566
Third-party consultations	198

Bahia Specialty Cellulose offers medical and dental assistance plans to all professionals, to increase the quality of life of the entire team and their families. Through this plan, the Company pays the larger portion of employee expenses with medical appointments, exams, test and other medical procedures.

## Group life insurance

The Company offers group life insurance to employees. Policy values are fixed and related to the nominal salary of each employee.

## Meals

Bahia Specialty Cellulose offers quality basic meals to all employees. In the industrial area, the Company provides a canteen serving an average of 750 meals per day. To employees in the forestry area, the Company provides meal vouchers.

## Complementary Pension Program

Bahia Specialty Cellulose has a Complementary Pension Program in place available to all employees. The program allows the accumulation of resources during the employee's career to complement the official pension. Its objective is to award the effort and dedication of Bahia Specialty Cellulose employees. The Program is managed by Unibanco AIG.



# Health and Safety

Our Work Health and Safety Management Program establishes practices for the prevention, elimination or reduction of the risk of accident or occupational diseases in the forestry, industrial, and administrative areas. The Company also has a Specialized Work Safety and Medicine Service (Sesmet) in place, a department responsible for activities in the Industrial Safety Sector (Sesin) and the Occupational Health Sector (Sesoc).

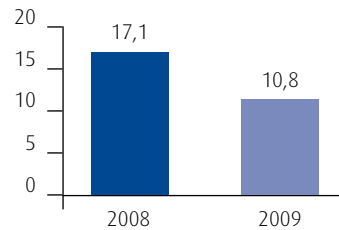
## The Health and Safety program includes:

- Control of medical and legal documentation;
- Inclusion of an employee access control system;
- Requirement of minimum documentation to third party companies;
- New emergency brigade, with 88 members in five relaying shifts;
- Audits focusing on behavioral improvement;
- Safety integration program for 100 % of new hires;
- Constant training;
- Periodical meetings on behavior and safety;

The Company also updated the emergency response systems, including training and education, detection and alarm systems, participation in the contingency plan from the Camaçari Industrial Hub, with an emergency response team ready 24 hours a day, adaptation of the fire water pumping plant, and performing emergency drills.

In industrial operations, the total number of accidents in 2009 was 35 % lower than in the previous year. Of those, 13 involved absence from work. Two accidents with absence occurred in the forestry area. All incidents were used as lessons to be learned and triggered processes to prevent similar occurrences in the future.

## Lost Workday Accident Rate\* 2009



This rate is obtained according to the formula - number of accidents X 1,000,000 / man-hours worked.

We are members of the Camaçari Industrial Fostering Committee - Cofic. All member companies apply best practices and adopt rigorous health and safety standards, being audited yearly.

## Specific improvements were implemented for the medical area, such as:

- Adoption of the on-leave employee control and assessment program;
- The method of collecting statistics relating to absenteeism;
- Improvements to the occupational examination systems;
- Improvement to the physical facilities;
- Uninterrupted working of the Occupational Health Sector;
- Vaccination campaign against meningitis;
- Improvements to the control of examinations from third-party companies;

In 2009 a new program was added to the system, consisting of periodical performance evaluations of the teams regarding health and safety, with the participation of external evaluators and the classification of working areas according to three levels: bronze, silver, and gold.

The results from the teams involved reflected the progression of performance obtained during the year over 2008, when the program was implemented. In the first evaluation, no area achieved the minimum classification. In 2009, three teams were classified as bronze, six as silver, and two as gold.

## Training

Bahia Specialty Cellulose continuously invests in the development of employees, with training to improve competency and updates on procedures related to the exercise of their functions and to safety in the working environment.

In 2009, a total of 21,998 training hours were provided, involving 2,215 employees.

## Incentive to education

We believe that to invest in employee education adds value to the Company by increasing its intellectual capital, and in the same way increases team satisfaction and employee sense of accomplishment.

In this sense, we maintain the Education Incentive Program that covers part of the expenses with university, post-graduation and English courses, to deepen and improve the knowledge of employees' at all levels. This program covers from 50 to 80 % of the costs of courses in compatible education and working areas, according to annual evaluation criteria to foster those achieving the best behavioral and professional performance.

Between 2008 and 2009, the program provided 60 scholarships to employees.



# Social performance

## Society

### Relationship with stakeholders

Bahia Specialty Cellulose maintains an open door policy with stakeholders, and the Company fosters visits from clients, professionals, and students to our plant and forest base. In 2009, we promoted nearly 200 such events, including visitations, meetings, presentations, training sessions and events involving representatives from the federal, state, and municipal government, as well as regional leaders, students, members of associations, NGOs, and teaching institutions from the high-school, technical, and university levels.

Conversations were established with the main stakeholders, including meetings and encounters with representatives of the timber (sawmills, co-ops, and associations), rural (associations), beekeeping (associations and co-ops), and religious (Evangelic, Christian, Spiritism, and African-descendant cults) sectors, as well as with other companies.

Bahia Specialty Cellulose has a member of the Alagoinhas Industrial and Commercial Association (Acia) and of the Municipal Environmental Defense Council - Comdema.

### Government and municipal administrations

Bahia Specialty Cellulose maintained contacts with the representatives of state and municipal agencies, class organizations, municipal administrations, public prosecution services, town chambers, municipal secretaries, with Embasa (the water and sanitation company from the Bahia State Government) and the environmental, security, and social assistance councils.

We understand that relationships with government – at the municipal, state, and federal levels – must be maintained to help strengthen democratic institutions and to achieve better living conditions for society.

# Social performance

## Community Development

### Beekeeping Project

Bahia Specialty Cellulose established a technical cooperation agreement with the Bahia State Government and the Costa do Sauípe Agricultural Co-op (Coopevaes). Under this agreement, we provided areas – eucalyptus plantations and legal preserve and permanent preserve areas – to allow beekeepers from local communities to install their beehives which is intended to provide benefits to 400 families.

For many years before this partnership was established, beekeeping activities were made informally in the properties of Bahia Specialty Cellulose. In addition to provide regular status to these activities, projects such as this one allow the communities to develop and formalize their sources of income, improve their quality of life, and open new markets to their products.





## Piassava Palm Project

The Piassava Project is a partnership between Bahia Specialty Cellulose and the Brazilian Micro and Small Company Support Service (Sebrae) and other organizations, created to provide alternative sources of income to 250 families in the region. Through this project, the Company disseminates concepts and practices related to sustainable management, assuring the preservation of the species and the continued extraction of piassava fiber within our properties.

Piassava is the popular name of the *Attalea funifera*

*martius* palm tree, a native species originated from the southern state of Bahia. Due to its long fibers, that are strong yet soft and flexible with a water resistant texture, it is used to produce domestic utensils and ornaments.

The handcraft produced with piassava fiber harvested within Company areas is sold by the artisans themselves, especially at the hotel complexes in northern Bahia and in fairs outside of the state, including São Paulo, Rio de Janeiro, and Minas Gerais.

## Squares and Children Playgrounds

In the locality of Dias d'Ávila, Bahia Specialty Cellulose, in 2008, installed 14 children's playgrounds at the city's squares. The installation of playground equipment, manufactured with treated eucalyptus, provided improved quality of life to the population and stimulated children to exercise and relate with one another.

In Alagoinhas, the Company partnered with the Alagoinhas Municipal Administration in revitalizing squares in the city, by giving seedlings of ornamental species and native species from the Atlantic Rainforest.

## Citizenship Center

In 2008 and 2009, Bahia Specialty Cellulose participated with other companies in the Citizenship Center (Polo de Cidadania), an initiative coordinated by the Camaçari Industrial Fostering Committee (Cofic), to provide the population with public utility services in various areas, including health, computers, documentation, vocational guidance, educational activities, leisure, sports, and culture, in addition to workshops on recycling.

During its first two editions, the Citizenship Center performed 23,000 consultations and services on various areas, to an estimated 10,000 persons. Partners in this project included the Industry Social Service (Sesi) and the Camaçari Municipal Administration.

## Junior Achievement

Since 2006, Bahia Specialty Cellulose sponsors the Junior Achievement Program in Bahia, created to foster the enterprising spirit and personal development of young students, in addition to stimulating a general view of business and of the free trade system through a practical approach.

Thanks to this partnership, in 2008 a total of 150 students from public schools in Alagoinhas were able to take part in the Mini-Company Program (Programa Miniempresa), where they were able to develop "the enterprising spirit, leadership capabilities, determination and responsibility, the courage to take risks, and teamwork." Twenty Company employees and third-party employees worked as volunteers, providing workshops to the students.

Junior Achievement was created in the United States in 1919 by Horace Moses and Theodore Vail. The program currently operates in over 100 countries and involves more than six million young people every year.

## Minor Apprenticeship Program

In 2008, the Company implemented the Minor Apprenticeship Program (Programa Menor Aprendiz), to empower young people aged 14 to 24 years who are attending or have completed high school. In total, six young individuals have already been benefited.





## What's the best of my land

During the first semester of 2008, Bahia Specialty Cellulose implemented the “What’s the best of my land” (“O que minha terra tem de melhor”) project. The project involved over 4,000 children and adolescents participated who were students from public schools in the region where the Company operates. The objective was to stimulate the perception of the world and the power of students’ own observations regarding natural beauties, their vocations, the arts and folklore from each city, and thus sharpening their creativity and artistic talent.



The project, performed in partnership with Coringa Soluções Artísticas, culminated with a painting and drawing on cellulose workshop for the authors of the 69 best works. During this workshop a total of 700 works were produced, which were converted into serigraphs and distributed as institutional gifts by the Company.



**Bahia Specialty Cellulose**

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