

(Unofficial English translation)

**To the Ministry of Finance**

Oslo, 22 March 2006

**Aracruz**

Reference is made to the Ministry of Finance's letter of 23 August 2005 in which the ministry forwards a request from five Brazilian organisations to exclude Aracruz Cellulose SA from the investment universe of the then Government Petroleum Fund, now the Government Pension Fund – Global.

Aracruz, the world's largest producer of bleached eucalyptus pulp, recorded a turnover of USD 685.9 million in 2005. At the end of 2005 the Government Pension Fund – Global held shares worth NOK 34 682 million in the company, equivalent to an ownership share of 0.14 per cent.

Aracruz is alleged to have unlawfully acquired lands traditionally belonging to the Indian peoples in the area. These communities are demanding the return of the lands in question based on the constitutional rights of indigenous peoples in Brazil. Aracruz asserts that the properties were lawfully acquired from their legitimate owners, and that this is documented by land deeds.

The land conflict goes back to 1979. Since then a process has been under way involving the authorities in the shape of the Ministry of Justice along with Brazil's National Indian Foundation (FUNAI), representatives of Indian communities and Aracruz. Under an agreement with the Indian communities (dating from 1998, revised in 2002), Aracruz committed itself to contributing about NOK 1.4 million annually to fund development projects over a 20 year period, and has given up just over 2 500 hectares to the Indian Reservation.

However, the Indian communities claim they are entitled to a further 11 000 hectares which they assert that FUNAI, in a study from 1997 and most recently in a report of 20 February 2006, regard as Indian territory. Aracruz rejects this claim, pointing out that it has not previously been supported by the Minister of Justice. As far as the Council is aware, the issue is to be reviewed by FUNAI's legal affairs office and thereafter forwarded to the Minister of Justice for decision. According to Aracruz' website, the company would prefer the matter to be resolved by the courts.

As the Council sees it, this is primarily a conflict about land rights between Indians and Aracruz, although environmental issues and worker rights have been a matter of concern in this conflict as well. Indigenous peoples' rights to land is an important question. As regards the request from Brazilian organisations forwarded by the ministry, the Council bases its position on the fact that a process is in train with a view to resolving the conflict. The Council also attaches importance to the Brazilian authorities' engagement in the case

and the fact that all stakeholders seem to be involved in the process The Council will await further developments before considering the need for a more thorough assessment of this case.

Yours sincerely,

Gro Nystuen  
Chair of the Council on Ethics