

Núcleo de Governança Corporativa

ZEIDAN, Rodrigo Mariath; RODRIGUES, Bruno. The failure of risk management for nonfinancial companies in the context of the financial crisis: lessons from Aracruz Celulose and hedging with derivatives. [*Applied Financial Economics*](#), London, v. 23, n. 3, p. 241-250, Feb. 2013.

[The failure of risk management for nonfinancial companies in the context of the financial crisis: lessons from Aracruz Celulose and hedging with derivatives](#)

Abstract:

The main contribution of the paper is to present hard evidence on risk exposure, hedging strategies, and agency problems resulting in speculation with derivatives, by focusing on the case of Aracruz Celulose. It highlights the failure of risk management systems in non-financial firms in the face of extreme events like the financial crisis of 2008. The company posted financial losses of US\$2.1 billion due to currency derivatives trading in the third quarter of 2008. We show how the company's real hedge position deviated from its optimal hedge as a result of the speculation with OTC derivatives, permitted by weak governance structures that failed in preventing hubris and mistakes in risk management.