



SUSTAINABILITY AT KLABIN IN 2016



It's in
our
Nature



Klabin



CONTENTS



**SUSTAINABLE
DEVELOPMENT GOALS**

4



**MESSAGE FROM
THE BOARD**

6



**THE NATURE
OF KLABIN**

10



**COMMITMENT TO
SUSTAINABILITY**

16



**VALUE
GENERATION**

18



**PEOPLE
DEVELOPMENT**

22



**INNOVATION FOR
SUSTAINABILITY**

28



**SUSTAINABLE
CONSUMPTION
AND PRODUCTION**

32

OFFICE HOURS

Klabin's Executive Coordination

Carime Kanbour
Luana Fleury
Aline Tozaki
Ivan Staicov

GRI Consulting

Avesso Sustentabilidade

Graphic design, information

graphics and content
BH Press Comunicação
Dulcemar da Costa
Isabela Scarioli
Marina Figueiredo
Renata Taffarello

External verification

BSD Consulting

Photo

André Valentim
Marcio Bruno
Sergio Zacchi
Zig Koch



A MESSAGE TO READERS

This is the short version of Klabin 2016 Sustainability Report, compiling the most relevant information about the company's economic, social and environmental performance between January 1 and December 31, 2016. The full version of the report is available at <http://rs.klabin.com.br/>

The report follows the G4 guidelines (Core option) of the Global Reporting Initiative (GRI), an organization that provides guidelines for internationally recognized environmental, economic and social performance reporting.

The content herein was compiled based on a correlation between the nine most relevant topics for the business, identified in a materiality study carried out with Klabin's stakeholders, as well as the UN's Sustainable Development Goals (SDG) that are voluntarily supported by the company.

The financial indicators in this report refer to all of Klabin's operating units in Brazil and Argentina. Social and environmental information, however, refers only to the Brazilian operations.

SUSTAINABLE DEVELOPMENT GOALS

Klabin has voluntarily signed up to UN's Sustainable Development Goals (SDG) – a commitment expressed through its Sustainability Policy. The entity expects to apply solutions, technologies and business processes to address the major global challenges to sustainable development.

In order to fulfill its commitment to this global agenda, Klabin has set new goals and targets that have been incorporated into its Sustainability Strategy.



**SUSTAINABLE
DEVELOPMENT
GOALS AND
MATERIAL THEMES**

OBJETIVOS DE DESENVOLVIMENTO SUSTENTÁVEL DA ONU



1
No poverty



2
Zero hunger



3
Good Health and well-Being



4
Quality education



5
Gender equality



6
Clean water and sanitation



7
Affordable and clean Energy



8
Decent Work and economic growth



9
Innovation and infrastructure



10
Reduced inequalities



11
Sustainable cities and communities



12
Responsible consumption



13
Climate action



14
Life below water



15
Life on land



16
Peace and justice



17
Partnerships for the goals

MATERIAL THEMES

Competitiveness and economic results

Business expansion

Wood supply

Certifications

SUSTAINABLE DEVELOPMENT GOALS



Promoting local development and relationships with communities

Health and safety of direct and indirect employees



Research, development and innovation

Customer satisfaction and product quality



Environment





MESSAGE FROM THE BOARD



2016 WAS SIGNIFICANT TO OUR GROWTH STRATEGY AND ONE MORE PERIOD IN WHICH KLABIN DEMONSTRATED ITS FLEXIBILITY TO NEGOTIATE ADVERSE SCENARIOS.

We ended December celebrating 22 consecutive quarters of positive results. March was the highlight of 2016, with the beginning of operations at the Puma Unit, in Ortigueira (state of Paraná), on time and within the estimated budget, after 24 months of intense work and investments of around BRL 8.5 billion.

The new unit already made an important contribution to sales, which increased 45% over 2015. We have adapted our product mix to the market by completing the acquisition of two corrugated board facilities, one in Manaus (Amazonas) and the other in Rio Negro (Paraná). As a result, we achieved a 3% increase in our converted sales volume compared to 2015. The increase in sales led to a 23% growth in net revenues compared to the same period in 2015.

Since 2011, when we started our projected 10-year growth cycle, we have been working on reducing operating and administrative costs and have been investing in streamlining our productive capacities and improving our product and market mix. In the industrial sacks segment, once highly dependent on construction, we created new opportunities through the development of packaging for areas such as coffee exports and pet food sales.

The year 2016 was also marked by significant progress and recognition in the field of



sustainability, a subject that is at the core and closely linked to Klabin's activities. It also represents a commitment to our shareholders, customers, employees, suppliers and the communities in which we operate, as described in our new Sustainability Policy, revised in 2016.

We have also taken an important step by incorporating UN's Sustainable Development Goals (SDG) into our long-term development strategy.

Through the SDG, the United Nations sets out global priorities and aspirations to be met by

2030, with a view towards contributing to a better world from a social, environmental and economic standpoint.

In 2016, we were featured for the third consecutive year in the Carbon Disclosure Project (CDP), an international institution that analyzes the efforts of companies to minimize and manage the environmental impacts of their operations. Klabin was among the companies noted for best practices in natural capital management, earning Leadership Status in the Climate Change and Forest categories, and was featured for its performance in water management.

We have been recognized as the most sustainable company in the paper and pulp sector and also won the “Sustainable Company of the Year” award from the Guia Exame de Sustentabilidade, which highlighted Klabin’s efforts to make the recently inaugurated Puma Unit a benchmark since its inception. In addition, we maintained our presence in BM&FBovespa’s Corporate Sustainability Index (ISE), showing progress in almost all of the criteria that define participation in the index.

We began 2017 with even more promising prospects in the market than in previous years. Our goal is to become the leader this year in Brazil’s fluff pulp sector. We are also preparing for a resumption of growth of the Brazilian economy by increasing in our capacity to integrate paper production after the recent acquisitions of corrugated board



**WE HAVE ALSO TAKEN
AN IMPORTANT STEP BY
INCORPORATING UN’S
SUSTAINABLE DEVELOPMENT
GOALS (SDG) INTO OUR
LONG-TERM DEVELOPMENT
STRATEGY.**

packaging operations. At the same time, we are facing the challenge of focusing on executing small, high-return projects over the next two years.

In the area of Research, Development and Innovation, our Technology Center in the state of Paraná will surely help us advance our goals on several fronts, including medium and long-term sustainability.

Among the points for improvement that lie ahead, healthcare and safety are an important and daily challenge. We believe that adopting personnel management practices based on the development, motivation and involvement of employees is the best way to meet these challenges.

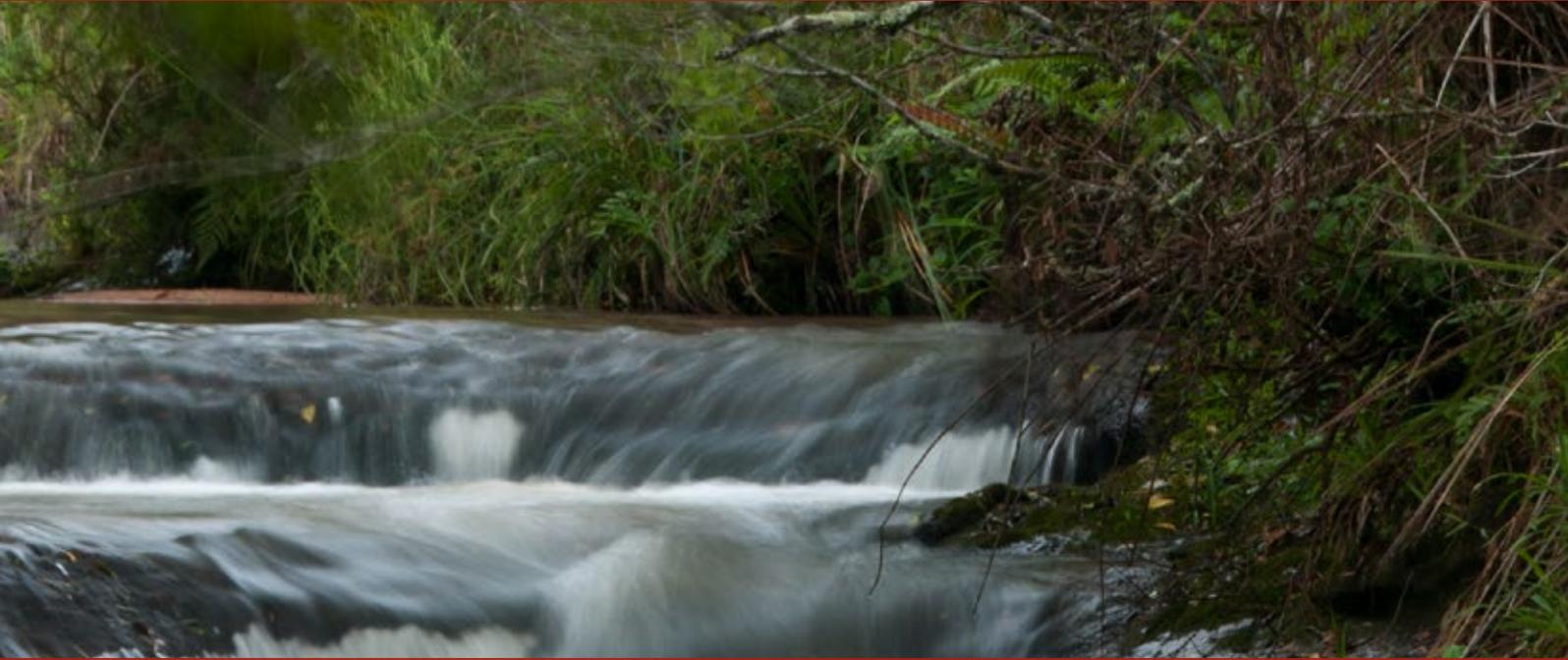
We would like to thank all those who accompany us on this journey, bringing together excellence, innovation, responsibility and a vision of the future, which is all a part of our nature and the way we have done things for the last 118 years.



THE GUIA EXAME DE SUSTENTABILIDADE
CHOSE KLABIN AS THE **"SUSTAINABLE
COMPANY OF THE YEAR"** AND **"THE
MOST SUSTAINABLE COMPANY IN
THE PAPER AND PULP SECTOR"**.



WE BELIEVE THAT **PERSONNEL
MANAGEMENT BASED ON THE
DEVELOPMENT, MOTIVATION AND
INVOLVEMENT OF EMPLOYEES** IS THE
BEST WAY TO MEET CHALLENGES.



THE NATURE OF KLABIN



THE COMPANY

KLABIN IS A LEADER IN A NUMBER OF MARKET SEGMENTS IN BRAZIL AND SELLS A WIDE RANGE OF PRODUCTS BOTH IN THE DOMESTIC AND INTERNATIONAL MARKETS, INCLUDING PAPER AND BOARD FOR PACKAGING, CORRUGATED BOARD PACKAGING, INDUSTRIAL SACKS, PULP AND TIMBER IN LOGS.

A publicly held joint stock company, Klabin has been operating for 118 years, with a history of growth that now includes the inauguration of the Puma Unit, in Ortigueira, Paraná, in March 2016. With this, Klabin became the only Brazilian company to supply hardwood pulp, softwood pulp and fluff pulp

to the market, using a mill entirely designed for this purpose.

The company's management is oriented towards sustainable development and seeks integrated and responsible growth, combined with profitability, social development and commitment to the environment.

Klabin has been included in BM&FBovespa's Corporate Sustainability Index (ISE) since 2014. The company has voluntarily signed up to initiatives such as the UN's Global Compact, the Brazilian National Pact to Eradicate Slave Labor, Brazil's Anti-corruption Pact as well as the CEO Climate Leaders, and seeks to work with suppliers and business partners that follow the same values of ethics, transparency and respect for the principles of sustainability.

LEADERSHIP IN BRAZIL IN:



Paper and board for packaging



Corrugated board packaging

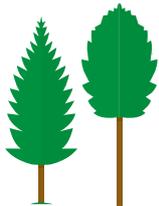


Industrial sacks



Timber in logs for saw mills and rolling mills

BUSINESS UNITS



FORESTRY

Responsible for the management of forests planted by Klabin, which includes the planning, planting and harvesting for supply of raw material to the company's pulp and paper mills.



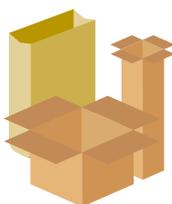
PULP

Responsible for the production of hardwood pulp (eucalyptus), softwood pulp (pine) and fluff pulp. Manufactured for the first time in Brazil from pine softwood pulp, fluff pulp is an important input for the production of diapers, disposable absorbents and other products.



PAPER

Produces paperboard for liquids and for the food, hygiene and cleaning, electronics and consumer appliances industries, among others. Klabin manufactures Kraft paper used in corrugated board boxes and industrial sacks, as well as producing recycled paper.

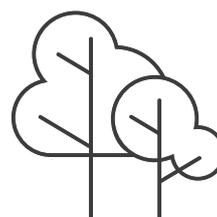


CONVERTING

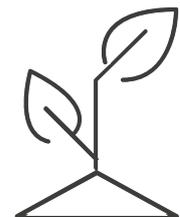
Converts Kraftliner and sack Kraft paper into corrugated cardboard and industrial sacks, respectively, to be used by the food, beverage, fruit and vegetable, health and personal hygiene, electronics and consumer appliances and construction sectors.

FORESTRY BASE

The company's forests are cultivated in three Brazilian states – Paraná, Santa Catarina and São Paulo –, featuring a high level of preservation of one of the most threatened biomes of the country, the Atlantic Forest. Our care extends to Brazil's native forests, 43% of Klabin's forests are destined to the preservation and maintenance of biodiversity.



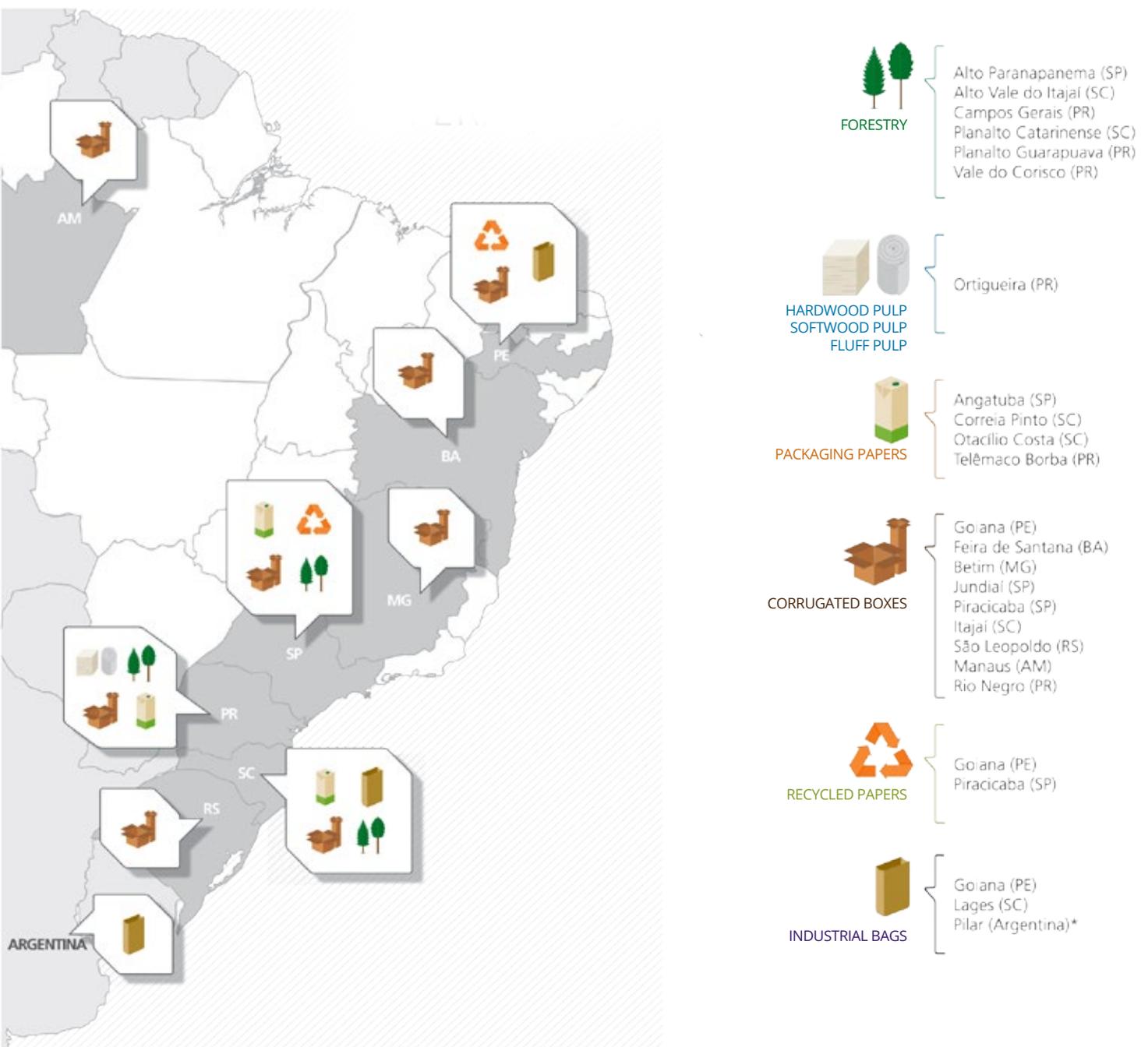
214,000
hectares of
native forests



229,000
hectares of
planted forests

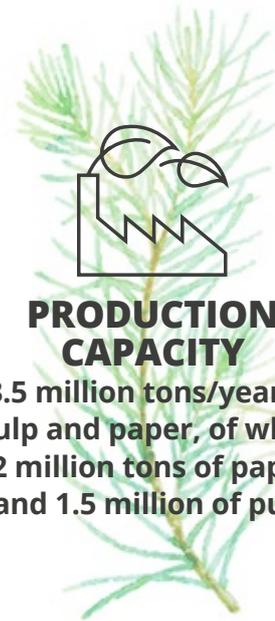
MAP OF OPERATIONS

Klabin is headquartered in the city of São Paulo and has 18 industrial units, 17 of which are located in Brazil, and one in Argentina. The company has commercial offices in eight Brazilian states, a branch office in the United States, a new office in Austria, as well as representatives and commercial agents in several countries.





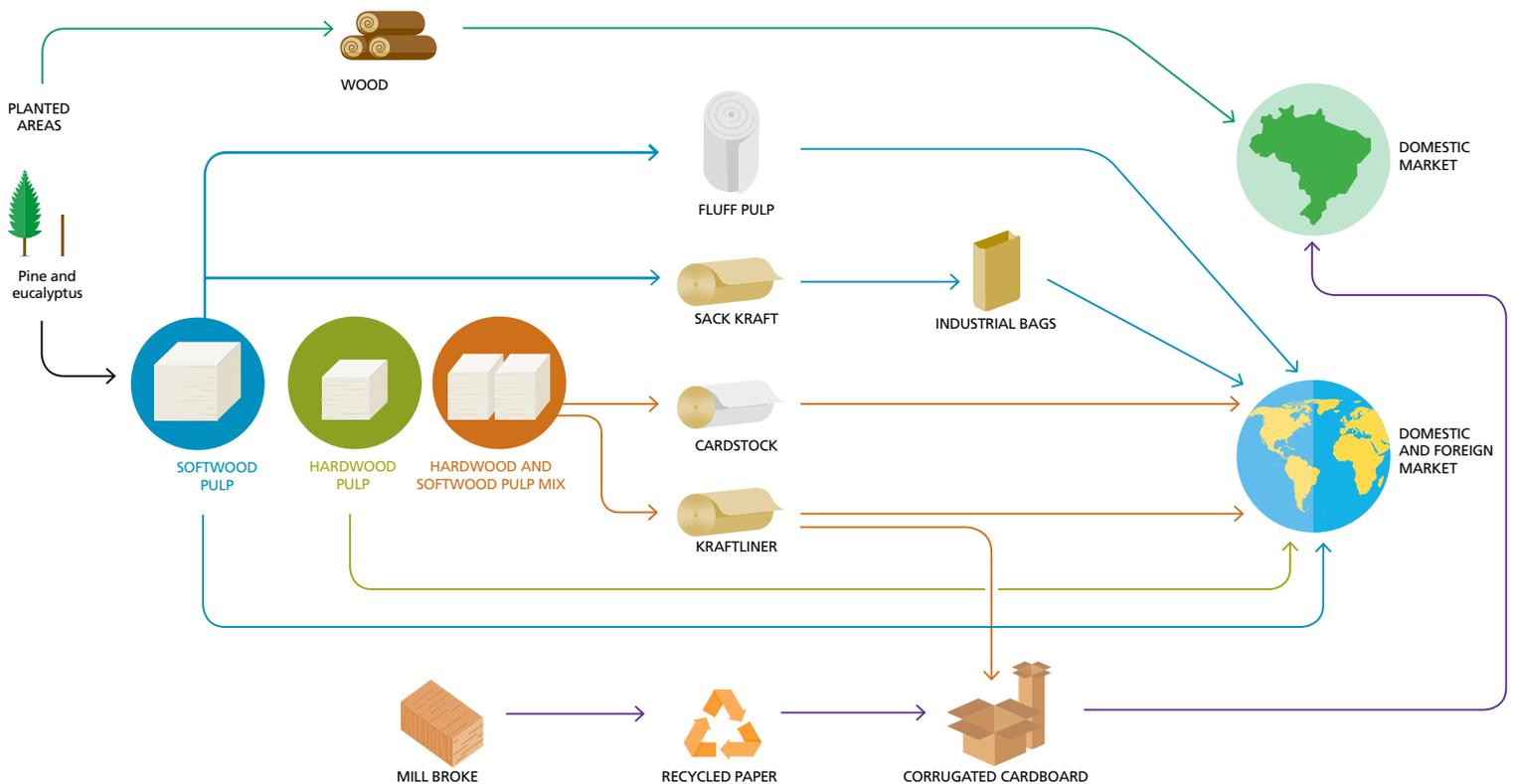
PRODUCTION PROCESSES AND DESTINATIONS



PRODUCTION CAPACITY

3.5 million tons/year of pulp and paper, of which 2 million tons of paper and 1.5 million of pulp

Klabin's products are focused mainly on the food (milk, meats and fruit), health and personal hygiene, cleaning, construction and electronics and consumer appliances industries. In addition to spearheading the Brazilian market, the company also ships its products out to more than 60 countries across all continents.



GOVERNANCE

EXECUTIVE BOARD (composition until April/2017)

Fabio Schvartsman General Director	Adriano Canela Kraftliner Commercial Director
Cristiano Teixeira Converting and Paper Commercial Director	Douglas Dalmasi Industrial Sacks Director
Arthur Canhisares Industrial Director for Paper	Edgard Avezum Junior Commercial Director of Card Stock
Eduardo de Toledo Finance and Investor Relations Director	Gabriella Michelucci Packaging Director
Francisco César Razzolini Technology & Pulp Unit Director	José Soares Commercial Director of Pulp
José Totti Forestry Director	Sadi Carlos de Oliveira Industrial Director of Pulp
Sérgio Piza Personnel & Management Director	Sandro Ávila Operational Planning and Logistics Director

BOARD OF DIRECTORS (composition until April/2017)

EFFECTIVE MEMBERS

Armando Klabin
Celso Lafer
Daniel Miguel Klabin
Paulo Sérgio Coutinho Galvão Filho
Israel Klabin
Roberto Klabin Martins Xavier
Luis Eduardo Pereira de Carvalho
Pedro Franco Piva
Roberto Luiz Leme Klabin
Sérgio Francisco Monteiro de Carvalho Guimarães
Rui Manuel de Medeiros D'Espinay Patrício
Vera Lafer
Helio Seibel

ALTERNATE MEMBERS

José Klabin
Reinoldo Poernbacher
Amanda Klabin Tkacz
Graziela Lafer Galvão
Alberto Klabin
Lilia Klabin Levine
Vivian do Valle Souza Leão Mikui
Eduardo Lafer Piva
Marcelo Bertini de Rezende Barbosa
Olavo Egydio Monteiro de Carvalho
Joaquim Pedro Monteiro de Carvalho Collor de Mello
Francisco Lafer Pati
Matheus Morgan Villares

Since April/2017, Cristiano Cardoso Teixeira has been the company's General Manager and Daniel Klabin is the chairman of the Board of Directors. To see the current composition of the Executive Board and Board of Directors, since April /2017, go to rs.klabin.com.br.



**COMMITMENT TO
SUSTAINABILITY**



THE BASIS OF MANAGEMENT AND PERFORMANCE

An ongoing part of Klabin's history and daily life, sustainability is the foundation of its business management and is a long-term commitment to shareholders, customers, employees, suppliers and company communities. The company was the first to adopt responsible forest management practices and was the first company in the industry in the Southern Hemisphere to receive FSC® certification (FSC-C022516) - Forest Stewardship Council®.

The adoption of global best practices related to the theme in operations is expressed in the Sustainability Vision and is supported by the Sustainability Policy, updated in 2016 to follow the advances in sustainability management practices. The seven policy priorities were expanded to 13 principles.

RECOGNITION OF BEST PRACTICES

Important institutions and initiatives have recognized Klabin's sustainability-oriented management efforts. All acknowledgments can be found on Klabin's website (www.klabin.com.br).



VALUE GENERATION

RELATED MATERIAL THEMES:

COMPETITIVENESS AND ECONOMIC RESULTS

BUSINESS EXPANSION

WOOD SUPPLY

CERTIFICATIONS

SUSTAINABLE DEVELOPMENT GOALS



COMPETITIVENESS AND ECONOMIC RESULTS

SINCE 2016, BRAZIL HAS BEEN EXPOSED TO UNCERTAINTIES IN POLITICS, ECONOMIC INSTABILITY AND EXCHANGE RATES, AMONG OTHER FACTORS.

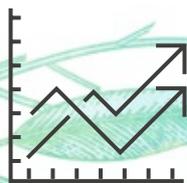
The year of 2016 was very challenging for several sectors of the economy and it was no different for Klabin, which faced very adverse conditions due to a significant appreciation of the exchange rate over the year and a 2% drop in the Brazilian corrugated cardboard market in the period covered by this report. At the end of the period, the company saw its Ebitda increase 16% in comparison to 2015 and completed 22 consecutive quarters of growth.

The complete economic and operational performance of Klabin and its business units in 2016 are available at <http://rs.klabin.com.br/>

MAIN INVESTMENTS IN OPERATIONS

BRL millions	2016	2015
Forestry	136	97
Operational continuity	405	348
Special projects	296	59
Expansion	24	71
Puma Project	1,707	4,053
Total	2,567	4,628

MAIN RESULTS OF 2016



Adjusted EBITDA

BRL 2.29 billion, an increase of 16% compared to 2015



TOTAL SALES VOLUME

2.65 million tons, 45% more than in 2015



NET REVENUES

BRL 7.09 billion, 25% more over the previous year

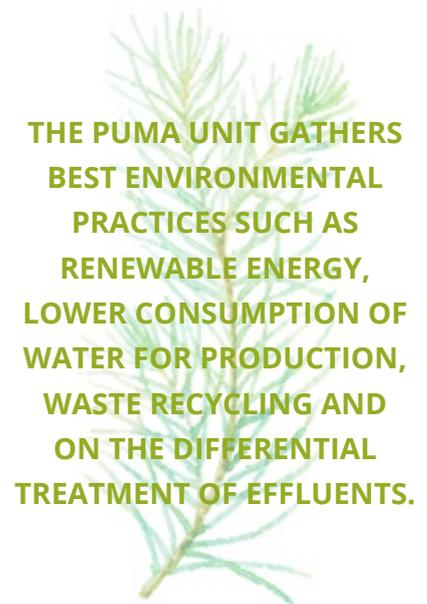


BUSINESS EXPANSION

The start of operations at the Puma Unit, in Ortigueira (Paraná) in 2016 was the major milestone in Klabin's ten-year expansion cycle, which began in 2011. The company's path towards this future is based on improving operational performance, on defining a strategy to maintain growth and on the development of its corporate governance practices. Over 235,000 hectares of planted pine and eucalyptus forests are the foundation for business growth, featuring the highest productivity indexes in Brazil and allowing the company to access high quality raw material.

FIBER SOLUTION

Klabin is the only company in Brazil to supply the market with hardwood pulp, softwood pulp and fluff pulp from softwood.



THE PUMA UNIT GATHERS BEST ENVIRONMENTAL PRACTICES SUCH AS RENEWABLE ENERGY, LOWER CONSUMPTION OF WATER FOR PRODUCTION, WASTE RECYCLING AND ON THE DIFFERENTIAL TREATMENT OF EFFLUENTS.

CONSISTENT GROWTH

Since 2011, when Klabin started its 10-year growth cycle, the company has been working hard to reduce operating and administrative costs, in addition to investing in streamlining productive capacities and improving the product and market mix.

In 2016, with the acquisition of the assets for converting corrugated board packaging

from Embalplan Indústria e Comércio de Embalagens S.A, in Rio Negro (Paraná), and Hevi Embalagens, in Manaus (Amazonas), Klabin established its conversion operations in previously unexplored regions. Part of its growth strategy is still based on several high return projects amounting to more than BRL 300 million, which should be Klabin's focus in 2017.

WOOD SUPPLY

Klabin's forestry assets are the basis of its growth strategy. With the beginning of operations at the Puma Unit, the Paraná factories' wood supply requirements have more than doubled. Most of the wood used comes from Klabin's own plantations, located near the industrial units, the closeness of which represents a huge competitive advantage for Klabin.

The factories raw material requirements are supplemented by the purchase of timber from producers that are members of Fomento Florestal or from independent suppliers, with which the company maintains contracts that cover criteria such as quality, delivery times, compliance with relevant laws and the adoption of measures to protect the environment, among others.

FORESTRY OPERATIONS



Forestry operations in 74 municipalities



In December 2016, Klabin's land holdings totaled 497,000 hectares, 229,000 hectares of which comprise planted pine and eucalyptus forests and 214,000 hectares are preserved native forests*



17,000 hectares were planted on both Klabin's and third-party lands just in 2016

*The additional land includes infrastructure (roads and improvements, for example) and areas available for planting.

GOOD FORESTS PROGRAM

Held in partnership with the Association for the Preservation of the Environment and of Human Life (Apremavi), the Programa Matas Legais supports farmers and independent producers. The Program provides guidance to forest producers

in the state of Santa Catarina and Paraná on the sustainable use of their land, encouraging the recovery of native forest remnants, responsible forestry, organic farming, ecotourism and conservation of natural heritage.



PEOPLE DEVELOPMENT

RELATED MATERIAL THEMES:

**PROMOTING LOCAL DEVELOPMENT AND
RELATIONSHIPS WITH COMMUNITIES**
**HEALTH AND SAFETY OF DIRECT AND
INDIRECT EMPLOYEES**

SUSTAINABLE DEVELOPMENT GOALS





LOCAL DEVELOPMENT AND ENGAGEMENT WITH COMMUNITIES

KLABIN'S RELATIONSHIP WITH THE COMMUNITIES SURROUNDING ITS OPERATIONS IS GUIDED BY DIALOGUE AND BASED ON THE COMPANY'S SUSTAINABILITY POLICY AND VISION.

Activities include initiatives for local empowerment and socio-environmental development projects. The Stakeholders Engagement Policy guides the dialogue; the plan for engagement with Klabin's stakeholders and the Sustainability Strategy define the priorities of each action.

PARTNERSHIP FOR DEVELOPMENT

Klabin can directly and indirectly influence the socioeconomic dynamics of communities by promoting income growth through the distribution of taxes in the municipalities where it operates, by developing socio-environmental and socio-educational programs, as well as by generating direct and indirect jobs and by altering local dynamics, leading to the empowerment of communities.

The company's actions targeted to these focal points contribute to the Sustainable Development Goals.

LOCAL DEVELOPMENT FORUM

In 2016, a local development and engagement pilot project initiated by Klabin in the previous year gained strength by empowering the community with a view to improving the quality of life in two municipalities of Santa Catarina. The Dialogue Forums in Correia Pinto and Otacilio Costa bring together community leaders, the organized civil society, other companies and government entities of these cities, as well as representatives of Klabin itself.

IN MONTHLY MEETINGS HELD IN 2016, THE WORKING GROUPS IN EACH FORUM DEVELOPED INITIATIVES IN THE AREAS OF CULTURE AND SPORTS, INCOME GENERATION, INFRASTRUCTURE, ENVIRONMENT, EDUCATION AND CITIZEN PARTICIPATION IN THE MUNICIPALITIES OF CORREIA PINTO AND OTACILIO COSTA.





IN MONTHLY MEETINGS HELD IN 2016, THE WORKING GROUPS IN EACH FORUM DEVELOPED INITIATIVES IN THE AREAS OF CULTURE AND SPORTS, INCOME GENERATION, INFRASTRUCTURE, ENVIRONMENT, EDUCATION AND CITIZEN PARTICIPATION IN THE MUNICIPALITIES OF CORREIA PINTO AND OTACILIO COSTA.

In these forums, Klabin does not act as a protagonist, but participates as an actor who, along with the others, seeks a new model of land management based on discussions and a joint search for solutions to local issues.

PARTNERS IN SOCIAL AND ENVIRONMENTAL RESPONSIBILITY

All Klabin forest stewardship units are certified by the FSC®, totaling the scope of 425,519.93 hectares. To ensure that good management practices and a commitment to sustainable development are extended to the timber supply chain, Klabin has since 2013 maintained the Forest Certification Program for Small and Medium-sized Rural Producers in the region of Campos Gerais, in the state of Paraná. This certification is aimed at producers that are part of the Programa de Fomento Florestal [Forest Development Program] as well as independent producers.

The certification is a statement that the timber producer operates with social and environmental responsibility and follows the

worldwide standards of forest management. In addition, it contributes to the generation of product value and to the development of a market of greater added value.

UNTIL DECEMBER 2016, MORE THAN 25,000 HECTARES OF PROPERTIES HAD BEEN CERTIFIED AND ALMOST 7,000 HECTARES HAVE ALREADY BEEN ENVIRONMENTALLY RESTORED IN PARTNER-PRODUCER AREAS.

SOCIAL-CULTURAL AND ENVIRONMENTAL PROJECTS

In the communities surrounding its operations, Klabin supports and develops health, culture, education, sports, leisure and environment programs, which received investments of BRL 21.82 million in 2016. Here are some highlights.

PLANNING SUSTAINABLE PROPERTIES

The program seeks to assist small rural producers in Ortigueira and Imbaú (Paraná) in the implementation of Cadastro Ambiental Rural [Rural Environmental Register] and aid their planning of the sustainable use of their property. The goal is to encourage family farming, staying on the field, local production and consumption chain as well as entrepreneurship.

PUMA FOR CHILDREN

In partnership with the non-governmental organization Childhood Brasil, Klabin engaged direct and indirect collaborators of the then Project Puma in the protection of children and adolescents. It is focused on preventing sexual harassment and exploitation.

APICULTURA E MELIPONICULTURA PROGRAM

Run for over ten years by the Monte Alegre Unit in Telêmaco Borba (Paraná), in partnership with the Associação de Apicultores de Telêmaco Borba [Beekeepers Association of Telêmaco Borba] and the Caminhos do Tibagi Cooperative. Klabin allows families of small and medium-sized rural producers of Telêmaco Borba to raise bees in its forests, benefiting 42 families.

CAIUBI PROGRAM

The program trains teachers from Paraná and Santa Catarina, with the support of municipal administrations, institutions and professional partners to disseminate eco-friendly concepts and help educate citizens to become aware of their responsibilities to the environment. In 2016, the program was conducted in 38 municipal schools and has skilled about 200 participants, benefiting 7,000 students of municipal schools.

GROWING UP PROJECT

Continuous training of direct and indirect employees on environmental issues, health, family management, quality of life and professional growth, among other topics. The program was selected by the Forest Stewardship Council® as one of five success stories in the world, and the only one in Brazil, involving cooperation between FSC® certified companies and local communities.

ENVIRONMENTAL PROTECTORS

Theoretical and practical training for elementary school students on nature conservation, environmental legislation, aspects of local fauna and flora, first aid, civics, morals and ethics, helping create cascading effects in environmental education. Run by the Environmental Police of the state of Santa Catarina, it has been supported by Klabin since 2005, benefiting 318 teenagers between the age of 11 and 14 over this period.





HEALTH AND SAFETY OF DIRECT AND INDIRECT EMPLOYEES

The development of and care for people are part of Klabin's principles and sustains the execution of the company's growth strategy. The work is based on People & Management policies, structured to develop skills, attract talent, engage, foster a culture of meritocracy and ensure a safe and healthy environment for direct and indirect employees.

LEADERSHIP FOR THE FUTURE

In October 2016, Klabin created the Rumos Program - Preparing the Management of the Future, with main objective of aligning its leaders with the company's long-term perspectives and equipping them to guide the company in its growth cycle. The initiative seeks to train leaders to develop a complete vision of the value chain, so that they can understand the uncertainties and volatility of information in complex environments, acting in their role as decision makers and acting in the spirit of ownership. The training program involved 120 managers and a pilot class of 30 coordinators in meetings held in 2016.

IN 2017, KLABIN WILL CONDUCT AN ORGANIZATIONAL CLIMATE SURVEY, THE RESULTS OF WHICH SHOULD GUIDE THE EVALUATION OF PERSONNEL MANAGEMENT INITIATIVES AND SUPPORT THE NEXT STEPS, ALIGNED WITH THE GROWTH STRATEGY.

BUSINESS SCHOOL

At the Klabin Business School (ENK), employees receive training for each stage of their professional lives, organized in knowledge tracks available on the ENK Portal (computer or mobile access), as well as in workshops and face-to-face training sessions. In addition to the mandatory content (topics related to work routine, ethics, among others), there are optional training modules on various topics of interest, as well as an exclusive space for developing leaders. The Portal was recognized with the 2016/2017 Learning & Performance Brasil Awards, of the institute of the same name, as one of the best projects in the market related to high performance management and talent development.



OUR WORKFORCE IN 2016

13,400 Direct employees	4,681 Indirect employees	292 Others - apprentices and trainees	18,373 Total
-----------------------------------	------------------------------------	--	------------------------

ATTENTION TO HEALTHCARE AND WELL-BEING

Caring for people requires an insistence on a safe and healthy working environment. In 2016, Klabin completed an integrated health management model, which allowed for even more focused prevention actions. A multidisciplinary team, comprised of occupational physicians, representatives of the health plans and the areas of safety and benefits, evaluated the occupational health conditions of employees and the main risks related to their functions. The results of this targeted work have already begun to appear. In Lages (Santa Catarina), for example, by the end of 2016, the unit registered a 32% reduction in lost working days for possible occupational diseases among its employees compared to 2015.

LIVE WELL PROGRAM

2A 24-hour telephone service, 7 days a week, managed by an independent company, which provides guidance to employees in any area, in a first approach, to solve personal problems. It has a team trained to identify the nature of the problem and make referrals to a psychologist, social worker, lawyer or financial adviser. When it comes to Klabin, the matter is referred to the company's Ombudsman.

LIVE WELL ALWAYS PROGRAM

An extension of Live Well Program, focuses on helping employees plan for the future. It includes meetings to discuss issues related to professional maturity, clarification of doubts and guidelines on retirement.

HEALTH AND SAFETY EVENTS

The Internal Week of Prevention of Work Accidents (Sipat), held in all units, is one of the opportunities in which employees and their families can receive health guidance. In addition to the activities of Sipat, events linked to dates such as National Health Day promote blood pressure measurements, lectures on healthy eating, physical activities, dental health guidelines, and other topics.

ALCOHOL AND DRUG PREVENTION PROGRAM

The program's main objective, which covers the units of Monte Alegre, Otacílio Costa and Correia Pinto, as well as Paraná Forestry, is to contribute to the quality of life, job safety and well-being of employees and third party workers. The initiative has received support from family members, local unions and the employees themselves, including spontaneous requests for assistance to treat the addiction.



INNOVATION FOR SUSTAINABILITY

RELATED MATERIAL THEMES:

**RESEARCH, DEVELOPMENT
AND INNOVATION**

**CUSTOMER SATISFACTION
AND PRODUCT QUALITY**

SUSTAINABLE DEVELOPMENT GOALS





RESEARCH, DEVELOPMENT AND INNOVATION

ALONG WITH SUSTAINABILITY, INNOVATION IS ONE OF THE FOUNDATIONS OF KLABIN'S BUSINESS, GUIDING THE COMPANY'S CURRENT ACTIONS AND VISION OF THE FUTURE.

Therefore, Klabin invests permanently in technological, process and management innovations, to remain at the forefront and leadership of its market and to advance in the search for a sustainable industrial model.

The company maintains Research, Development and Innovation (R&D+I) activities to develop and improve products tailored to the needs of its customers and manufactured based on best practices.

The inauguration of the Klabin Technology Center in Telêmaco Borba (Paraná) promises to raise Research, Development and Innovation (R&D+I) activities in the company to a

new level. Located near the pulp and paper mills and the company's forestry operations, the new Center brings together professionals, laboratories and state-of-the-art equipment to ensure that the company works at the forefront of this area, responding to current needs and supporting medium and long-term projects.

In addition to improving products, the research will focus on the discovering new applications for products already produced by the company, the extraction of chemicals of commercial value from the wood and from by-products generated in the pulp and paper production process itself, following the biorefinery concept.



KLABIN'S NEW TECHNOLOGY CENTER IN TELÊMACO BORBA (PARANÁ) IS PART OF ITS THREE-YEAR INVESTMENT PLAN (2015 TO 2017), WHICH PROVIDES FOR BRL 70 MILLION TO BE ALLOCATED TO R&D+I PROCESSES.

The background of the page is a photograph of a paper mill. It shows large rolls of paper being processed on machinery. The scene is lit with a greenish-blue hue. A large, semi-transparent yellow rectangle is overlaid on the center of the image, containing the text.

CUSTOMER SATISFACTION AND PRODUCT QUALITY

THEREFORE, THE COMPANY HAS A HIGH LEVEL OF ENGAGEMENT WITH THESE STAKEHOLDERS, WHO PROVIDE KEY INFORMATION ABOUT WHAT THEY NEED AND FOSTER THE COMPANY'S PRODUCT AND PROCESS IMPROVEMENT EFFORTS.

At the same time, Klabin helps clients expand their sustainable practices, showing that this is a two-way job.

The most significant example comes from the Packaging business, which for more than ten years has shared its good sustainability practices with its customers, strengthening this aspect in the value chain.

In 2016, the Packaging business unit incorporated sustainability-related questions to its annual customer survey. The results proved that customers are concerned with the theme, pointing out the need to invest in fronts such as reverse logistics. Sustainability issues should be included in all business questionnaires in the coming years.

CERTIFICATIONS AND METHODOLOGY ADOPTED BY KLABIN

VOLUNTARY COMMITMENTS UNDERTAKEN

FSC® (FSC-C022516) -
Forest Stewardship Council®



Global Compact

OK COMPOST



Carbon Disclosure
Project (CDP)

American Institute
of Baking (AIB)



Companies for the
Climate (EPC)

FSSC 22000



Corporate
Sustainability Index
(ISE)

ISEGA

ISO 14001



Sustainable
Development Goals

ISO 9001



Idlocal

OHSAS 18001



Brazilian National Pact
to Eradicate Slave
Labor

TPM – Total Productive
Maintenance

Business Pact for
Integrity and against
Corruption



SUSTAINABLE CONSUMPTION AND PRODUCTION

RELATED MATERIAL THEMES:

ENVIRONMENT

SUSTAINABLE DEVELOPMENT GOALS





ENVIRONMENT

Klabin's commitment to the conservation of natural resources and ongoing reduced use of non-renewable resources is guided by an environmental management system certified by ISO 14001 and supported by the Sustainability Policy.

The Puma Unit, inaugurated in 2016, has state-of-the-art environmental technology for water consumption, effluent treatment, atmospheric emissions and reduced use of inputs, reaching more stringent environmental control standards than those provided by law.

The following are the 2016 highlights related to the topic.

CLIMATE CHANGE

Forestry operations such as those of Klabin are subject to climate change, whose effects hold the potential for great risks to the business, both in revenue generation and in expenses. In 2016, the Climate Committee, which is made up of leaders from different

areas and supported by external consultants, prepared a detailed study of climate risks and opportunities.

It was based on internal mapping of the impacts to the company's operations that are already occurring due to climatic events, as well as the main risks and opportunities that are most likely to occur in the future. Input from the Climate of the Parties (COP) and the Intergovernmental Panel on Climate Change (IPCC) also aided in the task. Klabin's climate risk study will be assessed by the Board, and an Adaptation Plan based on the risks presented will be deployed.

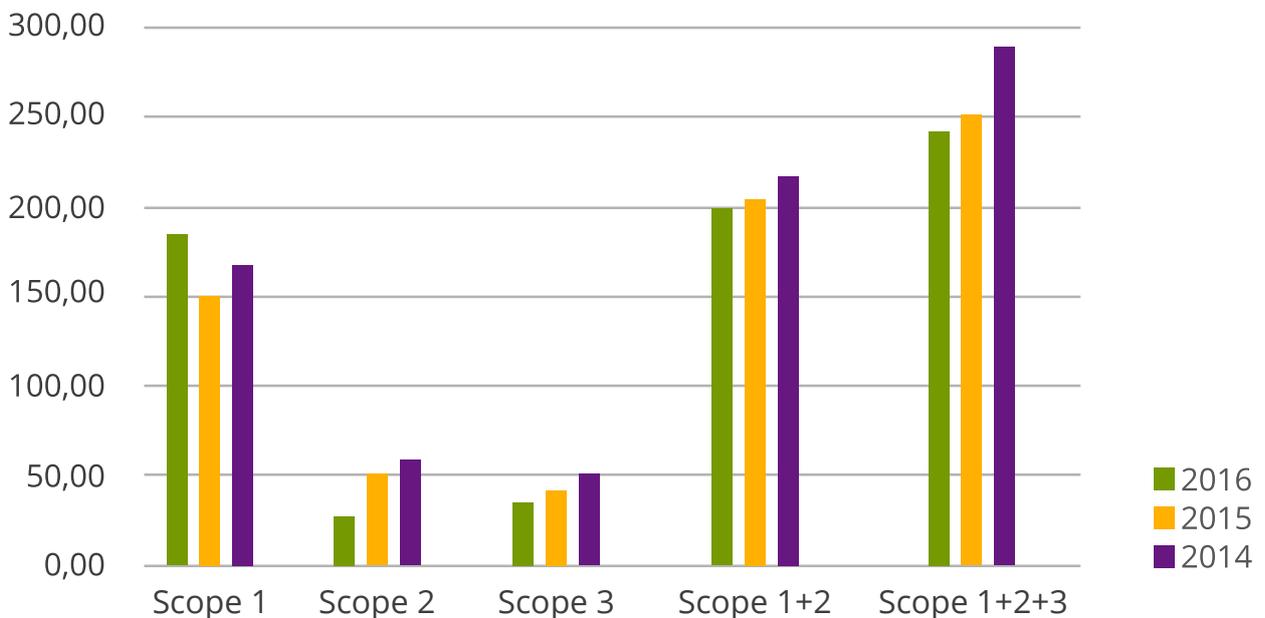
INCREASINGLY RENEWABLE ENERGY MATRIX

The switch from fossil fuels to biomass as an energy source has been the focus of Klabin's environmental management for some years. The Puma Unit, which began operations in March 2016, was conceived with the goal of making Klabin a self-sufficient organization in power generation.

COMMITMENT TO REDUCING EMISSIONS

Avoiding and preventing pollution by reducing environmental impacts related to aspects such as atmospheric emissions is one of the items in Klabin's Sustainability Policy. With the increased use of renewable fuel in its energy matrix, the company is contributing to a reduction in greenhouse gas (GHG) emissions.

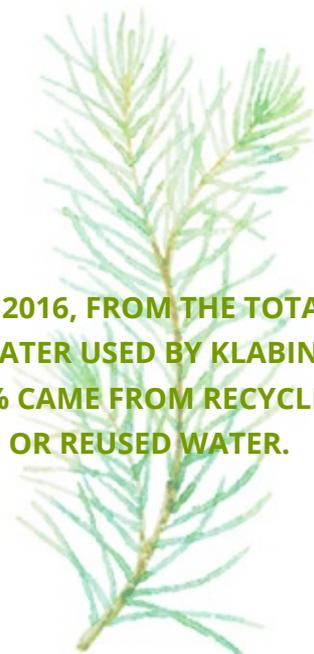
KLABIN'S RATE OF GHG EMISSIONS INTENSITY



RATIONAL USE OF WATER

The zero waste and rational use of water is a challenge for Klabin's operations and, therefore, a highly relevant subject for the company. Flow measurement systems in mills, specific to each production process, help to monitor the use of this resource.

IN 2016, FROM THE TOTAL WATER USED BY KLABIN, 36% CAME FROM RECYCLED OR REUSED WATER.



EFFLUENT MANAGEMENT

All Klabin's units meet the legal limits for effluent disposal. After passing through Klabin's Treatment Plants (ETE), effluent is disposed in municipal sewage networks or in rivers. At the Puma Unit, a third stage of treatment (effluent polishing) guarantees standards of discharge that are easily absorbed by the water body. Since this plant utilizes less water per ton of pulp (25 m³, 5 cubic meters less than the average at conventional mills), the discharge of effluents is smaller, ensuring a better quality in return.

FOCUS ON THE REUSE OF WASTE

Waste management at Klabin was strengthened in 2016, with the beginning of operations at the Solid Waste Processing Center at the Puma Unit in Ortigueira (Paraná), which also serves the Monte Alegre Unit in Telêmaco Borba. With capacity to process 44,000 tons per month, the center is expected to recycle 94% of the waste from the Puma Unit's operations.

MATERIALS

More than 98% of materials used in Klabin's production are of renewable origin, such as wood, chips and pulps. Non-renewable materials account for less than 2% of the total amount used, totaling a little more than 190,000 tons.

RESPONSIBLE MANAGEMENT AND BIODIVERSITY CONSERVATION

Klabin was one of the first companies to adopt mosaic forest management, which mixes planted forests and preserved native forests. Ecological corridors allow the transit of animals in large areas, contributing to the preservation of fauna and flora and the conservation of water resources. The

company is developing a broad program for research and conservation of fauna and flora, promoting the monitoring of biodiversity in its forests. That way, Klabin is helping ensure the survival of endangered species, such as the Pygmy brocket, howler monkey and puma.

NATURAL HERITAGE

The maintenance of Natural Heritage Private Reserves (RPPN) has great relevance for the conservation of biodiversity in the Atlantic Forest. Klabin owns the RPPN Complexo Serra da Farofa, in Santa Catarina, as well as RPPN in Monte Alegre, in the state of Paraná, dedicated exclusively to scientific study, environmental protection and conservation of water resources.



Klabin

klabin.com.br



 [@klabin_](https://www.instagram.com/klabin_)

 [Klabin S.A.](https://www.linkedin.com/company/klabin-s-a)