



Klabin

Sustainability Report

Our performance in 2020

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ESG 2020 Highlights



#1 in the ranking

of production and export of papers for packaging and paper packaging in Brazil.

#1 in national

production of cards for packaging, corrugated board packaging and industrial bags.

1st in the country

to offer solutions in hardwood, softwood and fluff pulps.

3.56 million

tons of products sold (up 7% compared to 2019)

BRL 4.7 billion

was our adjusted Ebitda, once again maintaining its annual growth – a result 27% higher compared to 2019, excluding non-recurring effects

25,000+

direct and indirect employees

BRL 5.17 billion

invested (operations + expansion)

24 industrial

units, 23 in Brazil and one in Argentina

Social

Employees, human rights and diversity



16.238* direct employees.

463* apprentices and interns.

8.329* indirect employees.

(*April 2021 numbers)

100% of dedicated operations covered by collective bargaining agreements.

NO CASES of violation of rights of indigenous peoples or traditional communities.

Vendors



100% of industrial vendors selected based on an assessment of **SOCIOENVIRONMENTAL CRITERIA**.

43% of critical vendors covered in the **SUSTAINABLE MANAGEMENT PROGRAM** of the Supply Chain.

88% of strategic vendors **EVALUATED IN THE PLATFORM ECOVADIS** (sustainability).

Governance

Governance bodies



GENERAL MEETING of Shareholders, Board of Directors and Executive Board.

ADVISORY COMMITTEES of the Board of Directors: Audit and Related Parties: Sustainability and Compensation.

FIXED COMMISSIONS, by subjects, following the Company's growth cycle, helping improve operational efficiency and mapping business opportunities.

Ethics and Integrity



100% dedicated employees educated on anti-corruption procedures and policies.

100% of the Board trained on anti-corruption procedures and policies.

Cybersecurity



55% of direct employees trained in digital language and cybersecurity culture to protect personal data and corporate information.

Best practices



Only Brazilian company listed in the global Dow Jones Sustainability Index, in addition to joining the Emerging Markets list.

LEVEL 2 governance at B3, since 2014.

Listed in The Sustainability Yearbook 2021 of S&P Global among the top 15% most sustainable companies in the sector.

KODS Short- and medium-term ASGs aligned to the Sustainable Development Goals of the UN.

Sustainable debt bonds Cities and Communities



\$ 500 million in debt bonds linked to sustainability goals (Sustainability-Linked Bonds – SLB) issued in 2021.

10-YEAR MATURITY and rate (coupon) of 3.2% per annum.

Ombudsman and Integrity Channel



NO REPORTED CASES of corruption and/or bribery.

Environment

ONLY BRAZILIAN COMPANY FEATURED IN THE COP26 BUSINESS LEADERS GROUP, WHICH DISCUSSES CLIMATE CHANGE AGENDAS FOR THE NEXT CLIMATE CONFERENCE.

GHG emissions



GHG emission reduction goals approved in 2021 by the Science Based Targets initiative (SBTi): reduce GHG emissions (scopes 1 and 2) per ton of pulp, paper and packaging by 25% by 2025, and 49% by 2035, with 2019 as the base year.

SCOPE 1 EMISSIONS, IN THOUSANDS OF TCO2 EQ*:



*Source: GHG Protocol)

Water resources and effluents



REDUCTION IN SPECIFIC CONSUMPTION OF INDUSTRIAL WATER:



*Even with the forecast production increase

Water withdrawn from areas with water stress represents **LESS THAN 1%** of total water withdrawn.

Responsible management



MOSAIC PLANTING, interspersing planted and native forests, forming ecological corridors that help preserve biodiversity and protect water resources. **KLABIN IS A GLOBAL BENCHMARK IN RESPONSIBLE MANAGEMENT.**

Lumber as raw material



58%

OWN LUMBER FSC® certified by (FSC-C022516) - Forest Stewardship Council®

29%

LUMBER ACQUIRED from third parties by FSC® certified

13%

CONTROLLED LUMBER by FSC® acquired from third parties

Our forestry base



43% is the rate of **FORESTS PRESERVED** by Klabin.

578,000 HECTARES is Klabin's total forest area.

273,000 HECTARES of which comprise planted pine and eucalyptus forests and **248,000 HECTARES** are preserved native forests.

100 TREES is the number of seedlings planted per minutted by Klabin.

These values are from areas owned and managed by Klabin.

Solid waste



REUSE OF SOLID WASTE GENERATED:



¹Up 2% compared to 2019

²Eliminating the destination of industrial waste to landfills

Energy



GENERATION FROM RENEWABLE ENERGY MATRIX:



CERTIFIED ELECTRICITY FROM RENEWABLE SOURCES:



Biodiversity



8,839 HA. areas Natural Heritage Private Reserve (RPPN) areas of Klabin in PR and SC.

18 HIGH CONSERVATION VALUE AREAS (AAVCs) recognized by environmental and/or social attributes, located in the PR, SC and SP units.

2 NATURE INTERPRETATION CENTERS focused on biodiversity studies in PR and SC.

705 SPECIES of fauna and 514* of flora in the IUCN red list and national conservation lists.

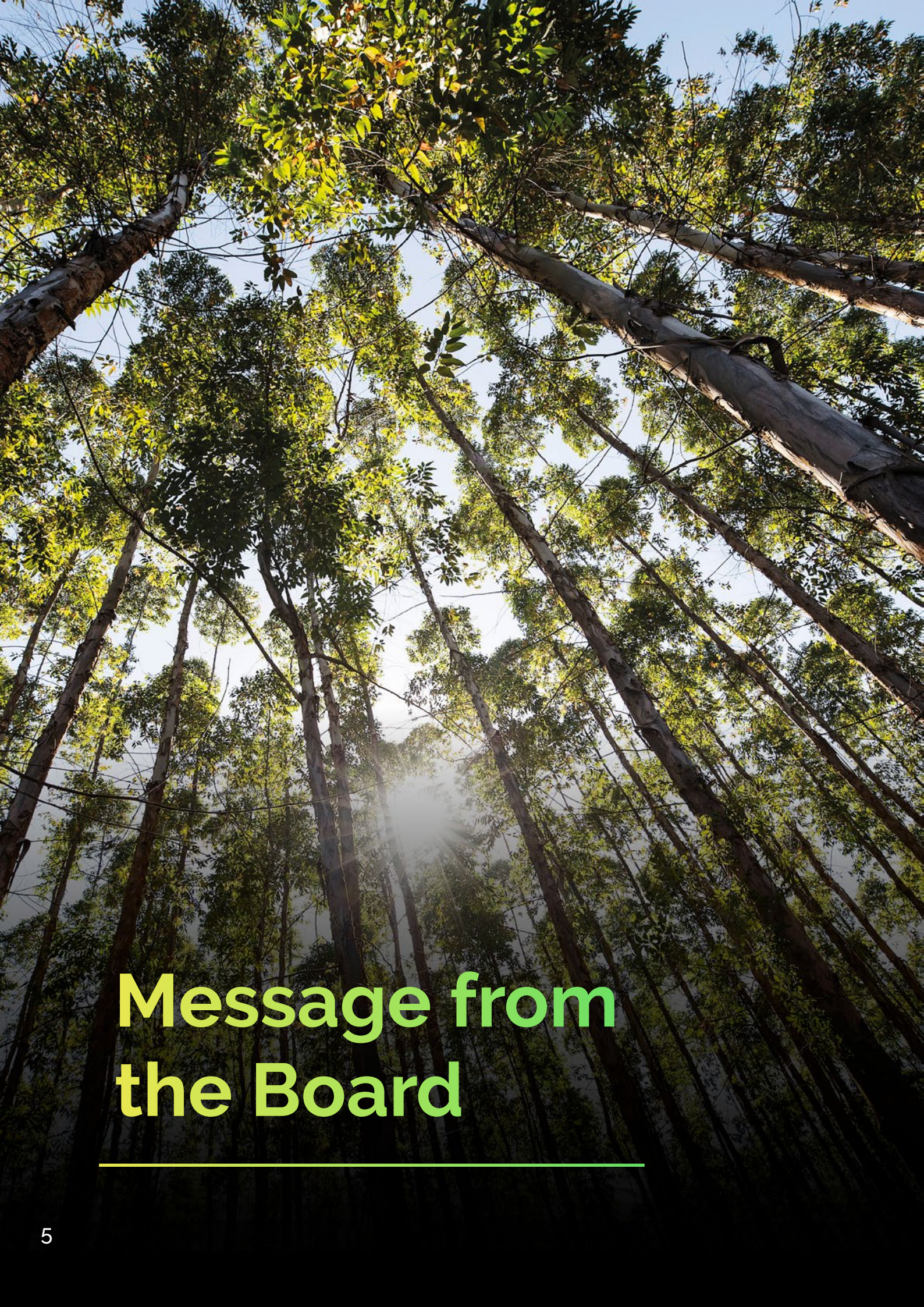
*Increase due to the update of the International Union for Conservation of Nature (IUCN) list

Recognition:



Commitments:





Message from the Board

In March, when the World Health Organization declared the world was facing the COVID-19 pandemic, we had already understood that 2020 would be an unusual year. It would require extra discipline and resilience to fulfill our business plan without neglecting everyone's safety, health and well-being. And that's what we did.

At that point, we were still unaware that such commitment, indistinctly undertaken by the entire company – despite the enormous impacts caused by COVID-19 on world economy and society – would lead us to our best-ever results in all areas of the ESG profile. This means that, in addition to substantial economic achievements, resulting from quick, but always careful, actions to fully operate during the pandemic, we managed to attain exceptional performance in these three sustainability realms – environment, social and governance.

As packaging producers for industries considered essential amidst the pandemic – such as food, beverages, hygiene, cleaning and pharmaceutical goods – we experienced growth in all business lines in 2020. The Company's net revenue reached R\$ 11.9 billion – a historic record – with a 16% increase against 2019. Our Ebitda stood at R\$ 4.7 billion, once again showing annual growth – a result 27% higher compared to 2019, excluding non-recurring effects.

Another significant fact was the conclusion of the purchase of International Paper's packaging paper and cardboard packaging businesses in Brazil for R\$ 330 million. The acquisition represented an important step in our growth strategy and in consolidating market leadership. With the units acquired from IP, we arrived in the Midwest and now have factories in all regions of the country.

Also as part of our growth plan, we will start production of the first machine of the Puma II Project next July. The Project comprises the construction of two packaging paper machines: including the unprecedented production of the already patented and awarded Eukaliner, a kraftliner made exclusively of eucalyptus fiber, which brings significant competitive advantages; and a paperboard machine, scheduled to start operating in the second quarter of 2023.

In line with the long-awaited achievements, we joined the Dow Jones Sustainability Index 2020/2021, in the Emerging Markets category, and we also became the only Brazilian company in the pulp and paper sector to be included in the Dow Jones Sustainability World Index, an accomplishment that made us all extremely proud.

Also at the international level, recognition of our significant performance regarding the environment, with emphasis on how seriously we deal with the issue of climate change, earned us an invitation to join the select Business Leaders Group, which has discussed the agenda to be proposed at the COP26, Climate Conference scheduled for November 2021. Still on this topic, we were pleased to have our goals for reducing greenhouse gas emissions (scope 1 and 2) approved by the Science Based Targets Initiative (SBTi)) by 25% per ton produced by 2025 and by 49% by 2035, taking 2019 as the basis.

2020 was also a year of progress in our commitment to the principles of the Global Compact and the UN Sustainable Development Goals (SDGs). To ensure and foster our contribution, we launched the Klabin Sustainable Development Goals or KSDGs, with short, medium and long term targets. Driven by the SDGs, our KSDGs organize environmental, social and governance frameworks into a priority structure, adherent to Klabin's strategic growth plan and long-term vision.

One of these goals concerns having a greater number of female leaders (coordinators, managers and directors) at Klabin. Although we reached a percentage of almost 14% – comparable to the industry, even slightly higher than the average – we are still far from what we aspire, which is to reach 30% of women in leadership positions by 2030. Thus, we will continue striving to expand this baseline in the coming years.

In the social realm, as expected, considering the scenario marked by the pandemic, we more than ever assumed our role as a citizen company, reinforcing the importance of caring for people and our commitment to the communities where we operate. Internally, we mobilized to implement health protocols on all work fronts and on special committees for safe and technical decision-making.

Together with the communities, between March 2020 and April 2021, we gathered donations of over R\$ 26 million to mitigate the impacts of COVID-19 across Brazil. The funds were used to help more than 30 communities, from 10 states where Klabin is present, showing, as the motto of our campaign, that Every Attitude Counts.

The actions impacted three fronts: health, including the opening of a field hospital in Telêmaco Borba; social assistance, with the distribution of thousands of food kits and hygiene products, campaigns and technical support to local governments and financing support to vendors, among other actions; and income generation for professionals from vulnerable sectors, such as recyclable material collectors.

In this scenario, one of the highlights was the innovative development of our laboratories that allowed the production of sanitizer gel from microfibrillated cellulose (MFC). It is extracted from wood to replace carbomer, a fossil input that is not manufactured in Brazil. Four tons of sanitizer gel were produced and packaged in exclusive packages made with Klabin's kraft paper and delivered to healthcare professionals.

In 2020, Klabin was also recognized on several fronts: as the most sustainable Pulp and Paper company, by *Época Negócios 360*; as best in Agribusiness and Pulp and Paper, by *Exame Magazine's Melhores e Maiores 2020*; and as company of the Year in Communication, title granted by the Brazilian Association of Business Communication (Aberje). In addition, our Investor Relations team was recognized as the best in Latin America in the Pulp and Paper sector, according to the ranking by Institutional Investor magazine.

Also, the year saw the launch of Klabin Invest, a communication platform featuring original content for investors and those interested in Klabin's universe. We have adopted more attractive and appropriate tools to support the expansion of our investor base of private individuals.

In the corporate governance area, we made progress with the extinction of royalty payments, as voted at the Extraordinary General Shareholders' Meeting. Other noteworthy facts were the approval of three advisory committees to the Board of Directors and the Indebtedness and Dividend policies, which demonstrates even greater transparency of the Company regarding its stakeholders.

With so many achievements and results that exceeded our expectations, it would be a year to celebrate, were it not for the fact that we registered, with deep regret, a death among our indirect employees, in a traffic accident. The occurrence led us to reflect and promote a thorough review of our Contractors Management Plan in order to standardize processes and best practices.

Our goal is to scale down to zero the number of lives changed as a result of occupational accidents that are considered very serious and permanent in our operations – and this extends to our contractors. Nor can I fail to mention the harsh consequences of the pandemic. It changed our daily routines, the so-called “normality” we were used to, and, more importantly, took so many lives.

I would like to thank the Board of Directors and the Controllers, employees, investors, our customers, vendors and partners, who, despite this atypical year, helped us build a sense of renewal for future – at this very moment, with our hopes concentrated on the massive vaccination against COVID-19 becoming a reality in the short term. Only then, Brazil’s society and economy will be able to resume their course towards growth and trust for better days.

Cristiano Teixeira
Chief Executive Officer



Klabin

Our aspiration +
our history of more
than 120 years.

We aspire to be a global reference in responsible solutions, with multi-use forest-based products that are renewable, recyclable and biodegradable.

We want to contribute to a sustainable economy and inspire choices made by end consumers.

We prioritize the prosperity of the planet to generate value for our investors, employees, and business partners.

We consider both **economic factors** and **impacts on the environment and society** before making decisions, while keeping an eye on business risks and our compliance program.

We value innovation and have an advanced Technology Center, plants- pilot, partnerships with cutting-edge Brazilian and international institutions, and programs to encourage startups in the pursuit of innovative solutions to our challenges.

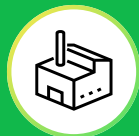
We recognize the importance of a work environment where there is respect, diversity, safety, and equal opportunities, encouraging personal development among employees and recognizing their results.

Who we are



122 years of history

four business units - Forestry, Pulp, Papers, and Packaging - and more than 25,000 direct and indirect employees.



24 mills

23 in Brazil and one in Argentina.



We are the largest producer and exporter

of paper for packaging and paper packaging in Brazil, and leaders in the production of cardboard, corrugated packaging, and industrial bags.



The only supplier

in Brazil of short fiber pulp (eucalyptus), long fiber pulp (pine) and fluff pulp.



Renewable future

we offer the market solutions in safe, light, biodegradable, flexible, efficient, and recyclable packaging made from renewable sources.



The largest paper recycler

in Brazil, with 314,000 tons used in fiber recycling a year.



Pioneering

we are the first pulp and paper company in the Southern Hemisphere to obtain FSC® - (FSC-C022516) - Forest Stewardship Council® certification.



We are the first

company in Brazil - and the first in the pulp and paper sector in the Americas - to commit to Science Based Target initiative (SBTi) emission- reduction targets.

In 2020, we joined the **Global and Emerging Markets** listings on the Dow Jones Sustainability Index, being the only Brazilian company in the global category.

For further information, please go to **Commitment to Value Generation**.

In the **ESG Panel**, see GRI indicators 102-1, 102-2, 102-5, 102-10, 102-12.

Units and operations



FORESTRY

We take care of trees, our main input, with great responsibility. Our mills are supplied only with wood from cultivated forests. The planting of mosaic forests, alternating cultivated and native forests, forming ecological corridors, contributes to the conservation of biodiversity and to the protection of water resources. The total forest area of more than 578,000 hectares - 271,000 hectares of them cultivated pine and eucalyptus, and 250,000 hectares of preserved native forests, make a direct contribution to sequestering carbon from the



PULP

We are the only Brazilian company to produce and supply three types of pulp: short fiber (eucalyptus), long fiber (pine) and fluff, offering our customers pulp solutions from a single supplier. We produce market pulp in one of the most modern and sustainable mills in the world – our Puma Unit, in Ortigueira (Parana state) - which has a production capacity of 1.6 million tons of pulp a year.



PAPERS

Our producing paper from our own pulp endows the products with excellent performance, structure, machinability, and printability, meeting global quality standards and matching the expectations of our customers. Our annual paper production capacity, currently 2.1 million tons, will be increased by 910,000 tons with the opening of the Puma II Project.



PACKAGING

We go far beyond packaging, offering our customers unique, innovative solutions in corrugated cardboard and industrial bags. We are leaders in this segment in Brazil. Our corrugated packaging is outstanding in the hygiene, cleaning, food and chemical sectors, and a great option for transporting items purchased via e-commerce. Industrial bags are mainly sold to the construction, chemical, agribusiness and food segments.

In the **ESG Panel**, see GRI indicators 102-2, 102-3, 102-4, 102-6, 102-7.

Our numbers

24 mills

(23 in Brazil and one in Argentina), a presence in every Brazilian region, and headquarters in the city of Sao Paulo.

Ten Brazilian

states have Klabin facilities. We also have an office in the USA and one in Austria, as well as representatives and commercial agents in several other countries.

2.1-million-ton

annual paper production capacity.

1.6-million-ton

annual market pulp production capacity.

Five new mills in 2020

In October 2020, we acquired five mills from International Paper in an investment of R\$ 330 million. The units are in Suzano, Franco da Rocha and Paulinia (in the state of Sao Paulo), Manaus (Amazonas) and Rio Verde (Goias). This process involved the sale of assets in Nova Campina (Sao Paulo) to the Klingele Paper & Packaging Group, completed in January 2021.

With the acquisition, we now in operate in the five regions of Brazil, expanding our annual production capacity to more than one million tons of corrugated packaging, consolidating our leadership in the segment in Brazil, recycling more than 400,000 tons of paper, making us the largest Brazilian producer of recycled paper, stressing the importance of chain integration and reverse logistics.

Greater logistics efficiency

Also in 2020, we won the Pulp Terminal concession at the Port of Paranaguá. One of the most important ports in Brazil, this the main gateway for the company's production in Parana, with road and rail connections. The initial concession is for 25 years and may be extended for another 45 years. The new logistics terminal will expand our export capacity and improve operational efficiency, integrating the Puma II Project plant (link: <https://projelopuma.klabin.com.br/>) with the Paranaguá Port Terminal, allowing us to increase our presence in global markets. See more at **Plant with Klabin**.

Highly productive forestry base

Our Forestry Unit consists of 271,000 hectares of planted pine and eucalyptus forests in the states of Parana, Santa Catarina, and Sao Paulo. This serves Klabin's demand for pulp and paper manufacturing and timber mills that supply the furniture and construction markets.

Our forests are among the most productive in the world and are close to the mills, which makes our operations very competitive.

Respect for the environment is the essence of our business. We are a global reference in responsible management and attention to climate change. We set aside 43% of our forestry area for conservation and the maintenance of biodiversity. In 2020, responding to the company's growth, we launched the Plant with Klabin program, through which we have established more than 30 new partnerships with farmers in Parana state. (Read more at **Plante with Klabin**)

Mosaic planting

An example of our commitment to sustainable development, mosaic planting is Klabin's trademark. The system blends vast areas of conserved native forests – which account for almost half of our forest area – with planted forests of different ages. This management system helps protect natural resources, improves forest production potential, and contributes to the conservation of biodiversity via ecological corridors that allow the free movement of hundreds of species of wild animals.

**More than
578,000**

hectares of total forest area, 273,000 hectares of planted pine and eucalyptus forests, and 248,000 hectares of conserved native forests.

82 km

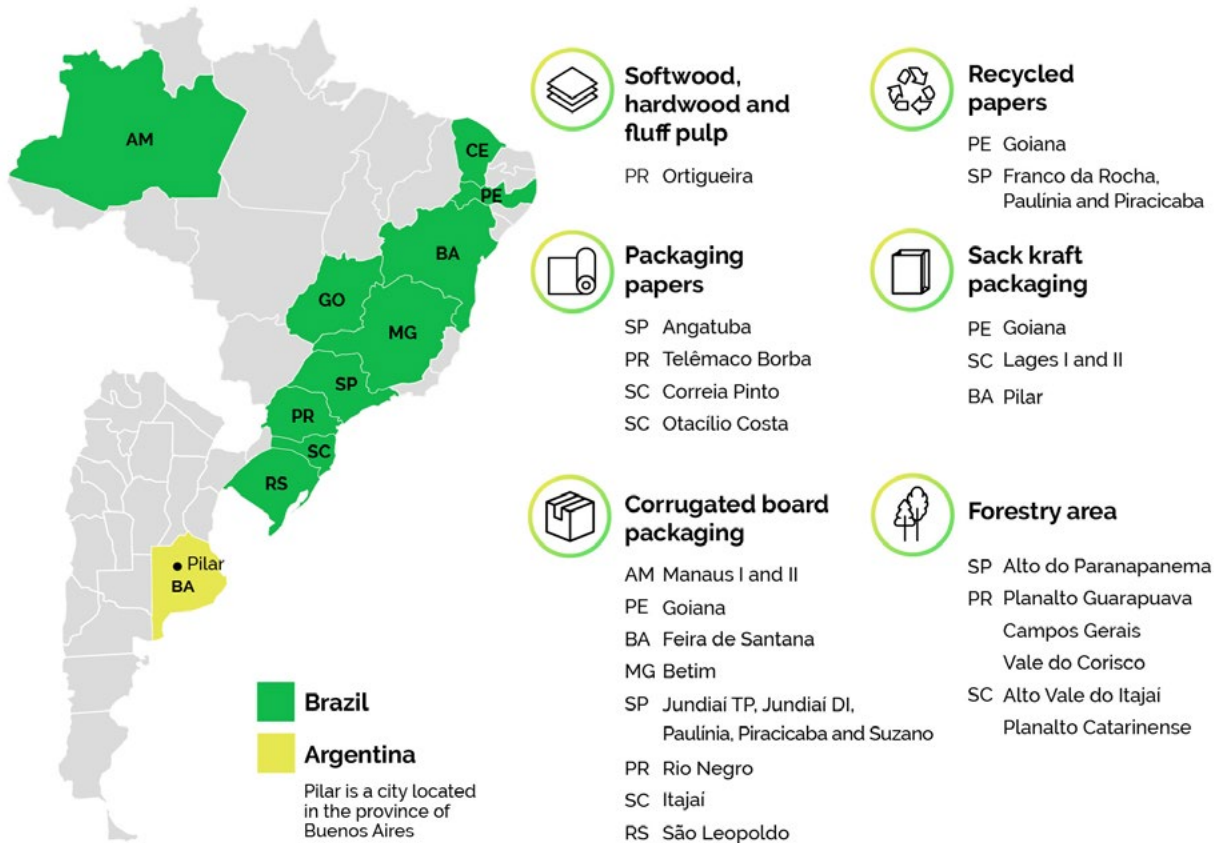
average distance between the forests and the pulp and paper mills.

100*

trees per minute planted by Klabin.

* average in 2020.

Where we are

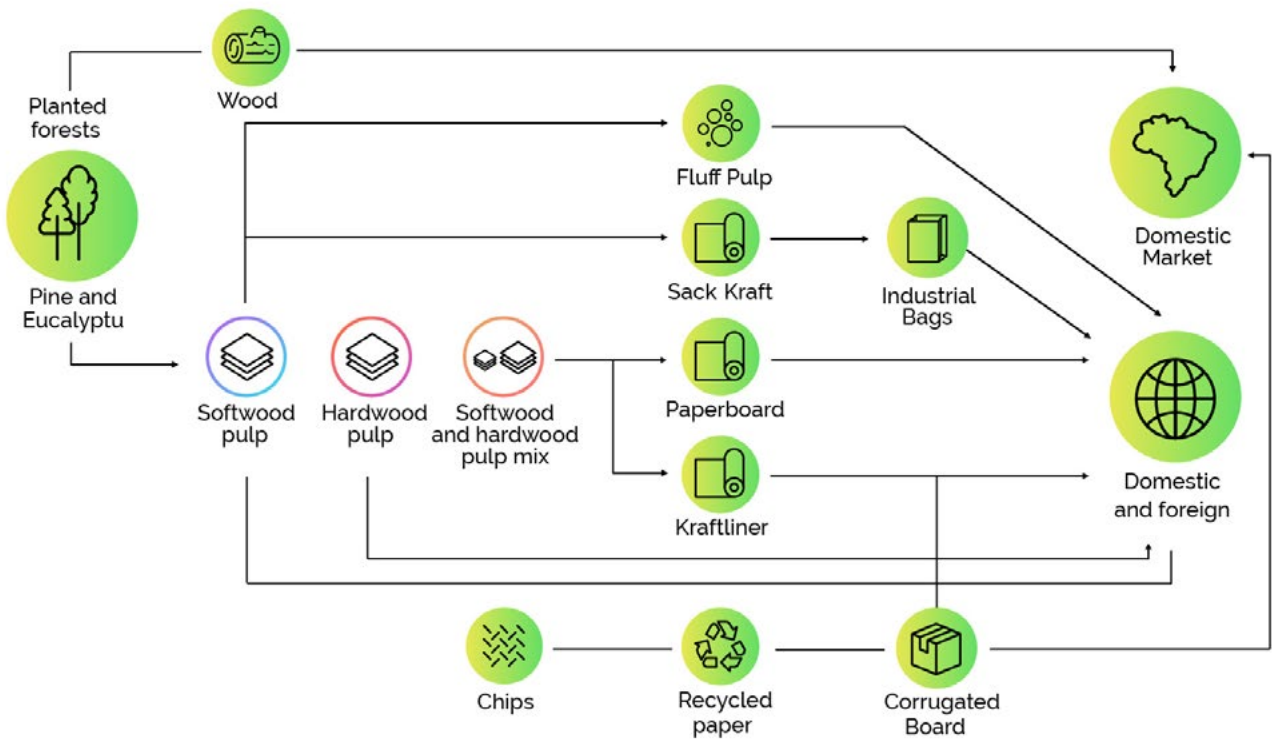


Production destinations

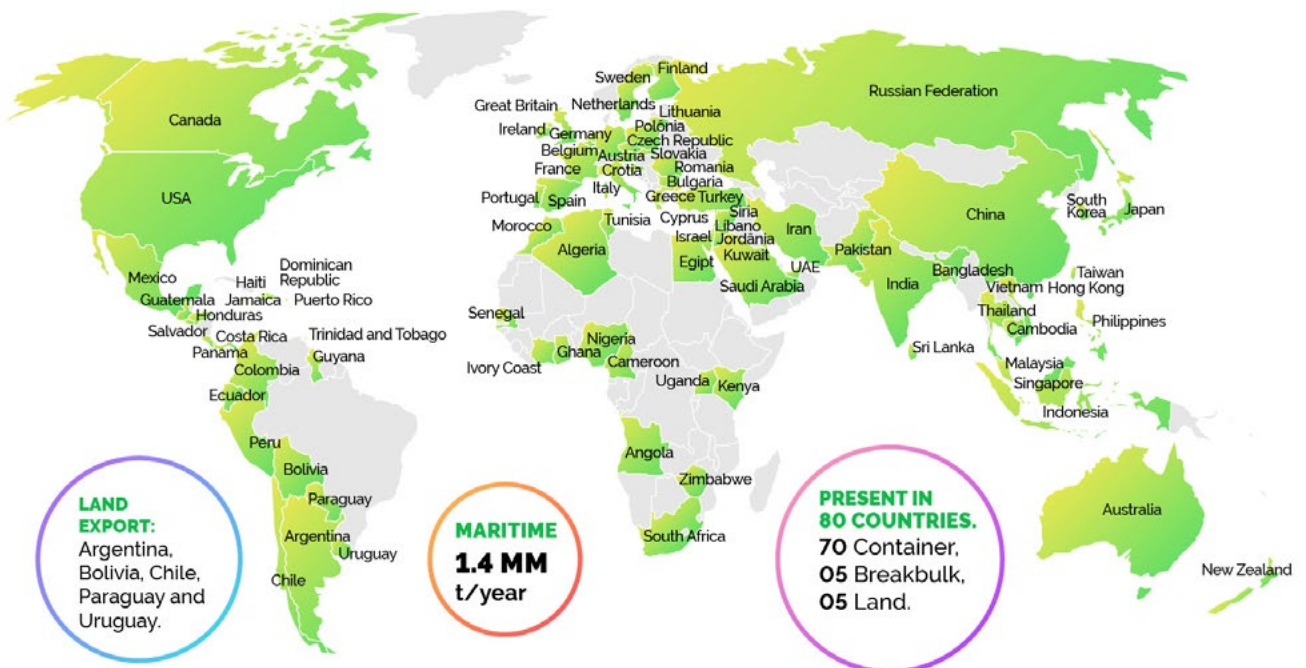
The main segments our products serve are processed, frozen, and fresh food (milk, cold meats and vegetables, among others); healthcare and personal hygiene products (toilet paper, tissues, diapers and toothpaste, among others); hygiene and cleaning products (washing and soap powder), beverages (soda, beer, yogurts, among others); construction and electronics. For more information, please go to **More than packaging**.

In addition to serving the Brazilian market, where we are leaders in the segments we operate in, we export to 80 countries.

Klabin: from forest to market



Countries to which we export





Report

Klabin's 22nd Sustainability Report reflects an atypical year, which led us to adapt processes, practices, and ways we work in the face of the Covid-19 pandemic.

At the same time, it was a year when we stepped up our commitments to environmental, social, and governance aspects, represented here by the initials ESG.

In this report – prepared according to GRI standards: Essential Option – we provide results and facts, plus the leading initiatives and practices adopted in 2020 for the management of material themes for Klabin and its stakeholders, as well as our prospects. The results include the units acquired from International Paper.

We endeavor to present this information clearly and objectively, combining data on the management of material themes and our main performance indicators, centered on what we call the ESG Panel. An evolution of the report, the Panel shows our performance in 2020 and in recent years, and how we have done in the principal public commitments we have voluntarily taken on.

How the content is organized

The content of this report was organized based on the Klabin 2030 Agenda, called Klabin's Sustainable Development Goals (KSDGs). The KSDGs correlate the company's strategy with the UN's Sustainable Development Goals (SDGs) and bring together the material themes for the management of ESG aspects at Klabin.

There are 23 material themes in the chapters, especially in **Governance, the Sustainable Economy, Renewable Future, Prosperity for People and Technology and Innovation**. We also provide information that, although not included among the material themes, is very important, such as our **Economic Performance**.

For more information, please go to **KODS: Agenda 2030** and **Temas materiais**.

In **the ESG Panel**, see GRI indicators **102-40, 102-45, 102-48, 102-50, 102-51, 102-52, 102-54, 102-56**.



While it created challenges in the human, sanitary, economic and social fields, the first year of coping with the pandemic offered a number of lessons for Klabin and strengthened the company's management model.

Covid-19

While it created challenges in the human, sanitary, economic and social fields, the first year of coping with the pandemic offered a number of lessons for Klabin and strengthened the company's management model.

Klabin used its drivers to navigate an unknown scenario in early 2020 and take assertive, safe, and quick action.

We continued our manufacturing and forestry activities, reaffirming our position as a manufacturer of paper and packaging essential to important economic chains by packaging and protecting products and providing secure transport. Processed and fresh food, hygiene and cleaning items, medicines, hospital supplies, and goods sold by e-commerce needed our packaging.

In March 2020, the expansion of the Puma II Project, however, was put on hold, with activities resuming gradually after adaptations had been made. The same procedural rigor was applied in the general maintenance shutdowns at the mills.

Protocols and committees

To prevent the spread of the novel coronavirus, we have adopted the safety protocols recommended by health authorities, especially the World Health Organization (WHO). One example was the immediate establishment of work from home for employees considered to be at more risk to the virus, such as those with heart disease, lung conditions, weakened immune systems, pregnant women, and the over 60s.

Medical and monitoring committees made up of people from different areas, under the guidance of a corporate infectologist, helped draw up health protocols and safe, quick responses to issues related to the pandemic and its impact on the day-to-day life of the company and its employees. In addition, employees and third parties who were suspected of having the virus were telemonitored according to the protocol recommended by the physicians.

We share health protocols and other procedures developed internally under specialized guidance with employees, third parties, logistics suppliers and customers, extending care to our entire chain of partners.

The role of leaders

To put these guidelines into practice – ranging from changes in shifts, to new protocols for employee transport and meals and guidelines for flexible routines, remote work and interaction with the community – our leaders quickly took a position to adopt new procedures, to enter into dialogue with teams, and guide employees and third parties in an unknown scenario that raised a lot of questions. We also provided clear and effective information on our communication channels, contributing to everyone's health and safety.

The pandemic required faster responses, more creativity to deal with the situation and innovation to overcome obstacles. This was only possible thanks to cultural evolution and strong management, which Klabin has been exercising in recent years.

We prioritize life and employee health and safety, without forgetting performance and quality in deliveries.

Training

The adoption of a hybrid work environment, brought about by the pandemic, led to the need for training to adapt to these new circumstances. In March 2020, we launched Lessons in the Pandemic – a series of webinars and content to improve productivity and mental health care, made available on the company's online training platform.

With a maximum duration of two hours, the courses addressed 20 useful topics for the context, such as Office 365 (Planner, OneDrive, and Teams), emotional intelligence, remote work, and self-management.

Information technology

The advanced information systems, which were being updated, were essential in the new work model adopted in the pandemic. The Office 365 collaborative platform, consolidated in February 2020, enabled rapid adaptation to remote work and activities, with virtual meetings or information storage and sharing in the cloud.

In the effort to cope with the pandemic, other solutions were also quickly developed, such as the Klabin Health app, which allows employees to provide information about their symptoms, generating alerts for the company's medical team. This means physicians can act immediately and produce reports for analysis of the Covid-19 scenario in the company. Another measure was the implementation of a facial reading system at the entrances to the mills, taking temperatures and contributing to control and screening of access to the company's facilities.

Mental health

The company's mental health initiatives were strengthened, starting with the Health and People & Management teams (medical care, nursing, social assistance, and personnel managers). The group received special training to identify and refer cases of psychological disorders, such as depression, anxiety, and panic attacks, among employees resulting from the difficulties of adapting to the new scenario.

Another work front included the preparation of employees for self-care, and managers to ensure the well-being and comfort of their teams. The Living Well Program, which already offered support in this area, was stepped up. This is how we acted preventively regarding employee health, further strengthening Klabin's characteristic human touch.

Another initiative launched in 2020 was Living Psychology, a portal where employees and their families can schedule free therapy sessions. The company also invested in conversation groups, motivational activities, and relaxation exercises redesigned for social isolation. The year-end online party, for example, had more than 16,000 views and about 12,000 messages during the chat.

Care and information:

- > To prepare employees and managers for the hybrid work model, Klabin created the Lessons in the Pandemic program in 2020.
- > In all, 21 webinars focused on the use of tools for remote work and related topics, such as self-management and emotional intelligence.
- > Online training averaged 483 participants and a total of 6,282 views.
- > More than 2,600 people registered for the Klabin Health app for information about Covid-19.
- > #EveryAttitudeCounts, #DoNotLetYourGuardDown, and #MySocialAttitude were used in awareness campaigns to combat the pandemic for employees, family members, and communities.

Credit support for suppliers and extended terms for customers

Due to the economic difficulties faced by different sectors and companies, we have supported our regional suppliers, offering advice, protocols, and resources, in addition to guaranteeing payment for the provision of services, regardless of completion. From March to August, we paid 46 suppliers R\$ 2.069 million. We also offered to extend payment terms for more than 200 customers, amounting to R\$ 101 million. For suppliers to the Puma II Project, even with the partial suspension of operations during the pandemic, we continued to pay salaries and when the gradual return began, we paid for all the measures required to maintain social distancing and Covid-19 testing at work. We also advanced payments to suppliers affected by the shutdown. This package of measures totaled R\$ 100 million.

Every Attitude Counts

This was the theme of the campaign to raise awareness of the guidelines to prevent the spread of Covid-19, focusing on individual responsibility and collective care in the pandemic, and listed the company's initiatives to help communities where it operates.

Since the beginning of the pandemic, we have strengthened our position as a model corporate citizen and worked with Covid-19 committees made up of local authorities and healthcare entities, helping municipalities to prepare.

The commitments taken on by the company range from investment in infrastructure and medical equipment, to the provision of health professionals to serve the community, as in the 21st Region in Parana, which covers Telemaco Borba and the region.

We also prioritized social assistance and income generation for people who make a living from recycling. From March 2020 to April 2021 (when this report closed), we allocated more than R\$ 26 million to tackling the pandemic, with an emphasis on the following actions:

Healthcare

Field hospitals

Investment in infrastructure, beds, hospital and personal protection equipment in Telemaco Borba (Parana state) and Goiana (Pernambuco state).

PPE, respirators, and other equipment

Production and donation of 6,500 respirators in partnership with the Respira Brasil Project. We also donated boxes to transport respirators produced by Magnamed. The equipment was delivered to the Ministry of Health for distribution in public hospitals.

Delivery of supplies and equipment for the treatment of patients with Covid-19 in an initiative coordinated by Brazil's state-owned development bank, BNDES, for Santa Casa and Philanthropic Hospitals throughout Brazil.

Donation of respirators, PPE for healthcare professionals, ICU equipment for patients with Covid-19 at the Tereza Ramos Hospital in Lages (Santa Catarina state), and the Delfina Azis Hospital, in Manaus state. By the closing of this report (April 2021), more than 100 respirators had been allocated to hospitals across Brazil, plus more than a million items of hospital and personal protective equipment.

Partnership with large companies to give 3.4 million intubation drugs to the Ministry of Health, enough for the maintenance of 500 beds for one and a half months.

Hand sanitizer made from cellulose

Four tons of hand sanitizer made from microfibrillated cellulose (CFM), replacing fossil-based carbomer, used in the manufacture of conventional hand sanitizer. Developed at Klabin's Technology Center, in partnership with the Senai Institute of Innovation in Biosynthetics and Fibers, and Apoteka, the product was delivered to health professionals in the regions the company operates in. The sanitizer containers are made from Klabin kraft paper by Gualapack, a global leader in stand-up pouches nozzles.

Social assistance

Food parcels, hygiene and cleaning products

In Goiana (Pernambuco state), more than 1,400 food parcels were donated to communities in need. Some parcels were prepared by volunteers from the Living Earth Association, made up of Klabin employees.

In the Amazon, 1,860 food parcels were donated to indigenous communities by the Living Amazon Project, a civil society initiative offering healthcare and support to these communities.

In Rio de Janeiro, 2,502 food and hygiene product parcels were donated to families in communities, supported by the Rio Unison Movement.

In Sao Paulo, a partnership with the State Department of Agriculture donated 160,000 corrugated cardboard packages for seasonal products and food produced by small farmers, to be delivered to families of students in the public school system. Three hundred thousand corrugated cardboard packages were donated to transport personal hygiene and cleaning items to families in Sao Paulo who do not have access to basic sanitation.

Income generation



Support to the waste pickers at the Pimp my Wagon organization, in Pernambuco state. Photo: Klabin's archive.

Recycling professionals

To help 50 people who make a living collecting recyclable material in Parana and who were impacted by the lockdown, we donated 294 tons of scrap paper to the **Recycled Material Waste Pickers Association (Parana state)**, which participates in the Solid Waste Program. Klabin also donated masks, gloves and goggles to the association, as well as food and hygiene product parcels.

In another initiative, we supported the Minimum Income for Waste Pickers Campaign, which assists 115 waste pickers at the Pimp my Wagon organization, for three months from April to July 2020. In addition to direct support for the campaign, we participated in Goodwill Chain in partnership with Tetra Pak to promote the minimum wage project on the Ribon app. One thousand reusable masks were also delivered to Pimp's partner waste pickers in Pernambuco and Sao Paulo states.

Mask +Income

In partnership with Asta network, the project supported income generation for nine tailors in Telemaco Borba (Parana state) and Goiana (Pernambuco state). The initiative lasted three months and each participant received R\$ 2,700 to make reusable masks. In total, 13,500 masks were produced and donated to social entities in these municipalities.

Sustainable Amazonas Foundation

Fostering local development and support for families in communities in Manaus. Food and toiletry parcels were donated to 200 families and 75 people who collect recyclable material received income support. The project also involved groups of local tailors and artisans producing 15,000 fabric masks for community use. To boost these groups' professional and economic development, entrepreneurship training was given by the Impact Hub consultancy.



More than R\$26 million for medical actions to deal with the pandemic.



R\$ 1 million to the BNDES 'Saving Lives Project.



+ 1 million hospital equipment for individual protection.



+ 300 thousand corrugated cardboard packaging for transporting food, hygiene and hospital products.



3.4 million drugs for intubation, in partnership with other companies.



17 thousand basic baskets with food and hygiene items.



6,500 lung ventilators through a consortium organized by the Federal Government.



+ 30 municipalities contemplated.



We took an important step in 2020 in our sustainability journey, with the launch of the Klabin 2030 Agenda, called the Klabin Goals for Sustainable Development (KSDGs)

KSDGs: 2030 agenda

We took an important step in 2020 in our sustainability journey, with the launch of the Klabin 2030 Agenda, called the Klabin Goals for Sustainable Development (KSDGs)

This formalizes the Environmental, Social and Governance (ESG) aspects fundamental to the company, global societal emergencies, and the planet. Aligned with the United Nations' Sustainable Development Goals, the KSDGs encompass the material themes reported here and set out short-, medium- and long-term objectives.

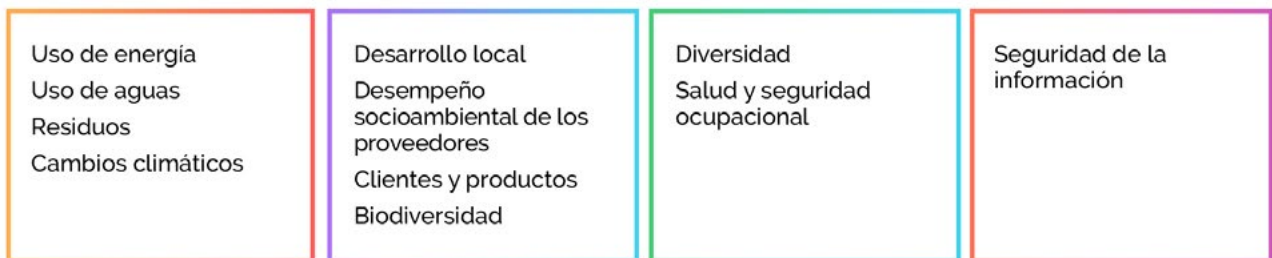
The KSDGs are based on four pillars, in 23 material themes:



Abordar las necesidades ASG de los objetivos internos relativos a la operación y el crecimiento



También abordan las urgencias globales de la sociedad



An aerial photograph of a vast, dense forest. A paved road with yellow double lines winds through the center of the forest, leading towards the horizon. The trees are tall and thin, with a uniform green canopy. The sky is clear and blue. In the distance, there are rolling hills covered in more forest.

Material themes

Material themes reflect the significant economic, environmental, and social impacts the organization has or that substantially influence stakeholder evaluations and decisions.

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Klabin's material themes are represented in the KSDGs, addressing its environmental, social and governance priorities and those of our stakeholders which impact, or are impacted by, our business. These themes guide the content covered in this report.

For more information, please go to **KSDGs: Agenda 2030**.

In the ESG Panel, see GRI indicators 102-46 and 102-47.



Governance

Learn about the initiatives, projects and activities that strengthened our governance in 2020.

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Klabin's main governance bodies, which act synergistically to achieve the company's economic, social, and environmental objectives, are the General Shareholders' Assembly, the Board, and the Directors.

Klabin also has Fixed Board Advisory Commissions, divided by themes, which discuss, plan, and validate business support strategies. They follow the company's growth cycle, monitor operational efficiency, and contribute to the mapping of business opportunities.

In December 2020, the governance structure was reinforced with the creation of three Board advisory committees – the Audit and Related Parties Committee, the Sustainability Committee, and Remuneration Committee – and the election of its members.

The committees meet every two months to assess results and discuss strategies and, extraordinarily, to discuss and approve relevant themes that require rapid consideration by the Board.

Conceptual structure of risk management and internal controls

The company's risk management practices and internal controls involve its entire regulatory structure, approval assessments, relevant risk indicators, process mapping based on financial reports, and key controls of the areas, as well as integrity assessments, security analysis of potential cyber-attacks, analysis of operational transactions in SAP, and function segregation conflict analysis.

Given its vertical business structure, operational risks in the production process and corporate risks are among those permanently on the company's radar. Such risks are commonly associated with the following factors:

- > Use of chemicals in production
- > Storage and disposal of chemical waste
- > Explosions, fires, and wear and tear caused by time and exposure to the weather and natural disasters
- > Potential mechanical failures, time required for unscheduled maintenance or repairs, transportation hold-ups, corrections, chemical leaks, and other environmental hazards

We made progress in 2020 with Board approval of the priority operational and corporate business risks for Klabin.

In the **ESG Panel**, see indicators GRI 102-18, 102-19, 102-20, 102-22, 102-23, 102-24, 102-26, 102-27 and 102-28.

Board and Directors

BOARD – FULL MEMBERS (2021)

Israel Klabin, Daniel Miguel Klabin, Armando Klabin, Vera Lafer, Francisco Lafer Pati, Horacio Lafer Piva, Paulo Sergio Coutinho Galvão Filho, Roberto Klabin Martins Xavier, Celso Lafer, Roberto Luiz Leme Klabin, Sérgio Francisco Monteiro de Carvalho Guimarães, Camilo Marcantonio Junior, Mauro Rodrigues da Cunha.

FISCAL BOARD – FULL MEMBERS (2021)

João Adamo Junior, João Alfredo Dias Lins, Raul Ricardo Paciello, Maurício Aquino Hallewicz, Louise Barsi.

MEMBERS OF THE BOARD ADVISORY COMMITTEES

Audit Committee and related parties: Amanda Klabin Tkacz, Pedro Guilherme Zan, Luis Eduardo Pereira de Carvalho.

Remuneration Committee: Horacio Lafer Piva, Francisco Amaury Olsen, Luis Fernando Giorgi.

Sustainability Committee: Israel Klabin, Roberto Luiz Leme Klabin, Reinoldo Poernbacher.

STATUTORY BOARD (2021)

Cristiano Teixeira – Director-General

Marcos Paulo Conde Ivo – Financial and Investor Relations Director

Francisco Casar Razzolini – Director of Industrial Technology, Innovation, Sustainability and Projects

Flavio Deganutti – Director of the Paper Business

NON-STATUTORY BOARD (2021)

Douglas Dalmasi – Packaging Director

Gabriella Michelucci – Corrugated Cardboard Director

Jose Totti – Forestry Director

Jose Soares – Commercial Director of Papers

Ana Cristina Barcellos Rodrigues – Director of People and Management

Fabio Medeiros – Legal, Integrity and Risk Management Director

Sandro Avila – Director of Operational Planning, Logistics, and Supplies

Alexandre Nicolini – Director of the Pulp Business

See the **Investor Relations website** for the résumés of the members of the Board and Directors.

Main practices adopted



Independence

Among the members elected to the Board of Directors, at least 20% are independent directors, according to the rules for companies that are part of B3's Governance Level 2.



Disclosure

The company's results are disclosed to the market quarterly and audited financial statements* are published annually.



Directors

Directors are evaluated annually based on goals and performance indicators, the results of which have direct repercussions on their variable remuneration.



Communications

The General Assembly is Klabin's highest decision-making body as a publicly traded company listed on B3. The Investor Relations area is the main communications channel with shareholders and potential shareholders.

adopted by Klabin can be accessed on the Investor Relations website: <https://ri.klabin.com.br/>

*Klabin's 2020 financial statements can be accessed at: <https://api.mziq.com/mzfilemanager/v2/d/1c41fa99-efe7-4e72-81dd-5b571f5aa376/06d70c1d-68a5-32c0-af80-2d983444971c?origin=1>

Financial policies

In 2020, two financial policies – financial debt and income – were approved and published, adding transparency to Klabin's corporate governance.

An end to the payment of royalties by Klabin brands

We achieved a milestone in November 2020, with approval at the Extraordinary Shareholders' Meeting of the incorporation of Sociedade Geral de Marcas Ltda. (Sogemar). Klabin S.A. became the owner of the Klabin brands and name, and no longer had to pay royalties.

This was another step towards improved corporate governance, ending the last transaction between the parties.

The process was aligned with the recommendation issued by a working group consisting only of independent advisors, who had no direct or indirect stake in Sogemar, with independent evaluations and information provided for shareholders to assess.

New investor relationship channel

In view of the growing number of private investors in the Sao Paulo Stock Exchange (B3), noticed in our shareholder base since 2019, we created Klabin Invest, an exclusive platform for videos and podcasts for investors, with information about the company's performance, innovation, sustainability, and topics of interest to the financial market.

Official Investor Relations website

Klabin Invest on YouTube

Klabin Invest on Spotify

Klabin Invest*

1st podcast

by the company on Spotify and YouTube.

More than 13

million people impacted by the initiative on social media.

The company's

first podcast on Spotify and YouTube.

*Measured from 11/30/2020 to 2/28/2021. In the ESG Panel, see GRI indicators 102-40, 102-42, 102-43, 102-44, and others related to stakeholder engagement.

Risk management

Our value proposition for risk management – one of the objectives of the Klabin 2030 Agenda and a material theme of the company's – is to make sure our team's performance and operations are responsible, which requires the commitment of our team at all levels to be responsive and participatory in decision-making processes.

The Risk Management Policy, approved by the Board, is aligned with the company's strategic objectives and its structure is aligned with the best market practices.

The Risk Management Policy guides our activities to reasonably assure fulfillment of the established objectives, since uncertainties and future events cannot be accurately forecast or measured and may impact activities and the continuation of the business.

In 2020, the Policy was revised and approved by the Internal Risk Management Committee and Directors. In addition, we adopted a series of actions and procedures to mitigate possible risk the company is exposed to. At Klabin, we classify according to five categories: strategic; financial; operational; compliance, regulatory and legal; and socio-environmental.

Impact on the business

Our ability to implement a business strategy and maintain our operating results and growth rate depends on several factors. These include the retention and attraction of customers and the establishment and maintenance of partnerships, the hiring and retaining of skilled people, and developing operations in existing markets and expanding into new ones.

Any shortfall, even temporary, among these factors threatens our ability to address risks, uncertainties, and problems that may limit our business strategy and our ability to compete in the market, having a negative effect on our operating results.

Our high degree of dependence on our own planting areas that supply the wood essential to our production processes, for example, represents a significant risk for the company. Damage to these areas can affect results in the value chain. For more information, please go to Partners for wood supply. ([link](#))

We have been living with a new risk in the shape of the Covid-19 pandemic since 2020. While the precise long-term impact is as yet unknown, measures to reduce the spread of the virus have affected the workforce, consumers' finances, and global financial markets.

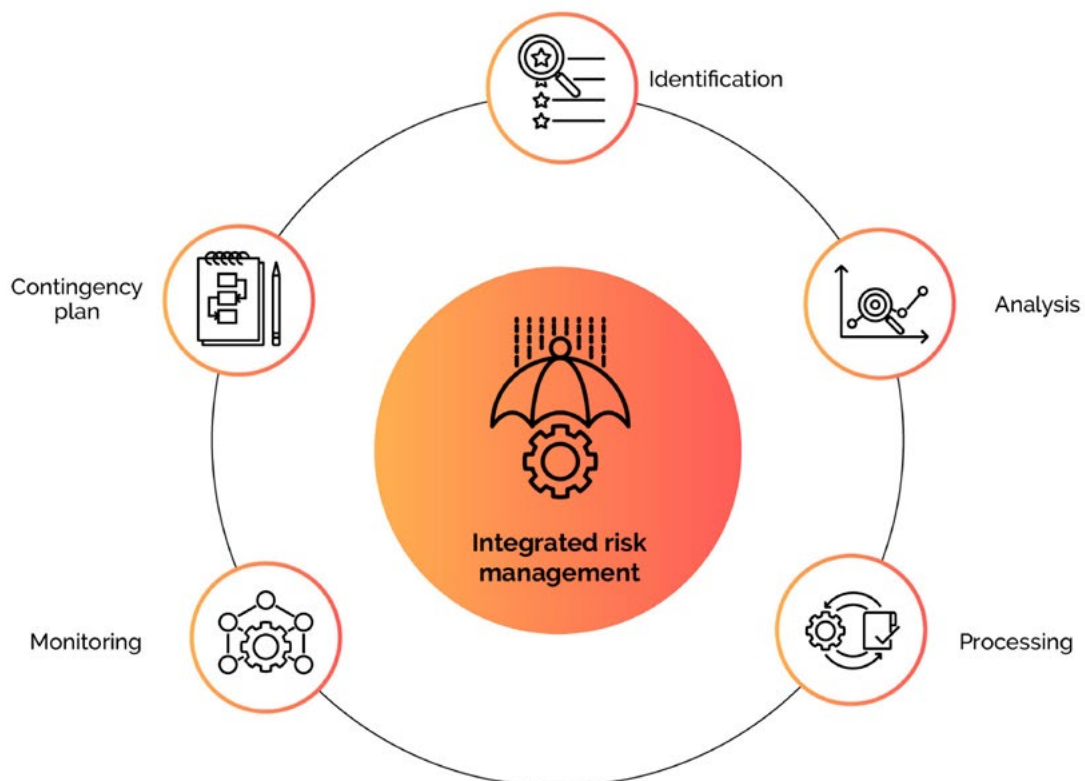
Learn more about our tackling of the pandemic in the chapter Covid-19.

In 2020, we developed our business continuity plans in Jundiai (Sao Paulo state) and Correia Pinto (Santa Catarina state), and reformulated Crisis Management Policy.

Evaluation and treatment criteria

Klabin evaluates risk according to critical level, which is based on impact, and vulnerability. The level of each risk depends on objective criteria, standardized and validated internally. The approaches to risk are to reduce it; transfer / share it; retain or accept / exploit it.

Risk mapping



- **Identification:** identify risks and understand them.
- **Analysis:** assess risk criticality based on the degree of impact and vulnerability.
- **Treatment:** decide how to deal with each risk to structure action plans
- **Monitoring:** monitor and review risks and action plans. Set indicators.
- **Contingency plan:** prepare Contingency and Crisis Management Plans.

Cyber risks

The protection model adopted by Klabin also considers potential cyber attackers:

- > Insiders: employees, service providers and so on, whether accidentally or deliberately.
- > Unfair competition and intelligence services: parties interested in gaining an economic advantage for their companies or countries.
- > Cyber-criminals and organized crime: parties interested in making money from fraud or by selling valuable information and hijacking data (ransomware).
- > Hacktivists: people who have a cause to fight for, such as political or ideological motives.

See our information security protection tools in Information Security. ([link](#))

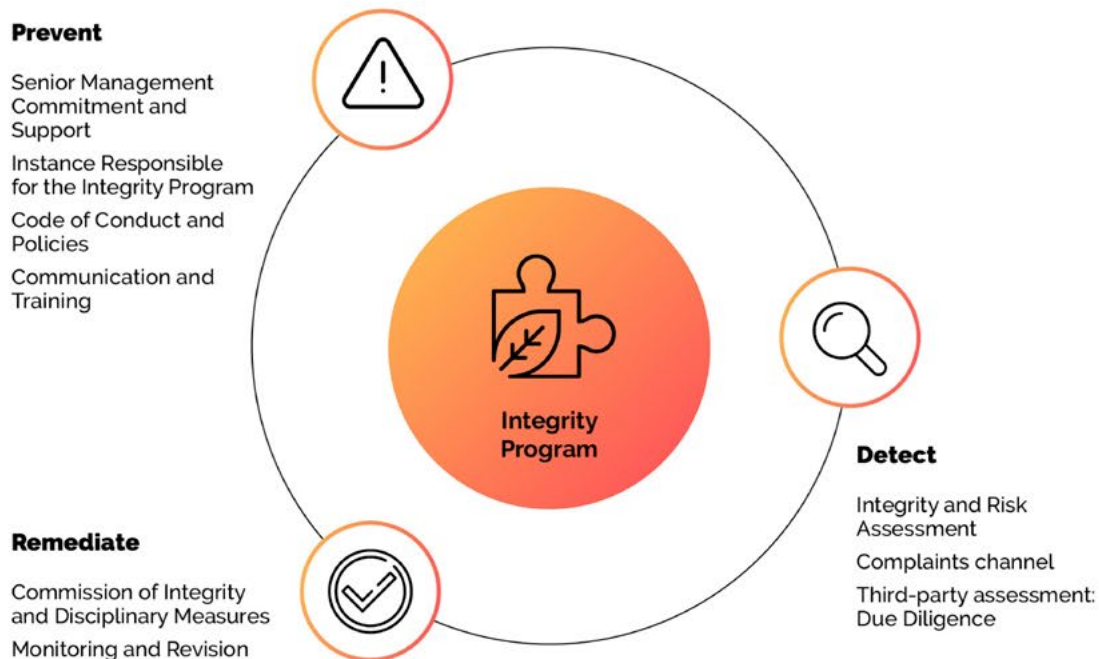
In the ESG Panel, see INDICATORS GRI 102-11, 102-15, 102-19, 102-20, 102-30 and others related to the material theme of Risk Management.

Ethics and integrity

Ensuring fairness and transparency in relationships with stakeholders, protecting fundamental freedoms in accordance with Brazilian legislation and international agreements, is our value proposition for society related to Ethics and Integrity. The theme is part of the Klabin 2030 Agenda.

Our Integrity Program is the main platform for the management of ethical issues in the company. Aligned with the Klabin 2030 Agenda, it is supported by instruments such as the Code of Conduct, the Anti-Corruption Manual, Integrity training, a communications plan to strengthen the integrity culture, a risk matrix, reputational assessment of third parties, an Integrity channel, and Ombudsman.

In line with the best market practices, the Program promotes the principles and values presented in our Code of Conduct, and complies with anti-corruption and competition laws. The Program's pillars prevention, detect, and remediate action that may violate the guidelines of the Code of Conduct and current law.



Its activities are continuously improved, considering the integrity risks identified and the demands for the company's growth and the strengthening of this culture.

In 2020, Klabin approved its Integrity Policy, which formalizes and consolidates guidelines and responsibilities, ensuring the the implementation of its Integrity Program.

In the **Panel ESG**, see indicators GRI **102-16, 102-17, 205-1, 205-2, 205-3** and others related to the material theme **Ethical conduct and integrity**.

Code of Conduct update

In 2020, we began a review of the Code of Conduct to comply with new legislation and internal guidelines, and align it with new issues that have been discussed in the corporate environment and the sector. We updated our positioning, adjusting it to our strategic sustainability agenda.

The work – which was still underway at the time this report was finalized – is being done by an external consulting firm and involves the Board and several areas of Klabin, adding their vision and experience in relationships and various situations in the corporate sphere.

Training and awareness

We continuously train our employees to prevent violations and behavior contradictory to Klabin's values. In 2020, anti-corruption and completion were the focus for Integrity Program training, conducted by webinars and sessions recorded on an internal portal, mainly for the company's management.

Online Anti-corruption, Ethics, and Code of Conduct training has also been made widely available. In 2020, Klabin held its fifth Ethics Week. This is an annual event focused on awareness of and reflection on ethics and integrity.

100%

of commercial area employees participated in competition training in 2020.

Ethics Week

held online, offered reflections on Klabin's values, and attitudes inside and outside the company.

More than 3,000

people participated in the online event, which featured talks, games, and social media engagement.

Complaints channel

Managed by an independent, outsourced company, Klabin's Integrity and Ombudsman Channel is managed by the Integrity area and the Internal Audit area investigates claims.

2020 was the first full year of Klabin's Integrity and Ombudsman Channel, administered by an independent, outsourced company, which improved the classification, handling and investigation of claims.

The Integrity Commission, made up of directors and employees from the Internal Audit and Integrity areas, meets when necessary to deal with claims and related topics.

Access is via <https://www.canalconfidencial.com.br/klabin/>, or on 0800-718-7814. It is confidential and free of conflicts of interest.

In the **ESG Panel**, see complaints channel indicators.

Commitment to value generation

Voluntary participation in external initiatives reinforce Klabin's commitment to sustainable development-oriented action. The Global Compact, Sustainable Development Goals (SDGs), and Carbon Disclosure Project (CDP) – some of the public commitments we have engaged with for years – have recently been added to, including the globally-recognized TCFD Supporter, which is a major step in constructing a renewable future.

In the **ESG Panel**, see GRI indicator **102-12**.

Main voluntary initiatives and Indices



Global Compact, since 2003

International mobilization of companies in support of the United Nations (UN) in the promotion of ten principles that bring together fundamental values in the areas of the environment, human and labor rights, and the fight against corruption. The Global Compact is a voluntary contribution by companies in the pursuit of a more sustainable and inclusive global economy. For more information, please go to <http://omundoquequeremos.org>. Accompany our accountability in the **ESG Panel**.

TCFD, since August 2020

Klabin became a TCFD Supporter in August 2020. TCFD (Taskforce on Climate-Related Financial Disclosures). The Financial Stability Board (FSB) makes recommendations for companies to incorporate climate-related risks and opportunities into their strategies and financial disclosures. See our indicators in the **ESG Panel**.

Sustainability Accounting Standards Board (SASB), since 2020

The SASB helps identify, manage and report an organization's sustainability issues, through environmental, social and governance issues that can influence financial performance. Its main audience is large companies and investors. See **ESG Panel**.

Carbon Disclosure Project (CDP), since 2006

A global initiative to facilitate dialogue between investors and companies seeking to minimize the environmental impacts of their business in the face of climate change. In 2020, we were ranked for the third consecutive time **CDP Leadership Level**, in the global management of forests, climate change, and water resources categories, being the only Brazilian company classified at this level in the three categories. The list comprises 313 companies from all over the world. See our indicators in the **ESG Panel**.

EcoVadis, since 2019

Klabin is the first Brazilian company to implement the Ecovadis methodology to evaluate its supply chain. This platform is a global provider of enterprise sustainability ratings. In 2020, Klabin, as a supplier, was awarded the **Platinum** category in the EcoVadis' Corporate Responsibility Assessment, joining a select group of 1% of companies with the best performance in the Pulp and Paper sector in the world. Topics such as labor practices and human rights, the environment, ethics, and sustainable purchasing are analyzed.

Business Pact for Integrity and Against Corruption, since 2013

We are signatories to the Business Pact for Integrity and Against Corruption, proposed by the Ethos Institute. The Pact fights corruption and promotes more ethical and honest business.

Women's Empowerment Principle, since 2018

We are signatories to the UN's Women's Empowerment Principle (WEP). The WEP is a set of considerations that helps companies incorporate into their businesses values and practices focused on gender equality and women's empowerment.

FGVces Business Initiatives

A network coordinated since 2010 by FGVces, which brings together companies interested in accessing and producing knowledge and sharing their experiences in advances and challenges in business management for sustainability. It promotes dialogue, study, and the co-creation of proposals, methodologies, and tools.

Forest Dialogue, since 2019

An unprecedented and independent initiative that facilitates interaction between representatives of companies in the forest-based sector, environmental organizations, and social movements to create a vision and commitment. It promotes forest production, and boost efforts to conserve and restore the environment, generating benefits for participants and for society in general. Klabin has participated in the Brazilian Forest Dialogue, since 2009, as a member of the Coordination Council, and the International Forest Dialogue (TFD) since 2014, in which it currently holds co-leadership of the Steering Committee.

National Pact for the Eradication of Slave Labor, since 2013

Launched in 2005, it brings together Brazilian and multinational companies that have made a commitment not to deal with those who exploit slave labor. In addition to economically restricting employers who commit this crime, the Pact promotes decent work, the social integration of workers in vulnerable situations, and the fight against grooming. The companies that are signatories to the initiative participate in the pact's monitoring process and are committed to making the results of their efforts to ban slave labor public.

Brazil Climate, Forestry and Agriculture Coalition, since 2015

A multisectoral movement among more than 250 organizations which discuss approaches to climate change and ways to contribute to the formulation of public policies focused on the theme. Among its members are the entities that lead agribusiness in Brazil, the main civil organizations in the environment and climate, representatives of academia, representative associations, and leading companies in the areas of timber, cosmetics, steel, pulp and paper.

Conscious Capitalism, since 2020

Conscious Capitalism is a global movement created in the USA. It raises awareness among business leaders of more conscious strategic decision-making and relies on the efforts of different sectors to transform the way they make investments and do business in Brazil. Companies join up voluntarily.

Corporate Sustainability Index (CSI), since 2014

Created in December 2005 by the then BM&FBovespa, now B3, the index evaluates the different aspects of sustainability. Its aim is to induce good practices in the Brazilian business environment. Companies are selected based on criteria established by the Sao Paulo School of Business Administration at the Getúlio Vargas Foundation (EAESP-FGV). Klabin is in the index with level 2 governance.

New S&P/B3 Brazil ESG Index, since 2020

Klabin is among the top ten Brazilian companies that make up the S&P/B3 Brasil ESG portfolio. The new B3 and S&P Dow Jones index includes companies with best socio-environmental and governance practices that adhere to the UN Global Compact.

WWF

For the fourth consecutive time, Klabin is part of the Environmental Paper company Index (EPCI), drawn up every two years by the World Wide Fund for Nature. We achieved a score of 90.5% in the Packaging category, an increase of 8.9% in the overall index compared to the previous study, published in 2017. In all, 30 companies in the sector were analyzed, which together represent 18% of the total pulp and paper production in the world.

Recognition

One of Klabin's main achievements in 2020 after years of pioneering and dedicated work was the invitation to join the COP26 Business Leaders group in preparation for the next UN Climate Conference, COP26, to be held in Scotland, in November 2021.

We are the only Brazilian company invited to join the COP26 Business Leaders group. Made up of ten executives from the private sector, it is responsible for promoting low-carbon economy goals in Latin America.

Another achievement that filled us with pride in 2020 was joining the Dow Jones Sustainability Index (DJSI) in the World Index, and Emerging Markets Index. The index is for the world's leading companies in economic performance, governance practices, and socio-environmental performance.

We are the only Brazilian company in the global Dow Jones Sustainability Index, which positions us as one of the most sustainable companies in the world.

We were also listed in The 2021 Sustainability Yearbook published by S&P Global, one of the world's largest financial analysis organizations. ESG data from more than 7,000 companies were evaluated, with Klabin being among the 15% most sustainable in the paper packaging segment.

Other recognition in 2020



Ranked first in Reforestation, Pulp and Paper, and Sustainability by **The Best in Agribusiness** yearbook. In its fifteenth edition, the Globo Rural magazine award evaluates companies' performance and management. The company was outstanding in renewable energy, total water consumption and total CO₂ emissions.

The company won in two categories at the **12th PPI Awards, by Fastmarkets RISI**, considered the leading global award in the pulp and paper industry. Cristiano Teixeira, the company's director-general, was named International CEO of the Year, and Gabriella Michelucci, Director of Corrugated Cardboard, was named Industry Woman of the Year.

Klabin was named the most sustainable company in the pulp and paper sector by the **Época Negócios 360° Yearbook**. This is major recognition of our sustainability initiatives, premised on adjusting productivity to achieve least possible impact on the environment. We were also featured in the Innovation, Corporate Governance and People categories, and ranked second overall in the Pulp and Paper sector.

For the third time we featured at the top of the **Spott Timber & Pulp** ranking, which assesses sustainability management at 50 wood and pulp producers worldwide. Klabin ranked first in the pulp and paper sector globally.

We maintained our status in the **Best Emerging Markets Performer** ranking by Vigeo Eiris, a global provider of research and services in the environmental, social, and governance areas. Emerging market companies are evaluated in six areas: the environment, human rights, human resources, community engagement, business behavior, and corporate governance.

We were once again included in the well-established **Biggest and Best** awards by Exame magazine. We won in two categories – The Best in Agribusiness, and The Best in the Pulp and Paper Category. We have won six awards in the last five editions.

For the second year in a row, Klabin ranks among the five most innovative companies in the Chemistry, Paper and Pulp category organized by the **Valor Innovation Brazil 2020** award, ranking third in the sector. We were also ranked 24th out of the 150 most innovative companies in Brazil.

Klabin was named Company of the Year in Communications by the **46th Aberje Awards**, promoted by the Brazilian Business Communications Association, honoring the **best communications practices** at Brazilian companies. We also won for the best case study in the Ethics, Integrity, and Compliance Category (Ethics Week event) and the best case study in the Printed Media category (packaging folder).

Klabin's Investor Relations team was named the best in Latin America in the Pulp and Paper sector by Institutional Investor magazine.

Learn more about these and other awards on Klabin's website: <https://klabin.com.br/nossa-essencia/reconhecimentos/>



Technology and innovation

Our competitiveness is related to constant investment in research, development, and innovation to improve the performance of our forests, the production process, the development of products, and the management of impact.

Research, development, and innovation for a renewable future

Our competitiveness is related to constant investment in research, development, and innovation to improve the performance of our forests, the production process, the development of products, and the management of impact.

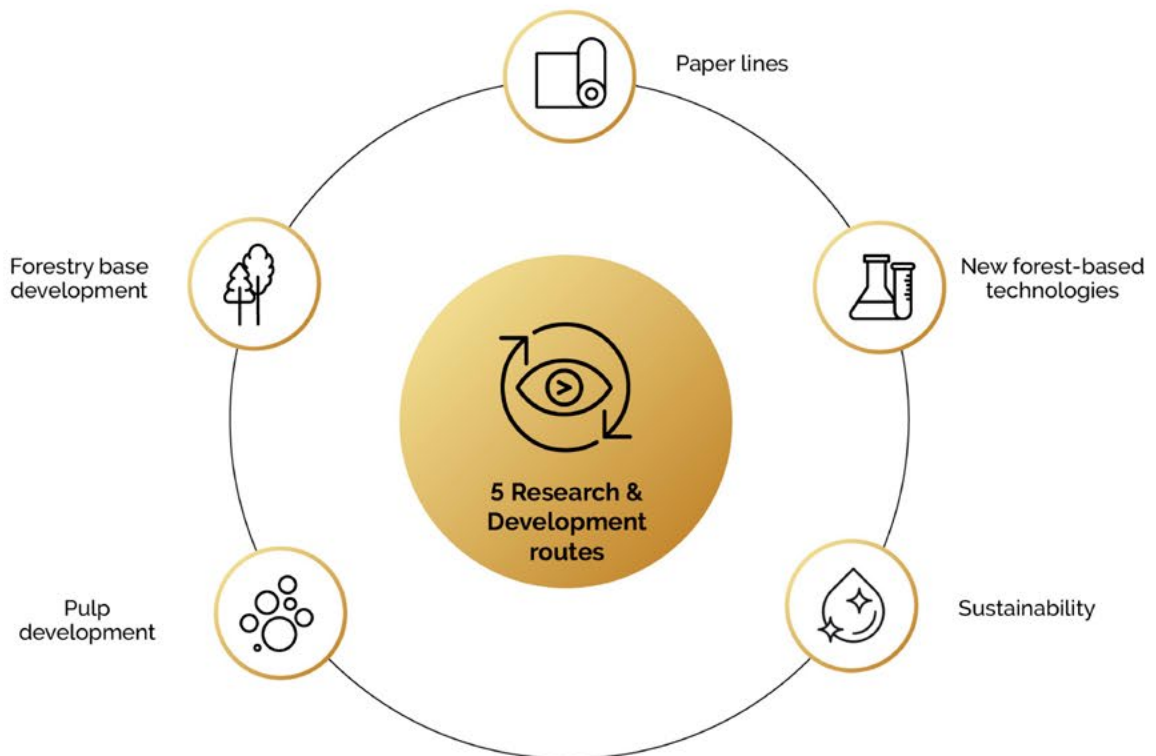
The growing challenges of the paper and packaging market and the rising demand among consumers for products made from renewable materials have led the company to increase investment on this front in recent years. Investment in forestry and industrial research between 2019 and 2020 is expected to reach R\$ 180 million.

In 2020, we continued to strive to become a world reference in responsible solutions that serve the constant changes in society, offering multi-use forest-based products that are renewable, recyclable, and biodegradable.

Learn about our value propositions and goals related to the technology and innovation sector which are part of the **Klabin 2030 Agenda**.

In **the ESG Panel**, see indicators related to the material theme **Multiple uses of wood**.

Our research and development path



Learn more about our research path on the **site**

Product development highlights

In 2020, the Forest, Industry and Research (FIR) working group continued to focus on understanding wood quality and solving deviations that may have an impact on the quality of the final product. We made progress in research into paper properties to boost its effectiveness as a sustainable material for packaging, as a barrier to water, vapor, fat, and oxygen.

In our Pilot Plant Park, in Parana state:

- > The company's first lignin extraction plant has developed a brand-new product in the Brazilian market – pine kraft lignin. More than 40 tons of this material have been produced, resulting in more than 20 strategic partnerships in R&D projects and future customers.
- > The microfibrillated cellulose (MFC) plan ran five industrial tests in the development of new papers and cards, with properties distinct from those currently available in products on the market.
- > MFC was also applied in formulations that replace fossil compounds, which may represent a new market for more sustainable materials.

In **the ESG Panel** see GRI indicator **481-1** and others related to the material theme **Multiple uses of wood**.



Cellulosic thickener for hand sanitizer, developed at Klabin's Technology Center, in Parana state. Photo: Klabin's archive

Protection against Covid-19

In 2020, in partnership with Senai we developed a face shield with 10% cellulose replacing polyethylene. The product was distributed in all Klabin health units in support of the covid-19 fight.

The production of hand sanitizer using a cellulosic thickener has also been a success, culminating in the development of a new ingredient for cosmetic products which is renewable and sustainable, made from microfibrillated cellulose.

Find out more about our efforts to cope with the pandemic in chapter **Covid-19**.

Award-winning innovation

The development of Eukaliner® kraftliner paper made exclusively from eucalyptus fiber earned Klabin first place in the Packaging Innovation category at the eleventh edition of the PPI Awards, held by Fastmarkets RISI, in Lisbon, in March 2020. This is one of the top awards in the global pulp and paper industry.

Large-scale production of the world-leading product using technology patented by Klabin will be carried out at the Puma II Unit, with an annual capacity of 450,000 tons. Among the benefits of Eukaliner, tested and proven by customers in more than ten countries, are its high print quality and superior structure, which reduces weight compared with competing papers, in addition to reducing steam consumption and making productivity gains in customers' corrugators.

These attributes, together with the use of planting areas up to ten times smaller than those used by global players, endow Eukaliner® with a differentiated position in the main global markets, exceeding all expectations of the product in the packaging segment.

Forest productivity

To maintain competitiveness and support the company's expansion plans, our Research and Development projects focus on forest productivity.

Our Technology Center in Parana state develops clones and genetically improves pine and eucalyptus trees. It works on increasing productivity, adapting to possible adverse conditions caused by climate change, and increasing the basic density of wood, among other objectives.



Genetic materials

We have registered/protected six new eucalyptus clones (three for Santa Catarina and three for Parana) with the Ministry of Agriculture (MAPA) and expanded the planting of vegetatively propagated pine seedlings (higher families), which will ensure greater forest productivity.



Information security

We have developed a computerized system for research management and information security for the forest research base (see more in this chapter on information security).



Technology

We have evaluated wood quality in more than 1,100 Eucalyptus spp. trees, using near infrared technology for the rapid prediction of chemical and physical characteristics and pulping of wood.



Monitoring

In 2020, we installed 32 climate monitoring and weather forecast stations in our area of operations in Parana state.



Forest biotechnology

We have made important progress in this area, with the development and implementation of specific techniques applied to support the genetic improvement strategies for pine and eucalyptus.

Trucks of the future

Two innovative trucks are being used in forestry operations. Their advantages include increased safety in operation, savings in resource usage, and space optimization. In March 2020, the first self-loading truck in the Americas entered operations in Parana, transporting logs up to 7.36 meters long. Regular trucks usually carry logs up to six meters long.

The technology, developed in Sweden and acquired by Klabin for adaptation to the vehicle, consists of a mechanical arm equipped with several cameras and sensors which transmit live videos of their movements and surroundings for 3D augmented reality goggles worn by the truck operator.

The Forest Unit team adapted the technology in partnership with the supplier. In addition to increasing the protection of the electrical cables and strengthening the rear balance of the truck, the mechanical arm base was extended to allow adjustment of the length according to needs. When using the mechanical arm, the truck is extended, offering greater safety for operators. In transit, it returns to normal size, complying with Brazilian legislation which limits length to 19.8 meters.

Bending truck



Bending truck, operating in Parana state. Photo: Klabin's archive.

Another new addition to operations in Klabin's planted forests in June 2020 was the first bending truck in Brazil. This innovation, also adapted by the Forest Unit, uses Australian technology. The bitrain truck is used in log transportation and the second trailer fits into the first, reducing its length from 19 meters to 15 meters, using much smaller area than that required by traditional trucks. The smaller turning circle makes maneuvering easier and improves steering and grip.

Innovation management

Innovation is in our DNA and runs through the company, as an important driver of its evolution. Innovation management is a material theme and in the Klabin 2030 Agenda its value proposition is a driving business model that is open to new processes that transform our performance and strengthen innovation ecosystems in society.

In the ESG Panel, see indicators related to the material theme Innovation Management.

Supporting the way we work

At Klabin our work is guided by a set of methods that combine the valorization of people with the improvement of processes, constituting the means to achieve operational excellence. We call this program Achievement [*Superar* in the Portuguese original], which really means the Klabin way of working in the pursuit of excellent results. Multidisciplinary and multifunctional teams manage the program and support its implementation in the company.

Cultural evolution is intrinsic to our way of working, which is transformed every day. In 2020, in a co-creation process involving the continuous improvement teams in different areas, we launched the Klabin Achievement Seal. This recognizes and shares the best practices in the company. We use certification processes established in the market and add elements relevant to Klabin, including sustainability efforts – in social and environmental spheres, and operational safety.

A total of five seals indicate stages of maturity: bronze, silver, gold, platinum, and diamond. They can be awarded to industrial units which meet the established criteria for continuous improvement. The seals recognize the individual progress made by the units in operational excellence and their reaching of sustainability goals, opening the way to international certification awarded to world-class companies.

Programs

We endeavor to improve our people and encourage autonomy in the development and implementation of innovative ideas for internal processes. Our open innovation strategy provides access to a global network of contacts comprising startups, universities, suppliers, customers, communities, and accelerators capable of solving challenges, sharing knowledge, and generating value for the company and society.

**More than
1,200**

startups are in our open innovation database.

More than 45

different startup solutions were studied in 2020.

19

proofs of concept were conducted in the period.

Olho: We held a Pitch Day focused on diversity, looking for innovative solutions for management of the theme in different aspects, and we interacted with 30 companies.

Find out more about our programs on the **Inova Klabin platform**.

Highlights

- > Generation of the first prototypes for renewable multi-material packaging from our partnership with the Israeli startup, Melodea.
- > Filing for patents for the application of microfibrillated cellulose (MFC) in countries on four continents.
- > Market launch of the new Ecolayer line: bags for the mortar market, including a water vapor barrier, after three years of research.
- > Ranked in the TOP 100 Open Corps 2020 as the most engaged company in Brazil's innovation ecosystem. The listing includes organizations that have connected with the largest number of companies in the previous year.

In-house

In 2020, we launched the Plant your Idea program in all our units except the newly incorporated International Paper mills, which will be included in 2021. The program encourages intra-entrepreneurship among employees, whose ideas are submitted to commissions in each unit. In total, 594 ideas were submitted for evaluation.

Another initiative for staff, Klabin Lab, which involves a week-long immersion for teams with a focus on specific problems, had two virtual editions: one for the credit area, and the other for automation of the Single Recognition Program.

Partnership in acceleration program

In a partnership with Voith, in September 2020, we participated in the fifth edition of Startups Connected, an acceleration program by the Brazil-Germany Chamber in Sao Paulo (AHK Sao Paulo), to select a startup for the Smart Sustainable Packaging project.

FiberBio, the startup selected, proposes the development of a biodegradable polymer for packaging, reducing the environmental impacts of conventional plastics. The proposed product uses cellulose nanocrystals, which have great potential in the production of flexible, biodegradable films.

FiberBio is in the process of acceleration, being advised on innovation management and business development, and has been mentored by Klabin to advance in product development.

Close to universities

The partnership with universities, Klabin + U, is critical to getting new perspectives on innovation at Klabin. In 2020, we held two hackathons, one in Rio de Janeiro, looking for a tracking solution for the circular economy, and the other with students from the Polytechnic School at the University of Sao Paulo (USP), to improve Klabin's Artificial Intelligence system, Luna.

Partnerships also produced the technical specialization program for Klabin at the Federal Technological University of Parana (UTFPR), and innovation projects with students on the university's engineering courses, as well as the Ecological Park Challenge to monitor fauna, with the USP Innovation Agency (AUSPIN).

Also in 2020, we organized a competition for MBA students to select the best business model for lignin, which was entered by universities in Italy, the USA, Canada, the Philippines, and India.

R&D partners in Brazil and abroad

- > Aria do Brasil
- > Associação Brasileira Técnica de Celulose e Papel (ABTCP)
- > Central American and Mexico Coniferous Resources Cooperative
- > Comitê de Produtores – Tappi Nano
- > Cooperativa Central America and Mexico Coniferous Resources (Camcore), Carolina do Norte (EUA)
- > Embrapa Florestas
- > Escola Superior de Agricultura Luiz de Queiroz (Esalq)
- > Forest Productivity Cooperative (FPC)
- > Instituto de Pesquisas e Estudos Florestais (IPEF)
- > Melodea
- > North Carolina State University (NCSU)
- > Oregon State University
- > Pine Chemicals International
- > Research Institutes of Sweden (RISE)
- > Serviço Nacional de Aprendizagem Industrial (Senai)
- > Sociedade de Investigações Florestais (SIF)
- > Unicamp
- > Universidade de Karlstad (Suécia)
- > Universidade de Leuven (Bélgica)
- > Universidade de Toronto
- > Universidade do Estado de Santa Catarina
- > Universidade Estadual de Ponta Grossa
- > Universidade Federal de Campina Grande
- > Universidade Federal de Lavras
- > Universidade Federal de Santa Maria
- > Universidade Federal de Uberlândia
- > Universidade Federal de Viçosa
- > Universidade Federal do Espírito Santo
- > Universidade Federal do Paraná
- > Universidade Federal do Rio de Janeiro
- > VTT Technical Research Centre of Finland

Technology update

In 2020 we continued the technological updating of projects for our growth projects, preparing the company for Industry 4.0.

The Cloud Journey

has been consolidated, enabling cloud data storage, boosting processing capacity and speed.

Expansion of wi-fi

in the mills in Monte Alegre, Ortigueira, and Otacilio, and expansion of signal coverage for data transmission in forest areas.

Data links

have been updated and optimized, allowing greater information traffic capacity at the company's mills and offices.

Information security

Information security is a material theme in the Klabin 2030 Agenda. Our value proposition for this theme is to ensure strengthened technological capacities that protect individuals and institutions that have business with Klabin, considering the new ethical challenges arising from the advances in artificial intelligence.

Errors – whether human, programming, infrastructure, the provision of data processing services or arising from *force majeure* – in Klabin’s, our customers’ or suppliers’ systems, can compromise operations and information security.

Klabin, supported by a risk management plan and market methodologies, has been adopting cybersecurity controls to reduce availability risk in its operations.

We also implemented the Cybersecurity Policy and Primer, official company documents that guide employees on attitudes, good practices, and attributions to reduce the risk of cyberattacks.

In 2020, we also held the Cybersecurity and Privacy workshop for almost 2,000 people. We released a video on cybersecurity, featuring all ten pillars of our awareness program.

General Data Protection Act (LGPD)

To increase protection against cyber risks and ensure data confidentiality, we map risks related to information on or about employees, third parties, and end customers who have personal data held by Klabin. This assures compliance with the **Lei General Data Protection Act (Law No. 13,709/2018) – LGPD**, in force since September 2020.

55%

of direct employees were trained in digital language in 2020.

1,993

people participated in the LGPD and Cybersecurity Workshop in the period.

In **The ESG Panel** see GRI indicator **481-1** and others related to the material theme **Information Security**.



2020 was marked by the Covid-19 pandemic and created great economic and social uncertainty. Even in this scenario, we achieved solid results, proving once again the excellence of our integrated business model, which is highly flexible and able to adapt to the most diverse economic environments.

Sustainable economy

2020 was marked by the Covid-19 pandemic and created great economic and social uncertainty. Even in this scenario, we achieved solid results, proving once again the excellence of our integrated business model, which is highly flexible and able to adapt to the most diverse economic environments.

The results in the period also reflect the fact that more than 80% of Klabin's pulp, paper, and packaging production is for essential segments, such as food, hygiene, and cleaning.

We achieved growth in every line of the business and, consequently, significant financial results. We enjoyed our eleventh consecutive year of growth in operating cash generation measured by EBITDA. Other highlights stemmed from completion of the purchase of International Paper (IP) and the investment of more than R\$ 5 billion in our operations and projects, notably the Puma II Project.

The year also saw the strengthening of our Corporate Governance, the ending of royalty payments for the use of the Klabin name and the approval of two financial policies on Indebtedness and Dividends (see more in **Corporate Governance**).

R\$ 11.949 billion

in net revenue, a record.

16%

increase on 2019.

R\$ 4.7 billion

of adjusted Ebitda, an increase of 27% compared to 2019.

27%

on 2019, excluding non-recurring effects.

Purchase of International Paper

Klabin took over International Paper's corrugated cardboard and paper packaging business in Brazil. The acquisition, completed in October 2020, increased our installed capacity for corrugated packaging to more than one million tons a year.

The investment included the purchase of three packaging paper units (virgin and recycled fibers), in the states of Goias, Sao Paulo, and Amazonas. The acquisition was a significant step in the company's growth strategy and the consolidation of its leadership in this market. With the units acquired, we also got into the Central-West and now have mills in every region of Brazil.

The incorporation of IP units creates synergy with Klabin's growth strategy on all business fronts, diversifying and expanding our flexibility.



Progress at Puma II

The work on the first machine in the Puma II Project, which is part of our growth plan, moved forward in 2020. Although the schedule has been changed by the pandemic (see more in Covid-19), the project is expected to start operating in July 2021.

Puma II, the largest investment in the company's history, at R\$ 9.1 billion, includes the construction of two packaging paper machines, including the production of patented Eukaliner – a kraftliner made exclusively from eucalyptus fiber, with significant competitive advantages (See in the chapter Technology and Innovation).

The second machine, which will be for cardboard, has a production capacity of 470,000 tons, and operations are set to begin the second quarter of 2023.

Investment

R\$ 5.316 billion by the end of 2020, R\$ 4.045 billion of it in 2020.

Innovation

Puma II, in Ortigueira (Parana state), will have two expansion steps up to 2023, with the construction of two innovative paper machines.

Pioneering

The project will make Klabin the first company in the world to produce Eukaliner paper, manufactured exclusively from eucalyptus fiber.

State of the Art

Conceived with the latest technology and most modern facilities, Puma II will be Klabin's most sustainable industrial plant.

Sustainability

Patented by Klabin, Eukaliner takes less energy to be produced, has superior performance, and requires a smaller planted area to produce the same amount of kraftliner when compared to regular paper from different regions of the world.

Quality

Eukaliner has differentiated properties and structure, reducing weight by more than 10%, which makes packaging resistant and light.

Integrated planning

New production capacity stemming from the incorporation of International Paper units required in-depth analysis of sales, production, and logistics scenarios in the company. In 2020, we reviewed the entire sales and operations (S&OP) planning process, set to be completed in 2021. The project involved the acquisition of a tool that connects the entire sales, production, and logistics chain, from the commercial strategy for pulp and paper, to the supply of conversion units, ensuring a high level of service for customers, at competitive costs.

Debt management

In 2020 we continued debt management work, adding financial security for Klabin's future. This means company was able to extend the average repayment period for debt from 96 months at the end of 2019 to 116 months in 2020 – almost ten years – reducing average cost.

Also noteworthy is the approval of Klabin's Financial Indebtedness Policy by the Board. This was another step in improving our corporate governance, establishing metrics and parameters for debt and liquidity to be adopted in the company's financial management.

Business performance

Forestry



In 2020, we moved approximately 15.5 million tons of pine and eucalyptus logs and chips, as well as biomass for energy generation, supplying internal demand for the manufacture of pulp and paper, in addition to the logs sold to sawmills throughout the year.

Increased use of our own wood by the pulp and paper operations reduced sales of timber to third parties by 11%, to 1.5 million tons in 2020, earning R\$ 208 million in net revenue.

Klabin is gradually reducing its sales of wood to third parties because of its increased production capacity in pulp and paper.

Pulp



The production of three types of pulp (short fiber, long fiber, and fluff) shows that Klabin's diversification and flexibility has achieved positive results even in the face of such uncertainty. With the capacity to supply raw materials for various types of paper, the company offset the fall in demand observed in the global market in the printing and writing paper segment caused by the pandemic. Fluff pulp, especially as of the third quarter, served mainly the hygiene segment, which makes essential products.

In the first nine months of 2020, pulp prices remained at the levels observed at the end of 2019. There was, however, a resumption of demand in some regions at the end of 2020. Prices of short fiber and long fiber pulp per ton delivered to China recovered by 11% and 12%, respectively.

Production was 1.545 million tons, the same as in 2019. The nominal mill capacity in 2020 was 1.575 million tons. Pulp sales increased by 3%, driven by the hygiene segment. We reached 1.53 million tons of bleached pulp, 1.117 million tons of it short fiber pulp, and 413,000 tons of long fiber/fluff pulp.

Net sales in the pulp segment closed the year at R\$ 3.888 billion, up by 11% year on year, influenced by the higher volume of sales and the appreciation of the US dollar against the Brazilian real in the year.

Papers



The pandemic brought down the prices of packaging paper at the beginning of the year, followed by strong recovery in the second half of the year.

The pandemic has accelerated structural changes, which has had a positive effect on the demand for packaging papers – such as growth in e-commerce, and greater awareness of paper as a recyclable, biodegradable product made from renewable sources.

Kraftliner sales totaled 432,000 tons, and net revenue, R\$ 1.197 billion, increases of 11% and 21% respectively.

Highlight for sales to the foreign market that grew 19% in volume and 34% in revenue in the same comparison, also benefited by the devaluation of the real against the dollar in the period.

The card market showed an important resumption of volumes in 2020 in Brazil. The company achieved a 5% increase in sales volume and 18% revenue in 2020 compared to the previous year.

Klabin's corrugated cardboard packaging sales reached 724,000 tons, up by 18% on 2019. Of this volume, 68,000 tons were from corrugated cardboard units incorporated from International Paper in the fourth quarter of 2020. The corrugated cardboard market grew by 6% in 2020, reflecting the growth in shipping volumes, mainly due to the strong recovery of the local market in the second half of the year, driven by increased consumption, e-commerce, and export sectors, such as protein and fruit.

Net revenue was R\$ 2.694 billion, up by 24% on 2019, with an increase of R\$ 258 million from the new units acquired from International Paper.

The industrial bag business, which, due to the Covid-19 pandemic, had shrunk in the first half of the year, recovered sharply in the second half of 2020.

Sales in this segment, stable compared with 2019, produced an 11% increase in net revenue. Klabin also benefited from the significant growth in e-commerce in 2020, with direct sales to e-commerce packaging up by 122%, which led the company to formulate a strategy to strengthen the supply of solutions for the segment in 2021. Learn more in **Strategy for e-commerce**.

Investments

R\$ 5.174 billion

invested in our operations and expansion projects.

R\$ 340 million

of this total was allocated to forestry operations.

R\$ 450 million

was allocated to the operational continuity of the mills.

R\$ 339 million

was invested in special projects, with high and fast returns.

R\$ 280 million

is the portion of this amount included for the acquisition of International Paper's business in Brazil.

R\$ 4.0 billion

was invested in the Puma II Project.

Sustainable debt bond

Following our sustainable development path, in January 2021, we announced the issuance of a Sustainability-Linked Bond (SLB), reinforcing our ability to generate a return for investors.

The \$ 500 million operation matures in ten years with a yield of 3.2% a year. We commit to achieving three goals with ESG criteria by 2025:

1. Water consumption equal to or below 3.68 m³ per ton of production, equivalent to a reduction of 16.7% on 2018.
2. Minimum 97.5% reuse/recycling of solid waste.
3. Reintroduction to the ecosystem of at least two endangered native animal species.

The operation, which is coordinated by six renowned financial institutions, consolidates our experience in the green bonds segment for social and environmental projects, reinforcing the relevance of ESG in generating value for stakeholders.

Learn more in the framework available on Klabin's site **Klabin's Investor Relations**, where information about Klabin's performance in the capital market is also available.

Commitment to local development

Our commitment to local development is part of our essence and is registered in our Sustainability Policy. Our goal is to identify, to avoid or mitigate, all negative impacts caused by our forestry and industrial operations. At the same time, we work to enhance positive impacts through programs and social actions in education and regional development (Family Agriculture, Solid Waste, and Participatory Public Management Support programs).

We do this through proactive and transparent engagement and frequent contact with communities, supported by a specific Social Responsibility and Community Relations manager. In 2020, given the Covid-19 pandemic, we focused more than ever on our role as a corporate citizen, reinforcing the importance of caring for people and the commitment to neighboring communities. By April 2021, the closing date of this report, we have donated more than R\$ 26 million to mitigate the impacts of Covid-19. Learn more about our efforts to tackle the pandemic in the chapter **Covid-19**.

Expansion

of the Public Management Support Program to 15 municipalities where we have operations.

81.8% and 83.8%

in the Community Acceptance Survey in Santa Catarina and 83.8% in Parana, respectively.

100%

of the donations made by Klabin in 2020 complied with the new guidelines for donations and sponsorships.

Our guidelines

Our social responsibility efforts include education, family agriculture, and regional solid waste management projects, as well as a program to support public management planning. All operational impacts caused by forestry companies and operations are identified, mitigated or reduced, enabling operations to the highest sustainability standards. (See related GRI indicators in the **ESG Panel**)

See in **the ESG Panel** the policies that guide us on this theme.

Social investment

Through the Private Social Investment Platform, we invest in our own projects and other projects supported by us. The initiatives must fall under one of our themes – Territory and People – which are divided into four fronts: Klabin Education, Klabin for Local Development, Klabin Environmental, and Klabin Cultural.

See our community relationship goals and status in the **ESG Panel**.

How we define the initiatives

GRI 203-1

The PROSAS private social investment management platform helps us define our initiatives and those that we will support, taking into account their social impact in local development, environmental education, culture and citizenship. In 2020, we invested R\$ 24.9 million in projects carried out with own resources and those carried out through tax incentives, in the following initiatives in: Projects and actions in the communities, in areas of education management, public management, regional planning and the preparation of a sustainable development agenda; training and income generation efforts, which benefit small farmers and communities; monitoring, conservation and environmental education projects.

Learn more about GRI indicators related to the impacts of our operations in the **ESG Panel**.

Date on projects we donated to or sponsored can be consulted on the **PROSAS** platform.

Acceptance in communities up in Parana and Santa Catarina states

In 2020, we achieved 83.8% approval from urban and rural communities in nine municipalities where Klabin has forestry and manufacturing operations in Parana, 3.3% up year on year. The index is measured by an annual survey conducted in 18 municipalities in the Campos Gerais region. This is our best performance since 2016, when the measurement began.

In Santa Catarina, an opinion poll conducted in 15 municipalities showed 81.8% approval. We will extend the survey to all the priority municipalities we operate in by 2030.

Strong reputation

In partnership with RepTrak we also carried out a broader reputation survey among several audiences, including the communities surrounding our operations in the states of Parana, Santa Catarina, and Pernambuco, in 2020. The objective was to gauge and monitor perceptions, anticipate expectations, evaluate initiatives, and prioritize relationships with strategic audiences, including young people and opinion makers.

The average score obtained was 79, assessed as “strong” on a scale that considers 80 and above to be “excellent.” Spontaneous mentions were mostly positive, with an emphasis on job creation and the development of communities.

A “strong” reputation was also evidenced among opinion makers (the press, NGOs, research institutions, and institutional partners). Among young people, the result was “weak.” However, among this audience, Performance, Leadership, and Products and Services did well, the latter being the most important for the company’s reputation. We believe young people are important agents of transformation of the future, so understanding their perception is essential to strengthen engagement with them in the coming years. To measure the company’s reputation strategically, action plans are being put together to mitigate risks and leverage opportunities, with short-, medium- and long-term planning.



Pulp transportation at the Port of Paranagua (Parana state). Photo: Klabin's archive

Port Terminal impact study

In 2020, we carried out the Neighborhood Impact Study (NIS) about construction of the PAR-01 Port Terminal, a project that is part of the expansion of Klabin's operation in Paranagua.

In March 2021, the NIS was presented to the local population in a virtual public meeting including various sectors of society. To ensure greater popular participation, the meeting was broadcast in real time by a local radio station. We also offered a hotline for questions and comments, especially for those who do not have access to the Internet.

We also presented the project to construct an exclusive walkway at the main railroad crossing point around the Port of Paranagua, which the community had stressed the importance of in conversations with stakeholders, especially the unions that represent the port categories.

Our projects

Klabin runs social projects that positively influence the social, economic, and environmental dynamics of communities, respecting their way of life and the quality of local social relationships.

Our efforts and investments strengthen the 2030 Agenda, observing the UN's Sustainable Development Goals (SDGs) and acting proactively for positive socio-environmental development of the places where we operate.

We maintain frequent, transparent communications with the communities where we operate. Our main social projects focus on: Education, Family Agriculture, Support for Public Management and Local Development, the Environment, and Culture.

Klabin for local development

Klabin supports the strategic and participatory planning of public management in municipalities where we have manufacturing and forestry operations. The goal is to strengthen the economic, social, and environmental agendas in the communities, in a participatory way, towards sustainable development. The Public Management Support Program, family farming programs (Social Forests), the Solid Waste Program, and the Community Development Forums are part of the work.

Public Management Support Program

The Public Management Support program proposes to provide municipalities with modern management processes and tools capable of supporting planned and participatory development. The municipalities get advice from specialized consultancies on the technical development of programs, actions, goals, indicators and budgets, as well as help to develop their Goals Program, making the projects and results indicators clear.

Beginning in 2017, the program is applied to the municipalities of Telemaco Borba, Ortigueira, Imbau, Curiuva, Reserva, Sapopema, Tibagi, Rio Negro and Paranagua, in addition to Lages, Otacilio Costa, and Correia Pinto (Santa Catarina state), Angatuba (Sao Paulo state) and Goiana (Pernambuco state). The areas are a priority for Klabin, accounting for 100% of the target set in the KSDGs.

A specialized consultancy supports the preparation and review of the strategic planning of public management and the construction of a Social Progress Index (SPI) for the municipalities, with public data and measurable, comparable indicators on the various spheres of administration. In addition, the company strengthens network partnerships to operate in social areas for the municipalities, deepening analysis of opportunities and actions by the government and communities.

From April 2020, with the emergence of Covid-19, the work to support public management was directed to mentoring in public health, carried out in consultation with health departments in 12 municipalities. The actions responded to the need for mobilization and coordinated action by society in each municipality, through municipal public health networks.

Entrepreneurial Territory Program

In July 2020, we started the Entrepreneurial Territory Program, in partnership with Brazil's Micro-business Support Service (Sebrae). Designed for entrepreneurs and those starting out in Telemaco Borba, Imbaa, and Ortigueira, in Parana state, the program is part of the Puma II Project, and its goal is to strengthen entrepreneurship in the region given the new, constantly arising opportunities generated in the region, including those resulting from Klabin's operations.

In just two months, four important events were held: the presentation of the project to the community; Digital Retail, to help companies expand their presence in digital channels; InovaTur, focused on tourism and hotels, restaurants, and bars; and the Entrepreneurial Circuit, for those who want to have their own business.

Registrants participated in online training and consulting sessions on diagnosis and action and innovation plans, plus the incorporation of financial and environmental sustainability into their businesses. The program is set to run until March 2022.

Social Progress Index (SPI)

In January 2021, we launched the Social Progress Index (SPI) for 37 municipalities in Telemaco Borba and Ortigueira, Klabin's area of activity in the Campos Gerais region of Parana state.

The initiative was held in partnership with the Parana Institute for Economic and Social Development (Ipardes) and Fundación Avina, responsible for the development of the index in Parana. The SPI has been used worldwide to measure and compare social progress and direct investments in both the public and private areas.

The tool has helped cities, countries and regions measure their progress regarding the Sustainable Development Goals (SDGs), agreed by all UN member countries.

Developed by the non-profit organization Social Progress Imperative, whose head office is in Washington, USA, in partnership with Harvard Business School and the Massachusetts Institute of Technology, SPI's differential is that it measures only social and environmental outcomes with a direct impact on the lives of the population. It considers three dimensions: Basic Human Needs, the Fundamentals of Well-being, and Opportunities.

The SPI was used to draw up the baseline for the Puma II Project.

The assessment of the socioeconomic situation of the region a large project is to be implemented in is critical to the adoption of mitigating programs in the social, economic, and environmental areas.

The SPI is an important tool for participatory public management support programs and for the multi-annual plans of municipalities, which will be delivered by the end of 2021, aligned with the Sustainable Development Goals (SDGs).

Telemaco Borba has the best SPI in the region

To calculate the index for the municipalities in the Campos Gerais region analyzed, official data from public sources were used, with 1,500 people interviewed in 12 municipalities, in December 2019.

53.17

was the average SPI in the territory's cities in 2019.

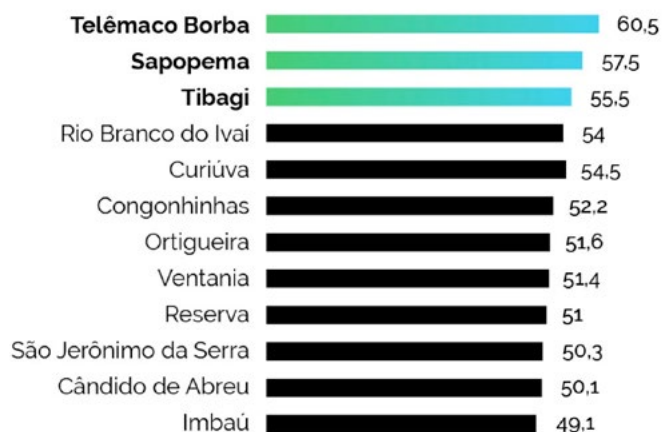
SDGs

This means we are halfway to achieving the Sustainable Development Goals measured by the index.

Above average

According to the study, Telemachus Borba, Sapopema, and Tibagi are above average.

Municipal SPIs



Development Forums

The Community Development Forum began in 2015. The initiative takes place in the municipalities in the new territories where Klabin operates, such as Angatuba (Sao Paulo state) and Goiana (Pernambuco state). The proposal is to involve several actors from organized civil society, including Klabin, and look for a new territory management model based on the discussion of solutions to local issues. The initiative has been improved since the beginning of the application of the Social Progress Index. Learn more about the indicator on the website (www.progressosocial.org.br).

Social Forests – Planning Sustainable Properties

The program to encourage family farming, which involves small farmers in nine municipalities in Parana, was extended to Santa Catarina, covering the municipalities of Otacilio Costa in 2020 and Correia Pinto and Lages in 2021. The initiative covers the stages of production, from environmental adequation to support for the marketing of food, through training, diversification, and cooperates.

Held in partnership with Sebrae and the NGO Apremavi, with the support of the municipal governments, Social Forests has served more than 600 farms. Some of the results obtained during this period include increased income for small family farms; increased food production; sales to new markets; reduced use of pesticides; the adoption of new technologies, and organized production.

In an adaptation to the digital world, brought forward by the Covid-19 pandemic, the program created a podcast in 2020, with episodes shared weekly for the group of farmers assisted by the programa.

Support for the food delivery structure

Throughout 2020, in the Covid-19 pandemic, the Social Forests program looked for alternative ways to continue assisting farmers in the sale of their products. One of the main efforts was support in structuring a delivery service using WhatsApp. In one year, more than 20,000 kilograms of products were sold through the app, earning about R\$ 68,000 for small farmers.

Beekeeping and Honey production

Through this program, which began in 2005, we offered our forests for beekeeping managed by small- and medium-sized family farmers. In addition to boosting family income, the program benefits the conservation of biodiversity and ecosystems, since bees pollinate plant species, improving the productivity of other crops. Since the beginning of the program, 184.9 tons of honey have been produced and sold.

Klabin Seeding Education

The Klabin Seeding Education program aims to improve public education through **school management training** in priority municipalities where Klabin operates, creating opportunities for management practices that make public education more equitable, more inclusive and of higher quality.

Specialized consulting is offered for training of educators and school managers. Through the four work fronts – educational management, pedagogical training, resources and infrastructure, and evaluative practices – the goal is to improve the result indexes, such as the Basic Education Development Index, and to contribute to achieving the challenging SDG 4 – Quality Education.

Klabin Seeding Education **achieved an average improvement of 23% in the Basic Education Development Index) in state schools** in Telemaco Borba, Ortigueira, and Imbau. Currently the program operates in municipal partnerships covering all the municipal schools in **Telemaco Borba, Ortigueira, and Imbau, in Parana state**. In all there are **243** schools with **38,000** students in **14** municipalities: Telemaco Borba, Imbau, Ortigueira, Tibagi, Reserva, Curiuva, Sapopema, Ventania, Jaguariaiva and Rio Branco do Ivaí, in Parana; Otacilio Costa, Correia Pinto and Lages, in Santa Catarina, and Goiana, in Pernambuco.

The only technical forestry operation school in Latin America: in Ortigueira, Parana state

In 2020, we opened the State Center for Forestry and Agricultural Professional Education in Ortigueira, Parana state. This technical school has a structure with bedrooms, bathrooms, classrooms, kitchen, cafeteria, multi-sport court, and leisure area. To develop the project, conceived in partnership with the State Department of Education, the Regional Center of Education in Telemaco Borba, and the Municipality of Ortigueira, model schools were visited in Scandinavia, a global benchmark in the pulp and paper industry.

The school offers three technical courses: Forestry Operations, Heavy Machinery Maintenance, and Agribusiness. The first two are offered for high school graduates and are only technical, while the technical course in Agribusiness is for high school students.

Online event discusses new ways to think about teaching

In the Covid-19 pandemic, education professionals faced another challenge to reinvent their teaching methods. Klabin Seeding Education transferred all the contents from its training meetings for remote use. The main communication platforms and other virtual resources were used to serve continued training. Another strategy that worked was the establishment of meetings in live stream formats. The first one, in July 2020, attracted more than 400 participants. The second webinar had 626 participants. In addition, to recognize and valorize new teaching practices in public schools, the program launched the Good Practices Contest. This focused on the work done by elementary school and infant teachers, as well as the school managers in public, rural and urban schools in Telemaco Borba, Ortigueira, and Imbau.

Living Earth

The Living Earth Volunteer Association organizes citizenship and community action for children and young people in situations of social inequality, or with physical disabilities, as well as the elderly, with the support of Klabin employees and their families. The focus is on helping young people find their first job, with the Investing is Worth It Program, in Sao Paulo, plus blood donation and warm clothing and food collection campaigns.

Klabin Environmental

In environmental education, we have projects for teachers and students in the communities, promoting ecological awareness, respect for the environment, and conservation of biodiversity. The Klabin Caiubi, Legal Forest, Environmental Protectors, Crescer, Ecological Park and the National Private Reserves Conservation Program are the main ones.



Work in the courtyard of the Wolff Klabin State High School in Telemaco Borba (Parana state). Photo: Klabin's archive

School refurbishment in Telemaco Borba**Reforma de colégio em Telêmaco Borba**

In September 2020, we started to refurbish the Wolff Klabin State High School in Telemaco Borba (Parana state). In partnership with the Parana State Government, via the Department of Education and Sports, the work includes classrooms, the hall, gymnasium, and library, including the installation of a camera surveillance system and air conditioning in the classrooms. The work, which will be completed in 2021, also includes the construction and installation of a fully equipped robotics laboratory – the first in the Campos Gerais region. In addition, the school is getting support to improve management, as part of the Seeding Education program.

Klabin Caiubi Program

This trains teachers from municipalities in Parana and Santa Catarina and the city of Feira de Santana (Bahia state), with the support of municipal administrations and institutions and partner professionals to teach ecological awareness and contribute to the formation of citizens who are aware of their responsibilities to the environment. In 2020, due to the Covid-19 pandemic, we adapted the program to a remote format.

This year, its twentieth anniversary, the program got its own website: <https://caiubi.klabin.com.br/>

Over the years, the program has impacted:

- > 590 schools, 1,535 teachers and 205,617 students in Santa Catarina.
- > 974 schools, 4,224 teachers and 251,000 students in Parana.
- > 2 schools, 40 teachers and 845 students at Bahia.

Legal Forests

In partnership with the Association for the Preservation of the Environment and Life (Apremavi), Legal Forests comprises the planning rural properties, conservation, environmental education, and forest development in the state of Parana since 2008, and Santa Catarina since 2005. Small- and medium-sized farmers are advised on how to be more efficient, cost-effectively, and ecological. The farmers, who do courses, take part in group work and visits, get native forest species seedlings to restore their Permanent Preservation and Legal Reserve Areas.

Environmental Protectors

We support Environmental Protectors, an initiative run by the Environmental Police in the state of Santa Catarina. Since 2005, the program has provided theoretical and practical training for elementary school students (11 to 14 years of age) on nature preservation, environmental legislation, aspects of local fauna and flora, first aid, civics, morals, and ethics. The goal is to train multipliers in environmental education.

Junior Green Force

In partnership with the Military Environmental Police in Parana, it trains environmental agents in the multiplication of social and environmental concepts. Young people receive theoretical and practical training on nature preservation, environmental legislation, local fauna and flora aspects, first aid, civics, morals, and ethics. Since its inception in 2007, it has trained 382 elementary school students from municipal schools.

Project Grow

We work on the continuous training of direct and indirect employees on environmental, health, family management, quality of life and professional growth issues, among other subjects. The project is carried out in Santa Catarina and Parana. In 2020, it served employees remotely, with innovative strategies for the continued development of participants, covering almost 12,000 people in both states, including direct employees and third parties, in various activities.

Solid Waste Program

Klabin's Solid Waste Program, developed with the Tibagi Paths Intermunicipal Consortium since 2012, has promoted several actions to support selective collection in six municipalities in the Campos Gerais region of Parana: Imbau, Ortigueira, Reserva, Tamarana, Tibagi, Telemaco Borba, and Rio Branco do Ivai. It includes the supply of structures and equipment, assistance in formal organization of associations and cooperatives, and monitoring, training, and institutional activities for recyclable waste pickers.

So far, 165 waste pickers have been supported by the initiative, 150 of them in Parana and 15 in Goiana (Pernambuco state), where we have another front of the program. In 2020, we formalized a new association of waste pickers in the municipality of Goiana (Pernambuco state) in a partnership between Klabin and the Goiana city hall.

In 2020, we hired a socio-environmental consultancy to support us in the management, implementation, and monitoring of the program. The work will be carried out in 2021 and focus on three fronts to strengthening and expand actions:

1. Government: raising awareness among municipal managers and the Tibagi Paths Consortium about their role in the National Solid Waste Policy and municipal responsibility in the implementation of selective collection.
2. Cooperatives and Associations: diagnosis of the current stage each of the institutions is in, action plans and monitoring of each one, focusing on increasing the monthly income earned by the cooperative and associates via improved productive efficiency. It will also promote governance, environmental education, and marketing strategies.
3. The Community: promotion of intermunicipal actions to strengthen the territory and expand environmental education and engagement among the population in selective collection.

100% circular

In a partnership with Hub Incíveis, an innovation network focused on the circular economy, we started an innovative project to transform the municipality of Telemaco Borba (Parana state) into a 100% circular territory in which various materials, such as glass, paper, aluminum, and plastic, are reused instead of being sent to landfills. In 2020, we started diagnosis for the pilot project, considering all the complexity of a city, to be extended to other municipalities.

Klabin Cultural

Among the company's cultural development initiatives using artistic expression is the work done by the Vera Lafer Cultural Center, such as Klabin's Girl Singers, Right Step, and Take-Off programs, and the Ema and Eva Klabin Foundation projects.

Girl Singers in video performance

Following the action under our project Each Attitude Counts, the traditional Christmas Carol singing by Klabin's Girl Singers was recorded on video and posted on our social media channels. Established in 2004 at the Monte Alegre Unit and expanded to the Puma Unit in 2017, employees' daughters and young girls aged from seven to 17 from Telemaco Borba and Ortigueira take part. The initiative promotes choral singing and provides teaching in rhythm and vocal techniques.

Right Step

Begun in August 2008 at the Monte Alegre Unit in partnership with Studio 3 Dance Company and expanded to the Puma Unit in 2017, the program teaches contemporary dance and capoeira employees' children and young people from Telemaco Borba and Ortigueira, from the age of six up.

Learn more about all our Social Projects on the website: <https://klabin.com.br/sustentabilidade/responsabilidade-socioambiental>

Traditional communities

We map the traditional communities in our area of influence, such as *quilombolas*, *faxinalenses* (communities in Parana in small territories that make a living from the forest) and indigenous peoples. In a 10 km buffer zone from Klabin's areas in Parana, Santa Catarina, and Sao Paulo, 161 traditional communities were identified, 99 of which were *Faxinais*, 48 *Quilombolas*, and 14 Indigenous.

We established dialogue and respect with these communities and follow Brazilian legislation and the recommendations of ILO 169, a resolution by the International Labor Organization on Indigenous and Tribal Peoples, guaranteeing their right to free, prior, and informed consent (FPIC).

In 2020, as part of our initiatives to support the fight against Covid-19, we distributed more than 1,000 reusable fabric masks in the Queimadas and Mococa Indigenous Lands, in Ortigueira (Parana state). The communities also received 440 liters of hand sanitizer. In the Queimadas Indigenous Land, we carried out more than 240 Covid-19 tests and about 70 in the Mococa Indigenous Land. This was done in partnership with the Municipal Health Department in Ortigueira, authorized by the Special Indigenous Sanitary District (DSEI) South Coast, the National Indigenous Foundation (Funai) and indigenous leaders.

In the ESG Panel, see GRI indicator 411-1 and others related to the material theme **Impacts on communities**.

Learn more about our tackling of the pandemic in the chapter **Covid-19**.

Wood supply partners

Although most of the wood for our mills comes from our own plantations, we have important partnerships with farmers. In 2020, we started a new partnership model with farmers through Plant with Klabin (see below).



FSC® certification, achieved in 1998, attests to best forest management practices and requires robust raw material tracking processes to ensure that there are no violations of environmental and human rights legislation in the supply chain.



We maintain the Small and Medium Producer Forest Certification Program

in Parana and Santa Catarina, adding value to the wood sold by these partners via the adoption of best forest management practices.



In 2020, 444 farmers received FSC® certification, making 109,000 hectares certified by the program in Parana and 23,000 in Santa Catarina.



We also maintain the Controlled Timber Program,

with documented evaluations and field audits of wood suppliers, according to the FSC® Controlled Wood standard.

In the **ESG Panel**, see indicators GRI 102-9, 204-1, 308-2, 407-1, 408-1, 409-1, 414-2 and others related to the material theme **Socio-environmental performance of suppliers**.



Orientation to farmer in Parana state. Photo: Klabin's archive

Plant with Klabin

In 2020, we improved our program of partnerships in Parana with Plant with Klabin, which offers minimum prices and guaranteed purchase of wood from pine and eucalyptus forests. There are three types of partnership with environmental programs that boost sustainability for farms. Klabin's support includes efforts in compliance with environmental legal issues and certification, which is also reflected in economic and social gains.

Plant with Klabin promotes partnerships in forests and the acquisition of wood. In parallel, the Legal Forest program assists in the creation of an integrated production system on these properties, which harmonizes planted forests with other crops. All participants carry out planning for the property, so that it develops sustainably and achieves certification, attesting that production meets legal, environmental, economic, and social requirements.

With this new partnership model, we seek to maintain a stable, long-term relationship with farmers without major price fluctuations, offering partners greater visibility and security in relation to future results.

Launched in December 2020, Plant with Klabin has almost 2,000 hectares of planted forests and has established more than 30 new partnerships in Parana.

Learn more at: <https://plantecom.klabin.com.br/>

Product and service providers

Product and service suppliers are another important link in our value chain, contracted according to quality, conditions of service, legal and sustainability criteria, in order to ensure that aspects of ESG, such as respect for environmental legislation and human rights, are present throughout this chain.

We are signatories to the Global Compact, and we comply with external guidelines, such as the Universal Declaration of Human Rights, the Guiding Principles for Business on Human Rights, and the International Labor Organization (ILO) on Fundamental Principles and Rights at Work. These are commitments that contribute to strengthening the guarantee of human rights in the supply chain.

We also subscribe to the National Pact for the Eradication of Slave Labor, through which we commit to cross-reference our base of active and inactive suppliers, multiple times a year, with the names listed in the Register of Employers who have subjected workers to conditions analogous to slavery (the Slave Labor Blacklist).

In 2020, 7,850 active suppliers throughout Brazil made up our supply chain.



General supply conditions
Disclosure of requirements applicable to all suppliers



Anti-corruption manual
It guides the fight against corruption



Social and environmental responsibility policy for contracting suppliers



Code of Conduct
covers relationship patterns and behavior expected in the negotiation process

Evaluation from the standpoint of sustainability

In 2019 we adopted the EcoVadis methodology for evaluating suppliers which, focused on sustainability classification, considers issues grouped into four major themes: the Environment, Working Practices and Human Rights, Ethics, and Sustainable Purchasing.

After the diagnosis of volunteer suppliers, joint action plans are drawn up for the critical issues identified. The execution of these plans is monitored by Klabin, with indicators linked to purchasing managers' goals.

In 2020, we outlined action plans for suppliers evaluated in the first phase and started the second cycle of evaluations, with the inclusion of 84 more partners from various regions and segments.

Another tool we use is the criticality matrix for critical suppliers in the industrial area, which allows us to identify the risks related to sustainability that they represent for the company. Social and environmental criteria count towards the selection of new suppliers and a failure to comply with legislation by them may prevent approval.

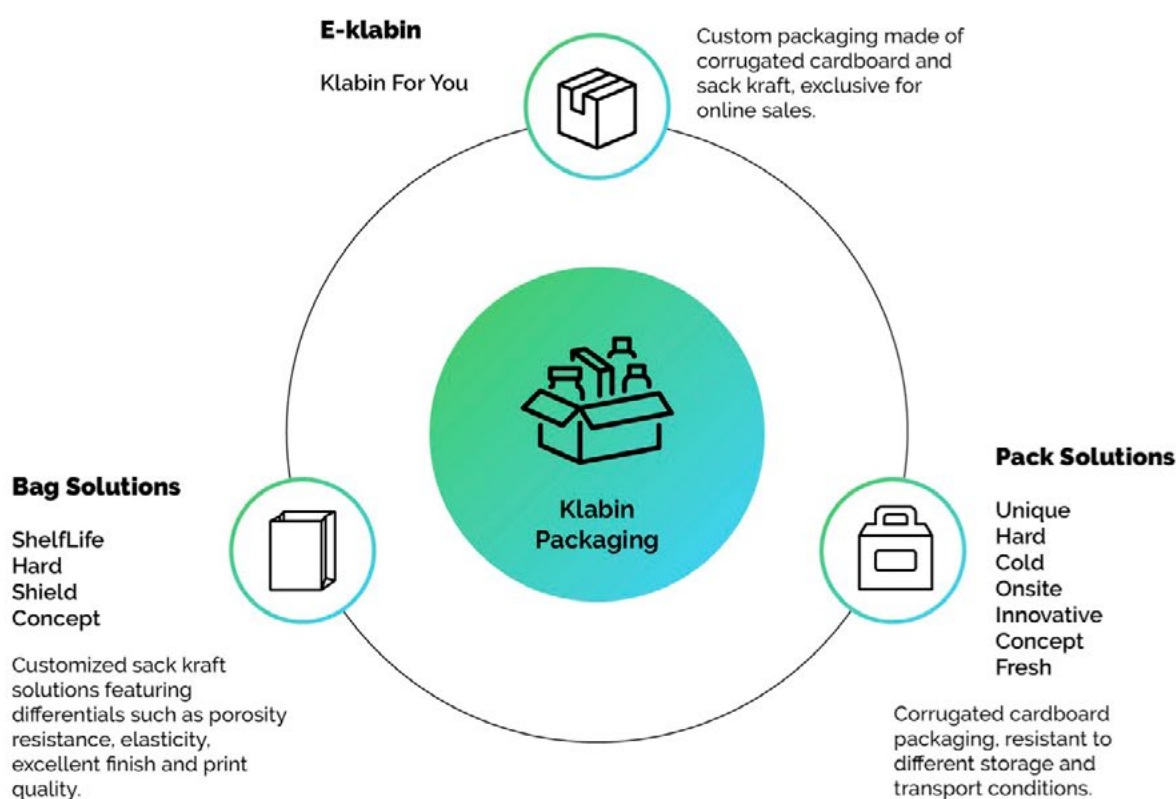
In the **Painel ASG**, see indicators GRI **102-9, 204-1, 308-2, 407-1, 408-1, 409-1, 414-2** and others related to the material theme **Socio-environmental performance of suppliers**.

More than packaging

We are market leaders in Brazil in corrugated packaging and sack kraft. We seek to deliver services, innovation, knowledge, technology, and sustainability, which are the pillars of our business.

We reinforce this positioning – summed up by “Far Beyond Packaging” – in our communications on our website, in marketing emails, participation in events, catalogs and videos, and the support provided to our customers by technical and commercial teams.

Our segments



Bag Solutions: customized sack kraft solutions that are set apart by porosity resistance, elasticity, great finish, and print quality.

Pack Solutions: corrugated cardboard packaging, resistant to different storage and transportation conditions.

E-commerce: custom corrugated cardboard and kraft sack packaging, exclusively for online sales.

Learn more on our [website](#).

Strategy for e-commerce



E-commerce has been growing in recent years and rocketed in 2020, driven by the pandemic. At Klabin, direct e-commerce packaging sales increased by 122% year on year.

Alert to this shift, in February 2021 we presented a new strategy to the market strengthen our offering of paper solutions for the segment. e-Klabin consolidates the work already done by the company, structuring it for the e-commerce market.

e-Klabin offers the company's experience in innovative, sustainable packaging solutions to structure service for micro-entrepreneurs and large companies.

Our teams focus on needs, according to the strategies below:

e-Klabin service strategies

Traditional brands

that want to expand and their presence in digital sales.

MKTplaces

a segment in which Klabin already supplies packaging to large players in the market.

Klabin ForYou

a paper solutions marketplace for small- and medium-sized customers.

Learn more: <https://e-commerce.klabin.com.br/>

Partnership with customers

The strengthening of our positioning tied to our brand's sustainability attributes has made us a reference in the market, which has led many customers to find out about our approach to the future before we even begin consultations or other interactions.

Added to this, our satisfaction or perception surveys are important instruments in identifying strengths and opportunities for improvement in products, processes, and performance. They are linked to indicators of quality, safety, qualification, technical support, and sustainability.

We also adopt the Packaging School tool to analyze weaknesses and strengths throughout our customers' production chains. This allows us to add value, offer innovations and improvements in handling products or developing processes and products.

In 2020, most contact with customers, which was virtual, had a sustainability agenda. These were opportunities in which we reinforced our positioning focused on the sustainable attributes of our products and our performance. Despite the pandemic, we were able to maintain close relationships with customers and respond to their demands. In the pulp area, for example, the awarding of the **European Ecolabel** certificate for fluff production in 2020 answered demand from Brazilian and international customers.

Featured releases

At Klabin, the development of new products and markets is aligned with consumer behavior trends in pursuit of a more sustainable future. Research projects carried out at our Technology Center have produced innovative solutions, such as those launched in 2021, as below. More information is available in the chapter **Technology and Innovation**.

Ecolayer: sack kraft packaging with the application of a sustainable resin barrier, whose composition eliminates plastic film. The new barrier blocks moisture, extending the life of the packaged product, preserving its characteristics and maintaining quality. Initially focused on the segments of construction, fertilizers and seeds, it is a resistant and recyclable solution, which contributes to the circular economy.

Hydrodispersible packaging: developed in partnership with Votorantim Cements, this 100% dispersible kraft sack packaging can be added directly to concrete mixers, without the mixture losing its original characteristics. The product will be available in a pilot project, initially in the South of Brazil, in the region served by the cement plant in Rio Branco do Sul (Parana state).

Klafold GB® – Grease Barrier: cardboard packaging with an aqueous dispersion coating which creates a barrier for the greasy food market. It is made from virgin fibers and is certified for contact with food. The solution, which leaves the Monte Alegre Unit in Parana with the barrier applied, is becoming popular in Brazil, and has consolidated applications in packaging in countries such as New Zealand, South Africa, and Mexico.

Integration between ecosystems and biodiversity

Promoting sustainable and restorative forest management, integrating ecosystem and biodiversity values is part of the value proposition in the Klabin 2030 Agenda for society. The procedures adopted in our planting system include issues that help in the preservation of biodiversity and in minimizing environmental impacts.

We promote a careful cycle in planting and harvest at the appropriate time for maximum productivity in cultivated areas, respecting the fauna and flora in the forests we operate in, keeping almost half of the forest areas untouched, preserving springs and allowing forests to sequester carbon from the atmosphere.

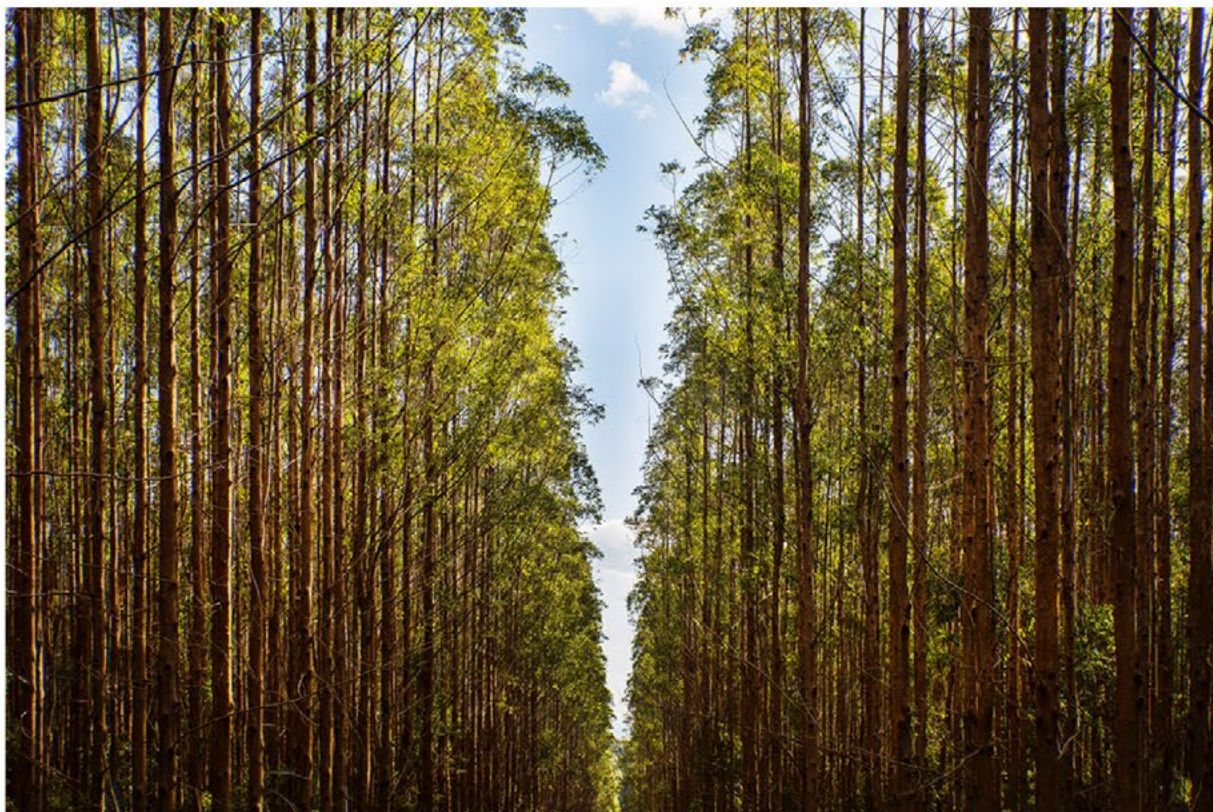
The relationship between sustainable forest management, the conservation of natural forests and the preservation of biodiversity is an essential driver of our activities.

- > 43% of Klabin's own land and area it manages is conserved native vegetation.
- > Fauna: 822 species identified*.
- > Flora: 1,905 species identified*.
- > Puma, deer and howler monkeys are some of the endangered species that are protected in our areas.
- > 8,839 hectares of Klabin land are Private Natural Heritage Reserves in Parana and Santa Catarina.

* 28 species of fauna and 40 species of flora identified are on the Red List drawn up by the International Union for Conservation of Union (IUCN).

In the ESG Panel, see indicators GRI 304-1, 304-2, 304-3, 304-4, 307-1 and others related to the **material theme Biodiversity**.

Responsible management



Telemaco Borba, , BRASIL, 08-02-2021: Plantacao de eucaliptos da Klabin (Foto: Eduardo Knapp/Eduardo Knapp,).

Our forest units are audited annually according to Sustainable Forest Management standards. We are certified by the FSC® at the three units – Parana, Santa Catarina, and Sao Paulo – and by CERFLOR at the Parana unit.

We are also audited by customers and funding institutions. Our commitment to biodiversity is widely disseminated and evaluated by our own team in internal surveys and the monitoring of action plans, when pertinent.

The analysis of operational processes and the establishment of rules and procedures to prevent damage or mitigate it are among the actions we take to minimize the risks to biodiversity in our planted areas. To maintain a sustainable forest management system, monitoring of fauna and flora is carried out by companies specialized in external studies, and by public higher education institutions.

100%

of our forests are

FSC®

verified

248,000

hectares of native forests
given over to conservation

We have adopted mosaic management: planted forests alternate with conserved native forests. This system forms ecological corridors that allow fauna to move about and they contribute to the conservation of natural resources.

Areas with a high biodiversity index

We have two Private Natural Heritage Reserves – one in Parana, and the other in Santa Catarina, dedicated exclusively to scientific studies, environmental protection, and the preservation of water resources, contributing to the conservation of biodiversity in the Atlantic Forest biome. Since the 1980s, we have also maintained an Ecological Park, with a significant concentration of biodiversity values

Serra da Farofa Complex

A State Private Natural Heritage Reserve in Santa Catarina. It is our largest such reserve, with almost 5,000 hectares of remaining Atlantic Forest area. With araucaria forests and high-altitude fields, it is home to springs for the Caveiras and Canoas rivers. It is used for scientific research, the management of natural resources, and the maintenance of climate and ecological balance.

Monte Alegre Private Natural Heritage Reserve

Part of Fazenda Monte Alegre, in Telemaco Borba, Parana, covering 3,852 hectares, this is also a space for scientific research and the protection of local biodiversity and water resources.

Ecological Park

Created in the 1980s, our Samuel Klabin Ecological Park is on Fazenda Monte Alegre (Parana state), covering 9.800 hectares. It promotes biodiversity conservation, rehabilitation and welfare of animals, and the preservation of endangered wild species. The space is also used for scientific research and supporting environmental education projects.

91.6%

of the park area is formed of
natural forests

180

specimens of 50 animal
species in the park

Enclosures

reproduce the animal
habitats, ensuring a better
quality of life



Parana, BRAZIL, 08-02-2021: Klabin's Ecological Park. Anesthetized puppy from Mato receives care from the veterinarian Taimara Santana at the Veterinary Clinic of Parque Ecologico (Photo: Eduardo Knapp / Eduardo Knapp,).

Re-fauna Project presents first results

A partnership between the Klabin Ecological Park and the Re-fauna Project is changing the scenario for tapirs threatened with extinction in the state of Rio de Janeiro, after more than one hundred years. After receiving three animals (one female and two males) in 2018, the Guapiacu Reserve recorded the first birth in 2020.

The Ecological Park has had a tapir breeding project since the late 1990s. The three animals sent to Rio de Janeiro, which were born in the park between 2000 and 2008, are the second generation for the project.

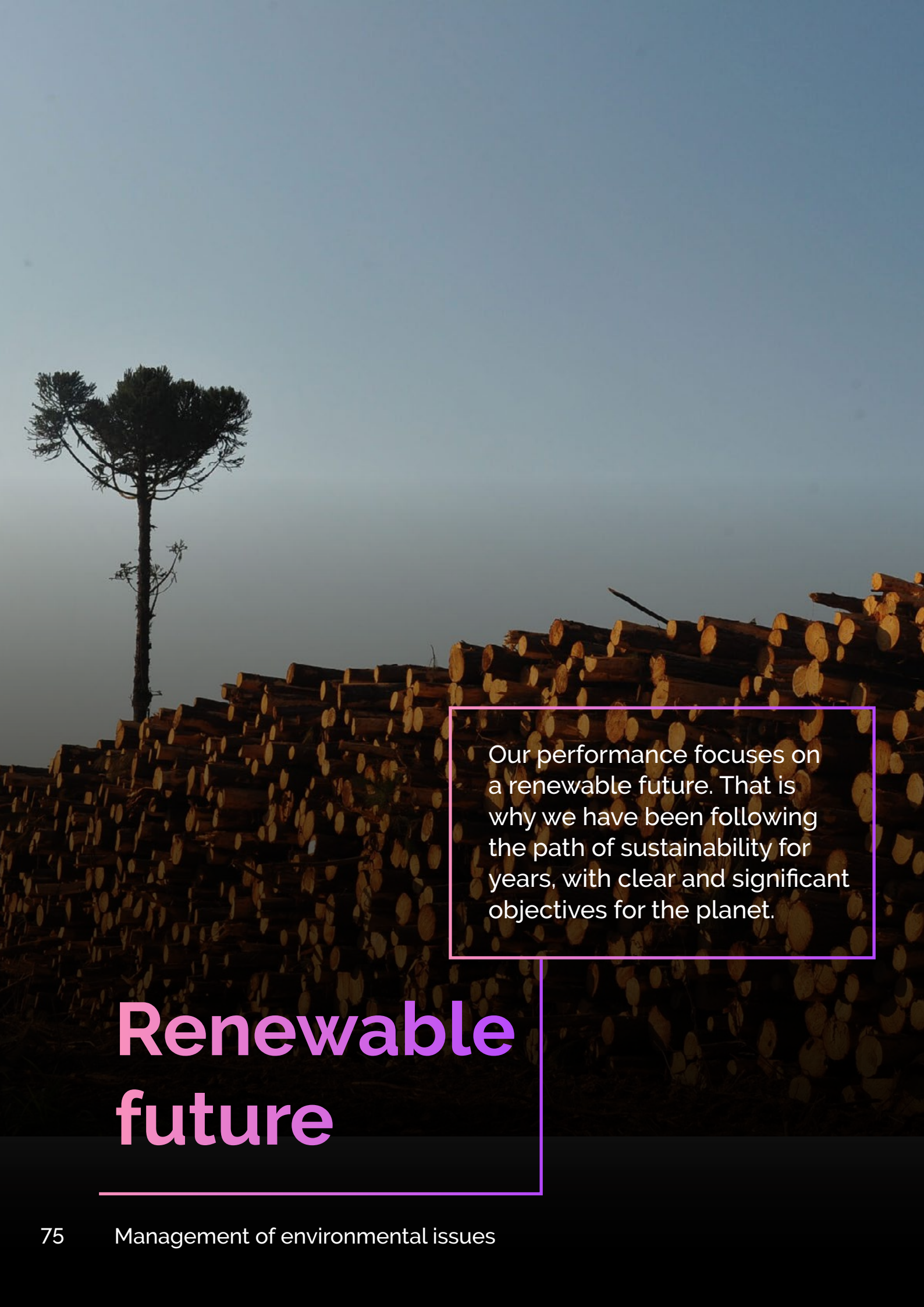
In the **ESG Panel** see indicators **304-1**, **304-2**, **304-3** e **304-4** and others related to the material theme **Biodiversity**.

Nature Interpretation Centre (Cinat)

Our support for biodiversity research was boosted by the opening of the Nature Interpretation Center. in March 2019. In a strategic part of the Serra da Farofa Complex Private Natural Heritage Reserve, in Santa Catarina, it has the capacity to accommodate up to 40 researchers. The Conservation Unit is an important site for the development of studies, with more than 570 species of flora and 357 species of fauna identified over 5,000 hectares of the Atlantic Forest and High-Altitude Fields.

In 2020, Cinat won an award at the 27th edition of the Ecology Expression Program in the Conservation Units category, receiving the Green Wave trophy, the leading environmental award in southern Brazil.

In the **ESG Panel**, see indicators 304-1, 304-2, 304-3 and 304-4 and others related to the material theme **Biodiversity**.



Our performance focuses on a renewable future. That is why we have been following the path of sustainability for years, with clear and significant objectives for the planet.

Renewable future

Our performance focuses on a renewable future. That is why we have been following the path of sustainability for years, with clear and significant objectives for the planet.

The management of environmental issues considers water resources, energy sources, atmospheric emissions, and solid waste. We operate in compliance with laws and regulations and with parameters for the control of indicators, some of which are more stringent than those stipulated by legislation.

Our role in the climate change agenda

Climate change is a material theme in the Klabin 2030 Agenda. The constant reduction of greenhouse gas (GHG) emissions is one of the items of Klabin's Sustainability Policy, which guides the company's actions and ensures it adheres to important external initiatives, reinforcing its commitment to the theme.

Since 2019, we have participated in the UN's global campaign 'Business Ambition for -1.5^o C – Our Only Future,' helping to restrict the rise in temperature on the planet to 1.5^o C. The initiative requires commitment through actions based on scientific factors, which led us to submit our greenhouse gas emission reduction targets to the Science Based Target (SBT).

In 2020, we became a TCFD Supporter, in public support for the Financial Stability Board's recommendations on climate risk and opportunity management, thereby improving the company's transparency and communications on the subject.

In addition to being the first Brazilian company to commit to drawing up targets for the reduction of emissions based on science, in alignment with the Science Based Targets initiative (SBTi), and being the first company in the pulp and paper sector in Latin America to have its goals approved by the SBTi, in 2021 we structured a campaign in partnership with the Brazil Network – UN Global Compact – to engage companies and society in projects to reduce and neutralize carbon emissions by 2050. In addition to making this commitment, we contribute to mobilizing other companies and people to join the movement.

Initiatives that reinforce our commitment



Business Ambition for 1.5°C

United Nations campaign involving more than 500 companies worldwide in an effort to restrict the rise in temperature on the planet to a maximum of 1.5 C. In Brazil, we are one of 11 participants in the initiative.



Science Based Target

an initiative that establishes methodologies to help companies draw up an emission reductions target in line with climate science and sustainable economic development.



TCFD

Taskforce on Climate-Related Financial Disclosures, an initiative that provides recommendations to enable markets to address the financial impact of climate change by expanding transparency on climate-related risks and opportunities to promote better informed financial decision making.



We are signatories

to the CDP, in the GHG Protocol and different international initiatives. In the CDP Forests program, we are recognized as a leading company. In 2020, we received an A grade.

How we manage the theme

Since 1993, we have carried out a GHG inventory, verified by a third party. The material is available for consultation in the Public Emissions Registry, which is a transparent, fast, and simple dissemination platform for corporate emission inventories by organizations participating in the Brazilian GHG Protocol Program. We have a detailed matrix of climate opportunities and risks, which includes the internal mapping of impacts already occurring due to climate events, as well as notes from the Climate Conference (COP) and the Intergovernmental Panel on Climate Change (IPCC).

We have two researchers who specialize in **ecophysiology** and climatology, focused on analyzing climate change that can influence our forest planning.

In 2020, we developed the Marginal Abatement Cost Curve (MACC) tool, which prioritizes what technologies Klabin has in its strategic climate change roadmap aimed at reducing the use of fossil fuels, taking into account a market with carbon pricing.

See the **ESG Panel**, GRI **201-2** indicator and our Agenda 2030 objectives for the material theme **Climate Change**.



Eucalyptus plantations and preservation of native forest. Telêmaco Borba (PR). Photo: Eduardo Knapp.

What we have done

In 2020, we installed 32 weather forecast and climate monitoring stations in our operational area in Parana state. We also did a study to integrate our information and actions in the climate risk and opportunity agenda to communicate how we implement the TCFD recommendations.

We also began development of an app to indicate to forestry operations drivers in Parana the best route to take in the forest, saving fuel or preventing nuisance for communities.

Since 2019, we have used the Salvador device in trucks, which helps reduce diesel consumption and gas emissions.

See the **ESG Panel** indicators **305-1**, **305-2**, **305-3** and **305-4** and other indicators related to **Climate Change**.

Greenhouse gas (GHG) management)

Technology has become an ally for the company in reducing GHG emissions. In forestry operations in Parana, for example, truck drivers use the Salvador device in vehicles, which helps reduce diesel consumption and gas emissions. We also began development of an app to indicate the best route for forestry operations drivers in Parana to take, saving fuel or preventing nuisance for communities.

Even with a 2% increase in production from 2019 to 2020, Klabin reduced the specific emissions of scopes 1 and 2 from 185 kg CO₂eq/t to 176 kg CO₂eq/t. Absolute emissions of scope 1 decreased by 1%, and absolute emissions of scope 2 decreased by 19% based on location, and 23% based on choice of purchase for the same period.

In 2021, our target was approved by the Science Based Target initiative (SBTi): we committed to reducing GHG emissions (scopes 1 and 2) per ton of pulp, paper and packaging by 25% by 2025 and by 49% by 2035, taking 2019 as the base year. The limit of the targets includes biogenic emissions and removals of bioenergy raw materials.

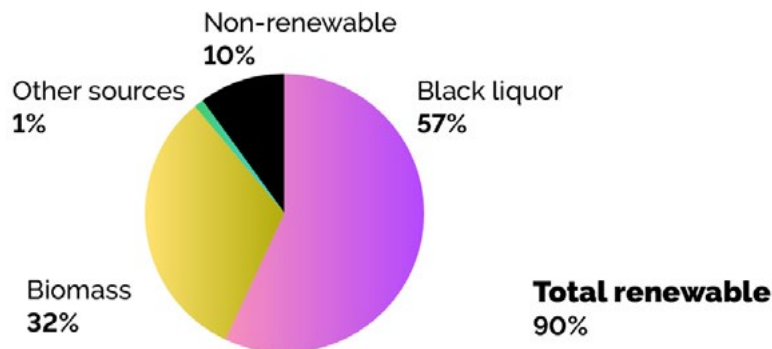
Since 2003, we have reduced more than 60% of specific scope 1 and 2 emissions in our operations.

See the ESG Panel GRI indicators and others related to emissions.

For a renewable energy matrix

Energy efficiency is one of our guidelines for climate change management. We strive to progressively increase the renewable energy matrix produced from biomass and black liquor.

Currently, 90% of our energy matrix is composed of renewable sources: 57% black liquor, 32% biomass and 1% other sources.



The showcase is the Puma Unit, which uses biomass for power generation, and all surplus energy is sold. In 2020, 1,007,411.83 MWh were sold to the Brazilian grid. Our professionals look for opportunities to reduce energy, steam and compressed air consumption, and to eliminate waste.

With **ISO 50001:2018** certification (attesting to good practices in energy management), the Puma Unit is regularly subject to internal and external audits of its Energy Management system.

Goals

Among our goals for energy use for 2030 are the reduction of the share of fossil fuels to ensure an energy matrix that is at least 92% renewable, and the purchase of 100% certified energy from renewable sources.



Wood logs at the Puma Unit Factory. Ortigueira (PR). Photo: Eduardo Knapp / Eduardo Knapp.

Renewable energy

The Puma Unit has the capacity to generate 270 MW of clean energy from the steam produced by black liquor and biomass boilers, making the unit self-sufficient in energy and supplying up to 120 MW to the national grid, cleaning the Brazilian energy matrix.

In the Puma II Project, we apply the highest level of technology to ensure the continuity of self-sufficiency in energy, through the processes of optimization, automation, and total use of biomass. The installation of a gasification plant will allow wood to be transformed into gas for use as the main fuel in one of the lime ovens, replacing fuel oil.

See in the **ESG Panel** GRI 302-4 indicators and others related to the material theme **Energy use**

Focus on reducing water consumption

Water is one of the most important inputs for our processes, especially in pulp and paper production. All of our units operate in accordance with the environmental laws and regulations in force, at municipal, state, and federal levels. In addition, we focus on reducing consumption and seeking continuous improvement in all processes, valuing the conservation of natural resources and increasing water reuse.

We are part of the Tibagi River Basin Committee in Parana, and the Canoas River Basin Committee in Santa Catarina. We also participate in other committees where we have mills. Representatives of the company actively participate in discussions on the use of water, in which water collection mechanisms and resources are planned.

Through the WRI Aqueduct tool, we measure the ratio between total annual water withdrawals and the available annual renewable supply. Indexes higher than 20% indicate that there is competition among users – that is, they are areas of water stress. In 2020, four Klabin units were in areas considered to be under water stress: two in Jundiai (Sao Paulo state) – the Industrial District and Tijuco Preto – the Goiana Unit (Pernambuco state) and the Horizonte Unit (Ceara state). Together, they captured 928.86 megaliters of water in the year, representing 0.9% of the total water withdrawn by Klabin, a reduction of 23% on 2019.

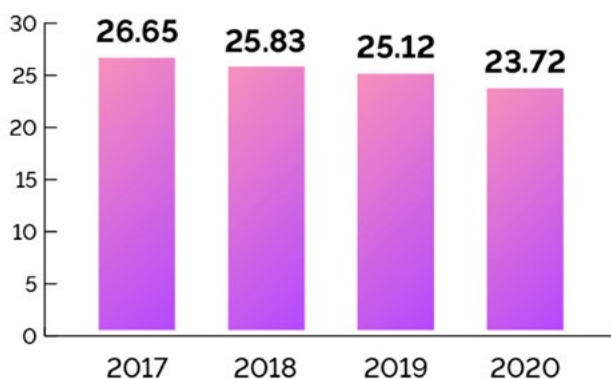
Goals

Among the Klabin 2030 Agenda goals for water use are the following: to reduce the specific consumption of industrial water by 20%; to carry out 100% of forest operations under our management using hydro-solidarity management; to have initiatives to increase territorial water security in 100% of the places we operate in.

Hydro-solidarity management is a pioneering initiative by Klabin to identify the best forest management practices to extinguish or minimize impacts in micro basins. Based on scientific studies, it considers, among other factors, the planting of pine or eucalyptus with local water supply and the availability of the resource on small properties.

We capture 23.7 m³ of water per ton product (surface water, groundwater, and third-party water).

Specific use of water (m³/t)



Management of impacts related to water disposal

Effluent disposal standards are based on municipal, state, and federal laws for each unit. In addition, we compare our results with the IFC/IPPC indicators, which are a reference in the pulp and paper sector. To determine the maximum release limits, the responsible environmental agency requests a study of water dispersion and self-purification of the water body to evaluate and determine the limits that do not generate changes in the quality and volume of the water body.

Effluent disposal

The plants follow the limits established by the laws in force in each state and country for reference and monitoring of effluents. Parameters such as **Biochemical Oxygen Demand (BOD5)** and BOD5 removal efficiency are priorities. In pulp and paper mills, the concentrations of **Chemical Oxygen Demand (COD)** and phosphorus in effluents are also of great importance. Indices are often compared to global benchmarks, such as IPCC and IFC.

In 2020, we reduced the volume of treated effluent released by 3%. In the units in areas under water stress, the treated effluent released was reduced by 43%.

Treated effluent

One hundred percent of effluent is treated at Effluent Treatment Plants before returning to water bodies. The treatment is monitored internally and by a third party, evidencing compliance with all the legal requirements. Periodically, the units undergo internal and external audits for evaluation of the Management System, including the water and effluent system. In several Klabin units, goals related to water issues are linked to the Profit-Sharing Program.

Inclusion of a third stage in treatment at the Puma Unit ensures emissions that are easily absorbable by the water body. In addition, the discharge point is before the capture point.

See the **ESG Panel** indicators GRI **303-1**, **303-3**, **303-5** and others related to the material theme **Water use**.



In a year as challenging as 2020 was, Klabin's culture, aimed at engaging people, presenting results, and building the future, was critical to its achievements.

Prosperity for people

In a year as challenging as 2020 was, Klabin's culture, aimed at engaging people, presenting results, and building the future, was critical to its achievements.

Constant collaboration, a cornerstone of our culture, was a determining factor in achieving our results in this adverse scenario when we further strengthened our management. Rapid responses, creativity in dealing with a new reality, and innovation to overcome obstacles were called for. We adapted quickly to continue our work with attention to performance and quality in deliveries, putting people's health and safety at the heart of decisions.

Klabin's leadership, at all levels, deserves special mention. It was agile, courageous and at no time shirked responsibility in making the best decisions so that we would keep our operation safe and our business going. At the heart of our decisions, we have always cared about what is most precious to us: our employees.

In 2020, our flexibility and agility in responding to the constant transformations of society were in evidence, preserving our essence, while building growth.

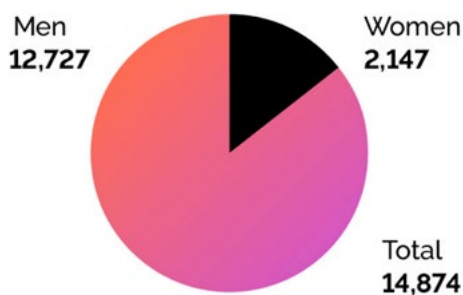
A meritocratic and humanized culture

In 2020 we promoted several initiatives to reinforce the meritocratic and humanized culture of the company. The theme was once again present at the Convention of Managers, in which it was the driver of the various actions we perform in People & Management. Our culture was also the subject of videos, podcasts, and webinars, with an emphasis on the actions carried out with leaders, corroborating their role as protagonists at Klabin. A survey carried out at the Convention of Managers evidenced the evolution of the culture as a perceived value in the company, with a higher score than that achieved in 2019.

81%
said the culture is going in the right direction regarding meritocracy in a survey conducted among managers.

Culture
collaboration was the driver that evolved most in the period, in the opinion of the managers.

Our employees in 2020



Integration

In 2020, we took on 1,700 new employees from International Paper's corrugated packaging units in Rio Verde (GO), Manaus (AM) and the municipalities of Franco da Rocha, Paulinia and Suzano. In this integration, we considered their culture and particularities to align them with Klabin's processes and culture, seeking to show care and respect in pursuit of mutual learning.

The process was considered a success, in view of the diverse and positive spontaneous manifestations received in our social media channels and other opportunities for dialogue in the period.

Chief among the actions carried out were:

- > Creation of a team dedicated to monitoring the integration project.
- > Alignment and engagement of people through a robust communications plan, with more than 150 actions and communications pieces.
- > Development and delivery of a welcome kit for all employees.
- > Creation of an inclusive manifesto and an integration guide.
- > Welcome on KLAPP (the Klabin app).
- > In-person meetings with all new employees (respecting all health protocols) and live streams for remote employees.
- > Participation by the children of employees in the Children's Day live stream.
- > Inclusion of new employees in the Business School Portal (ENK portal).
- > Organizational climate monitoring.
- > Retention of people and key knowledge.
- > Creation of an integration matrix, with several training sessions classified by area of activity/audience, respecting people's learning curves.
- > Harmonization of benefits.

98

internal instructors trained to teach and take training.

152

themes mapped for training to be given in 100 days.

2,336

people aligned in process and management processes.

**More than
6,000**

hours of training involving 271 groups.

See in the **ESG Panel**, indicators related to the material themes **Klabin Culture** and **Development of human capital**.

Development of human capital

The development of human capital is a material theme for Klabin, whose management focuses on the development of employees, succession, and the preparation of leaders. In the process of being executed, we need a robust leadership team capable of engaging people in delivering results and building the future.

Olho: We value the development of our employees, encourage protagonism and collaboration, promote knowledge management, focus on operational excellence and innovation, and so deliver extraordinary, sustainable results.

One of the pillars of this culture is the Klabin Business School (KBS), which develops employees and the community, preparing them for current and future challenges, to leverage business objectives. The KBS platform has mandatory and optional training on work routines, specific functions, specialization, and general knowledge. To define the solutions, the People & Management area considers the strategic alignment of the company, aspects of the desired organizational culture, results of Climate Research, the specific demands and challenges of the business, and the Individual Development Plans from the Performance Cycle.

Innovation

The KBS Portal was revitalized in 2020, with the creation of a more modern, fast, responsive app with new features: referrals, augmented reality, live classes, sharing, and downloads.

KBS portal

An interactive online learning environment which provides courses, videos, articles, seminars, posts and surveys by experts and renowned institutions, available to all employees.

Access

More than 7,000 employees were trained and about 80,000 courses and videos were completed on the KBS Portal in 2020.

Social Learning

A collaborative space on the KBS Portal in which testimonials from employees on various topics are shared. There are more than 14,000 users, covering all the units.

Klabin Business School (KBS)

Organized on knowledge tracks - that is, according to each stage of the professional's career, with specific training for technical aspects, management, skills development, and behavior.

Performance Cycle



The Performance Cycle guides decisions. Photo: Klabin's archive.

A process of performance evaluation and discussion of potential for our employees, the Performance Cycle is one of the tools that guides decisions about people in the company, with results helping us to strengthen our meritocratic, humanized culture to leverage sustainable results.

The Cycle's stages are self-assessment, manager's evaluation, calibration committees, feedback, and Individual Development Plans (IDP). The latter is based on the Klabin Attitude, a set of skills to guide our employees in strengthening the culture and behavior desired.

Leadership Journey

Under the umbrella of the Leadership Journey are the leadership development programs offered in all Klabin businesses by the Klabin Business School, whose objectives are to continuously prepare managers and successors for the company's current and future challenges, and strengthen its culture, contributing to the human aspect of leadership and to a management centered on people and talent development.

Mandatory and optional training is available. With spontaneous registration, these sessions stimulate leadership, in the programs Pathways 2.0, Digital Pathways, Emotional Health, Meaningful Conversations, Gender Leadership, Being a Leader, and webinars on management.

Pathways 2.0



The program stands out among our leadership development action, being an innovative model to simulate Klabin's business chain. It seeks to strengthen a holistic and strategic view of the business and show how the parameters followed in different areas are interrelated in obtaining results.

Digital Pathways



The aim is provide an understanding of Klabin's integrated model, market vision, and perspectives, democratizing the strategy through gamification, in which participants compete with two artificial intelligence systems.

Emotional health workshop



A quality of life program which was incorporated into the Leadership Journey in 2020, with the inclusion of a module focused on emotional health to prepare managers for self-care and the well-being of their teams, strengthening preventive action.

Being a Leader



For the first level of leadership in the operational and administrative areas, it uses the Kolb learning cycle – glossário (act, reflect, conceptualize, and apply) and includes behavioral axes, management and technical tools. More than 600 leaders from all the units participated in the fifth cycle of the program in 2020.

Fast Track



A program to accelerate the development of leaders identified to have high potential. With a series of initiatives offered, the program makes participants the protagonists of the development process



Control Room of the Monte Alegre Factory in Telemaco Borba (PR). Photo: Eduardo Knapp / Eduardo Knapp.

My Attitude Beyond Commercial

Based on mapping of the functional competencies of employees in the commercial areas of Packaging, through conversations with managers and focus groups, in 2020 we developed the My Attitude Beyond Commercial program, comprising a knowledge path for this team.

Its objective is to develop an integrated high-performance team so that the sales team can act in a more entrepreneurial, collaborative manner, strengthening the perception among customers that they are strategic partners for packaging solutions.

The truly bold and innovative program deconstructs concepts rooted in the role of a commercial area and reveals the potential to revolutionize the ability our commercial team has to add value for our customers, in a differentiated and new manner.

See the **ESG Panel** GRI 404-1 indicator and other indicators, in addition to the initiatives undertaken in 2020 that integrate the material theme **Human capital development**.

Employee Journey

We value the journey employees take throughout their lifecycle in the company, striving to provide them with the best experience and continuous learning, from the selection process on. We have a Talent Attraction Policy, which is continuously evolving and adapting to maintain full transparency and excellence in selection processes.

Internal recruitment is prioritized, with opportunities posted on the My Klabin platform and employees suited to the positions, based on performance evaluations and succession mapping, can actively search them.

Continuous learning



In 2020 our internal recruitment rate was 29% up on 2019.

Main actions in 2020:

- > Employer Brand: We posted on social media about our employees, ran awareness campaigns and participated in online fairs.
- > Performance Cycle: the process was reviewed according to the annual update calendar, allowing more frequent monitoring of our employees' performance and potential.
- > Experience: we ran diagnosis of employee experiences to identify opportunities for improvement, review our narrative, and draw up an action plan for implementation in 2021.
- > Recognition program: to stimulate recognition, in November 2020 we launched the Attitude Card, an initiative that stimulates feedback among employees and is available on the My Klabin platform everyone has access to. We linked feedback to the Klabin Attitude and a competence has to be chosen to recognize a collaborator. Since its launch, more than 2,125 Attitude Cards have been sent out.

Remuneration practices

Remuneration at Klabin is determined by market methodology, with universally comparable factors to gauge positions reliably. Remuneration Policy, updated periodically, provides clear guidance on the subject, such as alignment between employee interests and the company's strategy, and the recognition of high-performance professionals, stimulating a meritocratic culture, among other guidelines.

We have a short-term incentive program, which aims to stimulate certain results, the payment for which is tied to indicators. We also maintain long-term incentive plans for directors, managers, coordinators, and specialists, to align the interests of the business and shareholders.

Olho: In 2020, we took an important step by establishing goals tied to KSDGs for the variable remuneration of executives in 2021, reinforcing engagement with the Klabin 2030 Agenda throughout the company.

In the **ESG Panel**, see GRI indicators **102-8, 102-35, 102-36, 102-38, 102-41, 201-3, 202-1, 202-2, 401-1** and **401-3** and others related to the material theme **Engagement of professionals**

Diversity at Klabin

Believing that the diversity of vision, experience, culture and ways of life, without discrimination, contributes to innovation and the making of good decisions in the company, we seek to offer work opportunities compatible with people who have different skills, abilities and backgrounds. In addition to promoting the consolidation of an increasingly respectful and inclusive culture, in which people feel safe to exercise their individuality, this attitude promotes a more diverse environment, open to dialogue and innovation, contributing to the sustainability of the business and to a positive impact on our society. Gender diversity has already been the focus of people management at Klabin, especially in 2018 when the company became a signatory to the Principle of Women's Empowerment (WEP), a UN initiative. In 2019, an even more strategic approach was taken at Klabin and we have a robust governance structure, consolidated in 2020, which is supported by the Diversity and Promotion of Employability Policy.

In 2020, we announced our goal to have 30% of leadership positions held by women by 2030.

Governance structure on the theme

Corporate Area

responsible for the construction of corporate programs and alignment of the strategy throughout the company.

Diversity Committee

representatives from all the units, being responsible for the local actions.

Affinity Groups

K entre Nós, Between Us (women), black (black people), Kolors (LGBTQIA+), MultiKlabin (inter-generations) and Memoh Klabin (men).

People's Committee

formed by senior leaders, with quarterly meetings, and responsible for program recommendations and validations.

In 2020, women made up 14% of our staff, one percentage point up year on year – which still concerns us but is a step towards our goal of increased female representation.

Outstanding initiatives in 2020:

- > We expanded the Affinity Groups, with the creation of MultiKlabin, whose purpose is to discuss inter-generational relationships, improving experiences and sharing knowledge and experience among generations, and Memoh Klabin, formed by men, which reflects on masculinity based on culturally established characteristics under the concept of the “Box of Men.”
- > We consolidated the Gender Leadership Program, with the participation of male and female leaders for six months in the discussion on gender equality, with the presentation of projects created by the group at the end of the program.
- > In August 2020, Klabin joined the Equality is a Priority movement, which sets goals for companies to increase the number of women in senior leadership positions. The company participates in one of the main pillars, which is the international training program, a global gender acceleration action in the business sector developed by the Global Compact with the support of UN Women.
- > We incorporated into the Talent Attraction Policy a guideline for the inclusion of at least one woman on the shortlist for all selection processes, in addition to training recruiters in diversity and inclusion, which led to adaptations in the language used to advertise positions, such as the use of female pronouns or gender-neutral terms.
- > We have made structural changes in plants, such as the implementation of breastfeeding rooms and adaptations in women’s bathrooms and changing rooms.
- > We have created the Join Klabin social internship program for low-income students. The first group had 34 places at four Klabin units: the head office (Sao Paulo state), Jundiai (Sao Paulo state), Piracicaba (Sao Paulo state) and Lages (Santa Catarina state).

In the **ESG Panel**, see GRI indicators 405-1 and 405-2 and others related to the material theme **Diversity**.

Interdependent care

The safety culture focused on interdependence – caring for one another, caring for others, and letting ourselves be taken care of – which we had already adopted and strengthened in 2020, was fundamental to the company’s performance in occupational safety, when we set records, such as in the lowest frequency of serious accidents among direct employees since 2013 – 2.67.

This progress reflects the strategic view taken, especially the harmony with which the theme is treated among all the units, based on standardized guidelines, and the consolidation of safety at work governance. We know we must always strive for improvement and zero lives changed, which is one of the goals on the Klabin 2030 Agenda.

Occupational Health and Safety Management Pillars

Installation

Ensure the safety and reliability of equipment. Improvement and maintenance of the working environment offered to our professionals.

Management

Continuously improve the way we treat safety in our routine. Keep a critical eye on accident prevention and mitigation.

People

Value good practices and encourage our employees to take care of each other. Empower them about norms and procedures, in addition to having leaders close by.

Evaluating adherence to the Management System

The adherence of our operations to protocols and guidelines is an important indicator that we monitor to evaluate the evolution of our Health and Safety Management System. In 2020, we completed the first audit cycle after the implementation of critical activity requirements (CAR) with a focus on the elimination of changed lives.

Cross-referenced audits were carried out, with the formation of the first internal team of auditors in the Occupational Health and Safety Management System (OHSMS). This practice ensures significant cultural evolution in the Security team and allows sharing between other units and businesses. The partial results of the audit cycle are as follows: significant improvement in the standardization of OHSMS and CAR in the units; improvement in and frequent use of the inspection procedure prior to the use of manual equipment; review of working methods for safer activities; the implementation of forums to share good practices in the units and businesses; evolution in knowledge of the concept and involvement by leaders in the CAR implementation projects in operations.

In cross-reference audits, the sharing of practices and experiences between area coordinators as further strengthened in the company, evidencing one of the fundamentals of our Management System, namely line responsibility.

Digital progress

The migration of technologies to the digital environment in Safety follows the technological evolution that is taking place throughout Klabin. One of the fronts was the insertion of the observation app and Security in Focus approach in the My Klabin app gallery, to reduce maintenance costs and make it more accessible and intuitive. This is one of the main preventive tools in Safety for leadership to identify factors that contribute to risk and reinforce safe behavior in operations, ensuring the transformation of our attitudes and the evolution to a generative culture in Safety, in accordance with the KSDGs 2030 goals.

In 2020, we also started the implementation of the Easy PPE project, which includes the creation of an app to offer users more autonomy and promote efficiency in the control and cost management of the delivery flow for Personal Protective Equipment (PPE), also ensuring better compliance in delivery routines.



Nursery seedlings Klabin (PR). Photo: Eduardo Knapp / Eduardo Knapp

Nursery seedlings Klabin (PR). Photo: Eduardo Knapp / Eduardo Knapp

Cultural evolution

All employees are essential to active care in our operations, and we count on leadership to achieve the next stages of our cultural evolution in safety. In 2020, we implemented the first Work Safety Module as part of the Being a Leader Program, which targets Klabin's mid-range leadership (supervisors and operational leaders). Also planned was the Safety Module for the Leadership Journey Program, whose goal is to train the team of coordinators and managers in the Packaging business in 2021. In the period, we also promoted the first survey of actions one year after the Safety Culture Diagnosis carried out in the Packaging business – Corrugated Paper – through the **Hearts & Minds** methodology. For the opportunities identified, we drew up an action plan for cultural evolution to be included in the Health and Safety pillar of the Achievement program – Klabin's continuous improvement program – in the units.

Management of contractors

To ensure the alignment of the management of Security between contracted companies, a draft review of the Contracted Management Plan was prepared with a working group formed by the corporate teams of Facilities, Supplies, Legal and Environment, to standardize processes and best practices. The project is in the implementation stage.

Occupational health

The work focused on prevention as a primary factor in maintaining health was in greater evidence in 2020, when we put in place a series of initiatives to cope with the Covid-19 pandemic, requiring everyone to exercise flexibility, agility and, especially, collaboration, which are latent aspects in our culture.

See the details about our coping with the pandemic in the chapter **Covid-19** and the indicators for the material theme **Health and Operational Safety** in the **ESG Panel**.

Living Well Program

Through the integral Living Well program we help employees and their families to stay healthy, with support to improve lifestyles, promote health, maintain well-being, improve quality of life in the workplace and contribute to a more sustainable future. The actions are based on three pillars: Physical Health, Emotional Health, and Social Health. See the key advances on each of the fronts in 2020.

Physical Health

We created the Ergonomics Committees in all units, with training for members.

Emotional Health

We have implemented a platform that offers online psychological assistance to employees and their dependents.

Social Health

We continue to offer free financial education to employees from a specialist in finance.

See the **ESG Panel** indicators GRI **102-7, 403-1, 403-2, 403-3, 403-7, 403-8, 403-9** and **403-10** and others related to the material theme **Occupational Health and Safety**.



Glossary

BOD5: Biochemical Oxygen Demand. A standard test performed at a constant temperature and during an incubation period of five days. It is measured by the difference in Dissolved Oxygen (DO) before and after the incubation period.

CDP: An international non-profit organization that analyzes and recognizes the efforts of companies to manage the environmental impacts of their activities.

CERFLOR: Brazilian Forest Certification Program. CERFLOR forest management certification attests that the enterprise conducts forest management in accordance with environmental, social, and economic requirements. Standards were developed by the Brazilian Association of Technical Standards (ABNT) and application of the certificate is managed by the National Institute of Metrology (Inmetro).

COD: Chemical Oxygen Demand. An indispensable parameter in studies of sanitary sewage and industrial effluent. It evaluates the amount of dissolved oxygen (DO) consumed in an acidic medium that leads to the degradation of organic matter.

COP26: The Conference of the Parties is part of 3an international treaty established by the United Nations Framework Convention on Climate Change (UNFCCC). It is the ultimate decision-making authority in relation to efforts to control greenhouse gas emissions. COP26 will be the 26th Conference and will be held from November 1-12, 2021, in Glasgow, Scotland.

CSI: The Corporate Sustainability Index is a tool for comparative analysis of the performance of companies listed on the Stock Exchange (B3) from the point of view of corporate sustainability, based on economic efficiency, environmental balance, social justice, and corporate governance. It also broadens the understanding of companies and groups committed to sustainability, differentiating them in terms of quality, level of commitment to sustainable development, equality, transparency and accountability, product nature, and business performance in economic, financial, social, environmental and climate change dimensions.

EBITDA: Earnings Before Interest, Taxes, Depreciation and Amortization is a financial indicator that represents the company's operating cash generation, disregarding financial and tax impacts.

Ecophysiology: The branch of comparative physiology that studies physiological diversity in relation to the environment and its impact on the ecology of organisms.

Foex Index: price index for the main types of pulp, paper and scrap traded in Europe, pulp and newspaper traded in the USA, and for the types of pulp traded in China. Foex Indexes Ltd is a privately held company in Finland.

Fossil fuels: non-renewable resources burned to produce energy. They are formed by the decomposition of organic material over thousands or millions of years. Oil, coal and natural gas are examples of fossil fuels which, due to the emission of greenhouse gases, have a large impact on the environment.

FSC: Forest Stewardship Council – an independent, non-governmental, non-profit organization created to promote responsible forest management around the world. Through its certification system, the FSC seal recognizes responsible production of forest products, allowing consumers and companies to make informed purchasing decisions, benefiting people and the environment, as well as adding value to the business.

GDPR: General Data Protection Regulation – rules increasing privacy for Internet users.

GHG: Greenhouse gases are those that absorb part of the sun's rays and redistribute them in the form of radiation into the atmosphere, warming the planet in a phenomenon called the greenhouse effect. Carbon Dioxide (CO₂); Methane (CH₄); hydrofluorocarbons (HFCs) and perfluorocarbons (PFCs), used in aerosols and refrigerators, are examples.

Global Compact: a United Nations initiative to engage companies and organizations in the adoption of ten universal principles in the areas of Human Rights, Labor, the Environment, and Anti-Corruption Measures, to develop actions to face the challenges of society.

GRI Standards: Standards developed by the international and non-profit organization Global Reporting Initiative to guide companies, governments and other organizations in understanding and communicating the impact of their business related to critical sustainability topics such as climate change, human rights, and anti-corruption measures. In the Essential version, the information necessary to understand the nature of the organization, its material themes and impacts is disclosed. In the Comprehensive version, the company should more extensively disclose its impacts and all specific disclosure items for each material theme covered by the Standards.

Hearts and Minds: a methodology that represents the maturity of occupational safety for a company.

Hotspot: area with at least 1,500 endemic species (which only exist in that region) and which has already lost more than three-quarters of its original vegetation.

IEC 62443: the global standard for the safety of industrial control systems in the field of operational technologies. The standard was created by the International Automation Society (ISA).

IFC: International Finance Corporation. A global development institution focused on the private sector in developing countries. A member of the World Bank Group.

Industry 4.0: a term used to refer to the fourth wave of the industrial revolution, in which digital technologies and the Internet of Things are applied to manufacturing. In this scenario, for example, machines are digitally interconnected within a single system, allowing the monitoring of processes in real time to make better decisions.

IPCC: Intergovernmental Panel on Climate Change. Created by the United Nations Environment Program (UN Environment) and the World Meteorological Organization (WMO), it provides policymakers with regular scientific assessments on climate change, the implications, and possible future risks, and proposes policy adaptation and harm mitigation options.

ISO 14001: a standard that specifies Environmental Management System requirements and allows an organization to develop a framework for environmental protection and rapid response to changing environmental conditions. It considers environmental aspects influenced by the organization and others that can be controlled by it.

ISO 50001:2018: a standard that specifies the requirements for establishing, implementing, maintaining, and improving an energy management system (EMS). The intended result is to enable an organization to follow a systematic approach to achieving continuous improvement in energy performance and EMS.

IUCN: The International Union for Conservation of Nature is a civil organization dedicated to nature conservation which created the Red List of Endangered Species, the largest catalog on the conservation status of plant, animal, fungal and protozoa species around the planet.

Key Risk Indicators (KRIs): indicators of the main risks a company is exposed to. The metrics that companies use to verify what the potential for exposure to a given risk is.

KSDGs: short-, medium- and long-term objectives set by Klabin that will accompany its growth strategy, in line with the 17 UN Sustainable Development Goals.

LGPD: General Data Protection Act (Law No. 13,709/2018). Generally speaking, it governs activities involving the use of personal data by individuals or legal entities to protect the fundamental rights of freedom and privacy.

Lignin: a complex organic polymer that binds cellulosic fibers, increasing the rigidity of the plant cell wall. With cellulose, it constitutes most of the wood in trees and shrubs.

Material themes: themes that reflect the organization's most significant economic, environmental, or social impacts, or that substantially influence stakeholder assessments or decisions.

MFC: Microfibrillated Pulp, a natural and renewable raw material, uniform and highly crystalline obtained by the process of mechanical and/or chemo-mechanical fibrillation of pulp, which disintegrates the cell wall in wood and modifies its structural and surface properties, as well as its dimensions. Used in paper, paint, cosmetics, and fabrics.

Packaging School: An American post-secondary educational institution that aims to promote a bridge between academia and industry through partnerships with companies, specialists, and associations.

PDCA Cycle: Plan, Do, Check and Act, A management method used for the control and continuous improvement of processes and for the solution of problems in companies. This method is typically used to troubleshoot problems that are not easily visualized.

PNHR: Private Natural Heritage Reserve is a category of private conservation unit (CU) to preserve biological diversity. The creation of this CU does not affect the ownership of the property. In addition to contributing to the expansion of protected areas in the country, the Reserves help in the protection of Brazilian biodiversity.

Race to zero: a global campaign that brings together leaders from countries, cities, businesses, investors, and civil society committed to zeroing net greenhouse gas emissions by 2050.

Roadmap: a visual and descriptive methodology that shows what a specific product or project will look like in each period of its development.

SBT: Science Based Target. The initiative establishes methodologies to help companies draw up an emissions reduction target in line with climate science and sustainable economic development. It is a collaboration between the CDP, the United Nations Global Compact, the World Resources Institute (WRI) and the World Wide Fund for Nature (WWF).

SDGs: Sustainable Development Goals. Listed by the United Nations (UN), the objectives are a universal call to action against poverty, in favor of the protection of the planet and to guarantee that all people have peace and prosperity. The 17 goals provide all countries with clear guidelines and goals to adopt in line with their priorities and environmental challenges across the globe. Its full reach requires the partnership of governments and the private sector with civil society and ordinary citizens to ensure that we will leave future generations a better planet. Learn more here.

SPI: Social Progress Index. Methodology that measures the quality of life of a territory, independently of economic development.

Spott Timber & Pulp: an English international organization that evaluates the best environmental, social, and corporate governance practices for the timber and pulp industries.

Stakeholders: any individual or organization that in some way impacts and is impacted by the actions of a particular company. For Klabin, its stakeholders are employees, customers, suppliers, regulatory bodies, certifiers, public agencies, educational institutions, the press, unions, civil entities, social organizations, and communities surrounding its operations.

Tall oil: by-product of pulp production, obtained from the separation of tall oil soap from burned black liquor. It generates steam and electricity.

Taxonomic: the process that describes the diversity of living beings.

TCFD: Task Force on Climate-Related Financial Disclosures. Brings together several organizations to developing a common standard for companies to measure and disclose financial risks related to climate.

Turnover: Turnover rate of employees in an organization over a period.

Water body: generic name for any water source; water course, river stretch, artificial or natural reservoir, lake, lagoon, or underground aquifer.



Klabin