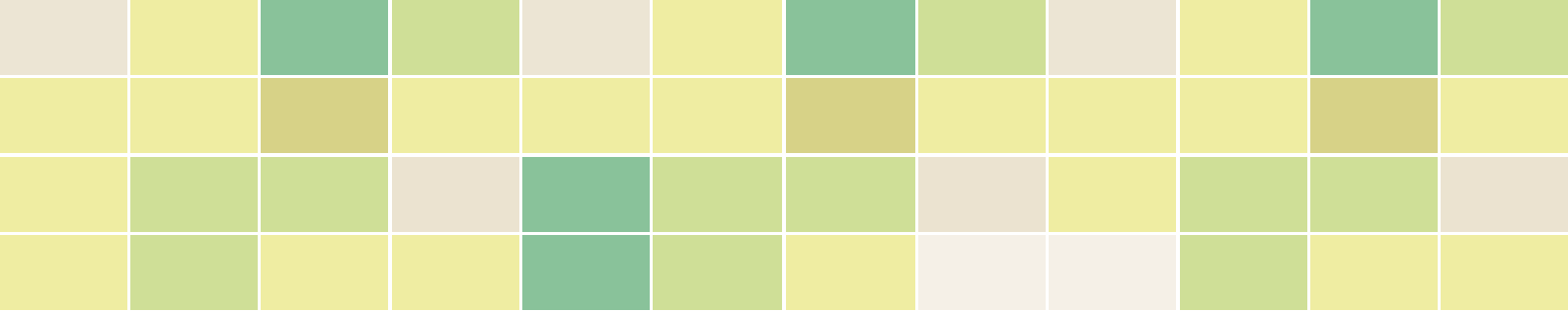


# Attitudes that shape the future



Protecting, inspiring, enchanting. Every little attitude combines to build a better, sustainable, vibrant future.

2010 was an exceptional year for Klabin, a year of fine results, production records and investments in efficiency and modernization.

More than just that, a year of mobilization and engagement with everyone committed to taking that extra step, each with a positive attitude, creativity and the ability to produce results, revealing a more competitive, efficient and sustainable Klabin.

This Report is a synthesis of what we achieved, a sum of the attitudes and commitments which transform and shape the future we are striving to build. Enjoy reading it.

# Attitudes that shape the future

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# About this report

This is Klabin's first Annual Sustainability Report published in accordance with the guidelines of the Global Reporting Initiative (GRI). It contains information and data on the company's activities and results in 2010, as well as the management practices adopted to achieve these and the outlook for 2011.

The previous report, with data referring to 2009, was published in April of 2010. [\[GRI 3.3; 3.1; 3.2\]](#)




The document contents were determined internally and aim to present information which the company considers of major interest to its related stakeholders.

Every area was involved in the process of data collection and supplied the information required for application level C from GRI guidelines. [\[GRI 3.5\]](#)

The financial indicators cover all the operational units in Brazil and Argentina, whereas the information of a social and environmental nature is limited to the operations in Brazil. Some of the human resources indicators include data from the industrial sack plant in Argentina. The consolidated financial statement is presented in compliance with both Brazilian standards and international norms of accounting (International Financial Reporting Standards - IFRS), as determined by instructions CVM 457/07 and CVM 485/10, and audited by Deloitte Touche Tohmatsu Independent Auditors. The socioenvironmental information was externally verified by BSD Consulting. Eventual modifications to the data bases, on account of adjustments to the information, are justified throughout the document. [\[GRI 3.6; 3.7; 3.8; 3.9; 3.13; 3.10; 3.11\]](#)

For explanations, comments or suggestions regarding the contents of this report, Klabin has made the following e-mail available: [rs@klabin.com.br](mailto:rs@klabin.com.br). [\[GRI 3.4\]](#)

## Report - Application Level

	C	C+	B	B+	A	A+
	Report on: 1.1; 2.1 - 2.10; 3.1 - 3.8; 3.10 - 3.12; 4.1 - 4.4; 4.14 - 4.15	Report Externally Assured	Report on all criteria listed for Level C plus: 1.2; 3.9, 3.13; 4.5 - 4.13; 4.16 - 4.17	Report Externally Assured	Same as required for Level B	Report Externally Assured
	Not Required		Management Approach Disclosures for each Indicator Category		Management Approach Disclosures for each Indicator Category	
	Report on a minimum of 10 Performance Indicators, including at least one from each of: Social, Economic and Environmental		Report on a minimum of 20 Performance Indicators, at least one from each of: Economic, Environmental, Human Rights, Labor, Society, Product Responsibility.		Report on each core G3 and Sector Supplement * Indicator with due regard to the Materiality Principle by either: a) reporting on the indicator or b) explaining the reason for its omission.	

\*Sector Supplement in final version

# Assurance Statement

External assurance of the Klabin S.A. Sustainability Report 2010

BSD Consulting conducted, for the first time, an independent verification of the preparation process of Klabin's 2010 Sustainability Report, drawn up in accordance with the guidelines of GRI G3 (Global Reporting Initiative). The purpose of the verification process is to provide Klabin's interested parties with an independent opinion on: the quality of the report; the engagement process with stakeholders; adherence to the principles of AA1000AS 2008; and the company's sustainability management.

## Independence

We work independently and we attest that no member of BSD holds consulting contracts or other commercial connections with Klabin. BSD Consulting is licensed by AccountAbility as a provider of assurance (AA1000 Licensed Assurance Provider), under registration number 000-33.

## Our Competency

BSD Consulting is a company specialized in sustainability. The work was carried out by a team of experienced professionals, trained in external verification.

## Responsibilities of Klabin and BSD

The preparation of the Sustainability Report and also the definition of its contents are Klabin's responsibility. Assessment of the report and attestation of the GRI level of application were assigned to BSD.

## Scope and Limitations

The scope of our assignment includes information of the full version of Klabin's 2010 Sustainability Report,

for the period covered by the report. The independent verification process was conducted in compliance with the norm AA1000AS 2008 (AA1000 Assurance Standard 2008), Type 1, providing a moderate level of assurance. The process covers the appraisal of adherence of Klabin's accountability process to the three principles: Inclusivity, Materiality and Responsiveness.

## Methodology

Approach to the AA1000 verification process was comprised of:

- Assessment of the contents of the 2010 Sustainability Report;
- Understanding the process of raising information for the Sustainability Report, considering the process of engagement and the definition of materiality;
- Survey of public information about the sector and the company (press, websites, legal data) to identify pertinent issues from an external point of view;
- Interviews with executives, managers and employees from key areas in relation to the relevance and context of the information for reporting and administration;
- When relevant, confirmation of information about sustainability performance in the understanding of the company's directors; and
- Based on sample testing, confirmation of information from the Sustainability Report with corroborating documentation, internal managerial reports and official correspondence.

## Main Conclusions – AA1000AS Principles

In the assessment of BSD Consulting, Klabin is endeavoring to consolidate sustainability management through specific actions, such as the refinement of external communication on the company's sustainability practices and the management structure, initially in the Forestry Area. The definition of a process of engagement with stakeholders is the key for strategic commitments to sustainability to be incorporated into the company's processes. Conclusions regarding the three principles of AA1000AS follow hereafter.

### Main Conclusions on Adherence to the Principles of AA1000AS 2008

#### 1. Inclusivity – covers stakeholder participation in the development of a process of transparent and strategic sustainability management.

- The top management of Klabin recognizes the importance of the sustainability issue for the sector and for the business. However, the definition of a sustainability strategy aligned with the company's business strategies is of utmost importance, given that the forest products sector causes major socioenvironmental impacts.
- There is currently no formal process to identify, prioritize and engage stakeholders. It is important to stress the need to set up a continuous process of engagement, entailing the preparation of a map of stakeholders, the definition of clear criteria for their prioritization, and the definition of means of engagement. Engagement by getting strategic publics involved is important, since the contributions and critical views raised concerning company activities may help to steer its

socioenvironmental practices, increasing the transparency and credibility of its communications.

- Structuring for Klabin's sustainability management is underway in the Forestry area, since it is an area which has greater demands relating to this issue. It is recommended that the proposed structure for the area be evaluated and subsequently other critical areas identified, which could be integrated into the management of sustainability, such as management of the supply chain.

#### 2. Materiality (or Relevance) – essential topics for stakeholders to be able to draw conclusions about the organization's economic, social and environmental performance.

- The contents of Klabin's Sustainability Report were determined by top management and by the area of Communication based on their perceptions regarding the relevance of the topics for the sector and the company. For the next reporting period, it is recommended that the demands of external stakeholders are also considered when defining relevant topics.
- The active participation of controlling shareholders in the decisions on relevant topics of sustainability leads the company to act intensively in determined areas, among which: the upkeep of native areas of forests and corridors (part of the mosaic) beyond the legal requirements; actions with the sector of saw mills to foster economic growth of the regions where it operates; the promotion of inclusion programs for communities, via forestry incentive projects with small and medium sized farmers; the development of environmental education programs, such as the Caiubi Project and Legal

Woods; and the phytotherapy program, the purpose of which is to propagate the multiple use of the forests.

- Klabin's own forests and every step of the production process have FSC® (Forest Stewardship Council®) certification. The FSC® certification process was started in 1998 and ever since has lent support to Klabin in running various highly relevant actions of a socioenvironmental nature, such as the development of a methodology to identify and engage local communities from the forestry areas.
- Questions concerning the quality of its product and processes are also considered relevant by the company. An example of this is Klabin's Superar Program, which denominates 13 pillars to control its processes and is run with internal teams focused on continuous improvement. Where the product is concerned, examples analyzed refer to food safety certifications of the products as well as alignment with a number of international principles linked to this topic.
- Klabin's financial sustainability was broached by its directors who generally pointed out the following relevant aspects for the company: consolidation of its forest sustainability; increasing forest productivity, with the objective of minimizing the need for large planted areas; increase in production and efficiency; international recognition; and development of its products.
- Critical issues and adverse impacts from its activities are not dealt with in the report. It is important that a critical analysis is carried out and that this information is placed in context, in order to equate the contents of the report and tackle

the company's critical issues with transparency.

- Targets focusing on sustainability, aligned with the company's business strategy, were not touched upon in this year's report. Nevertheless, Klabin's commitment to develop sustainability management can be reinforced by defining clear and objective targets.

### 3. Responsiveness – deals with actions taken by the organization as a result of specific demands from its stakeholders.

- It was noted that the area of Communication endeavors to present Klabin's actions in a structured and organized manner, principally where its sustainability actions are involved. The controlling shareholders show they are careful not to overpraise these actions, pursuing a balance between communication and what is being done in practice. Communication processes should be improved and enhanced, as the area of Sustainability becomes more structured and mature.
- Formalizing procedures and results in sustainability is a point which can be improved in the company. It is noted that many actions are introduced without there being any validation process behind these activities. Formalized policies, procedures and results can assist Klabin in communicating with its stakeholders, mainly those who are involved in the appraisal and critical analysis of the company (some examples are shareholders, investors, financial institutions, specialists in sustainability and others).
- The process of administering and monitoring environmental indicators, centralized with the Environmental Management at the Monte



Alegre Plant in Telemaco Borba, is outstanding. The area concentrates environmental information from all of Klabin's plants and presents a large number of indicators in its report.

- The Forestry Area Management also deserves special mention demonstrating that, besides its internal controls, it conducts actions and surveys in conjunction with learning institutions and specialists from the area. Another point worth noting is the FSC® certification process, which requires continuous actions and improvements in performance.
- Where customers are concerned, it is important to have more discussions on the subject of sustainability. Klabin enjoys a competitive differential when dealing with these issues (its forest assets are a significant example). However this is not clearly perceived by its customers, in other words, there is no pricing differential of Klabin products on account of this. Greater engagement with the customers can alter this perception, since a good number of these customers is also involved with managing sustainability.

### **GRI-G3 Application Level**

In accordance with the orientation of GRI-G3 guidelines, BSD declares that Klabin S.A. has been assessed as Application Level C+. The report provides answers to items related to the company's profile and information related to all the categories of performance indicators: economic, environmental and social.

São Paulo, 25th of April 2011.

**BSD Consulting - Brazil**

Founded in 1899, Klabin S.A. is the biggest producer, exporter and recycler of paper in Brazil and is the market leader in packaging paper and board, corrugated boxes, industrial sacks and timber in logs for saw mills and veneer plants. Its production capacity is 1.9 million tons of paper for conversion into paper packaging and for export to around 70 countries. [\[GRI 2.1; 2.2\]](#)

It is organized in three business units – Forestry, Paper (cartonboard and kraft paper) and Converting (corrugated packaging and industrial sacks) – and operates 17 plants in eight states of Brazil and one in Argentina. It has a portfolio of some 2.1 thousand active customers, from the industries of food, beverages, hygiene and cleaning products, electrical and electronic appliances, cement, sawn and laminated wood and box conversion, among others. Its administrative headquarters are in Sao Paulo (SP) and it has sales offices in nine of the Country's states, one subsidiary in the United States and an agent in Europe. [\[GRI 2.3; 2.5; 2.4; 2.7\]](#)

Klabin's production process is predicated on the sustainable management of its forests, which combine economic efficiency with social and environmental values. Its practices entail a commitment to the conservation of natural resources: water, air, soil, biodiversity. Monitoring actions by the company have confirmed the presence of over 700 species of animals and 1,100 plants preserved in the company's forestry areas in Parana and Santa Catarina.

The results of this stewardship based on the principles of sustainability were corroborated by unprecedented FSC (Forest Stewardship Council) certification in 1998. Klabin was the first company from the pulp and paper sector in the Southern Hemisphere to get its forests certified by this international organization which

monitors the world's forests, assuring that the certified company meets sustainability principles.

Currently 100% of Klabin's forests and every step of the manufacturing processes of all its products have FSC certification.

Klabin's history of sustainable activities also caught the attention of the Rainforest Alliance, an international NGO which works to conserve biodiversity and ensure sustainable means of subsistence, by striving to transform business practices and consumer behavior.

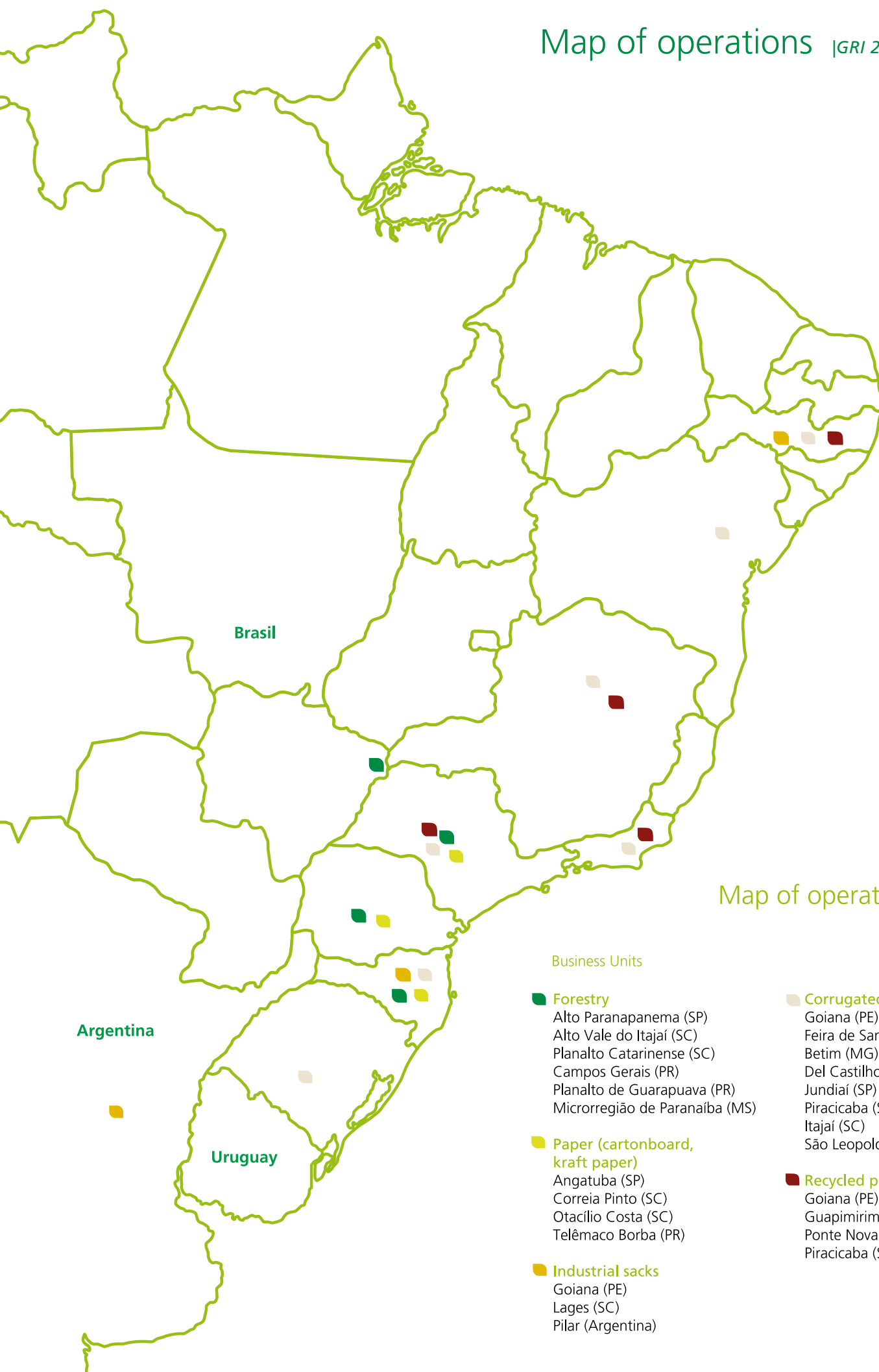
In 2004, the organization showed its recognition of the company with the award "Trend-setting Company in Sustainable Development", for performing its forestry activities in harmony with the environment, the communities and its employees.

In 2010, the company cultivated 213 thousand hectares of pine and eucalyptus to ensure supply of the majority of wood needed to make its products. The rest came from partnerships with 18 thousand farmers participating in the Forestry Incentives Program. Furthermore, it conserves 192 thousand hectares of preserved native woodlands integrated with its planted forests. [\[GRI 2.8\]](#)

The company ended the year with 14,603 direct and contracted employees. It sold 1.7 million tons of paper and packaging and 3.1 million tons of timber, generating net revenue of R\$ 3.7 billion, 24% above that of 2009. The market value of the company on 31st of December came to R\$ 5.2 billion. [\[GRI 2.8\]](#)

A Brazilian publicly-traded company, with shares traded for the last 31 years on the Sao Paulo Stock Exchange (BM&F Bovespa), it is controlled by the holding company Klabin Irmaos & Cia, which retains 59% of voting capital. [\[GRI 2.6\]](#)

## Map of operations | GRI 2.5 |

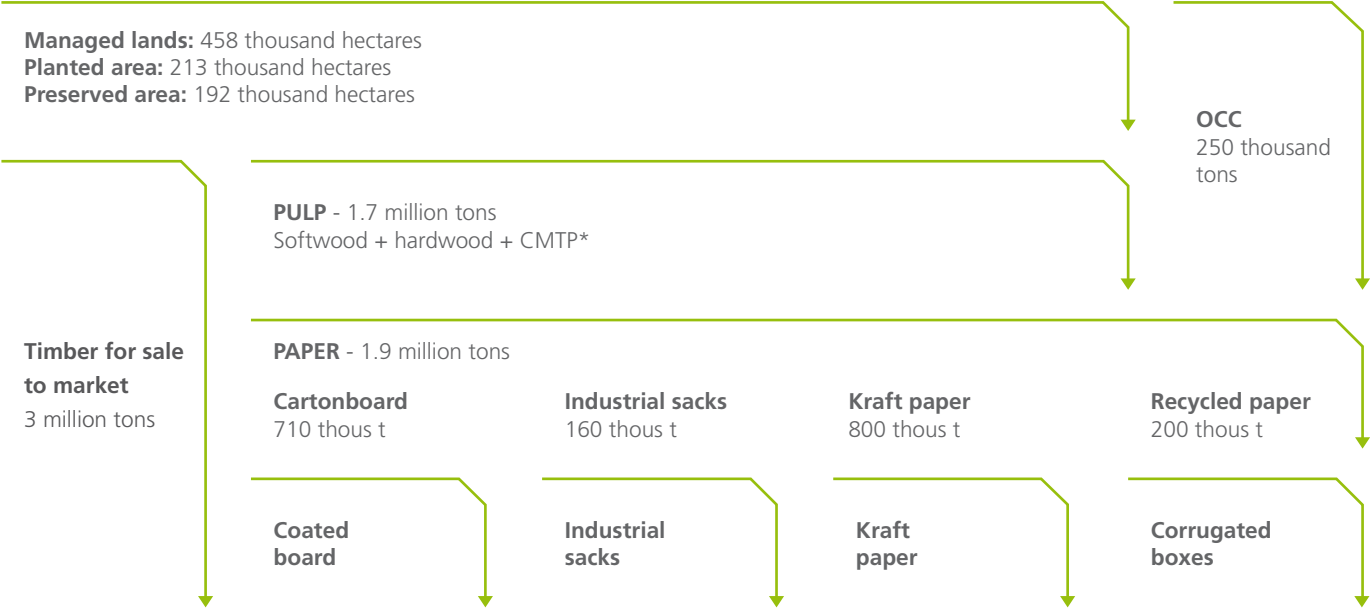


Map of operations

### Business Units

- Forestry**
  - Alto Paranapanema (SP)
  - Alto Vale do Itajaí (SC)
  - Planalto Catarinense (SC)
  - Campos Gerais (PR)
  - Planalto de Guarapuava (PR)
  - Microrregião de Paranaíba (MS)
- Paper (cartonboard, kraft paper)**
  - Angatuba (SP)
  - Correia Pinto (SC)
  - Otacílio Costa (SC)
  - Telêmaco Borba (PR)
- Industrial sacks**
  - Goiana (PE)
  - Lages (SC)
  - Pilar (Argentina)
- Corrugated boxes**
  - Goiana (PE)
  - Feira de Santana (BA)
  - Betim (MG)
  - Del Castilho (RJ)
  - Jundiá (SP)
  - Piracicaba (SP)
  - Itajaí (SC)
  - São Leopoldo (RS)
- Recycled paper**
  - Goiana (PE)
  - Guapimirim (RJ)
  - Ponte Nova (MG)
  - Piracicaba (SP)

# Production capacity



\*CMTP - Chemi-thermomechanical Pulp - eucalyptus short fiber produced in a chemical, thermo-mechanical process

# Export destinations



## Europe

Germany  
Belgium  
Cyprus  
Spain  
Finland  
France  
Great Britain  
Greece  
Holland  
Ireland  
Italy  
Lithuania  
Poland  
Portugal  
Czech Republic  
Russia

## South America

Argentina  
Bolivia  
Chile  
Colombia  
Ecuador  
Paraguay  
Peru  
Uruguay  
Venezuela

## North America

Canada  
USA  
México

## Central America

Antigua/Barbuda  
Costa Rica  
Dominica  
Dominican Republic  
Dutch Antilles  
El Salvador  
Guatemala  
Haiti  
Honduras  
Jamaica  
Nicaragua  
Panama  
Puerto Rico  
Surinam  
US Virgin Islands  
Trinidad and Tobago

## Middle East

Saudi Arabia  
Arab Emirates  
Iran  
Israel  
Jordan  
Kuwait  
Lebanon  
Turkey

## Asia

Bangladesh  
China  
Philippines  
Hong Kong  
India  
Pakistan  
Thailand  
Taiwan  
Vietnam

## Africa

Angola  
South Africa  
Algeria  
Benin  
Congo  
Ivory Coast  
Egypt  
Ghana  
Morocco  
Nigeria  
Kenya  
Senegal  
Tanzania  
Togo  
Tunisia  
Uganda

## Oceania

Australia

# Certifications

Klabin's entire production chain is certified by the FSC® (Forest Stewardship Council) which attests to sustainable management of the paper production process (cartonboard and kraft paper), corrugated packaging and industrial sacks, and also the chain of custody of the phytotherapy products. The industrial plants have their environmental

management systems certified to ISO 14001. In the field of occupational health and safety, the plants of Monte Alegre in Telemaco Borba (PR), Otacilio Costa and Correia Pinto (SC) and Angatuba (SP) all have OHSAS 18001 certification. Paper used to manufacture packaging which comes into contact with food is certified by ISEGA (Institute of Analysis of Packaging Materials) of Germany and also ISO 22000.

Business	Plant	Certification						
		ISO 9001 <sup>(1)</sup>	ISO 14001 <sup>(1)</sup>	OHSAS 18001 <sup>(1)</sup>	ISO 22000 <sup>(1)</sup>	FSC® COC <sup>(2)</sup>	FSC® Stewardship <sup>(2)</sup>	Isega <sup>(3)</sup>
Corrugated packaging	Feira de Santana (BA)	•	•			•		
	Jundiai Distrito Industrial (SP)	•	•			•		
	Itajai (SC)	•	•			•		
	Sao Leopoldo (RS)	•	•			•		
	Betim (MG)	•	•			•		
	Del Castilho (RJ)	•	•			•		
	Jundiai Tijuco Preto (SP)	•	•			•		
	Piracicaba (SP)	•	•			•		
Boxes, recycled paper and industrial sacks	Goiana (PE)	•	•			•		
Paper (cartonboard and kraft papers)	Monte Alegre, Telêmaco Borba (PR)	•	•	•	•	•		
	Angatuba (SP)	•	•	•		•		
	Correia Pinto (SC)	•	•	•		•		
	Otacilio Costa (SC)	•	•	•		•		
Recycled paper	Piracicaba (SP)		•			•		
	Guapimirim (RJ)		•			•		
Industrial sacks	Lages 1 (SC)	•	•			•		
	Lages 2 (SC)	•				•		
	Argentina							
Forestry	Phytotherapy Pharmacy (PR)					•	•	
	Angatuba Forestry (SP)					•	•	
	Parana Forestry (PR)					•	•	
	Santa Catarina Forestry (SC)					•	•	
Products	Cartonboard and kraft paper in direct contact with foods							•
Head Office <sup>(4)</sup>	São Paulo (SP)	•	•		•	•		
International offices	London					•		
	Miami					•		

(1) Granted by BVC - Bureau Veritas Certification

(2) Granted by Imaflo - Institute of Forestry and Agricultural Management Certification:

(3) Granted by Isega Institute (Germany): Isega

(4) The certifications of the Head Office are related to areas which are part of the certification scope of the industrial plants or of the international sales offices (Trade).

**ISO 9001** - Quality Management System

**ISO 14001** - Environmental Management System

**OHSAS 18001** - Occupational Health and Safety Management System

**ISO 22000** - Food Safety Management System

**FSC COC** - Norm for Chain of Custody certification

**FSC Stewardship** - Interim Rainforest Alliance/SmartWood norms for forestry plantations in Brazil

## Awards and acknowledgments

**Melhores & Maiores** – Considered the best company from the pulp and paper sector in 2010 by Exame magazine. The annual directory is responsible for the principal financial ranking of large corporations in the Country and endeavors to measure the individual performance of the companies, using managerial and economic criteria and also taking into account indicators such as net assets, sales, profitability, liquidity, wealth generated per employee and others.

**The most prestigious company from the pulp and paper sector** – This recognition was granted by the annual directory Época Negócios 100. The publication was drawn up based on the perceptions of 15 thousand Brazilians in six fields: admiration, confidence, tradition, socioenvironmental responsibility, innovative posture and the quality of products and services.

**The most admired company from the pulp and paper sector** – This acknowledgment was granted by the daily newspaper DCI – Diário do Comércio Indústria e Serviço. The judging procedure involved the vote of 2,208 businessmen, executives and economists consulted by the publication.

**Total Productive Management (TPM) Award** – Granted by the Japan institute of Plant Maintenance (JIPM), an organ linked to the Ministry of Economy, Trade and Industry of Japan, to the paper mill in Angatuba (SP), for adopting the Program of Loss Reduction and Improvement to the Direct Flow of the Plant.

**Supplier Performance Measurement (SPM)** – Klabin's Piracicaba Plant obtained the highest rating among all the packaging suppliers in Brazil at the awards given by the beverage manufacturer, Bacardi, which appraises the performance metrics of its suppliers.

**ABTCP 2010 Highlights of the Sector Award** – Klabin was elected best company in the category of Packaging Paper Manufacturer at an award-giving ceremony promoted by ABTCP, the Brazilian Technical Association of Pulp and Paper.

**Pack Highlight of Preference Award** – The Company was the winner in the categories of Corrugated Boxes, Cartonboard and Industrial Sacks. The award, in its fifth edition, is presented by Pack magazine, of Banas publishers, and highlights those suppliers preferred by the readers of the magazine.

**Highlight of the Year Suppliers of Sacks for Bakeries** – Chosen supplier of the year in the Industrial Sacks category, in awards promoted by the magazine Panificação Brasileira.

# Key indicators

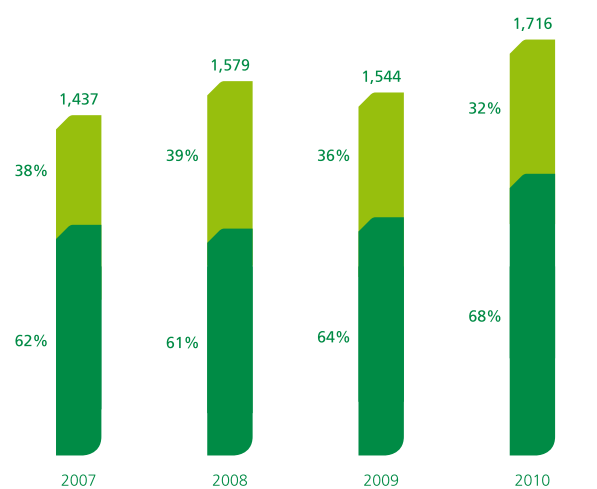
[GRI 2.8]

[GRI 2.8]	2010	2009 <sup>(1)</sup>
<b>Sales volume (thous t)</b>		
Total volume	1,716	1,544
Domestic market	1,161	989
Export market	555	555
<b>Results (R\$ million)</b>		
Gross revenue	4,431	3,591
Net revenue	3,663	2,960
Domestic market	2,850	2,248
Export market	813	712
Gross profits	1,371	526
Operating results (EBIT)	821	60
EBITDA	962	747
Net profits	560	169
<b>Margins</b>		
Gross margin	37%	18%
EBITDA margin	26%	25%
Net margin	15%	6%
<b>Financial</b>		
Total assets (R\$ million)	12,261	11,402
Net assets attributed to participation of controlling shareholders (R\$ million)	4,994	4,662
Return on net assets	11%	4%
Total capitalization (R\$ million)	7,285	7,395
Net debt (R\$ million)	2,128	2,676
Net debt/EBITDA - annualized (times)	2.2	3.6
Net debt / Total capitalization	29%	36%
Investments (R\$ million)	386	247
<b>Social</b>		
Number of employees	8,481	7,417
Number of contract workers	6,122	4,885
External social investments (R\$ million)	5.4	8.2
<b>Environmental</b>		
Specific consumption of water (m³/t) - average (paper b.u.)	40.89	42.94
Environmental investments (R\$ million)	39.6	22.2

(1) Data published in 2009 adjusted, due to the effects of adoption of international accounting standards (IFRS), excepting socioenvironmental data



Sales volume per market  
(thous tons)

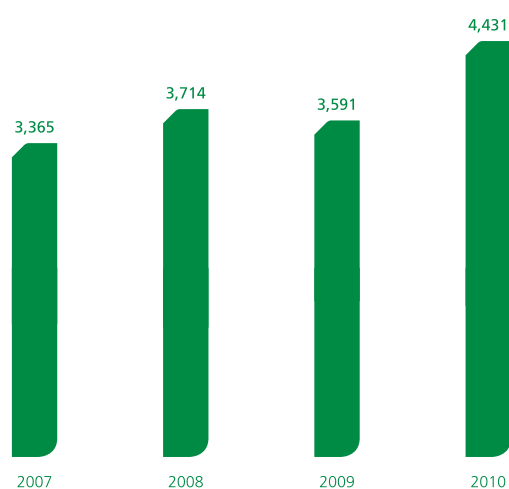


(\*) Does not include wood

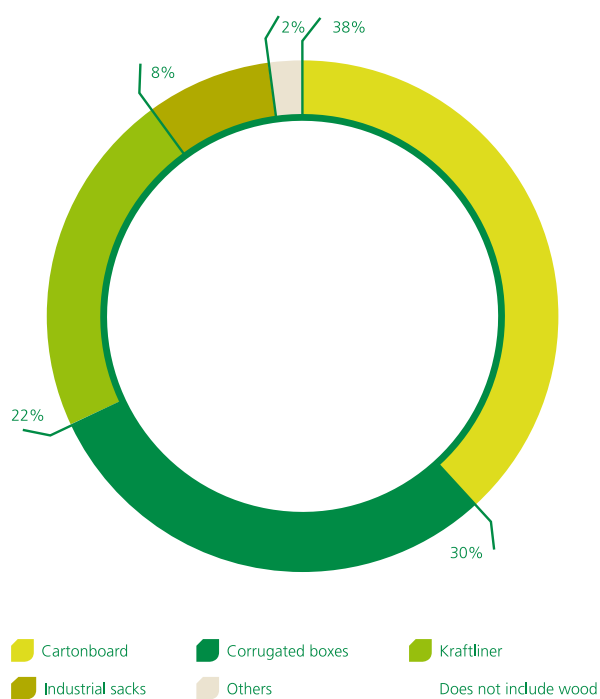
Domestic market

Export market

Gross revenue (R\$ million)



Sales volume per product - 2010



Cartonboard

Corrugated boxes

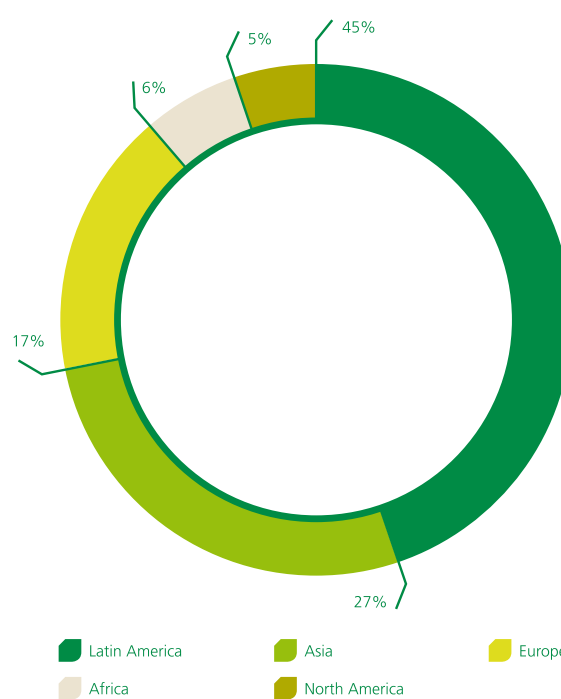
Kraftliner

Industrial sacks

Others

Does not include wood

Export - volumes - 2010



Latin America

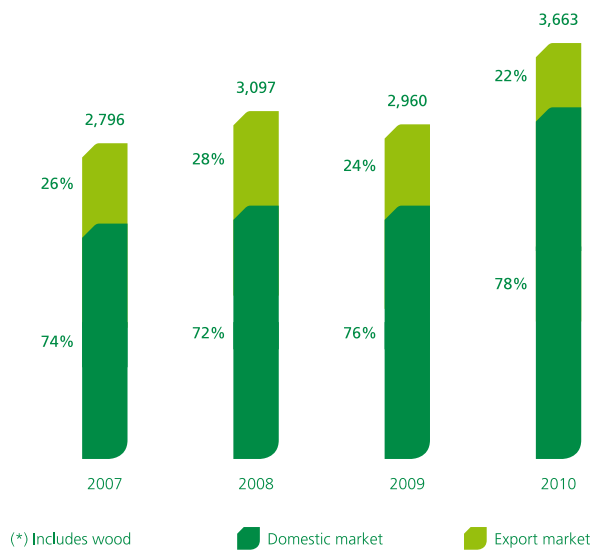
Asia

Europe

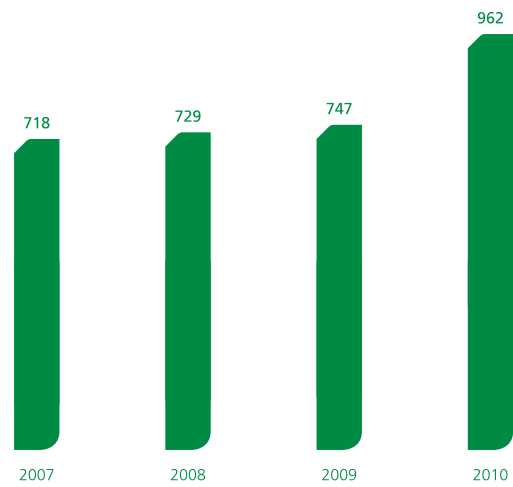
Africa

North America

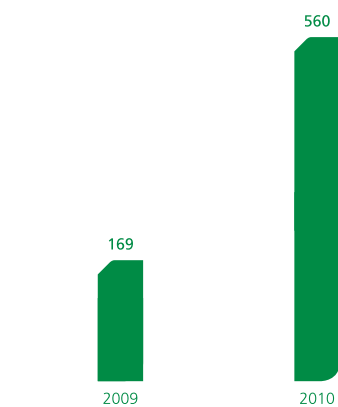
Net revenue (R\$ million)



EBITDA (R\$ million)

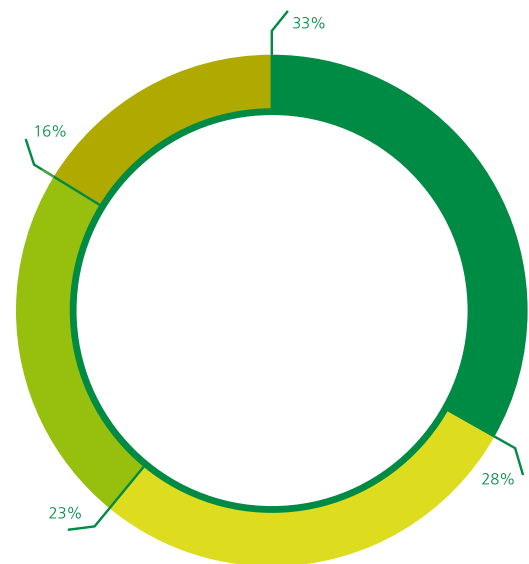


Net profits (R\$ million)



Due to adoption of international accounting standards IFRS), only last two years are comparable

Added value - 2010



- Government (taxes)
- Shareholders (dividend and retained profits)
- Employees (salaries and contributions)
- Third parties (interest)

# Message from the Management

[GRI 1.1]

We ended 2010 with the certainty that it was a year without precedent in Klabin's history. The good moments experienced in the domestic economy, together with the recovery of European markets, allowed us to make significant increases in our production lines.

In all segments – cartonboard, kraft papers, corrugated boxes, industrial sacks and timber – we saw record shipments and achieved the mark of 1,716 thousand tons at the end of the period. With a recovery in the domestic economy, added to the rise in value of the Brazilian currency compared to the dollar, we decided to channel part of the volumes allocated to exports to meet the demand of the national market. This strategy ensured good results for our business. In the year, we managed a gross revenue of R\$ 4.4 billion, a cash flow generation (EBITDA) of R\$ 962 million and net profits of R\$ 560 million, growths of 23%, 29% and 232% respectively year-on-year.

In keeping with our Sustainability Policy, we adhered to a number of voluntary commitments with national and international bodies that marked the International Year of Biodiversity. Among the most important are Business & Biodiversity (B&B EU Initiative), of the European Union, the goal of which is to promote dialogue between companies to raise the protection of biodiversity; the Corporate Movement for Conservation and Sustainable Use of Biodiversity, mobilizing the Brazilian business sector on behalf of the International Year of Biodiversity; the program Companies for the Climate (EPC) which has the reduction of greenhouse gas (GHG) emissions among its goals; and the Planet Earth, an initiative led by UNESCO to sensitize the greatest

number of people about how technology and science can help to prepare a safer, more healthy and prosperous world.

We invested R\$ 386 million in a series of actions to modernize and expand converting capacity. The focus was on increasing energy efficiency, reducing water and raw materials consumption and improved usage of wastes. An example is the investment plan to modernize Otacilio Costa in Santa Catarina, which includes a boiler fired by biofuel, which will substitute fuel oil as a source of energy. The operation, now with cleaner technology and renewable fuel, will result in significant energy gains.

In cartonboard and kraft paper, we increased the volume sold on the domestic market by 70%. We developed products that combine lower basis weight, better printing quality and preserve their strength properties, all of which translate into benefits for the customers and the environment with a reduction in consumption of raw materials. In corrugated packaging we carried out modernization projects on corrugators, giving them more production speed and we installed new printers. In industrial sacks, the investments in a new line which substituted two older ones have led to improvements in process automation and gains in quality and safety, as well as the manufacture of differentiated products for the Brazilian market. In the forestry area, we continued with our Forestry Incentives Program which has already involved 18 thousand rural landowners in the States of Parana, Santa Catarina and Sao Paulo, since its beginning in 1984.

The year of 2010 brought us important challenges

regarding the payroll. The shortage of skilled labor among contractor-suppliers and the pressure on costs induced us to identify opportunities for insourcing services in some plants. During the year, the number of our own employees showed a 14% increase, totaling 8,481 on the 31st of December, as a result of a decision to give priority to direct hiring instead of outsourcing workers in some activities.

We got the approval for a modernization and rationalization project for Human Resources, which consists of introducing changes to our action model, providing new management tools for leadership and expanding the contact channels for employees (self-attendance and an attendance center).

In acknowledgment of these initiatives we won important awards in 2010. Among them, the most notable were The Most Prestigious Company from the Pulp and Paper sector, given by Epoca Negócios, magazine, in first place out of the Top Five; The Best Company in the Pulp and Paper Sector of 2010, granted by the annual directory Melhores & Maiores 2010 of Exame magazine. In December, Standard & Poor's raised Klabin's global credit rating from BB to BB+.

In order to maintain our growth rate and keep our brand among the biggest in Brazil, we plan to invest about 30% more in 2011 than we did in 2010. The amount should come to nearly R\$ 500 million in forests, expansion projects of production, reduction of operational costs, adoption of clean technologies and employee development.

We believe that we are on the right path to sustained growth, generating profits and helping to generate wealth for the Country. Our ongoing pledge is to do more with less, aware that gains in

efficiency are a significant advantage for a company committed to sustainable development.

## **The Management**

# Strategic orientation

Klabin's activities are imbued with commitment to growth, value creation throughout the production chain and sustainable development. With this in mind, the company follows management principles which can guarantee its financial solidity, discipline in the use of capital and respect for ethical and legal criteria.

Its concern reaches beyond the quality of what it produces and extends to issues which involve environmental preservation and the socioeconomic development of employees and communities with which it relates. It invests continually in programs and initiatives aimed at intensifying the relationship with these stakeholders as well as promoting improvements in the environment.

In this regard, it strives to equate economic, environmental and social initiatives, supported by a business model which stresses aspects such as innovation, efficient usage of natural resources, excellence in forest stewardship, quality in production and financial discipline.

Project MA-1100, which was concluded in 2008 and completed its learning curve in 2010, brought a fresh dimension to the company, by raising capacity from 1.2 million to 1.9 million tons per year. It was the outcome of a R\$ 2.2 billion investment which transformed the Monte Alegre Plant, in Telemaco Borba (PR), into one of the ten biggest integrated pulp and paper mills in the world and ranked Klabin as the sixth largest global manufacturer of virgin-fiber cartonboard.

## Management tools

The management model adopted by Klabin uses tools which lead to gains in efficiency and quality. The main ones are:

- **Superar Program** – Set up in 2002 at the Monte Alegre Plant, in Telemaco Borba (PR), Klabin's Superar Program is the principal tool in the process of ongoing improvements in operations, with the goals of increasing productivity and motivating employees to contribute with ideas and suggestions. This initiative is based on World Class Operation Management (WCOM) methodology. The program entered its third and last phase – denominated the consistency phase – in 2010 with the principal target of achieving zero losses (breakage, defects, accidents, emissions etc.). Since its introduction, Superar has numbered approximately 450 Ongoing Improvement Teams and, at present, involves almost 90% of the employees at the Monte Alegre Plant. The teams focus their activities on anticipating problems, developing solutions in advance to ensure the proper and most efficient way to carry out processes, improving plant performance.
- **SAP/R3** – One of the first companies to adopt an integrated management system in Brazil, Klabin has introduced this software in all its business units from the plant floor up, bringing automation and standardization to operational routines, with instant, reliable access to information.
- **Program to Control Losses** – Installed in the Angatuba Plant (SP), this improves efficiency in processes. This action earned the recognition of the Japan Institute of Plant Maintenance (JIPM), a body linked to the Ministry of Economy, Trade and Industry of Japan.

- **Klabin Program to Follow-up on Costs (PKAC)** – Stresses discipline in controlling the company's fixed costs.

## Research and Development

Aligned with the vision of sustainable growth, the initiatives in research and development are concentrated on improvement to industrial and forestry processes, reduction of production costs, quality, productivity, health and safety. It is composed of an area of Research and Development (R&D) and an Innovation Committee, which meets periodically to discuss new strategies.

The R&D area has been especially involved in developing paper, cartonboard and lighter weight packaging with the same performance. This process has led to greater efficiency, reduced costs concerning the manufacture, use and transportation of boxes and has added environmental advantages as a result of using less fiber. To assist in this work, Klabin runs a Center of Competency in Jundiaí (SP), dedicated to the research and development of innovational projects in corrugated packaging. It is also active in partnership with equipment and raw material suppliers and depends on support from research institutes and universities in the Country and overseas.

In the forestry area, research carried out during the last 25 years has made it possible to double the average annual productivity of cultivated species, both of long fiber (pines) and of short fiber (eucalyptus). This greater productivity has resulted in a significant increase of production within the same planted area.

One of the most important forestry studies in which the company participates is the Genolyptus Project, to make the complete sequencing of the eucalyptus genome, which is principally targeting an increase of Brazilian productivity in the pulp and paper segment and, consequently, its commercial competitiveness on the international market. The research, one of the most advanced worldwide in this area, is being conducted by researchers in Brazil, South Africa and the United States.

### Innovations

In 2010, the principal R&D projects involved:

- **Cartonboard with grease barrier** – For the manufacture of fast-food packaging, the main property of the product is the application of a fat-repellent film, increasing the box strength when in contact with the food.
- **Quality of bleached pulp** – This work involved the University of Viçosa, in Minas Gerais, and its goal was to improve the quality and strength of the pulp produced by the Monte Alegre Plant, in Telemaco Borba (PR). To manage this, alterations were made to the production process, such as adjustments to the temperature, pressure and dosages of chemicals. The long fiber in the furnish was increased by 30%, which led to a 50% improvement in the tear strength of the products made from this raw material.
- **Consumption of oil in the lime kiln** – A reduction of 9% in fuel oil consumption was made possible by advanced controls which use mathematical models to anticipate oscillation points and indicate the best moment to adjust the machine and avoid process variations. This work reached the finals of the PPI Awards in the category of Improvements in Energy

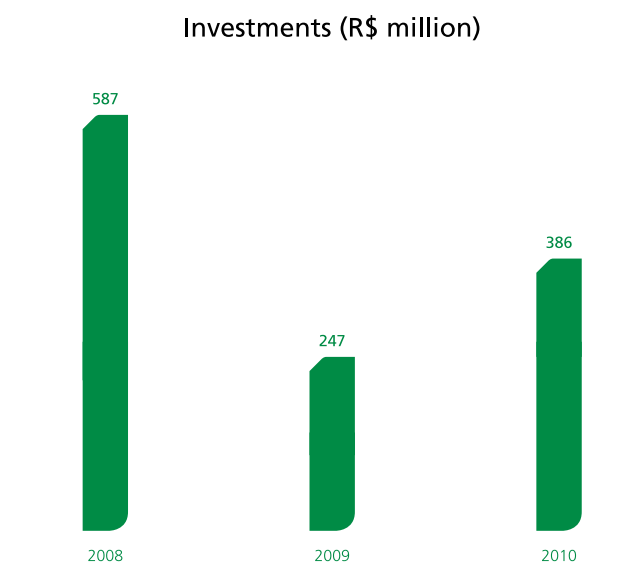
Efficiency. The awards were given by RISI, a global company supplying information on the pulp and paper sector.

- **Efficiency in the causticizing process** – This initiative used the same model for reducing oil consumption in the lime kiln at the Monte Alegre Plant and provided gains to the order of 12% in the causticizing process. The project won an award as the best work of the year from the Brazilian Technical Association of Pulp and Paper (ABTCP).

## Investments

In 2010, the company proceeded with its investment plans, with initiatives targeted at improving productivity in plants, decreasing the impact of its activities on the environment, with a focus on sustainable growth and value creation. In 2010, a sum of R\$ 386 million was invested, 56% above the previous year.

Investments by the Forestry Business Unit included planting 17,125 hectares during the year. The increase in planting higher yield species ensures adequate raw material for the rise in production capacity of fiber. Machines and harvesting



equipment were purchased to accelerate the rate of timber-cutting.

The Company invested in the energy matrix of the paper mills (cartonboard and kraft paper). Most noteworthy among the principal projects were the investments approved for a new high tension transmission line (230 kV) for the mill at the Monte Alegre Plant, Telemaco Borba (PR) and new biofuel boilers at the plants of Correia Pinto and Otacilio Costa (SC). The equipment, already installed in Otacilio Costa, meant an investment of R\$ 29 million in 2010 and brought significant advances to the process of environmental preservation, with a reduction in greenhouse gas emissions and in fuel oil consumption at the plant.

Four printers, with four-color printing capacity, were acquired and installed in the box plants. The machines are running in the two plants in Jundiai (SP), Feira de Santana (BA) and in Itajaí (SC) and represent an increase in converting capacity and better graphics solutions to meet new demands from the market.

### Investments (R\$ million)

Business Unit	2009	2010
Paper (cartonboard and kraft paper)	122	181
Forestry	98	133
Converting (corrugated packaging and industrial sacks)	27	68
Others	-	4
<b>Total</b>	<b>247</b>	<b>386</b>

A complete new line was also installed for the manufacture of multiwall industrial sacks with valves, a system which guarantees safe and efficient closure of the packaging. The equipment now in operation at the Lages Plant (SC) has substituted two older lines and provides gains in productivity and quality.

## Outlook to the future

The company is readying itself for a fresh cycle of growth to be deployed on two fronts: efficiency improvements – conveyed by operational stability and financial discipline – and a future expansion program, which will allow for dilution of fixed costs and a boost in productivity.

In order to continue growing sustainably, while maintaining its brand among the biggest of Brazil in a highly competitive market, it announced investments in the range of R\$ 500 million for 2011, an amount 30% above that of 2010. The purpose of this allocation is to increase efficiency, reduce operational costs and give priority to the development of clean technologies in all fields of activity. Given the outlook for growth in the Brazilian market for the coming years, the goals are:

### In the short and medium term:

- Renovation of the forestry area, with the substitution of old forests for new ones, with gains in fiber yields of up to 50%, new harvesting machines and equipment;
- Reduction of energy costs at the Monte Alegre Plant, in Telemaco Borba (PR), with a new transmission line coming on stream;
- Economy of costs, advances in the energy source and technological modernization in the plants of

Otacilio Costa and Correia Pinto, both in Santa Catarina, with the installation of new biofuel boilers;

- Capacity expansions in the corrugated box plants of Jundiai (SP) and Goiana (PE);
- New line of multiwall sacks in Lages (SC), which will increase production capacity;
- In paper (cartonboard and kraft paper) at the Monte Alegre Plant, investments will be steered to process improvements in the areas of evaporation, collection of non-condensable gases, debarking and lime-cooling in one of the furnaces.

### In the long term, the measures forecast are:

- Increase in the rate of forest planting so as to ensure raw material for future projects.



# Commitments and engagement

## Sustainability policy

"Klabin S.A. is a producer of timber, packaging paper, cartonboard, corrugated boxes and industrial sacks. It operates on domestic and international markets and all its activities related to its products and services are predicated on the following principles of sustainability:

1. To seek competitive quality, aiming at sustained improvement of results, continuously perfecting processes, products and services so as to meet the expectations of customers, employees, shareholders, communities and suppliers.
2. To ensure supply of its industrial units with wood from planted forests, in a sustainable way and without any damage to either natural or associated ecosystems.
3. To exercise and promote the recycling of pulp fiber in its production chain.
4. To prevent and avoid pollution by means of reducing environmental impact from effluents, solid wastes and emissions to air.
5. To promote employees' personal and professional advancement, and to strive for continuous improvement of their working environment, health and safety.
6. To exercise social responsibility with a focus on the communities where the Company is present.
7. To comply with laws and regulations applicable to product, environment, health and safety."

## Adherence to socioenvironmental initiatives

Klabin participates in and gives support to initiatives to promote sustainable development. With the intention of strengthening the practice, the company has adhered throughout the years to initiatives developed in conjunction with national and international bodies.

**Global Compact** – Klabin has been a signatory since 2002 of this United Nations Organization (UNO) initiative, which has mobilized the international business community to adopt in its business practices fundamental and internationally accepted values in the fields of human rights, labor relations, environment and the fight against corruption. It likewise backs the **Eight Millennium Development Goals**, a challenge to build a more just and inclusive world by 2015, through the concrete actions of governments and society.

**Forest Dialogue** – Since 2005 in Brazil, it has assembled companies from the forestry sector and environmentalist organizations for the purpose of disseminating economically viable actions and increasing the scope of efforts and their results of environmental conservation. Klabin joined the regional forum in 2008 and the national dialogue in 2009.

**Pro-Sustainable Food Initiative (Ipas)** – Comprised of organizations from different sectors, it encourages projects which endeavor to take innovation and sustainability to Brazilian agro-industrial systems.

Klabın has been a member of Ipas since 2008. It tries to adopt the practices that combine responsible utilization of natural resources with the concern for social aspects, from the beginning of food production till the post-consumer stage.

### **Business & Biodiversity European Union**

**Initiative (B&B EU Initiative)** – The main objective of this program by Germany's minister of the Environment, which Klabın joined in 2008, is to build up the protection of biodiversity on the part of companies. It seeks to divulge knowledge of the importance of biodiversity and support companies in their efforts to introduce aspects of biodiversity management into their corporate actions.

**Companies for the Climate (EPC)** – Klabın has participated since 2009 in the program launched by the Center for Sustainability Studies of the Getúlio Vargas Foundation (GVCes). Upon adhering to this platform, it took up a commitment to publish greenhouse gas inventories and develop policies and management plans which guarantee competitiveness, innovation and stimulus for a position in favor of a low-carbon economy.

### **Coalition of Companies for the Climate –**

Promoted by the Brazilian Foundation for Sustainable Development (FBDS) this initiative, which has had Klabın's participation since 2009, attempts to contribute with concrete proposals for negotiations connected with the United Nations Framework Convention on Climate Change.

### **Corporate Movement for the Conservation and**

### **Sustainable Use of Biodiversity (MEB) – Is**

comprised of a group of companies with the mission to jointly prepare a positive agenda on the conservation and sustainable use of Brazilian biodiversity. Klabın became a signatory in 2010 of this initiative led by the Ethos Institute. MEB drew up a Corporate Letter for the Conservation and Sustainable Use of Biodiversity addressed to the government and Brazilian society, in which the undersigning companies present commitments and proposals for the conservation and sustainable use of biodiversity.

### **The Planet Earth Institute –**

in 2010 the company joined this initiative of the United Nations Organization (UNO), which installed a Planet Earth Institute in Latin America, with head offices in Brazil. Its mission is to make the largest possible number of people aware of how technology and science can help them to live in a safer, healthier and more prosperous world, and also to arouse the interest of youngsters for the planet's sustainability. It implements projects which bring scientists, companies, governments, NGO's and civil society together.

### **Climate Leadership Programme –**

Copenhagen Communiqué (University of Cambridge) – Initiative which aims to help organizations to minimize risks, identify business opportunities, seek and perform a leadership role in preparing a more sustainable future. Joined in 2010.

### **The Prince of Wales' Business & the Environment Programme (BEP) –**

Participation, since 2010, in the international forum which endeavors to exploit strategic opportunities in order to reconcile

profitability with sustainability.

**Letter of Principles (Bracelpa)** – Launched in 2010, its purpose is to provoke a thoughtful analysis of the attitudes and practices which guide the activities of pulp and paper companies installed in Brazil: commitment to sustainability, excellence of products and services and growing participation in national and international markets.

### Principles of the Global Compact



#### Human rights

Principle 1 – To support and respect protection of internationally proclaimed human rights within its sphere of influence.

Principle 2 – To make sure that business is not party to human rights abuses.



#### Labor

Principle 3 – To support freedom of association and effective recognition of the right to collective bargaining.

Principle 4 – To support the elimination of all forms of compulsory and forced labor.

Principle 5 – To support the effective eradication of child labor.

Principle 6 – To support the elimination of discrimination regarding employment and occupation.



#### Environment

Principle 7 – To adopt a precautionary approach to environmental challenges.

Principle 8 – To undertake initiatives to promote greater environmental responsibility.

Principle 9 – To encourage the development and diffusion of environmentally friendly technologies.



#### Anti-corruption

Principle 10 – To fight corruption in all its forms including extortion and bribery.

### Millennium Goals



## Relations with strategic stakeholders

Klabin's relationship with its different stakeholders is governed by guidelines of ethics and transparency. With responsible actions and open to dialogue, it endeavors to meet the needs and expectations of all parties involved in its business. The principal stakeholders were identified internally during the process to define the Company's strategic planning of its communications.

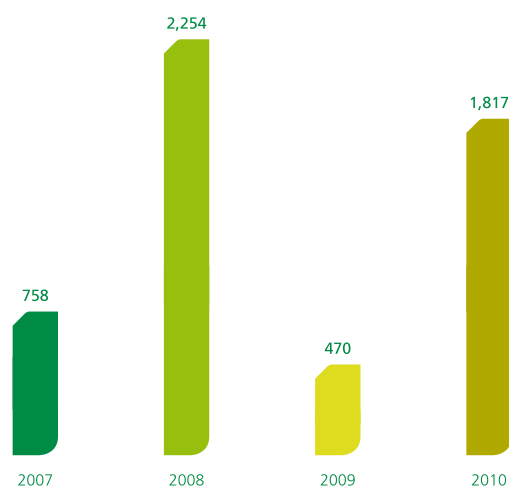
The company makes various communication channels available to its stakeholders, such as its website [www.klabin.com.br](http://www.klabin.com.br), financial and sustainability reports, news bulletins, news articles in the local and national press, electronic information, relationship events, etc. In order to approach and improve relations with stakeholders, it promotes meetings, lunches, dinners and visits to the plants.

The Forestry Business Unit maintains specific channels for the communities, in which it has forestry operations, to express themselves such as: suggestion boxes (urns and forms to leave opinions, complaints or request information); meetings and a telephone - (42) 3271-2286 in the State of Parana; (49) 3275-8422 in the State of Santa Catarina; and (15) 3255-9000 in the State of Sao Paulo. Other means of dialogue are the Caiubi, Legal Woods, Forestry Incentives, Junior Green Force Programs and lectures given by the company's professionals at community events.

### Monitored visit

Klabin runs a monitored program for visitors to the Monte Alegre Plant, in Telemaco Borba (PR), with the objective of aligning and unifying the messages conveyed to its various stakeholders. Designed for customers, suppliers, the press, investors, employees, students and other groups, the project covered 146 visits in 2010, with a total of 1,817 participants. Since calculations began in 2007, 5,299 people in 441 visits, were able to get to know the forestry areas (planted and natural reserves), as well as the production plants and the phytotherapy laboratory, and see for themselves the sustainability model in practice.

Visitors per year - Monte Alegre Plant



## Relationship with interested parties

[GRI 4.15]

Interested party	Relationship actions and channels of communication
Shareholders, investors	<p>Website on the internet with economic-financial information - <a href="http://www.klabin.com.br">www.klabin.com.br</a></p> <p>E-mail for communication with the area of Investor Relations</p> <p>Meetings of the Association of Investment Analysts and Professionals from the Capital Market (Apimec)</p> <p>Quarterly and annual management reports to the Securities Exchange (CVM) and BM&amp;FBovespa</p> <p>Sustainability Report</p> <p>Program of visits to the company's plants</p> <p>Participation in conferences and road shows</p>
Customers (of the forestry area, cartonboard, corrugated boxes and industrial sacks)	<p>Relationship events with customers</p> <p>Website <a href="http://www.klabin.com.br">www.klabin.com.br</a></p> <p>Phone channel</p> <p>Periodical visits to customers</p> <p>Program of visits to the company's plants</p> <p>Programs to develop products and services</p> <p>Printed and virtual information channels</p>
Employees (direct)	<p>Printed and virtual information channels</p> <p>Intranet</p> <p>Climate survey</p> <p>Events with the directors</p> <p>Ombudsman</p> <p>Website <a href="http://www.klabin.com.br">www.klabin.com.br</a></p>
Outsourced workers	<p>Printed and virtual information channels</p> <p>Ombudsman</p> <p>Website <a href="http://www.klabin.com.br">www.klabin.com.br</a></p>
Suppliers	<p>Internet site for registration and contact</p> <p>Program of visits to the company's and suppliers' plants</p> <p>Forestry Incentives Program</p>
Communities	<p>Sponsorship of cultural and social events</p> <p>Program of visits to the company's plants</p> <p>Disclosure through the press of social projects and programs</p> <p>Website <a href="http://www.klabin.com.br">www.klabin.com.br</a></p> <p>Socioenvironmental programs (Caiubi Program of Environmental Education, Legal Woods Program, Environmental Guards, Junior Green Force, among others)</p> <p>Explanations and suggestions about forest stewardship: suggestion box in the community and phone: (42) 3271-2286 no in the State of Paraná; (49) 3275-8422 in the State of Santa Catarina; and (15) 3255-9000 in the State of Sao Paulo.</p>
Government and society	<p>Participation in forums and committees of the sector</p> <p>Participation and contributions to associations and institutions</p> <p>Program of visits to the company's plants</p> <p>Website <a href="http://www.klabin.com.br">www.klabin.com.br</a></p> <p>Training program for undergraduate and post-graduate students, with field classes in university subjects, such as field Biology, from UEL, and Forest Management, from UFPR</p>

# Corporate governance

Committed to transparency of information for the market and equal treatment of shareholders, Klabin has been listed as Level 1 Corporate Governance since 2002 on the Sao Paulo Stock Exchange (BM&F/Bovespa); this segment reports the activities of companies which have adopted the best differentiating practices of governance.

The policy of share dispersion guarantees holders of preferred shares the right to tag-along and to receive a value equivalent to 70% of a common share belonging to the controlling block. This right does not nullify the dividend payment for preferred shares which is 10% greater than that attributed to common shares.

The company has policies for the disclosure of relevant facts and share trading, applicable to all the shareholders and professionals with access to information which may be considered privileged.

They establish communication processes with the market and restrictions on trading Klabin stock. Ample disclosure of information is a part of company culture. Every two months, the Board meets to evaluate results and discuss targets and strategies.

The Company's performance is published via quarterly reports, annual financial statements and annual sustainability reports.

The principal channel for shareholders to make recommendations to the Board of Directors is through the General Assembly. Another channel for direct communication by the shareholders is through the area of Investor Relations, which can be contacted by phone, mail or e-mail. All stakeholders – including customers, employees, suppliers and representatives of society – can use the e-mail address, available on the company's website, to make

recommendations to the management. Employees also have a specific channel to reach the Ethics Committee (Ombudsman). [\[GRI 4.4\]](#)

The company presents consolidated financial statements in compliance with the international standards of financial reporting (IFRS - International Financial Reporting Standards), issued by the International Accounting Standards Board (IASB).

## Structure and functioning

Klabin's principal organs of governance are the General Assembly of Shareholders, the Board of Directors, the Fiscal Council, and the Executive Directors, all of whom act in synergy to achieve the company's economic, financial, social and environmental results. [\[GRI 4.1\]](#)

**Board of Directors** – Is comprised of 12 effective members and 11 alternate members, elected at the General Assembly, four of whom are independent. [\[GRI 4.3\]](#) The mandate is for one year, and re-election is allowed. The Board of Directors is responsible for establishing long-term strategy and taking decisions. The president of the Board has no executive function in the company. [\[GRI 4.2\]](#) They are white, 18 men and five women, six of whom between 30 and 50 years old and 17 over 50. [\[GRI LA13\]](#)

**Fiscal Council** – Comprised of five effective and five alternate members, it is responsible for appraising the financial statements and identifying opportunities to reduce tax costs and propose, whenever possible, solutions to impacts and contingencies imposed by the legislation and the fiscal norms in force. The

fiscal councilors are elected by the General Assembly, with a one-year mandate and reelection allowed.

**Executive Directors** – Is comprised of five directors, being one managing director (CEO), and four other directors (Financial, Planning and Investor Relations; Operations; Projects, Industrial Technology and Supply Chain; and Industrial for the Paper Business Unit), elected by the Board of Directors. They have a one-year term, with re-election allowed and are responsible for carrying out the decisions of the Board of Directors and for the day-to-day management of the business. In November 2010, Klabin informed the market of Reinoldo Poernbacher's retirement and of the election of its new CEO, Fabio Schwartsman, who took over on the 2nd of February 2011. In 2010, remuneration of the executives was tied to an added value (EVA®) metric, which takes into account the cost of opportunity of resources invested in the company.

**Directors** – Seven directors, of whom two from the Paper Business Unit (cartonboard and kraft paper), two from the Converting Business Unit (corrugated packaging and industrial sacks), one from the Forestry Business Unit, one corporate director of Human Resources and one industrial director in Santa Catarina.

**Independent Auditors** – Klabin's relationship with the auditors follows the principles of independence, in order to eliminate any risk of conflict of interest. External auditing is chosen by the Board of Directors. In 2010, this work was performed by Deloitte Touche Tohmatsu Independent Auditors.

## Ethical behavior

The basic values which have guided Klabin's decisions and attitudes since its foundation in 1899 are upheld by morality, dignity, freedom, integrity, loyalty, transparency and justice. To emphasize best practices the company adopted a series of codes and policies which reinforce its culture and orient its activities, one of these being its Code of Conduct. Approved by the Board of Directors in 2009, this document establishes concepts which should be used by all the employees, irrespective of their position or function.

### [GRI 4.8]

The guide, available on Klabin's website, is intended to orientate relationships between its board, directors and employees, as well as customers, suppliers, public organs and society as a whole, establishing values and guidelines to orientate decisions and attitudes during the exercise of their duties.

Accusations may occur when the employee becomes aware of data or concrete facts which are benefitting someone to the detriment of others or Klabin itself. Violations of moral principles and the guidelines may be brought directly to the knowledge of the Ombudsman, at internet address [www.klabin.com.br](http://www.klabin.com.br), or through the telephones (11) 3046-5988 (Director of Human Resources), (11) 3046-9903 (Auditing Department) and (11) 3046-9949 (Legal department). Accusations about situations which affront the spirit of the Code of Conduct may be sent to Klabin through a direct channel.



## Risk management |GRI 1.2|

For Klabin, risk is every and any event which may prevent it from reaching its objectives. The company attempts to disseminate this culture among its managers and employees, turning each one into an agent responsible for identifying, framing, influencing and disseminating the issue. The Company administers its risks on an ongoing basis, determining compliance with formal policies approved by the Management which orient transactions involving risks, relying on internal audits in its organizational structure that help to check policies, procedures and practices. Among those tools adopted to evaluate and mitigate the principal risks are contingency plans and industrial maintenance programs, environmental and occupational health and safety management, as well as policies and models for administering financial factors. The main identified risks are:

**Financial risks** – Controlled cash management minimizes Klabin's exposure to financial risk. These risks are administered by control systems, by defining the limits of positions and by contracting instruments to protect against credit, cash and interest rates. In this respect, no speculative operations are made. The company is exposed to the Long Term Interest Rates (TJLP) due to the finance contracts signed with BNDES and the LIBOR rate which is linked to contracts for financing exports. Part of the exchange exposure is covered by export revenue. In order to mitigate eventual risks inherent to short term financial deposits and derivative contracts, Klabin

only works with first-line financial institutions and within pre-established limits. Furthermore, the management of its funds is guided by budgetary forecasts.

**Operational risks** – Investments to modernize the industrial plants and increase production capacity guarantee an important competitive differential for Klabin, imposing greater efficiency on its operations and enabling the development of higher quality products with added value. Preventive maintenance of the machines, done with software and by management practices, minimizes the risk of unprogrammed shutdowns in industrial and forestry activities. The process entails periodical inspections, tests and evaluations to assure efficiency and quality of operation. In the forestry area, different species of eucalyptus clones are planted to diminish the possibility of loss through plagues or pests. Moreover there is a warning system and fire brigades ready to prevent and control fire risks. Losses from failures which turn into accidents are covered by policies for contracted specified risk for all industrial and administrative plants and offices. The Monte Alegre Plant, in Telemaco Borba, the biggest in the company, runs a crisis prevention and management program to ensure operational continuity in the case of natural disasters and emergencies.

**Market risk** – The Company has no power whatsoever to influence prices of commodities and raw material inputs or their oscillations in demand, nor the evolution of inflation rates and the behavior of the economy. By accompanying the trends of national and international markets for paper and



packaging, it is possible to monitor these risks so as to back decisions to redirect production and sales. In order to protect against these factors, Klabin is assisted by the quality of its products and the segmentation of its sales, which diminish its exposition to a certain industry or specific customers.

**Credit risks** – These risks are administered by specific norms for customer acceptance, credit analysis and the definition of exposure limits per customer, besides immediate monitoring of bills due. Credit insurance policies are also made for the export market.

**Technological risks** – Adoption of the sector's state-of-the-art technologies provides gains in efficiency and safety in operations. Redundant IT systems and a contingency plan for IT are both in place to ensure that business can be carried out in any environment. The company also has a Disaster Recovery Plan capable of guaranteeing that all critical operations of the company can be resumed in a reasonable space of time. For 2011, it is expected to install a risk control system for SAP, comprising three modules: one for transactions, another for processes and the last for overall risk management.

**Environmental risks** – The Environmental Management System (EMS) provides guidelines for the company to follow, reasserting its commitment to preserve natural resources and reduce environmental impacts from hydric effluents, solid wastes and atmospheric emissions. The EMS is certified to norm ISO 14001 in all the production plants. Its products have the certifications of ISO

22000 (Food Safety Management System), the Forest Stewardship Council (FSC – responsible management of forestry production) and ISEGA (Institute of Packaging Materials Analysis) in Germany.

**Risks to reputation/image** – The process of disseminating the Code of Conduct is a part of Klabin's efforts to expand its good practices in corporate governance and contribute to assuring an image of credibility, solidity and trust. These practices stress the importance of acting ethically, legally and with respect for the human being, rejecting any form of discrimination but showing responsibility to society and the environment.

# Business performance

In 2010, the Brazilian production of pulp reached 14.1 million tons, a volume 5.6% above that of 2009, and the production of paper was 9.8 million tons, 3% up, according to the data of Bracelpa (Brazilian Association of Pulp and Paper). The country ranks as the fourth biggest global producer of pulp of all grades, the leader in short fiber pulp (of eucalyptus), and the ninth biggest paper producer. In Brazil, the pulp and paper sector has 5.1 million hectares in total area of forests, of which 2.2 million hectares are planted for industrial purposes and 2.9 million hectares are of preserved forests. The sector employs 115 thousand people directly and contracts another 575 thousand. Furthermore the industry runs programs of forestry incentives to produce wood with approximately 27.6 thousand small and medium sized farmers, who plant on 425 thousand hectares. The domestic market scene in 2010, with income, jobs and industrial production on the rise, drove consumption and consequently the demand for paper and packaging. On the international scene the principal result was the revenue from Brazilian exports which totaled US\$ 6.8 billion, representing an increase of 35.4% in comparison with 2009. The economic recovery of the international markets was also reflected in the result of export sales from the sector. Exports of pulp to North America and Europe had an increase in revenue of 61.6% and 67.8% respectively and in the year represented 65% of the gross revenue from fiber exports. The countries of Latin America kept their position as the most significant market for paper, with an increase of 28.8% in the value of exports and responded for 56% of the total value of international sales of paper.

## Forestry Business Unit

The Forestry Business Unit is the biggest supplier in Brazil of logs from certified, planted forests for saw mills and veneer plants. Besides this, it is responsible for all the raw material used in the company's paper mills. Its processes ensure that the products are reliable and low-cost, always aligned with the company's sustainability policy.

During the year, a total of 9.9 million tons of pine and eucalyptus logs and woodchips (including purchased wood) and wood wastes to generate energy from biofuel were transported. This quantity is 25% above that of 2009 (7.9 million). Of the total, 6.8 million tons went to Klabin's mills in Parana, Santa Catarina and Sao Paulo. The sales volume of logs for saw mills and veneer plants rose by 65%, totaling 3.1 million tons. This strong performance was marked mainly by an increase in the customer base, most of all in Parana and in Sao Paulo.

In 2010, 24,783 hectares of pine and eucalyptus were planted, 17,125 hectares of own plantations and 7,618 hectares of forestry incentive lands in 94 municipalities of the States of Parana, Santa Catarina and Sao Paulo. The majority of the planted wood is harvested mechanically which assures the best yield with least losses, as well as reducing costs and the need to replace the forests.

The yield of eucalyptus forests, measured in tons of pulp produced per planted hectare has been growing year after year thanks to investments in research and development. The productivity of the areas in fiber in 2010 was 40% higher than in the five previous years. The production of more wood per hectare, of more pulp per cubic meter of wood and the

shorter distance between the plantations and the plants are factors which bring savings in time and transportation.

### Forestry area (ha) on 12/31/2010

Planted forests	<b>212,570</b>
Eucalyptus	76,776
Pine	133,154
Araucaria/others	2,640
Preserved native woodlands	<b>192,337</b>

### Regional stimulus

One of the forestry area's main initiatives during the year involved setting up the Development Program for Telemaco Borba and the Region Based on Diversification of the Timber industry and run in the State of Parana. The purpose of this partnership between Klabin, local town halls, the government of the State of Parana, Sebrae-PR, and FIEP, Federation of Industry of the State of Parana, is to build a chain of timber in the region, promoting regional development with a focus on the sustainability and competitiveness of the industry.

Participating in the program are 14 towns: Telemaco Borba, Candido de Abreu, Congonhas, Curiuva, Figueira, Imbau, Ipiranga, Ortigueira, Reserva, Rio Branco do Ivaí, São Jerônimo da Serra, Sapopema, Tibagi and Ventania. In 2010 a steering committee was established, held its first meeting with the mayors involved and decided to contract an organism to survey the supply and demand of timber in the region.

### Forestry incentives

Set up in 1984, Klabin's Program of Forestry Incentives has benefited 18 thousand landowners and distributed 163.2 million seedlings, in 201 thousand hectares of 94 municipalities in the regions close to the forestry units of Parana, Santa Catarina and São Paulo. In 2010, 315 farmers received incentives with a distribution of 11.2 million seedlings and the planting of 7.6 thousand hectares in 57 municipalities.

In order to maintain the good yield and high technical level, Klabin gives the farmers all the guidance needed to carry out the activity, from supply of seedlings through management of the forest to sale of the timber, as well as orientation on environmental matters. Klabin maintains agreements with Emater/PR and Epagri/SC, for technical assistance to rural producers. Development of the forests is financed by two programs of the federal government: Pronaf (National Program to Fortify Family Agriculture) and Propflora (Program of Commercial Planting and Recovery of Forests), in which the company acts as a co-signer for the farmers. With this program, Klabin's goal is to raise the total share of wood supplied by third parties from 10% to 20% by 2012.

## Paper Business Unit

The volume sold during the year of paper and cartonboard was 1,024 thousand tons, 11% over the year before, with a growth of 24% in the domestic market and 1% in the export market. Total net revenue was R\$ 1,713 million, 25% above that of 2009, with a growth of 30% in the domestic market

and 18% in the export market.

With four production plants located in Telemaco Borba (PR), Otacilio Costa (SC), Correia Pinto (SC) and Angatuba (SP), the Business Unit has an installed capacity of 1.9 million tons/year of paper, the biggest in Brazil. The Monte Alegre Plant in Telemaco Borba (PR) is the largest paper mill in Brazil, with a capacity of 1.1 million tons/year.

To continue growing in the domestic market and also to meet the big demand installed in the Country for paper and board, the company boosted its sales volume in the home market by 70% in comparison with 2009. It also continued developing lower basis weight products conferring better printing quality to the product and higher yield on the machines. Since 2006, its entire chain of custody for paper has had FSC (Forest Stewardship Council) certification, which recognizes the sustainable management of the production cycle. For a paper producer, certification leads to greater market access and an improved image. For converting customers and distributors, certification signifies that the origin of the wood used in paper-making is guaranteed, and that the market recognizes the use of sustainable materials and a commitment to socioenvironmental responsibility. Consumers identify as benefits both a guarantee of origin and contribution to the cause of sustainability.

## Cartonboard

Sales volume of cartonboard was a record in 2010, with 656 thousand tons, an increase of 24% in relation to 2009, and generated net revenue of R\$ 1,247 million, 26% above the previous year. According to Bracelpa, domestic shipments in

2010, excluding liquid packaging board, were 576 thousand tons, 14% above 2009. The share of Klabin board on the domestic market came to 27% as against 25% in 2009.

Klabin is one of the biggest producers and exporters of cartonboard in the Country. Its cartonboard is made from a mixture of short fibers (eucalyptus) and long fibers (pine) which gives the packaging strength and excellent printability. Another property is the application of barriers which are of great advantage when the product is exposed to refrigerated or deep-frozen environments.

As a result of this treatment, Klabin's cartonboard is recommended for the manufacture of packaging for food (milk cartons, beer can sleeves, boxes for frozen food, pastas, cereals, panettones and others), cleaning (detergent boxes) and hygiene (soaps, toothpaste) products and electrical and electronic devices among others, as well as the multipack type of packages used for beer, soft drinks and others. It is the only manufacturer of the Liquid Packaging Board grade in the Southern Hemisphere, recommended for packaging liquid foods (milk, water, juices) and viscous foods (table cream and tomato puree).

## Kraft paper

Sales of kraft paper— a grade of paper used to make corrugated boxes, industrial sacks, shopping bags, etc. – totaled 367 thousand tons, a volume 6% below that of 2009 due to a bigger inter-company transfer of kraft paper for manufacturing Klabin's own corrugated boxes. Net revenue came to R\$ 466 million, 21% above the previous year.

The rise in international paper prices and the increase

in sales volumes in the domestic market partially compensated for the higher exchange value of the Brazilian real against the US dollar, helping to raise revenue. Due to the market relocation strategy, export volumes came to 221 thousand tons in the year and represented 60% of the total, compared with 78% the year before.

The leading national manufacturer of virgin fiber kraft paper for packaging with installed production capacity of 800 thousand tons/year, Klabin has always endeavored to be in tune with the needs of its customers. For this reason it has developed a combination of various basis weights which meet the most demanding markets in Brazil and around the world. Thanks to technology, the products made are stronger and have excellent printability, and furthermore add physical and surface properties which assure customers of outstanding performance on a wide variety of machines.

## Converting Business Unit

The sales volume of converted products (corrugated packaging and industrial sacks) was 653 thousand tons, 11% above that of 2009. Net revenue reached R\$ 1,629 million, 18% above the previous year.

### Corrugated packaging

In the year, Klabin broke its all-time record of shipments of sheets and corrugated boxes: 512 thousand tons, a 12% bigger quantity than in 2009, and it generated net revenue of R\$ 1,157 million, a jump of 22%.

There was a recovery during the year in the segment of boxes for frozen products and industrial growth

in the sectors of foods, cosmetics and hygiene and cleaning products among others, boosting sales on the domestic market. According to data from ABPO (Brazilian Association of Corrugated Board), Brazilian shipments totaled 2.5 million tons, an increase of 12 % in comparison with 2009.

In order to meet the increase in demand in 2010 with agility and efficiency, Klabin invested in the purchase of four four-color printers – two in Jundiai (SP), one in Feira de Santana (BA) and one in Itajai (SC). It also introduced modifications on the corrugators of Jundiai (SP) and Goiana (PE) which increased corrugating speed from 300 to 400 meters/minute, and in Betim (MG), which went from 240 to 300meters/minute.

The company retains its leadership in the domestic market of corrugated boxes and also has the biggest installed production capacity – 550 thousand tons/year – with nine box plants located at strategic points to serve internal and external customers rapidly and efficiently. In 2010 the box plants ran at a 93% operating rate.

Klabin's corrugated boxes are used by every segment of the economy, offering full protection to the products they carry. The nine box plants have ISO 9001, ISO 14001 and FSC certification.

New investments for expansion have been approved for 2011. Among the projects to be started are the expansion of the Goiana Plant (PE), from 70 thousand to 158 thousand tons/year and the duplication of the plant located in the Industrial District of Jundiai (SP), which will go from 45 thousand to 100 thousand tons/year. It is expected that in 2012, when the works will have been completed, installed capacity will reach

700 thousand tons/year.

## Industrial sacks

In 2010, 142 thousand tons of industrial sacks were sold by the plants in Brazil and Argentina, a volume 9% above that of 2009 (130 thousand tons). Net revenue came to R\$ 472 million, a growth of 10% in comparison with the year before.

With the three manufacturing plants in the Country – two in Lages (SC) and one in Goiana (PE) – and one plant in Argentina, Klabin has an annual converting capacity of 160 thousand tons or 75 million glued sacks per month, the biggest in the Country. Its production, which originates from FSC®-certified, planted forests and controlled sources is sold on the domestic market and a number of countries around the world and its most important customers are from the industries of civil construction (sacks of cement, mortar and lime), and food, especially flour, seeds and others.

The highlight of the year was the purchase of a new production line at the Lages 1 Plant (SC), which brought more capacity, agility, quality and safety to the process with a monthly increase of 4 million glued sacks or approximately 400 thousand tons. More modern and with a higher level of automation, the new group of machinery substituted two older lines and enabled Klabin to open a new market niche with the development of differentiated products, such as sacks for small volumes of up to 10 or 15 kilos. One of the properties of this package is an option to include a carry-handle, a novelty which facilitates handling and transportation of the merchandise. **|GRI 2.9|**

During the year, Klabin also stepped up production

of a special type of sack for the milk powder market. With a capacity of 20 kilos, the product has been designed with kraft paper and is treated with an interior five-layer film of polyethylene and nylon able to protect the product from contact with the air and so keep it intact.

Investments of R\$ 15.6 million have been approved to continue the process of expansion and improvement of industrial sack converting capacity in 2011, with the installation of a new line at the Lages 1 Plant (SC) with capacity and characteristics similar to the one acquired in 2010.

# Economic-financial performance

The year of 2010 was a record year for Klabin in sales, with a volume of 1.7 million tons (not including wood), a growth of 11% over 2009. Of this total 68% went to the domestic market and 32% to the export market. Sales of paper, cartonboard, corrugated boxes and sheets and industrial sacks were driven by the increase in domestic demand, mainly in the food industry and in the case of industrial sacks by the excellent period of civil construction which the Country went through. Owing still to the repercussions of the international financial crisis and the increase of the real against the dollar, Klabin reviewed its export strategy and began to seek new opportunities for its product mix on the domestic market, while nevertheless preserving important partners overseas. The speed of decision making was crucial in assuring the results obtained during the year.

Klabin adhered to the International Financial Reporting Standards (IFRS), international accounting norms which came into force in Brazil in 2010. The main impacts of this new standard on the company's net assets were:

## Consolidated net assets in R\$ million - 12/31/2010

### Impacts from adoption of IFRS

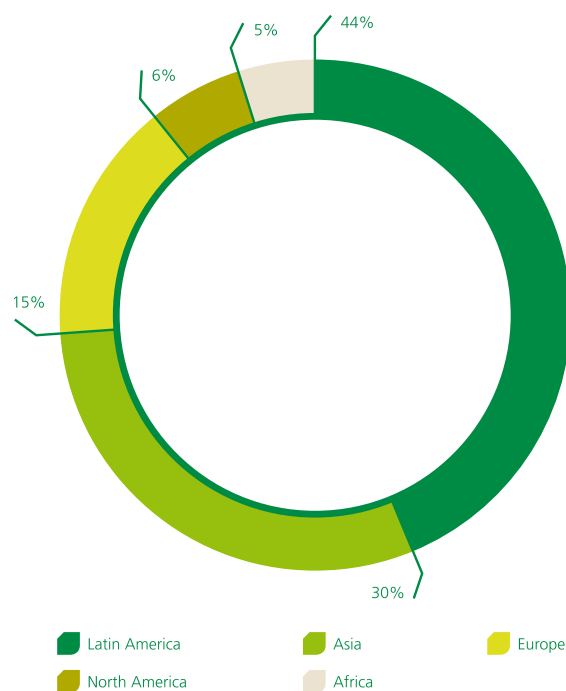
<b>Net assets before new procedures</b>	<b>2,577</b>
Fair value of biological assets (forests)	1,850
Cost attributed to fixed assets - lands	1,664
Effect of deferred income tax	-1,195
Other adjustments - net deferred income tax	258

<b>Net assets in accordance with new procedures</b>	<b>5,154</b>
Attributed to participation of controlling shareholders	4,994
Attributed to participation of non-controlling shareholders	160

**Domestic market** – With the good phase in the Country's economy and the increase in Brazilians' purchasing power, Klabin enjoyed positive performance in the domestic market in 2010. Sales volume showed a growth of 17% in comparison with the year before, and totaled 1,161 thousand tons. Net revenue rose by 27% and represented 78% of total revenues.

**Export Market** – With the devaluation of the dollar against the real, Klabin chose to re-direct sales volume and cut back its participation in the export market. Thus export volume remained stable in relation to the previous year totaling 555 thousand tons. Net revenue in reais rose 14% and in dollars 30% compared with 2009. With this performance, sales on the domestic market responded for 22%

Exports Net Revenue 2010



of total net revenue, compared with 24% in 2009, a result which is in line with the strategy to increase its share on the domestic market. A major part of the volume exported, 45% of the total, went to countries in Latin America.

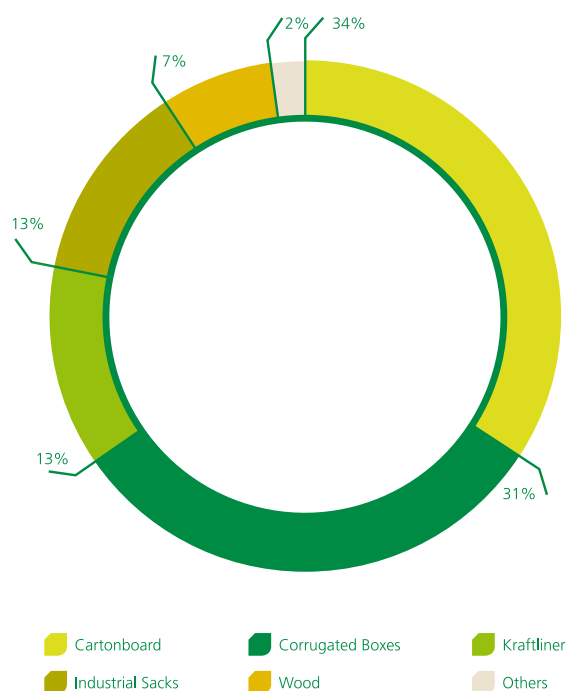
## Results

**Revenue** – During the period, the company's gross revenue (including wood) came to R\$ 3.7 billion, equivalent to US\$ 2.6 billion, 23% above the previous year. Net revenue (including wood) was R\$ 3.47 billion (US\$ 2.2 billion), a growth of 24% over the year before. This progress is principally due to stronger internal demand and price adjustments resulting from the spike in international pulp prices.

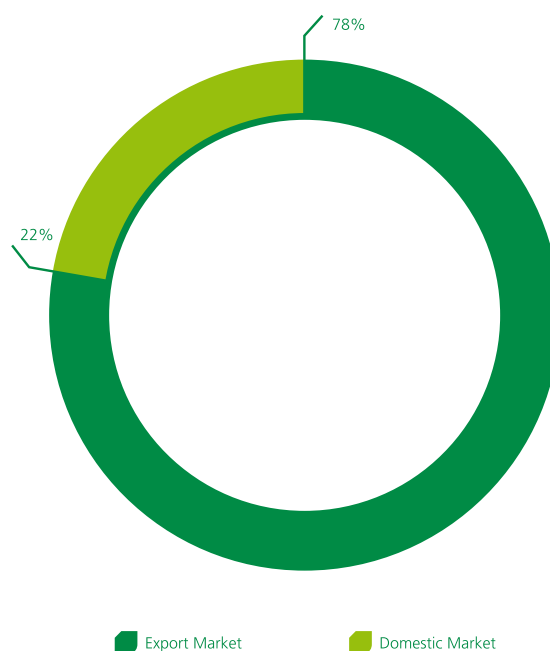
**Operating results** – The cost of products sold was R\$ 2.7 billion, 10% above 2009. Disconsidering the effects of biological assets, the cost of products sold came to R\$ 2.6 billion. Sales expenses totaled R\$ 300 million, unchanged in relation to 2009. Freight respond for 59% of total sales expenses. General and administrative expenses totaled R\$ 215 million in 2010, 21% higher than the previous year, mainly affected by collective bargaining agreements and the program of participation in the results. Operating results before the financial results (EBIT) were R\$ 821 million, R\$ 761 million higher in relation to 2009.

**EBITDA** – EBITDA (profit before tax, interest, depreciation and amortization) came to R\$ 962 million, 29% above that of 2009. EBITDA margin was

Net Revenue by Product 2010



Net Revenue by Market - 2010





26% (25% the year before). Results reflect Klabin's efforts to attain high levels of productivity and sales for its products.

**Net profit** – Net profit verified in 2010 was R\$ 560 million, 232% above 2009, with a net margin of 15% (11% the year before). The increase was mostly due to greater sales volumes and gains from the variation in biological assets.

**Debt** – Gross consolidated debt at the end of December 2010 was R\$ 4.9 billion, R\$ 842 million (17%) of which was short term debt. Foreign currency debt was R\$ 2.9 billion (59%) or US\$ 1.7 billion. Net consolidated debt totaled

R\$ 2.1 billion, compared with R\$ 2.7 billion on 31st of December 2009. The net debt/EBITDA ratio, which was 3.6 times at the end of 2009, dropped to 2.2 times in 2010.

**Distribution of Value Added** – Value added, which denotes the wealth generated by a company and distributed to its interested parties, came to a total of R\$ 2.0 billion in 2010. This amount was distributed between government and society: (33% or R\$ 649 million, in the form of taxes and social contributions) third parties (16% or R\$ 329 million, for interest), employees (23% or R\$ 463 million, as salaries and welfare tax) and shareholders (28% or R\$ 560 million, in dividends and retained profit).

## Financing (R\$ million)

	12/31/2009			12/31/2010		
	Currency		Total	Currency		Total
	Local	Foreign		Local	Foreign	
Short term	492	310	802	496	346	842
Long term	1,683	2,243	3,926	1,506	2,509	4,015
<b>Gross debt</b>	<b>2,175</b>	<b>2,553</b>	<b>4,728</b>	<b>2,002</b>	<b>2,855</b>	<b>4,857</b>
Cash at Banks			(2,052)			(2,729)
<b>Net debt</b>			<b>2,676</b>			<b>2,128</b>

## Statement of Value Added - Consolidated

|GRI EC1|

	2009	2010
<b>Revenues</b>	<b>3,858,571</b>	<b>5,068,652</b>
Sale of products	3,730,650	4,617,497
Other income	137,628	454,382
Provision for dubious debtors	-9,707	-3,227
<b>Inputs purchased from third parties</b>	<b>- 2,858,700</b>	<b>-2,864,139</b>
Cost of products sold	-791,392	-1,152,569
Materials, energy, services of third parties and others	-1,467,308	-1,711,570
<b>Gross value added</b>	<b>1,599,871</b>	<b>2,204,513</b>
<b>Retentions</b>		
Depreciation, amortization and exhaustion	-749,179	-560,739
<b>Net value added produced</b>	<b>850,692</b>	<b>1,643,774</b>
<b>Value added received in transference</b>	<b>918,030</b>	<b>357,480</b>
Participation of minority shareholders	-2,955	-22,376
Financial income, including revenue from exchange variations	920,985	379,856
<b>Total value added for distribution</b>	<b>1,768,722</b>	<b>2,001,254</b>
<b>Distribution of value added:</b>		
<b>Personnel and payroll charges</b>	<b>384,279</b>	<b>463,241</b>
Direct remuneration	292,989	357,401
Benefits	65,445	77,997
FGTS	25,845	27,843
<b>Taxes, duties and social contributions</b>	<b>738,870</b>	<b>648,975</b>
Federal	632,948	570,084
State	98,880	71,230
Municipal	7,042	7,661
<b>Remuneration of third party capital</b>	<b>476,786</b>	<b>329,262</b>
Interest including expenses for exchange variations	476,786	329,262
Others		
<b>Remuneration of own capital</b>	<b>168,787</b>	<b>559,776</b>
Dividends on profit from the period	180,037	190,003
Retained profits (losses absorbed) from the period	-11,250	369,773

## Capital markets

In 2010, Klabin's preferred shares (KLBN4) increased 9% in value, as compared with a 1% variation of Ibovespa. The shares were traded at all the sessions of the Sao Paulo Stock Exchange (BM&F Bovespa), recording 575 thousand trades, involving 593 million

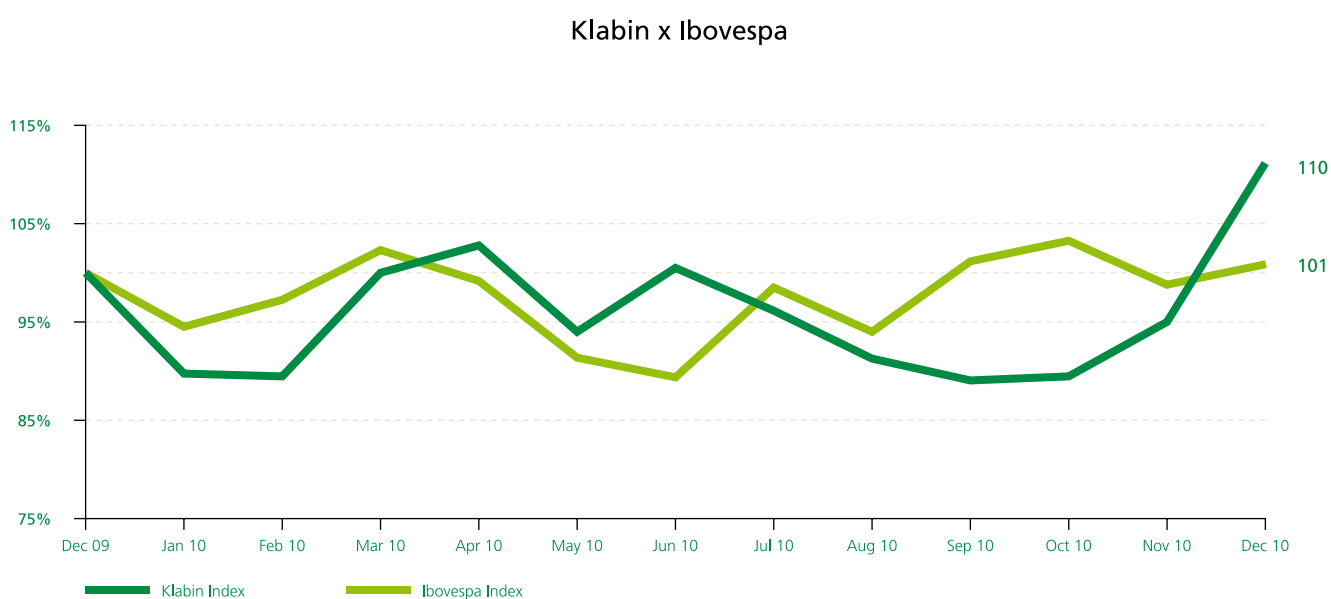
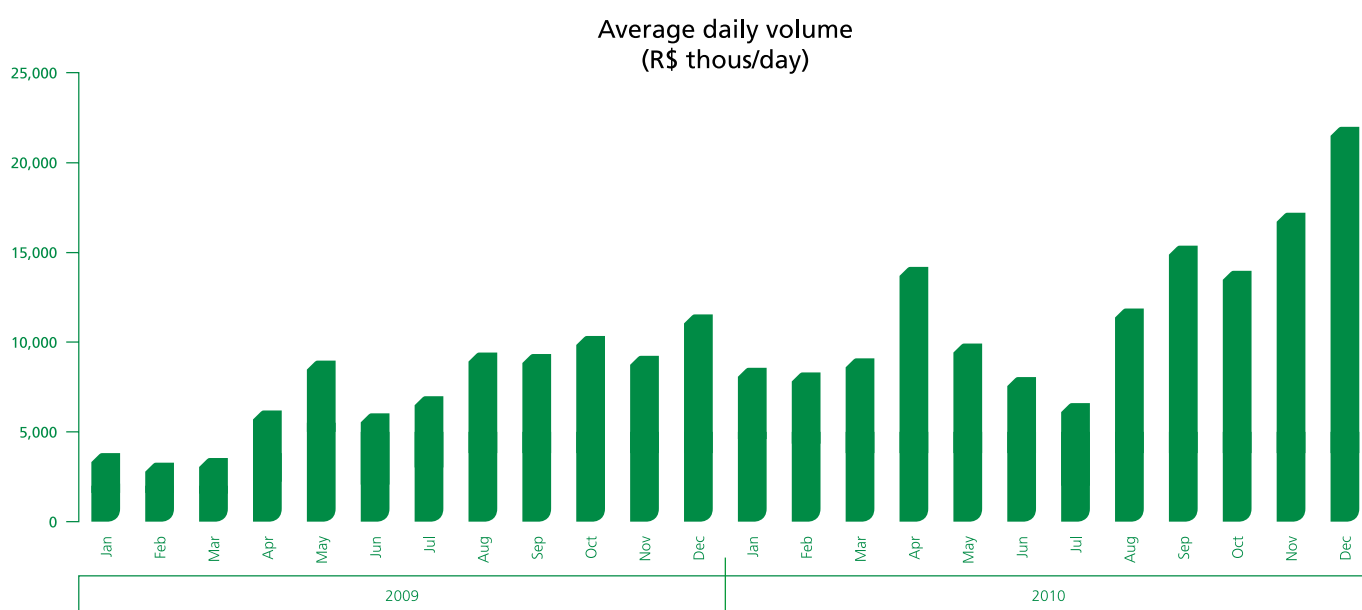
securities and an average daily volume traded of R\$ 12.2 million.

With the beginning of preferred shares sales by BNDESPAR in July, the average volume traded on the BM&F Bovespa showed a growth of 50%, rising from R\$ 9.7 million in the first half to R\$ 14.6 million in the second half of 2010. By 31st of December 2010

BNDESPAR had sold 77.4 million of Klabin's preferred shares. Thus the bank's participation in the Company's preferred shares dropped from 31% to 18%.

Klabin's stock is represented by 917.7 million shares, 316.8 million in common shares and 600.9 million in

preferred shares. At the end of 2010, the Company held 27.2 million preferred shares of its own issue in the treasury. The Board of Directors authorized the Program to Re-purchase Preferred Shares of up to 45.3 million shares of its own issue. The program is valid until 12th of October 2011.



## Dividends

Supplementary dividends to the value of R\$ 57 million from the year 2009 and intermediary dividends to the amount of R\$ 120 million were paid out in 2010, so divided: R\$ 184.54 per lot of one thousand common shares and R\$ 202.99 per lot of one thousand preferred shares.

The Management will propose, at the Annual General Assembly to be held in April 2011, to pay out supplementary dividends to the value of R\$ 70 million, so divided: R\$ 73.85 per lot of one thousand common shares and R\$ 81.24 per lot of one thousand preferred shares. Thus, the dividends for the year of 2010 add up to R\$ 190 million, representing 34% of net profit.

# Social performance

## People

Klabin's policy of managing people seeks to promote the satisfaction and well-being of its employees, and also identify those who are aligned with the company's values. It believes that the success of its strategies and the sustainable growth of its business are only possible when everyone is committed. To stress this belief, in 2010 the company took steps to make the company's culture more appreciated and better known so that it might serve as a guide for employees. The Code of Conduct is one of the main tools used to disseminate its principles and values. Through it, employees make a commitment to act in keeping with the company's expectations. Set on enhancing its competitive capacity in domestic and international markets, it has also developed a series of projects to ensure excellence by means of improving economic, social and environmental performance. With this objective in mind, the area of Human Resources began a project in 2010 which will instigate a change to its operational model, expanding its role of consultant and of agent of change with a focus on excellence in its processes. By way of adding value to the business, rationalizing and optimizing processes, modern management tools will be made available to internal customers and new channels of attendance will be introduced (portal, call center). To support this model, it is expected to review HR processes and integrate them to a SAP platform in 2011.

## Employment

At the end of 2010, there were 14,603 people working for Klabin, 111 of them located in Argentina. In comparison with 2009, there was an increase of 18.7% in the payroll, reflecting the increase in volume of production and business. At the same time, a trend began of insourcing the company's own employees instead of contracting outsourced workers. Through a study which evaluated the potential of each area, the operators of forklifts and printing plates were, in first instance, given priority. Of the total of employees, 58.1% are own and 41.9% are contracted from third parties. The team of own employees is comprised of 92% men and 8% women. The majority (60.9%) consists of professionals ranging in age from 30 to 50 years old.

## Total workers

|GRI LA1|

By labor contract	2008	2009	2010
Employees (1)	7,498	7,417	8,481
Contract workers	5,934	4,885	6,122
Total	13,326	12,302	14,603
Trainees	81	35	63

By region	2008	2009	2010
<b>South</b>	<b>9,519</b>	<b>8,934</b>	<b>10,025</b>
Employees	4,387	4,672	4,846
Contract workers	5,132	4,262	5,155
Trainees	56	21	24
<b>Southeast</b>	<b>2,929</b>	<b>2,426</b>	<b>3,455</b>
Employees	2,335	1,974	2,646
Contract workers	594	452	777
Trainees	25	10	32
<b>Northeast</b>	<b>878</b>	<b>831</b>	<b>1,075</b>
Employees	681	662	880
Contract workers	197	169	188
Trainees	-	4	7
<b>Argentina</b>	<b>106</b>	<b>111</b>	<b>111</b>
Employees	95	109	109
Contract workers	11	2	2

## Employees by functional category

|GRI LA1|

	Brazil	Argentina
Administrative	590	16
Technical level (includes supervisors)	998	14
Operational	5,970	70
Apprentices	71	-
Directors, managers, coordinators	242	9

## Payroll composition by function, gender and age <sup>(1)</sup>

|GRI LA13|

Function	Gender				Age		
	Men	Average age	Women	Average age	Below 30 years	From 30 to 50 years	Over 50 years
Total employees <sup>(2)</sup>	7,166	36	621	35	2,345	4,745	697
Administrative	257	38	226	37	136	271	76
Technical level	781	40	217	36	174	688	136
Managers and coordinators	207	45	24	42	4	165	62
Operational	5,846	35	124	35	1,960	3,614	396
Apprentices	46	18	25	18	71	-	-
Directors	11	55	-	-	-	1	10
Board of Directors	18	65	5	60	-	6	17

(1) Excludes the companies Antas Serviços Florestais, Ikapê, KPPF and Klabin Argentina

(2) Excludes trainees

## Payroll composition by race/color <sup>(1)</sup>

|GRI LA13|

	White	Yellow	Brown	Black	Not declared
Total employees <sup>(2)</sup>	6,133	81	929	286	358
Administrative	417	4	32	6	24
Technical level	870	8	42	17	61
Managers and coordinators	216	1	11	2	1
Operational	4,560	68	829	257	256
Apprentices	37	-	14	4	16
Directors	10	-	1	-	-
Board of Directors	23	-	-	-	-

(1) Excludes the companies Antas Serviços Florestais, Ikapê, KPPF and Klabin Argentina

(2) Excludes trainees

## Turnover (variation in payroll in 2010 - Brazil)

|GRI LA2|

	Hired	Released
Total number	1,374	922
Turnover rate - total	15%	
By gender		
Men	1,230	823
Women	144	99
By age group		
Below 30 years	962	497
From 30 to 50 years	407	348
Over 50 years	5	77
By region		
South	678	470
Southeast	555	377
Northeast	141	75

Admissions are preceded by a technical selection procedure with equal treatment for all candidates under analysis. Internal employees, who have been identified as apt for the openings which arise, are given first choice. The decision on the most appropriate human resource should depend on a technical process, based on proper strategies, instruments and methodologies to evaluate candidates, in compliance with requirements linked to technical, behavioral and legal criteria for candidate selection.

## Training and development

To be one of the most competitive in the market, Klabin has invested in the training and career advancement of its employees. In 2010, R\$ 4 million was invested in programs of development and technical training, an amount 25% more than in 2009. Initiatives involved 82,614 participations, with an average of 42.07 hours per employee/year, in a total of 6,886 actions.

## Klabin's Development Program (PKD)

In addition to functional training, since 2004 the company has been running Klabin's Development Program (PKD), the principal purpose of which is to prepare Klabin administrators – directors, managers and coordinators – to perform coherently and in line with corporate objectives, in pursuit of excellence in management, customer satisfaction and sustained growth. The results presented by the project are effective career accompaniment, identification of successors, and the right programs for both individual and group development. [\[GRI LA12\]](#)

In 2010, Klabin invested in a decisive phase of the PKD. The information obtained in the Analysis Committees was validated and resulted in the mapping of the administrators and in the construction of Individual Development Plans (PDI), with emphasis on providing the necessary competencies to exercise the function and prepare professionals to deal with the growing strategic needs of the organization. These PDI's are steered

## Functional training 2010

[\[GRI LA10\]](#)

Functional category	N° of employees participating	N° of hours	Hours/employee
Directors	11	173	15.73
Managers and coordinators	231	13,813	59.79
Administrative	483	11,200	23.19
Technical level	998	43,396	43.48
Operational level	5,970	256,780	43.01
Apprentices	71	1,247	17.56
<b>Total</b>	<b>7,765</b>	<b>326,609</b>	<b>42.07</b>



by Klabin's program of Managerial Competencies, which targets actions that are aligned with the organizational values and objectives and contemplates personal aspirations and interests, potentials and performance, as well as the demands and perspectives offered by the company. Emphasis is placed on self-management in development, with support from the company.

The PDI's were established in consensus between managers and the Human Resources team and entail actions which go beyond the format of traditional education – with reading materials and training. Thus exceptional learning opportunities are offered, aligned with the real needs to develop each manager, such as participation in international events, job rotation, interfaces between areas, benchmarking studies, visits to customers and participation in projects.

The success of this phase is also owed to the prior phases of conceptualization and instrumentalization. The program started in 2004, when a Model of Leadership Competencies was defined, with the main goal of drawing up the plans to prepare and develop managers. The second phase, carried out between 2005 and 2006, concentrated on the application of a Basic Program to Develop Competencies, in order to promote alignment and establish a common language among managers on the competencies identified in the first phase.

A third phase was also introduced in 2006, consisting of the construction of a Center for Follow-up of Executives' Performance (Cape), an integrated management performance system which helps consolidate competencies and continual renovation of the company's leadership practices. Cape enables

Klabin to renovate its leadership practices, by means of tools of Performance Analysis, Identification of Potential, Census (Inventory of interests, education and experience) and Individual Development Plan (PDI).

The consolidation of the process in 2009 consisted of implementation of the Analysis Committees to cross-reference these tools in detail, a phase which enjoyed 100% adhesion in the 2010 edition. The results of these analyses made it possible for the Human Resources team, in conjunction with the directors and managers, to identify administrators' different levels of potential and to recommend the necessary programs for individual and group development, as well as possible personnel movements.

A team development program is run for all hierarchical levels, with activities organized in accordance with each area's requirements. The purpose is to train professionals to achieve better results by developing behavioral aspects and skills administering people and teams. [\[GRI LA11\]](#)

## Crescer Project

A specific initiative of continued education for employees in the field is the Crescer Project, run in partnership with the Social Service of Industry (Sesi) in Parana and Santa Catarina. Topics concerning quality of life, career advancement, environmental issues, health etc. are presented in lectures given to direct and outsourced employees. In addition, a channel of dialogue is established through this project between employees and the company.

## National minimum salary (R\$) 510

State with Klabin operations	Regional minimum salary (R\$)
Rio Grande do Sul	546.47
Santa Catarina	587.00
Parana	688.50
Sao Paulo	560.00
Rio de Janeiro	581.88
Minas Gerais	None
Bahia	None
Pernambuco	None

## Average monthly base salary, by gender

**|GRI LA14|**

Functional category	Men	Women	Salary Differential M/WM
Administrative	2,621.62	2,581.10	1.55%
Coordinators	10,401.64	8,631.59	17%
Managers	19,977.02	20,081.00	-0.5%
Operational	1,437.12	1,070.17	25%
Supervisors	4,247.11	3,667.83	13%
Technical	4,806.80	4,401.87	8%

**N.B.** Data show the simple average of the salaries, and do not distinguish factors such as length of service and salary grade. Trainees receiving scholarship support are also not taken into account. For jobs with the same complexity, Klabin uses the same salary range in its remuneration policy, regardless of gender or any other social and economic characteristics.

## Remuneration and benefits

In 2010 the employee payroll totaled R\$ 451.6 million, as well as R\$ 160.3 million in payroll overhead and R\$ 95.4 million in benefits such as medical and dental assistance, agreements for pharmaceuticals, transportation, meals, daycare, life insurance and pension plans. The lowest annual salary paid by the company was 1.2 times the national minimum salary of R\$ 510.00 in force in the same period. **|GRI EC5|**

The lowest salaries are paid to employees from the operational area in the Goiana plant (PE). This group corresponds to 0.8% of Klabin's workforce and 5.6% of the total number of employees in the Northeast Region.

Variable remuneration, which is defined by the norms

of the Program of Participation in Results (PPR), came to R\$ 19.9 million. The objective of the program is to encourage employee involvement in obtaining better results and improving team work. The value is based on indicators like EBITDA, production volume, costs, work accidents, quality and environment.

**Private pensions** – Functioning since 1998, Klabin's program of private pensions benefits all employees. Two types of benefit are granted: retirement – with age between 60 and 65 years old (early retirement is also permitted, as of 55 years) – by which the employee receives six times his nominal salary, proportional to his time of employment, and coverage for invalidity or death. The pension plan has two types of fund (PACK Fix 100 and RV49)

## Contributions to pension plans in 2010

Type of Plan	Nº of participants	Contributions of participants (R\$ thous)	Contributions of Company (R\$ thous)	Total (R\$ thous)
PGBL - Eligible <sup>(1)</sup>	571	2,232.6	3,887.4	6,120.0
PGBL - Voluntary <sup>(2)</sup>	1,247	2,247.3		2,247.3
VGBL - Voluntary	387	285.8		285.8
FGB - Eligible	12	24.8	67.3	92.1
FGB - Voluntary	2	180.1		180.1
Minimum Benefit/ Savings Paid/ Renewable Income <sup>(3)</sup>	5,568	–	1,525.9	1,525.9
Risk Insurance			18.1	18.1
<b>Total</b>	<b>7,787</b>	<b>4,970.6</b>	<b>5,498.7</b>	<b>10,469.2</b>

**PGBL** - Plan for Free Generation of Benefits with contributions annually deductible from Income Tax);

**VGBL** - Life Generation of Free Benefit (taxed on capital gains);

**FGB** - Fund to Generate Benefits (benefit is calculated in accordance with accumulated value in reserve fund)

(1) Eligible: Contributions from employees who get salary above R\$ 4,736.00

(2) Voluntary: Contributions from employees who get salary below R\$ 4,736.00

(3) Except for eligibles (1), all employees have the right to the Minimum Benefit, proportional to length of service, in the case of death or dismissal from the company and more than 55 years old. Included in this group is Renewable Income, which is payment to ex-employees for whom, for any reason, Klabin has assumed responsibility to provide income.

which can be of the PGBL or VGBL type, depending on the employee's option.

Employees with salaries below R\$ 4,736.00 are eligible for minimum benefits through Klabin's Complementary Pension Plan by which the employee can receive six times his nominal salary, proportional to time of employment. For other employees with a salary above R\$ 4,736.00 the percentage of their contributions varies in accordance with their age and Klabin participates with a percentage proportional to the time of service over this contribution in the PGBL type of plan. There is also an option for all participants to make voluntary contributions to the Plan. [\[GRI EC3\]](#)

## Health and safety

Concern with the health and safety of the employees is a constant in all of the company's plants.

Run since 2005, Klabin's Program of Excellence in

Occupational Health and Safety (OHS) is built on 3 basic premises, 11 guidelines and 75 management tools and has achieved a sustainable reduction of 84.2% in the rate of accidents and a drop of 82.9% in their gravity rating.

In 2010, 35 accidents with absence were recorded, 33 of them in the operational area with own employees, which represents a drop of 17.2% in comparison with the previous year. Accidents without absence – those in which the injury does not prevent the employee from returning to his routines and habitual functions on the following day - declined by 8.2% from 61 to 56 occurrences. Activities involving outsourced workers accounted for approximately 13,300,000 man-hours in 2010. There were a total of 66 occurrences (with absence) and 58 (without absence). Two deaths of outsourced workers were recorded, one of which was connected with the rupture of a tank lid and the other with

## Work accidents 2010

[GRI LA7]

Own employees - Klabin S/A	Business Units					Region			
	Forestry	Paper	Corru- gated	Industrial Sacks	SP Head office	South	Southeast	Northeast	Total
Accidents without absence	7	24	15	10	0	42	9	5	56
Accidents with absence	1	14	12	6	2	20	12	3	35
Days lost	1	1,809	686	274	8	1,886	764	128	2,778
Deaths	0	0	0	0	0	0	0	0	0
Frequency Rate (NRB 14.280)	0.59	2.53	1.89	3.46	2.64	2.15	2.44	1.62	2.18
Frequency Rate (OSHA)	0.12	0.51	0.38	0.69	0.53	0.43	0.49	0.32	0.44
Gravity Rate (NBR 14.280)	1	328	108	158	11	203	155	69	173
Gravity Rate (OSHA)	0	66	22	32	2	41	31	14	35
Occupational illnesses	0	1	0	0	0	1	0	0	1
Rate of absenteeism (%)*	0.80	2.29	2.80	1.49	0.41	2.06	1.85	2.79	2.19

Empregados contratados de terceiros	Business Units					Region			
	Forestry	Paper	Corru- gated	Industrial Sacks	SP Head office	South	Southeast	Northeast	Total
Accidents without absence	32	21	3	2	0	55	3	0	58
Accidents with absence	20	28	15	3	0	52	11	3	66
Days lost	6,302	6,387	275	44	0	12,778	46	184	13,008
Deaths	1	1	0	0	0	2	0	0	2
Frequency Rate (NRB 14.280)	2.50	8.36	9.29	9.31	0.00	4.53	8.36	6.10	4.96
Frequency Rate (OSHA)	0.50	1.67	1.86	1.86	0.00	0.91	1.67	1.22	0.99
Rate of absenteeism	0	0	0	0	0	0	0	0	0
Gravity Rate (NBR 14.280)	787	1,906	170	137	0	1,112	35	374	978
Gravity Rate (OSHA)	157	381	34	27	0	222	7	75	196

(1) Klabin Argentina not taken into account

(2) The criteria for registering accidents comply with norm ABNT NBR 14280 - "Registration of work accidents".

\*The number of hours absent was calculated in relation to potential working hours.

tractor operations. In this respect, actions are being taken to analyze process risks and train people specifically for critical activities, where third parties are involved so as to prevent and eliminate possible occurrences of this nature.

Not only does the OHS Program focus on installations and equipment, but it also deals with behavioral issues. In this regard, over 800 professionals were prepared and trained to observe the behavior of workers and to take action in operational areas,

correcting and giving positive feedback on matters of work safety.

The ongoing improvement of this model is intended to divulge management techniques and tools for occupational health and safety, as part of a system which enables the identification of risks and procedures for effective control, with a view to ensuring people's lives, health and their physical integrity.

Klabin, in compliance with Brazilian legislation,

retains an Internal Committee of Accident Prevention (CIPA) at all its plants, which represents all the employees. [GRI LA6] The committees are made up of representatives of workers and managers and are given support by the company to perform their function. The company encourages its employees and assures them the right to refuse to carry out any job in risky circumstances.

## Quality of life

For Klabin, well-being is essential for the productivity and quality of life of the employees. For six years, the company has run the Klabin Quality of Life Program (PKQV), coordinated by health and human resources professionals who are part of the Committee of Preventive Medicine and Quality of Life.

Built on five pillars – preventive medicine, nutritional guidance, physical activity/integration, alternative therapies and educative actions -, the program reaches all the plants and introduces actions that target equilibrium between personal and professional life.

Examples of this are the daily activities of work-time gymnastics – exercises which help to alleviate tension and improve posture. Employees' occupational activities are accompanied periodically, but there are no major incidents of specific illness from exposure to aggressive agents. For employees, assistance in the case of serious illness includes education, counseling, prevention, risk controls and treatment, actions which are also extended to employees' families and members of the community. [GRI LA8]

## Relations with the company

Klabin follows the guidelines of the International Labor Organization (ILO) regarding union freedom, the right to collective bargaining and internal representation. All the employees, with the exception of the Executive directors, are represented by the principal union of the category and are supported by collective labor agreements. [GRI, LA4]

The company makes an adequate time and place available for the unions to solicit the membership of employees, even though this procedure has not been formalized. A strike at the Piracicaba plant was recorded during the year, as a result of negotiations for renewal of a collective agreement and salary correction.

## Suppliers

The pursuit of high standards of quality and ethical conduct permeates Klabin's relationships with its suppliers. The company gives priority to developing sustainable production chains, which includes maintaining a close relationship with this stakeholder so as to contribute to the financial solidity of partner companies and encourage the adoption of adequate socioenvironmental practices.

Klabin's purchasing area handles all commercial relations of the Business Units with their suppliers. Based on Strategic Supply Management (GES), the mission of the area is to introduce, develop and conduct the Supply Chain concept in the activities of materials and purchasing, as well as to stimulate and acknowledge the creative efforts of employees to reduce costs.

## Distribution of suppliers - 2010

Area	Nº
Maintenance materials	1,900
Services	2,200
Raw materials	600
Imports	1,000
<b>Total</b>	<b>5,700</b>

## Distribution of purchases |GRI EC6|

Type of supplier	Participation in total of the purchases (%)
Local suppliers	22%
National suppliers	56%
Global suppliers	22%

In a relentless pursuit of high standards of quality, GES focuses on aspects such as: developing fresh sources of national and international supply; coordinating the process to adopt electronic purchasing with qualified suppliers; stimulating small and medium sized companies to greater participation as suppliers; and creating synergies with the areas of Production, Sales and Logistics among others. Although it has no formal policy which gives priority to contracting local suppliers, Klabin seeks to encourage small and medium sized firms to have a bigger share in the supplier mix. To this end, they have to prove technical quality to meet the company's requirements efficiently, as well as to adopt socially and environmentally responsible practices.

All contracts with suppliers are established by means of a process of homologation, which consists of evaluating aspects such as occupational health and safety, legal, commercial, technical, environmental and financial responsibility. The document contains a specific clause on labor protection, rejecting slave

labor and demanding compliance with labor and social security legislation, and the observation of human rights – such as non-utilization of child labor and maintenance of forced labor conditions or those comparable with slave labor.

## Society

For Klabin, a good relationship with communities in the proximity of its plants is crucial for the continuity of the business. The company believes that it plays an important role in improving the quality of life of people by seeking to build a more just society. For this reason it practices a series of actions to tighten the bonds with this stakeholder and assist local development.

In 2010, the investments set aside for social projects totaled R\$ 5.4 million, of which R\$ 3.2 million donated to non-profit institutions in various regions of the Country and to the Social Fund of Children and Adolescents, and R\$ 2.1 million connected with projects benefited by the Rouanet Law (Federal Law of Culture Incentives) and allocated to the Social Fund for Children and Adolescents. The majority of the funds (71%) were allocated to initiatives in education and culture.

One of the highlights was the Development Program of Telemaco Borba and Region for the Diversification of the Timber Industry in the State of Parana. Rooted in the region's forestry vocation, the goal of the initiative is to build up the wood chain, promoting development focused on the sustainability and competitiveness of the industries. The partnership between Klabin, local town halls, state government, SEBRAE-PR (Brazilian Service to Support Micro and

Small Business) and FIEP (Federation of Industry of the State of Parana) covers 14 towns.

Other actions involve partnerships in projects in the fields of health, technical and environmental education, social welfare, culture and also support for volunteer work among the employees.

The company gives financial and material support to various entities present in the communities, such as asylums, orphanages, hospitals, common interest groups as well as organizations like the military and civil police and firemen. In 2010 these donations totaled R\$ 3.6 million. Worthy of special mention among the activities was collaboration with the warm Clothing Campaign, with the supply of corrugated boxes to collect donations. In the year, 26 thousand units were sent to the Fund for Solidarity and Social and Cultural Development of the State of Sao Paulo.

The company also contributes every year to APAE (Association of Parents and Friends of People with Special Needs) in a number of municipalities, in the form of funds and also raw materials to make handicrafts. Other entities benefited in 2010 were: Marques de Salamanca Institute, Social Solidarity Fund , Terra Viva Association of Volunteers, Uniao Brasileira de Bem-Estar Social (Unibes), Se Toque Institute of Social Development, Projeto Roda Viva Association, SOS Mata Atlantica Foundation , Ema Gordon Klabin Cultural Foundation, Israeli Religious Association of Rio de Janeiro (ARI) and Sao Paulo Bienal Foundation, among others.

## Differentiated education

Some community initiatives are focused on the children of employees in the region of Telemaco Borba (PR). These are socio-educative and cultural programs which complement formal education and the main goal of which is to help mold the values of children and adolescents.

Among the projects backed and run by Klabin at the Monte Alegre Plant, Telemaco Borba (PR), the most noteworthy are The [Singing Girls' Choir](#) with 60 members between 7 and 17 years old; the [Right Step](#), run in conjunction with Studio 3 Dance Company, which consists of contemporary dance activities and capoeira, for children and adolescents between 6 and 17 years old; [Our Digital Language](#), in collaboration with the Jaborandi Institute, which includes the activities of reading, debates and group dynamics, editing texts for electronic news bulletins and magazines, blogs and digital photo-novels, for youngsters between 13 and 18 years old; [Musical Workshop](#), aimed at participants between 7 and 17 years old integrated with the process of socialization and teamwork and which improves the sense of rhythm, discipline, creativity and sensitivity through music; and [Klabin's Music in School Project](#), of social inclusion by studying music, with the participation of 78 students between 11 and 15 years of age, from the Dr. Luiz Vieira State School in Telemaco Borba (PR).

## Local development

The pine and eucalyptus wood handled by Klabin made it possible to start a Timber Pool in Telemaco Borba (PR), a town of 69.9 thousand inhabitants.

Established in 1993, in a partnership between Klabin and the Town Hall, SENAI (National Service of Industry) and CETMAM (Center of Technology for Timber and Furniture), this Pool stands on its own feet today. It has drawn over 60 industries to the region, creating approximately five thousand jobs. In the last seven years, the town's revenue has doubled and the collection of ICMS tax has grown by 50%, as a direct result of the influence of this setup on the local economy. **|GRI EC9|**

The project included training local labor, preparing skilled workers to work in the timber industry and carpentry shops. Frames, plywood and furniture are sold in the United States and Europe, markets which require certificates of origin for the wood used. Klabin supplies nearly all the timber requirements of the companies - among which are saw mills and veneer plants - which export round 80% of their production.

Moreover, this partnership fostered the appearance of new service companies and stimulated the installation of a Waste Utilization Center.

Klabin fosters the pool on yet another front: since 2000, it has purchased the wood wastes (chips, bark and sawdust) from the companies and uses these as biofuel to generate steam and energy for its plant. By acquiring on average 27 thousand tons of wastes a month, it has helped to reduce the environmental debt of the Industrial District.

## Volunteer work

Set up in 2003, the Terra Viva Association of Volunteers runs programs for children, the elderly and people with special needs from the towns of

Sao Paulo, Jundiai and Angatuba (SP), Telemaco Borba (PR), Feira de Santana (BA), Sao Leopoldo (RS), Otacilio Costa, Correia Pinto and Lages (SC). Activities involving music and culture, health campaigns such as for blood donation, as well as other sporadic ones which are to collect materials (books, food, warm clothing) given to registered social institutions, for example toys for Children's Day and Christmas and help for victims of the torrential rains in the Northeast.

The entity numbers approximately 120 volunteers, consisting of employees and their families. In 2010, 37 organizations were looked after and nearly 5,000 people benefited. Events in support of culture and music, focused on the children and elderly from the 36 registered institutions, brought benefits to over 1.2 thousand people.

### Participation in organizations

Klabin participates in entities from the sector and common interest groups on issues such as industry, forestry and the economic development of Brazil. Among these entities are:

**Associations:** Bracelpa (Brazilian Association of Pulp and Paper); Abre (Brazilian Association of Packaging); Abraf (Brazilian Association of Producers of Planted Forests); ABPO (Brazilian Association of Corrugated Board); ABTCP (Brazilian Technical Association of Pulp and Paper); Association of Forest Companies of Santa Catarina; Anpei (National Association of Research, Development and Engineering of Innovative Companies); Apre (Parana Association of Forest-based Companies); Florestar Sao Paulo (Sao



Paulo Association of Producers of Planted Forests); Fiesp (Federation of Industry of the State of Sao Paulo ).

**Research institutes:** Cetea (Center for Packaging Technology); Ipef (Institute of Forestry Research and Studies).

**Unions:** SIP (Union of the Paper, Pulp and Mechanical Pulp Industry, in the State of Sao Paulo); Sinpesp (Union of Corrugated Board Industry in the State of Sao Paulo); Sinpesc (Union of the Pulp and Paper Industry of Santa Catarina); Sinpacel (Union of the Pulp and Paper Industry of Parana) and SIF (Society of Forestry Investigation).

**Other organizations:** Cempre (Business Commitment to Recycling); FNQ (National Quality Foundation);

**International organizations:** International Corrugated Case Association (ICCA); Innventia (formerly STFI – Packforsk – Swedish Institute of Research); Central American and Mexico Coniferous Resources Cooperative (Camcore), of North Carolina (USA). [\[GRI 4.13\]](#)

## Environmental education

Klabin also runs a series of activities which are designed to promote the environmental education of its employees and the populations neighboring its plants. Outstanding among these is the [Caiubi Program of Environmental Education](#), the goal

of which is to disseminate concepts of ecological awareness among teachers and students and also help to prepare critical and conscientious citizens. In Parana, the 19th edition of the program was run with schools from the municipal network in Telemaco Borba. The meeting lasted a day and a half with the participation of 55 teachers, targeting eight thousand students from 35 schools.

In December, a workshop was held for teachers to present their experiences in developing projects in their schools, as a part of Agenda 21. Since its creation in 2001, the program has trained 2,976 teachers and benefited 166,294 students in the State. In Santa Catarina, this initiative had four editions during the year with the participation of 152 teachers from 77 schools, reaching 14,331 students. In its 14 editions, the program has helped to train 552 teachers, of 202 schools and a total of 54 thousand students.

Examples of successful programs in the same vein are the [Environmental Guards](#) run in Santa Catarina, and the [Junior Green Force](#), run at the Monte Alegre Plant in Telemaco Borba (PR), which endeavor to prepare agents of the environment to multiply social and environmental concepts. The youngsters get theoretical and practical training on nature preservation, environmental legislation, aspects of local fauna and flora, first aid, civism, morals and ethics. In 2010, 25 children and youths were trained in Ponte Alta, in Santa Catarina and 40 children from the Leopoldo Mercer Municipal School in Parana. Both programs are partnered by the Environmental Police of the two states.

Another initiative involves the Intermunicipal

Consortium for Environmental Protection of the Tibagi River Basin ([Copati](#)), which divulges information to communities on how to use nature's resources sustainably.

Caiubi Program	N° of people benefited		
	2008	2009	2010
Parana	16,191	7,065	8,055
Santa Catarina	17,332	2,659	14,331
<b>Total</b>	<b>33,523</b>	<b>9,724</b>	<b>22,386</b>

## Annual Social Balance – Ibase Model

1 - Basis for Calculation	2010 Value ('000 reais)			2009 Value ('000 reais)		
Net Revenue (NR)	3,663,317			2,960,179		
Operating Results (RO)	871,983			504,501 (1)		
Gross Payroll (GP)	451,579			377,595		
2 - Internal Social Indicators	Value ('000)	% over GP	% over NR	Value ('000)	% over GP	% over NR
Meals	22,264	4.93%	0.60%	20,256	5.36%	0.68%
Compulsory payroll charges	160,303	35.50%	4.37%	136,400	36.12%	4.61%
Private pension plan	4,493	1.00%	0.12%	4,028	1.07%	0.14%
Health care	25,672	5.68%	0.70%	20,222	5.36%	0.68%
Occupational health and safety	18,722	2.84%	0.35%	14,034	3.72%	0.47%
Education	182	0.04%	0%	323	0.09%	0.01%
Culture	0	0%	0%	0	0.00%	0.00%
Training and career development	3,829	0.84%	0.10%	2,224	0.59%	0.08%
Nurseries or day-care	398	0.09%	0.01%	329	0.09%	0.01%
Participation in profits or results	19,856	4.39%	0.54%	14,901	3.95%	0.50%
Others	0	0%	0%	0	0.00%	0.00%
<b>Total - Internal social indicators</b>	<b>255,719</b>	<b>56.62%</b>	<b>6.98%</b>	<b>212,391</b>	<b>56.25%</b>	<b>7.17%</b>
3 - External Social Indicators	Value ('000)	% over OR	% over NR	Value ('000)	% over OR (1)	% over NR
Education	1,476	0.17%	0.04%	610	0.12%	0.02%
Culture	2,271	0.26%	0.06%	1,049	0.21%	0.04%
Health and sanitation	501	0.06%	0.01%	0	0.00%	0.00%
Sport	8	0.00%	0.00%	0	0.00%	0.00%
Fight against hunger and food safety	0	0.00%	0.00%	0	0.00%	0.00%
Others (social welfare, environmental education, communication)	1,095	0.13%	0.03%	6,500	2.19%	0.22%
<b>Total contributions to society</b>	<b>5,351</b>	<b>0.61%</b>	<b>0.15%</b>	<b>8,159</b>	<b>1.62%</b>	<b>0.28%</b>
Taxes (excluding payroll charges)	565,164	64.81%	15.43%	663,920	131.60%	22.43%
<b>Total - External social indicators</b>	<b>570,515</b>	<b>65.43%</b>	<b>15.57%</b>	<b>672,079</b>	<b>133.22%</b>	<b>22.70%</b>
4 - Environmental Indicators	Value ('000)	% over OR	% over NR	Value ('000)	% over OR (1)	% over NR
Investments related to company's production/operations	39,601	4.54%	1.08%	22,159	4.39%	0.74%
Investments in programs and/or external projects	0	0.00%	0.00%	1,052	0.21%	0.03%
<b>Total of investments in environment</b>	<b>39,601</b>	<b>4.54%</b>	<b>1.08%</b>	<b>23,121</b>	<b>4.58%</b>	<b>0.78%</b>
Regarding annual targets to minimize waste, consumption in general, in production/operations and to increase efficiency in use of natural resources, the company:	( ) has no targets ( ) meets 51 to 75% ( ) meets 0 to 50% (X) meets from 76 to 100%			( ) has no targets ( ) meets 51 to 75% ( ) meets 0 to 50% (X) meets from 76 to 100%		
5 - Staff Indicators <sup>(2)</sup>	2010			2009		
Nº of employees at end of period	8,481			7,308		
Nº of admissions during period	1,374			749		
Nº of contract workers	6,122			4,883		
Nº of trainees	63			35		
Nº of employees over 45 years old	1,515			1,496		
Nº of women working in company	621			565		
% of leadership positions occupied by women	9.9%			10.7% (3)		
Nº of black people working in the company	286			276		
% of leadership positions occupied by black people	5.89			0.03%		
Nº of people with handicaps or special needs	392			264		

6 - Relevant Information on practice of corporate citizenship	2010			Targets 2011		
Ratio of highest to lowest salaries in company	52.77			NA		
Total number of work accidents	215			NA		
Social and environmental projects run by the company were decided by:	( ) directors	(X) directors + managers	( ) all employees	( ) directors	(X) directors + managers	( ) all employees
Safety and health Standards in the work environment were decided by:	( ) directors + managers	( ) all employees	( ) everyone + Cipa	(X) directors + managers	( ) all employees	( ) everyone + Cipa
Regarding union freedom, the right to collective bargaining and internal representation of workers, the company:	( ) does not get involved	( ) follows ILO norms	( ) promotes and follows ILO	( ) will not get involved	( ) will follow ILO norms	( ) will promote and follow ILO
The pension plan covers:	(X) directors	( ) directors + managers	(X) all employees	( ) directors	( ) directors + managers	(X) all employees
Participation in profits or results covers:	( ) directors	( ) directors + managers	(X) all employees	( ) directors	( ) directors + managers	(X) all employees
In the selection of suppliers, the same standards of ethics and social and environmental responsibility adopted by the company:	( ) are not considered	( ) are suggested	(X) are required	( ) will not be considered	( ) will be suggested	(X) will be required
Regarding the participation of employees in volunteer programs, the company:	( ) does not get involved	(X) backs	( ) organizes and encourages	( ) will not get involved	(X) will back	( ) will organize and encourage
Total number of consumer claims and complaints:	4,637 in the company	0 in Procon	0 in Court	(*) in the company	(*) in Procon	(*) in Court
% of claims and complaints attended to or resolved:	80% in the company	0% in Procon	0% in Court	(*)% in the company	(*)% in Procon	(*)% in Court
Total added value to distribute (in '000 R\$):	In 2010: 2,001,254			In 2009: 1,768,722 <sup>(1)</sup>		
Added Value Distribution (AVD):	33% government 23% employees 28% shareholders 16% third parties			42% government 22% employees 10% shareholders 26% third parties		

## 7 - Other Information

- (1) Data reviewed in relation to that published in 2009, due to adoption of international accounting standards (IFRS)
- (2) The staff indicators refer exclusively to operations in Brazil
- (3) Data reviewed in relation to that published in 2009; In 2009, 28 women were managers or coordinators, equivalent to 10.7% of all directors, managers and coordinators' positions
- (\*) There are no targets available for 2011.

For explanations on the information presented, please contact: e-mail: [invest@klabin.com.br](mailto:invest@klabin.com.br)

This company does not use child labor, work that is degrading or similar to slavery, is not involved in prostitution or sexual exploitation of children or adolescents and does not get involved with corruption.

# Environmental performance

Klabin runs its business using a model of environmental management that proposes to harmonize industrial production with preservation of natural resources. In keeping with its Sustainability Policy it has adopted, and encourages among its employees and partners, the practice of the 3 R's: Reduce, Reuse and Recycle, taking action to constantly improve its products and services, as well as to control and monitor the impacts of its operations on the environment. As a consequence, it is contributing to build a better future for coming generations and furthermore it gains with the reduction of water, electrical power and raw material consumption.

The company is a global benchmark in forest stewardship, due to its high level of commitment to the equilibrium of ecosystems and the preservation of biodiversity. All the wood used in the production processes comes from planted forests. Its own forests have FSC (Forest Stewardship Council) certification, which assures their responsible management. Klabin was the first company from the sector in the Southern Hemisphere to be granted certification in 1998. Likewise, its Environmental Management System is certified to ISO 14001 in all of its industrial plants.

In order to run the activities of a socioenvironmental nature, Klabin looks to a number of partners, among which are: Associação Telemacoborbense de Horticultura e Apicultura (Atha); Associação Brasileira da Indústria Fitoterápica (Abifito); Associação de Preservação do Meio Ambiente e da Vida, de Santa Catarina (Apremavi); Cooperativa de Apicultores e Meliponicultores do Território Caminhos do Tibagi (Coocat-Mel); Empresa Brasileira de Pesquisa

Agropecuária (Embrapa); Escola Superior de Agricultura Luiz de Queiroz (Esalq-USP); Fundo para a Biodiversidade (Funbio); Instituto Agrônômico do Paraná (Iapar); Instituto Paranaense de Assistência Técnica e Extensão Rural (Emater); Sociedade Paranaense de Plantas Medicinais (SPPM); Universidade do Estado de Santa Catarina (Udesc); Universidade do Planalto Catarinense (Uniplac); Universidade do Vale do Itajaí (Univali); Universidade Estadual de Londrina (UEL); Universidade Estadual de Maringá (UEM); Universidade Estadual de Ponta Grossa (UEPG); Universidade Estadual do Centro-Oeste/PR (Unicentro); Universidade Federal de Viçosa (UFV) and Universidade Federal do Paraná (UFPR).

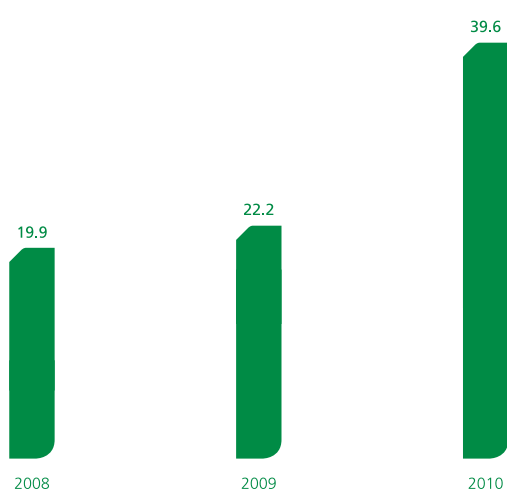
## Investments

In 2010, actions involving the environment received total investments of R\$ 39.6 million, 78% above 2009. The greater part of these funds, R\$ 29 million, was used in the purchase and installation of a biofuel boiler at the Otacilio Costa Plant (SC), to substitute the equipment functioning with fuel oil. The process increased the efficiency and productivity of the mill and significantly reduced the consumption of fossil fuels (non-renewable) and emissions of greenhouse gases (GHG), combining both greater environmental and better production performance.

Other examples demonstrate Klabin's initiative in obtaining better environmental performance in its production plants: the Otacilio Costa plant also invested in rebuilding the system of gases in the boiler already installed, changed the chimney and revamped the evaporation system; at the Itajaí plant (SC), R\$ 500 thousand were invested in sealing the floor in the manufacturing area to prevent

contaminants infiltrating from the soil; in Angatuba (SP), not only was new measuring equipment acquired but, with the purchase of new aerators, the effluent treatment plant was also rebuilt leading to an increase in efficiency.

**Environmental investments (R\$ million)  
Consolidated Klabin S.A.**



## Climate change

In 2010, the company joined the EPC program (Companies for the Climate) – the first national platform dedicated to creating a regulatory base in the process of economic adaptation to climate change. The initiative started by the Center for Sustainability Studies of the Getulio Vargas

Foundation (GVCes) gives members advice and tools to manage emission of greenhouse gases (GHG) and sustainability for business.

The company also joined the Carbon Efficiency Index (ICO<sub>2</sub>) of BM&FBovespa, launched in conjunction with the BNDES (National Bank of Economic and Social Development). The indicator is calculated by the number of shares in circulation (free float) and by the coefficient of GHG emissions.

The Carbon Footprint project was continued at the Monte Alegre Plant in Telemaco Borba (PR), having grown out of the Life Cycle Evaluation of products, which measures the quantity of carbon dioxide (CO<sub>2</sub>) emitted from direct or indirect activities (from the forest to the mill's gate). The goal is to mitigate the impacts caused to the environment, as well as to supply guidelines for developing actions for energy efficiency.

The study is a comparison of the situation in 1998 with that of the years of 2006, 2007 and 2008. The results of the study, which covers the production of pine and eucalyptus seedlings, all of the forestry production up to the shipment of cartonboard from the Telemaco Borba mill, reveal significant improvements in environmental performance, specifically of the product of Liquid Packaging Board. Examples are the reductions, in relation to the year of 1998, of consumption of energy (38%), water (30%), wood (40%) and land use (69%), as well as

### Carbon footprint (kg of CO<sub>2</sub> eq. / 1,000 kg LPB) <sup>(1)</sup>

Parameter	1998	2006	2007	2008
Sequestered in photosynthesis	-5,338	-3,225	-2,938	-2,987
Emitted during production process	7,104	2,553	2,090	1,977
Balance	<b>1,766</b>	<b>-672</b>	<b>-848</b>	<b>-1,010</b>

(1) LPB: Liquid Packaging Board

### Evolution of the carbon footprint in Liquid Packaging Board production between forest and mill shipment



the balance of CO<sub>2</sub>, a negative equivalent verified in the year 2008 of 1010 kilos sequestered per ton of LPB produced – in other words, there was greater absorption by photosynthesis than there were emissions from the production process. **[GRI EN29]**

## Emissions of greenhouse gases

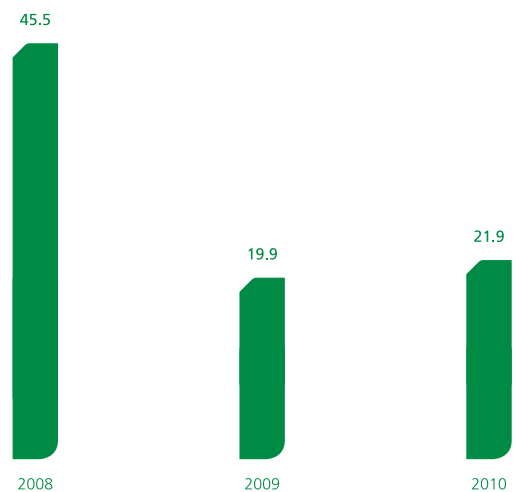
The emissions of CO<sub>2</sub> can be split into two classes: direct (coming from sources which belong to the

### Direct Emissions of CO<sub>2</sub> (thous tons)



**N.B.** Values adjusted of Inferior Calorific Power (ICP), according to information of the Brazil GHG Protocol

### Indirect emissions of CO<sub>2</sub> (thous tons)



**N.B.** Values obtained using Brazil GHG Protocol emission factors (2008: 0.0484 tCO<sub>2</sub>/MWh / 2009: 0.0246 tCO<sub>2</sub>/MWh / 2010: 0.0246 tCO<sub>2</sub>/MWh).

company or are controlled by it); and indirect (resulting from indirect consumption with the acquisition of electrical power). The total of direct and indirect stationary emissions of CO<sub>2</sub> from all Klabin's plants in 2010 was 3,106 thousand tons, a volume 4.4% below 2009. **[GRI EN 16]**

The company has invested in a cleaner energy source, based on the use of renewable fuels, such as bark and wood chips, for use in the boilers. The Plant in Otacilio Costa (SC) got a new boiler with these properties at the end of 2010. The Monte Alegre Plant (PR), which had already made the change in 2008, managed to reduce 22,270 tons/year. It is expected that the same will be done in Correia Pinto (SC) for 2012. **[GRI EN18]**

In the paper mills (cartonboard and kraft paper) – Monte Alegre, Angatuba, Correia Pinto and Otacilio Costa – 2010 presented an increase of 3% in the total of greenhouse gas emissions from fossil fuels, reaching 264 kilos of CO<sub>2</sub> per ton of paper produced. Nevertheless, when compared to 2008, the quantity is 36% lower.

Total emissions from road and rail transport from all the Klabin plants for shipping products to the domestic market and the Mercosur increased by 12.2% in the period, coming to 74.71 thousand tons of CO<sub>2</sub>. This result is due to the bigger demand in relation to 2009. **[GRI EN17]**

In accordance with the coefficient of the Brazil GHG Protocol, the amount of sulfur hexafluoride (SF<sub>6</sub>), stored in the electrical high-tension switches (75 kilos), had a potential emission of 448 tons of CO<sub>2</sub> in 2010. The company has been replacing older equipment which consumes chlorofluorocarbon (CFC) as a cooling gas in all its plants. **[GRI EN 19]**

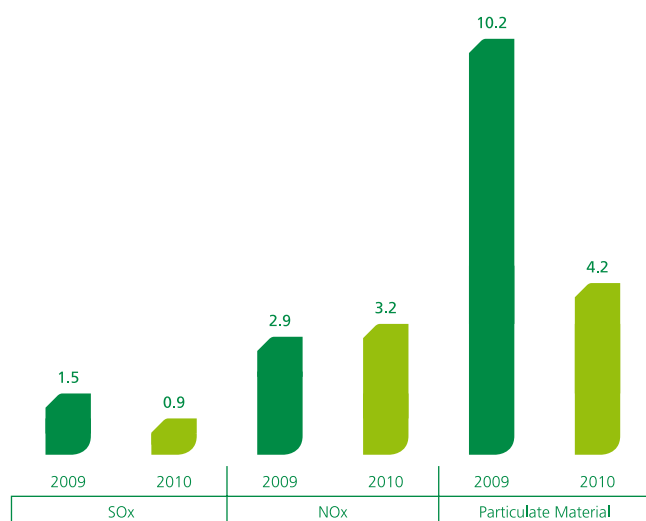
## Other emissions to air

The company measures its emissions to air in order to reduce particulate materials (PM), sulfur oxides (SOx), carbon monoxide (CO), nitrogen oxides (NOx) and odors from pulp production (TRS). It also monitors its fixed sources of emissions to air with frequency, determining the concentrations of the main parameters such as particulate material, nitrogen oxides (NOx), sulfur oxides (SOx), total reduced sulfur compounds (TRS) and carbon monoxide (CO).

Besides campaigns for isokinetic monitoring of their sources, many of the industrial plants have online accompaniment of these parameters, which enables them to interpret the quality of their emissions in real time. In 2010, there was a reduction of 40% in the specific values of sulfur oxides (SOx) and of 59% in particulate material. **[GRI EN20]**

The atmosphere is controlled with equipment such as electrostatic precipitators, which are highly efficient at retaining pollutants at the generating source.

**Emissions to air (kg/t paper)  
Paper Business Unit (cartonboard and kraft paper)**

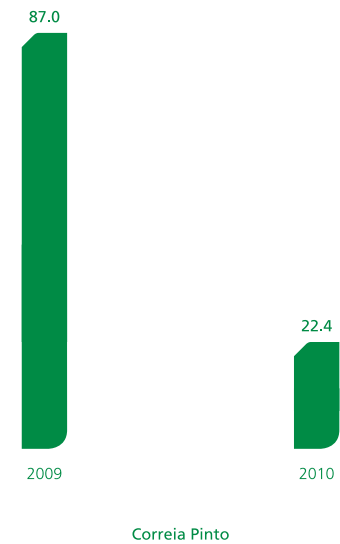




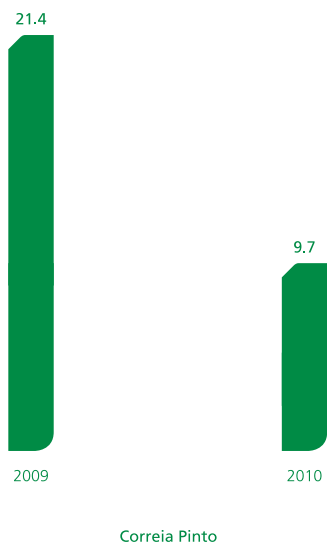
Besides this control, the Monte Alegre Plant in Telemaco Borba (PR) also pays attention to the quality of air in the surrounding region through measurements at two points located in the municipality of Telemaco Borba.

Shown below are the highlights concerning reduction in the emissions of atmospheric pollutants. The Correia Pinto Plant in 2010 presented a drop of 55% in its emissions of nitrogen oxides (NOx) and of 74% in the emissions of particulate material, evidence of good operational controls and efficient removal of atmospheric pollutants. The Otacilio Costa Plant managed to reduce specific emissions of SOx by 66%, reaching a value of 1kg SOx/ton paper in 2010.

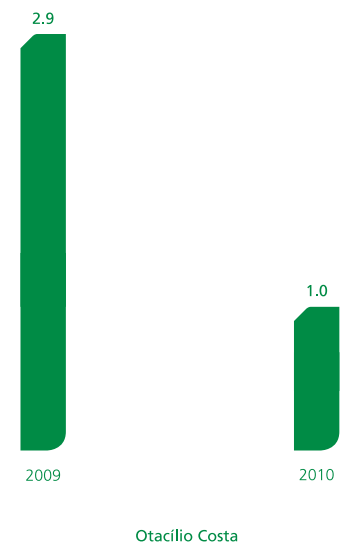
Total direct emissions  
Klabin Paper (kg PM/t Paper)



Total direct emissions  
Klabin Paper (kg NOx/t Paper)

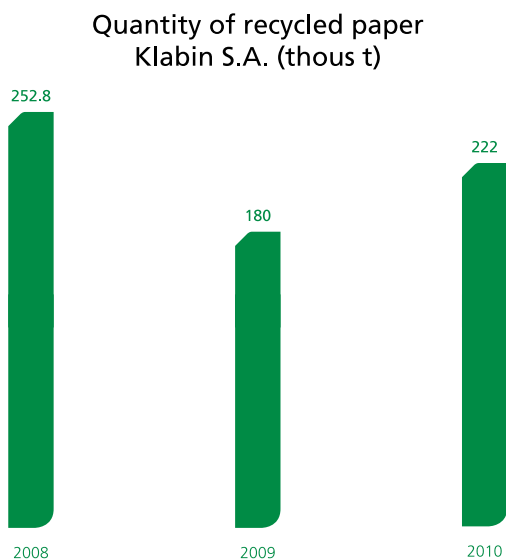


Total direct emissions  
Klabin Paper (kg SOx/t Paper)



## Rational use of resources

The generation of wastes is inherent to Klabin's activities, especially in the production of pulp and paper. To administer the generation of this reject material in an adequate, conscientious way, the company makes unceasing efforts to identify fresh options to increase the efficiency of its operations, to reduce the consumption of materials and inputs and to mitigate the environmental impacts.



## Materials

Klabin takes actions to improve the utilization of input materials and, in particular, to reduce consumption of chemical products; an example is the elimination of elemental chlorine in pulp bleaching. In 2010, the company increased the quantity of OCC purchased from the market for recycling, with a total of 222 thousand tons. This recycled amount is equivalent to 3.6% of everything used in the company's production, considering wood for processing and purchased pulp. This decision has helped to reduce the volume of waste and to generate income throughout the recycling chain.

**[GRI EN2]**

## Energy

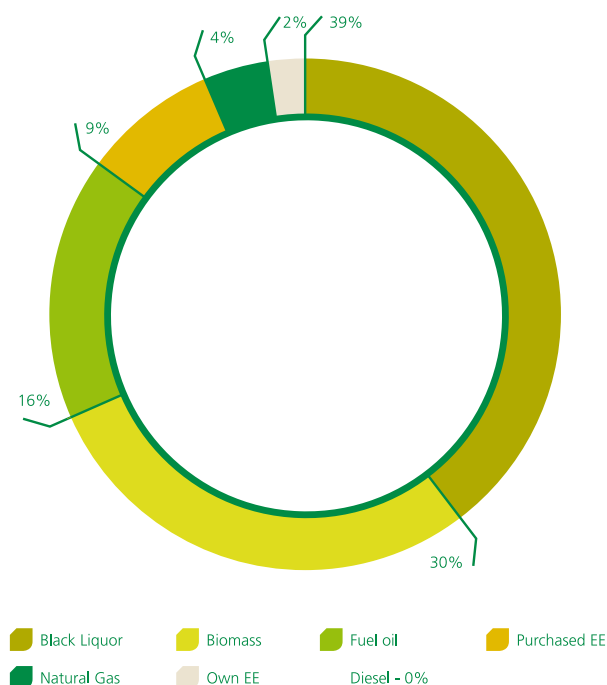
The consumption of energy totaled 36.211.530 GJ which meant a reduction of 1.2% in relation to the previous year (36,661,593 GJ). This result reflects improved energy utilization which was achieved by means of better technologies, such as the installation of biofuel-burning boilers and optimal use of resources. Direct energy consumption saw a drop of 2.2% totaling 33.003.547 GJ, whereas the

## Consumption of materials in 2010 (in thous tons)

**[GRI EN1]**

		2008	2009	2010
Direct materials	Wood for processing	5,641	5,200	5,850
	OCC purchased from the market (recycled)	253	180	220
	Purchased pulp (pulp and CTMP)	43.7	51.9	52
Non-renewable materials	Sulfuric acid	8.3	7.7	9.4
	Caustic Soda	24.9	20.6	24.7
	Sodium sulfate	16.6	16.8	19.5
	Aluminum sulfate	29.5	27.1	22.6
	Virgin lime	34.6	14.6	38.3
	China clay	20.1	19.1	23.3

### Klabin Total Energy Source - annual GJ



consumption of indirect energy came to 3.207.983 GJ, a rise of 8.6% in relation to 2009. **[GRI EN3 e EN4]**

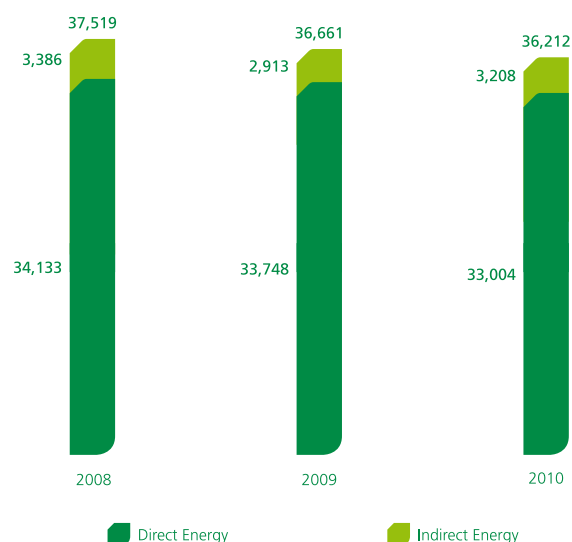
The use of biomass and black liquor (pulp production residue) were responsible for 69% of the energy sources, while 20.2% referred to fossil fuels (ratios of 72.3% and 17.7%, respectively, in 2009). Total consumption of electrical power was 7.8%.

The power supplied by the local grid went up 10% equivalent to 9% of total consumption and thermal energy generated by steam turbines in the paper mills (cartonboard and kraft paper) recorded a 10% increase.

The Monte Alegre Plant, in Telemaco Borba (PR), managed to achieve a number of gains during the year where energy efficiency was concerned. Specific consumption of steam dropped by 7%, in comparison with 2009, reaching 5.4 t steam/t paper.

Among the principal factors which influenced this performance are the increase in the return of condensate and the better yield of evaporation, both in evaporated water and in steam savings. The plant also managed a gain of 1.6% in energy efficiency, thanks to improvements in its control systems.

### Total energy consumed Klabin S.A. (thous GJ)



## Klabin Energy Source - annual GJ

		2008	2009	2010
Direct energy	Natural gas	1,496,601	1,241,558	1,360,678
	Fuel oil	8,705,917	5,245,043	5,944,132
	Biomass	10,073,931	13,885,349	10,860,709
	Black liquor	13,093,270	12,636,411	14,067,186
	Own hydraulic electrical energy	763,713	730,648	761,023
	Diesel oil	–	9,209	9,819
Indirect energy	Purchased hydraulic electrical energy	3,385,748	2,913,375	3,207,983
<b>Total energy consumed</b>		<b>37,519,180</b>	<b>36,661,593</b>	<b>36,211,530</b>

**N.B.** Values adjusted of Inferior Calorific Power (ICP), according to information of the Brazil GHG Protocol

## Water

Klabin takes a number of steps to save water, but owing to the hike in production during the year of 2010, water consumption showed an increase of 5.3% in comparison with 2009, totaling 68 million cubic meters.

The specific consumption of the paper mills (cartonboard and kraft paper), however, came to an annual average of 40.89 cubic meters per ton of paper produced, a reduction of 4.8% in relation to the year before. The improvement in efficiency becomes clear upon analysis of the reduction of 12% recorded since 2008.

In Correia Pinto (SC) there was a drop of 26% in comparison with the previous year, owing to the

shutdown of one bleaching unit. In Otacilio Costa (SC) the reduction of 8.2% reflects efforts to make employees and groups aware of the need to reduce losses.

In the Converting plants (corrugated boxes and industrial sacks) there was also a lower specific consumption of water in 2010, with an annual average of 0.6 cubic meters per ton, a reduction of 10.5% in comparison with 2009.

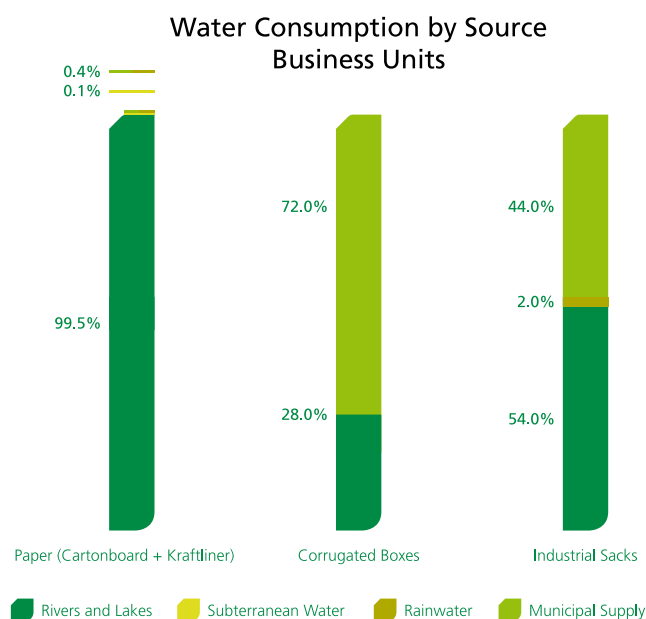
These good results were the fruit of efforts to identify leaks in equipment and hydraulic systems. Another important factor was the closing of water and effluent loops in some plants, which meant that treated effluent was used for various purposes within the plants, leading to a significant reduction in

## Water consumption (m<sup>3</sup>)

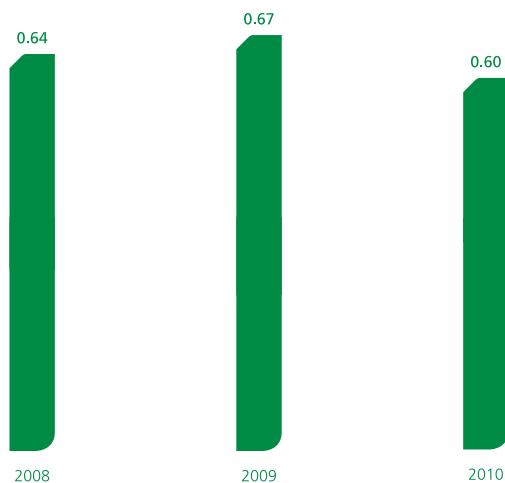
**|GRI EN8|**

Capture source	2010	%
Surface water	67,449,109	99.24
Subterranean water	112,971	0.17
Rainwater captured directly and stored by the company	960	0.001
Public water supply or from water supplying companies	404,973	0.60
<b>Total</b>	<b>67,968,013</b>	<b>100</b>

**N.B.** In previous years the information was not broken down.

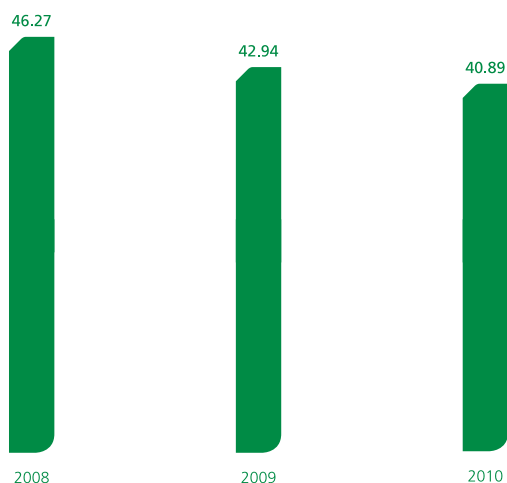


**Specific Water Consumption (m<sup>3</sup>/t paper) Packaging Business Unit**



**N.B.** Excludes the plants of Goiana and Piracicaba, since other Business Units operate in the same plants. Klabin does not have individual measurement for these plants.

**Specific Water Consumption (m<sup>3</sup>/ t paper) Paper Business Units (Cartonboard and Kraftliner)**



impounded water from bodies of water and other sources. The reporting of environmental anomalies is now being introduced in all of Klabin's plants and will identify leakage points in hydraulic systems, machinery, equipment and processes.

## Reuse and recycling of water

Aligned with its commitment to zero waste and conservation of natural resources, Klabin is looking for new technologies to make the most use of water in its industrial plants. In 2010, the quantity of water reused was 19.3 million cubic meters, amounting to 28% of the total taken up. **[GRI EN10]**

In the plants of Betim (MG), Del Castilho (RJ), Feira de Santana (BA), Guapimirim (RJ), Piracicaba (SP) and Sao Leopoldo (RS) the percentage recycled is 100% of the industrial effluent after treatment in the effluent plant. This water is used to wash machinery and floors, for gardening, glue preparation and for hydra-pulping the OCC.

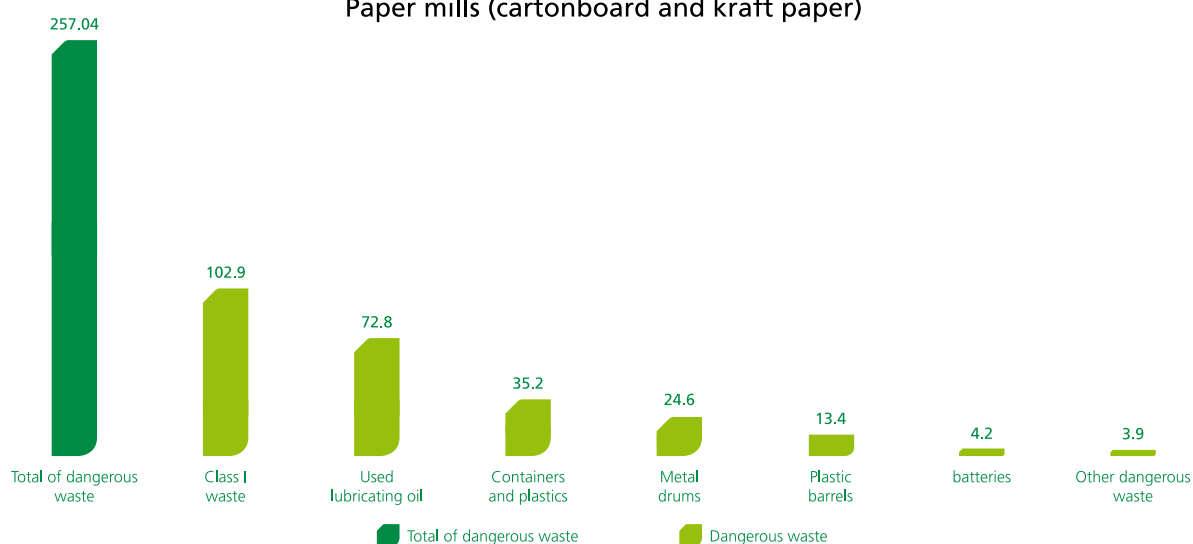
The plants of Lages 1 (SC) and Jundiai Tijuco Preto (SP) reuse approximately 90% of the effluent treated for manufacturing activities and cleaning equipment and floors. The Otacilio Costa Plant (SC) recycles 10% of the effluent in the cleaning of sludge presses in the treatment plant.

At the Monte Alegre Plant, in Telemaco Borba (PR), 47% of all captured water is reused, that is to say, 18 million cubic meters are recycled. This takes place in the closed loop of the cooling towers, return of the condensate to feed the boilers and return of warm water among others.

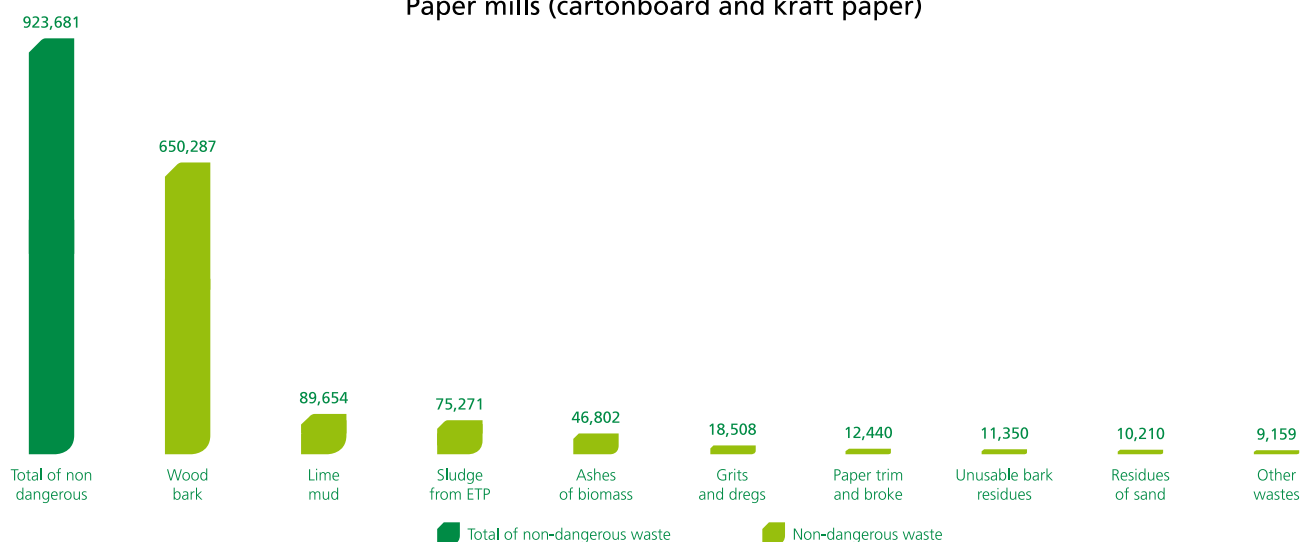
## Waste and effluents

With the management of wastes and effluents, Klabin is able to reduce the consumption of raw materials and the impact of its industrial activities. The solid wastes generated are correctly disposed of, ensuring that the environment is not contaminated.

Generation of dangerous waste (tons)  
Paper mills (cartonboard and kraft paper)



Generation of non-dangerous waste (tons)  
Paper mills (cartonboard and kraft paper)



All of the plants have a waste center, where the materials are stored and later transported to their final destination.

All waste generated in the production of pulp and paper is dealt with appropriately through partnerships with specialized companies, licensed by an environmental body. The majority of these wastes is classified as not harmful, such as plastics, polystyrene, scrap metals, grits, dregs (wastes from paper-making process), lime mud, fiber rejects etc. A large part of these wastes is recycled and later reused in other industrial processes. During the year, the generation of these types of material totaled 923,681 tons, or 99.91% of all waste generated. Waste considered dangerous, such as lubricating oils, used medical materials, fluorescent light bulbs, industrial towels among others came to 257 tons, or 0.09% of the grand total and, depending on the type of waste material, was sent for re-refining, industrial landfill, decontamination and so on. [\[GRI EN22\]](#)

The choice of external companies to dispose of the waste is made with strict criteria. A team from the environmental area carries out an audit of the company interested in buying, disposing of or treating the waste generated by Klabin's plants, for which all the legal documentation, a structural evaluation and an analysis of parameters are required. If technically approved, the company is audited again in the period of a year. All the transporters of wastes (dangerous or not) are also assessed and required to present the legal documentation. In 2010, 100% of the dangerous wastes were properly collected, transported and treated.

The Monte Alegre Plant in Telemaco Borba (PR) was granted permission in 2010 by the Ministry of Agriculture, Cattle-farming and Supply, to sell lime mud, a by-product of paper-making, to be offered to farmers in the region of Telemaco Borba (PR) to correct soil acidity. The quantity of lime mud transferred to the farmers in the year was 2,697 thousand tons.

## Unprecedented system worldwide

A modern, advanced effluent treatment system is installed at the Monte Alegre Plant, in Telemaco Borba (PR) – first of its kind in the world in integrated pulp and paper mills. With state-of-the-art technology, the ultrafiltration system means that treated water can be returned to the Tibagi River cleaner than when it was withdrawn. The plant currently has a capacity to treat 40% of the effluents generated by the mill.

Aiming to reduce the discharge of effluents, Klabin has invested in improvements to machines, processes, equipment and has also made employees and contract workers more aware, controlling wastage of raw materials and inputs, creating internal improvement teams, reporting environmental anomalies to eliminate leakages and reutilizing effluents for other purposes.

It has thus been possible to lower the specific load of Biochemical Oxygen Demand (BOD5) by 38.6% as of 2008 and also the specific discharge of effluent, reaching 27.6 cubic meters per ton produced in the paper mills (cartonboard and kraft paper) in 2010, a drop of 4% in relation to 2009 and of 16.5% since 2008. The efficiency rates of the effluent treatment

plants, at the cartonboard and kraft paper mills, for removal of BOD5 were above 86% in 2010, with the average between all the plants of 94%.

Owing to the increase in production, the total discharge of effluents rose 9.6% in comparison with 2009, reaching 48.5 million cubic meters. Of this quantity, 98.77% were generated by the cartonboard and kraft paper mills.

### Volume of effluents (m<sup>3</sup>) |GRI EN21|

Business Units	2009	2010
Paper (cartonboard and kraft paper)	44,200,345	47,912,813
Converting - Corrugated boxes	37,493	54,958
Converting - Industrial sacks	10,368	7,354
<b>Total</b>	<b>44,248,206</b>	<b>48,509,132</b>

## Recycling

With recycled paper plants in Guapimirim (RJ), Piracicaba (SP) and Goiana (PE), Klabin is the largest paper recycler in Brazil, with an annual production capacity of 200 thousand tons. All the plants have both FSC® (Forest Stewardship Council) and ISO

14001 certifications. The paper not only supplies Klabin's corrugated box plants, but is also sold in Brazil and overseas.

## Biodiversity

The company's commitment to maintain the biodiversity is expressed through strategic actions of monitoring and preservation of various species of plants and animals that are found in its native woodlands.

For every 100 hectares of planted forest, over 90 hectares of native woodlands are preserved. As a consequence, approximately 42% of the 458 thousand hectares of lands owned by the Company are kept as areas of conservation, that is to say 192 thousand hectares.

In 2010, there was a small increase in the amount of preserved areas, resulting from an expansion in the forest base in the States of Parana and Santa Catarina. The preserved, terrestrial ecosystems fall within the boundaries of the Atlantic Rainforest biome and add up to 1,923.27 square kilometers. |GRI EN11| In order to conserve their attributes, these areas have been actively protected through

### Areas of intense biodiversity (km<sup>2</sup>)

|GRI EN11|

Klabin Properties in protected areas and/or of high rate of biodiversity	km <sup>2</sup>	Attribute (value of biodiversity)	Location (municipality)	Type of operation
Parana	1,230.98	Terrestrial ecosystem	Telemaco Borba and surroundings	Conservation
Santa Catarina	634.80	Terrestrial ecosystem	Lages and surroundings	Conservation
Sao Paulo	34.29	Terrestrial ecosystem	Angatuba and surroundings	Conservation



## Number of identified species

**|GRI EN15|**

Animals	Parana				Santa Catarina		
	Identified Species	Endangered			Identified Species	Endangered	
		IAP - 2004	MMA - 2008	IUCN - 2010		MMA - 2008	IUCN - 2010
Insects (bees)	22	0	0	0	NA	NA	NA
Amphibians	52	2	0	39	6	0	5
Birds	408	36	16	379	251	8	220
Crustaceans	3	0	0	0	NA	NA	NA
Mammals	132	29	9	120	42	6	35
Fish	60	7	3	2	NA	NA	NA
Reptiles	40	0	0	11	5	1	2
<b>Total animals</b>	<b>717</b>	<b>74</b>	<b>28</b>	<b>551</b>	<b>304</b>	<b>15</b>	<b>262</b>

Plants	Parana				Santa Catarina		
	Identified Species	Endangered			Identified Species	Endangered	
		IAP - 2005	MMA - 2008	IUCN - 2009		MMA - 2008	IUCN - 2009
Trees	426	22	4	24	356	10	21
Bushes	100	0	0	1	NA	NA	NA
Epiphytes	114	1	0	4	NA	NA	NA
Herbaceous	245	6	3	1	232	3	1
Vines	4	0	0	0	39	10	1
Pteridophytes	139	1	1	1	64	6	1
Underbrush	21	0	0	0	NA	NA	NA
Climbers	97	3	0	1	NA	NA	NA
<b>Total plants</b>	<b>1,146</b>	<b>33</b>	<b>8</b>	<b>32</b>	<b>691</b>	<b>29</b>	<b>24</b>

**IAP** - Environmental Institute of Parana

**MMA** - Ministry of the Environment

**IUCN** - International Union for Conservation of Nature

**NA** - Not available

different procedures and programs, since the beginning of the company activities.

A Private Natural Heritage Reserve (PNHR), situated on the Monte Alegre Farm in Telemaco Borba (PR) with an area of 3,852 hectares is one of these areas which deserves special mention. A protocol has been submitted for a reserve with an area of 4,919.63 hectares in Santa Catarina to be called the PNHR of the Serra da Farofa Complex. **|GRI EN14|**

By the end of 2010, respectively 717 and 304 species of animals had been identified in the forests of Parana and Santa Catarina. In Parana there are 132 mammals, 408 birds, 52 amphibians, 40 reptiles, 22

bees, three crustaceans and 60 fish. Of all these, 74 species are considered to be endangered by IAP (Environmental Institute of Parana), 28 by MMA (Ministry of the Environment) and IBAMA (Brazilian Environmental Agency) and 551 by IUCN (International Union for Conservation of Nature). In Santa Catarina, out of the 251 species of birds, 42 of mammals, six of amphibians and five of reptiles which have been identified, 260 are on the endangered list of IUCN and 15 on that of MMA. In Klabin's areas in Parana, 1,146 species of plant have been identified and 691 species in Santa Catarina. Trees are the most studied group with

426 different species in Parana and 356 in Klabin's areas in Santa Catarina. The second largest group identified is of herbaceous plants which total 245 species in Parana and 232 species in Santa Catarina, according to Klabin's surveys.

### **Proper stewardship**

Klabin, a global benchmark in forest stewardship, plants pines and eucalyptus intermingled with preserved native woodlands. This model, known as a mosaic one, is ideal for conserving biodiversity, since it enables the formation and better distribution of ecological corridors. As a result there is no fragmentation or isolation of areas, which allows for the free transfer of genes. Other stewardship measures include the controlled use of chemicals in the plantations, avoiding risks to the protected areas. Klabin's model of forest management is included in the Corporate Biodiversity Management Handbook. This book, which was published by the German Ministry of Environment and translated by the World Bank, shows how the practice of managing biodiversity, taking advantage of business opportunities offered by nature through actions to conserve the environment, turns into a success story for some companies.

### **Legal Woods Program**

Established in 2005, in partnership with Apremavi (Association for Preservation of the Environment and Life) it advises small and medium sized rural landowners on how to be more efficient environmentally and also how to preserve ecosystems.

In Santa Catarina, ten new foster-partners adhered

to the program and received about five thousand seedlings. In this state total participants number 292 farmers since the start of activities. In the State of Parana 80 new farmers were engaged this year, making a current total of 343 participants. During the year 84 thousand seedlings were distributed, sufficient to recuperate about 50 hectares.

On the 31st of October and under the auspices of the program, the 1st Integration Seminar for Women Farmers was held in Otacilio Costa to raise the participation of women in community actions and rural properties. The event assembled 130 women, Klabin partners in the Forestry Incentives Program, from 8 towns in the regions of the Upper Itajaí Valley and the Planalto Serrano of Santa Catarina.

Besides this, Legal Woods supports other initiatives, such as the donation of a thousand seedlings of native species to the Adopt the Green project, of the Secretary of the Environment and Public Services of Lages, for tree-planting actions and to spread environmental awareness.

### **Ecological Park**

The Ecological Park was established by Klabin in the decade of the eighties on the Monte Alegre Farm in Telemaco Borba (PR) and its goals are to maintain and conserve the regional fauna and flora, with scientific studies of the various local ecosystems on the Farm. It also works with the reproduction of endangered wild animals from the forest and promotes environmental education for students from the schools in the region, company employees and the community in general.

The Park has a total area of 11,196 hectares, of which 7,883 hectares are composed of natural

forests, in the form of Araucaria Woods. Some of these forests are in their primitive state or very little altered, which favors the conservation of biodiversity.

#### **Scientific Breeding Grounds for Forest Animals -**

Introduced in 1989, its objectives are to breed and to reintroduce endangered native species, to study animal behavior and promote environmental education. Run by Klabin, it is registered with IBAMA and comprises 55 pens and cages which house 19 species of mammals, 23 of birds and 8 of reptiles. In 2010, it was successful in breeding some species of endangered animal, such as the piping guan and the emu, and mammals such as the tapir and little red brocket deer; young were also born to other species common to the region like the brocket deer, agouti, bush dog and capuchin monkey.

**Study of Forest Wildlife** - Since 1991, an efficient system of wild animal Sighting Cards has been in operation, through which information about the native fauna is obtained. The card is filled out by every employee in the company who spots a wild animal. In 2010, 982 cards were handed in, relating sightings of 1691 animals belonging to 292 species. Sightings of endangered animals, such as the giant ant-eater, maned wolf and puma are frequently related by employees.

The project denominated “Ecologia trófica de peixes dos riachos da região do Parque ecológico da Klabin – Fazenda Monte Alegre” (Trophic ecology of fish in streams in Klabin’s Ecological Park), and run in conjunction with UEL (State University of Londrina) was concluded.

The study of native bees (Euglossini) on the Farm

continues, also with UEL. Another initiative together with this university entails a field biology course for master’s students.

In 2010, a den with four maned wolf cubs was found in a working area in the middle of the planted forest on the Monte Alegre Farm.

**Museum of Fauna and Flora** - Located in an area of 70 square meters, within Klabin’s Ecological Park, the museum is one of the most complete in the State of Parana. Its zoological collection consists of approximately 600 items, of which 165 are mounted, 25 skeletons, 110 skulls, 150 items preserved in liquid medium and 150 varied items. The museum also has an insectarium, a serpentarium for non-poisonous (live) snakes and a collection of exsiccata, a carpotheque (fruits and seeds) and a xilothèque of wood from trees from the Monte Alegre Farm. The museum is part of the **Frans Kracjberg Nature Interpretation Center** which contains an auditorium for 66 people and an activities room for use by schools.

**Herbarium** - In partnership with the State University of Maringa, Klabin set up the HKlabin Herbarium in 2002, situated on the Monte Alegre Farm. The goals of this undertaking were to study and accompany the diversity of botanical species found in the region and analyze the properties of some of them. Currently the collection numbers some 2,249 examples scientifically registered and classified; of these 1,078 refer to collections made on the Farm. Of this total – which represents 150 botanical families – 628 are species of tree, 939 bushes and 682 herbaceous plants. This number has been

growing together with the phytosociological survey which is being made and the goal of which is to become a reference of regional flora and internationally recognized.

### Phytotherapy Program

Set up 25 years ago, Klabin's Phytotherapy Program is targeted at the sustainable use of biodiversity, in a combination of environmental preservation with social responsibility. The project is based on the utilization of Non-Wood Forest products in the composition of phytotherapy products for employees and the population of Telemaco Borba (PR). The program was the first in the world, involving the handling of medicinal plants, to be certified by the FSC® (Forest Stewardship Council) in 1999. Nearly 60 products are made with the manipulation of medicinal plants found in the company's forested areas and used in the manufacture of cosmetics and phytotherapy products to treat illnesses such as slight hypertension, colds and flus, skin wounds and lesions and digestion problems.

### Apiculture and meliponiculture

A highly successful Program of Apiculture and Meliponiculture has also been running since 2007 at the Monte Alegre Plant in Telemaco Borba (PR), in which 14 beekeepers from the region are participating. There are 17 apiaries installed at this location (each one with 25 beehives on average). Run in conjunction with the Beekeepers Association of Telemaco Borba and the Caminhos do Tibagi, Cooperative, the program managed to produce 11,270 kilos in 2010, with an average of 25 kilos per hive – above the national average of 16 kilos.

Volume was 7.8% above that recorded for 2009 (10,450 kilos).

Whilst Klabin grants access to its forests to help develop production chains and benefit communities and the environment, the Cooperative operates a processing plant to prepare the product in compliance with legal and market requirements and distribute honey and its by-products.

A local apiary contains 25 beehives and a beehive produces 26 kilos of honey today. Considering that the average sales price of honey is R\$ 5.00 per kilo, this means an additional income to the producer of at least R\$ 3 thousand per apiary.

In meliponiculture a study is being conducted to multiply the native bees able to promote the preservation of the ecosystem, since they are responsible for 40% to 90% of the pollination of plant species. In Klabin's forests, 21 different species of these bees have already been identified, among which are the Jatai (*Tretagonisca angustula*) and the Irai (*Nannotrigona testaceicornis*), considered to be producers of high quality honey with therapeutical properties. Since many of these bees have no or atrophied stingers, it is quite safe to combine meliponiculture with activities such as environmental education and silviculture, the principal activity in the region. Another advantage is that the high quality of the honey opens up work opportunities in the area of non-wood forest products. **[GRI EC9]**

# GRI Summary

<b>ES</b>	Essential indicator
<b>AD</b>	Additional indicator
<b>SU</b>	Supplemental indicator of energy sector
	Correlation with Global Compact

	Principle of Global Compact	Page / Commentary
<b>STRATEGY AND ANALYSIS</b>		
1.1	Declaration of the relevance of sustainability	
1.2	Description of the principal impacts, risks and opportunities	
<b>ORGANIZATIONAL PROFILE</b>		
2.1	Name of the organization	
2.2	Main brands, products and/or services	
2.3	Operational structure	
2.4	Location of the head office	
2.5	Number of countries in which the company operates	
2.6	Type and legal nature of the property	
2.7	Markets served (regions, sectors and types of customers / beneficiaries)	
2.8	Size of the organization	
2.9	Principal changes during the period covered by the report in terms of size, structure and shareholder participation	
2.10	Awards received during the period covered by the report	
<b>REPORT PROFILE</b>		
3.1	Period covered by the report for the information presented	
3.2	Date of the most recent prior report	
3.3	Issue cycle of reports (annual, biennial)	
3.4	Contact data	
	<b>Scope and limit of report</b>	
3.5	Process to define contents	
3.6	Scope of report (countries, divisions, subsidiaries, suppliers)	
3.7	Declaration of any specific limitations regarding the scope or limits of the report	
3.8	Basis for elaboration of the report with respect to joint ventures, subsidiaries, etc.	
3.9	Techniques for data measurement and basis for calculations	
3.10	Consequences of any revisions of previous information	
3.11	Significant changes in relation to previous years	
3.12	Chart to locate the information in the report	
	<b>Verification</b>	
3.13	Policy and current practice with regard to seeking external verification for the report	
<b>GOVERNANCE, COMMITMENTS AND ENGAGEMENT</b>		
	<b>Governance</b>	
4.1	Structure of governance	1 to 10
4.2	Indication in case the president of the highest body of governance is also a director	1 to 10
4.3	Independent or non-executive members of the highest body of governance	1 to 10
4.4	Mechanisms for shareholders and employees to make recommendations	1 to 10
4.5	Relation between remuneration and performance	1 to 10
4.6	Procedures in force to ensure that conflicts of interest are avoided	1 to 10

		Principle of Global Compact	Page / Commentary
4.7	Procedure to determine the qualifications and knowledge of the Board	1 to 10	
4.8	Declarations of mission and values, codes of conduct and internal principles pertinent to economic, environmental and social performance, as also their stage of introduction	1 to 10	
4.9	Procedures by the highest body of governance to supervise the identification and management by the organization of economic, environmental and social performance, including relevant risks and opportunities, and also the adhesion or conformity to internationally agreed norms, codes of conduct and principles	1 to 10	
4.10	Procedures of self-evaluation of performance of the highest body of governance, especially with regard to economic, environmental and social performance	1 to 10	
<b>Commitments to external initiatives</b>			
4.11	Principle of precaution	7	
4.12	<b>Letters, principles or other undersigned or endorsed initiatives</b>		
4.13	Participation in national/international associations and/or organisms		
<b>Engagement of the stakeholders</b>			
4.14	List of groups of stakeholders engaged by the organization		
4.15	Basis for identification and selection of stakeholders with whom to engage		
4.16	Approaches to engage the stakeholders		
4.17	Principal topics and concerns raised through engagement with the stakeholders		

		Principle of Global Compact	Page / Commentary
<b>ECONOMIC PERFORMANCE</b>			
Economic performance			
ES	EC1	Direct value added and distributed (DVA)	
ES	EC2	Financial implications, risks and opportunities of climate change	7
ES	EC3	Coverage of obligations of pension plan with defined benefits	
ES	EC4	Significant financial help received from the government	
<b>Presence on the market</b>			
AD	EC5	Lowest salary compared with local minimum salary	1
ES	EC6	Policies, practices and proportion of expenses with local suppliers	
ES	EC7	Procedures for local hiring	6
<b>Indirect economic impacts</b>			
ES	EC8	Investments in infrastructure and services in the community	
AD	EC9	Significant indirect economic impacts	

<b>ENVIRONMENTAL PERFORMANCE</b>			
<b>Materials</b>			
ES	EN1	Materials used by weight or volume	8
ES	EN2	Percentage of materials used derived from recycling	8, 9
<b>Energy</b>			
ES	EN3	Consumption of direct energy discriminated by primary source	8
ES	EN4	Consumption of indirect energy discriminated by primary source	8
AD	EN5	Energy saved owing to improvements in conservation and efficiency	8, 9
AD	EN6	Initiatives to supply products and services with low energy consumption	8, 9
AD	EN7	Initiatives to reduce consumption of indirect energy and reductions obtained	8, 9

			Principle of Global Compact	Page / Commentary
<b>Water</b>				
ES	EN8	Total water withdrawn by source	8	
AD	EN9	Hydric sources significantly affected by water withdrawal	8	
AD	EN10	Percentage and total volume of water recycled and reused	8, 9	
<b>Biodiversity</b>				
ES	EN11	Location and size of Company's area in protected areas or of intense biodiversity	8	
ES	EN12	Description of significant impacts on biodiversity	8	
AD	EN13	Protected or restored habitats	8	
AD	EN14	Administration of impacts on biodiversity	8	
AD	EN15	Number of species on IUCN's Red List and on national lists of conservation	8	
<b>Emissions, effluents and wastes</b>				
ES	EN16	Total direct and indirect emissions of greenhouse gases, by weight	8	
ES	EN17	Other relevant indirect emissions of greenhouse gases, by weight	8	
ES	EN18	Initiatives to reduce emissions of greenhouse gases and reductions obtained	7, 8, 9	
ES	EN19	Emissions of substances harmful to the ozone layer, by weight	8	
ES	EN20	NOx, SOx and other significant emissions to air, by type and weight	8	
ES	EN21	Total discharge of water, by quality and destination	8	
ES	EN22	Total weight of wastes, by type and method of disposal	8	
ES	EN23	Total number and volume of significant spills	8	Were not recorded
AD	EN24	Weight of dangerous wastes transported, imported , exported or treated	8	
AD	EN25	Biodiversity of bodies of water and habitats affected by discharges of water and drainage	8	
<b>Products and services</b>				
ES	EN26	Initiatives to mitigate environmental impacts of products and services	7, 8, 9	
ES	EN27	Percentage of products and their packaging recovered	8, 9	
<b>Conformity</b>				
ES	EN28	Fines and sanctions for non conformity with environmental laws and regulations	8	Were not recorded
<b>Transportation</b>				
AD	EN29	Environmental impacts from transportation of products, goods, materials and workers	8	
<b>General</b>				
AD	EN30	Total investments and expenditure in environmental protection by type	7, 8, 9	
<b>LABOR PRACTICES AND DECENT LABOR CONDITIONS</b>				
<b>Management approach</b>			1, 3, 6	
<b>Employment</b>				
ES	LA1	Workers by type of job, work contract and region		
ES	LA2	Total number and turnover of employees by age group, gender and region	6	
AD	LA3	Benefits which are not offered to temporary or half-time workers		
<b>Relations between workers and governance</b>				
ES	LA4	Percentage of employees covered by collective bargaining agreements	1, 3	
ES	LA5	Minimum period for prior notification concerning operational changes	3	
<b>Occupational health and safety</b>				
AD	LA6	Percentage of employees represented on formal committees of health and safety	1	

			Principle of Global Compact	Page / Commentary
ES	LA7	Rates of injuries, occupational illness, lost days, absenteeism and deaths	1	
ES	LA8	Programs of education, training, counseling, prevention and risk control	1	
AD	LA9	Issues concerning health and safety covered by formal agreements with unions	1	
		<b>Training and education</b>		
ES	LA10	Average number of hours of training per year, per employee, by function	6	
AD	LA11	Programs to administer competencies, ongoing learning and career termination		
AD	LA12	Percentage of employees who regularly receive analyses of performance		
		<b>Diversity and equal opportunity</b>		
ES	LA13	Those responsible for governance and employees by gender, age group, minorities	1, 6	
ES	LA14	Proportion of salary base between men and women by functional category	1, 6	
		<b>HUMAN RIGHTS</b>		
		<b>Management approach</b>	1, 2, 3, 4, 5, 6	
		<b>Investment practices and purchasing processes</b>		
ES	HR1	Investment contracts which include clauses referring to human rights	1 to 6	
ES	HR2	Suppliers submitted to human rights appraisals	1 to 6	
AD	HR3	Training for employees in human rights	1 to 6	
		<b>Non-discrimination</b>		
ES	HR4	Total number of cases of discrimination and measures taken	1, 2, 6	
		<b>Freedom of association and collective bargaining</b>		
ES	HR5	Operations with risks to right to exercise freedom of association	1, 2, 3	
		<b>Child labor</b>		
ES	HR6	Operations with significant risk of occurrences of child labor	1, 2, 5	
		<b>Forced or analogous to slave labor</b>		
ES	HR7	Operations identified to have risk of forced or analogous to slave labor	1, 2, 4	
		<b>Safety practices</b>		
AD	HR8	Security personnel trained in human rights	1, 2	
		<b>Rights of indigenous people</b>		
AD	HR9	Total number of cases of violation of rights of indigenous peoples and measures taken	1, 2	
		<b>SOCIETY</b>		
		<b>Management approach</b>	10	
		<b>Community</b>		
ES	SO1	Programs and practices to evaluate and deal with impacts from operations on communities		
		<b>Corruption</b>		
ES	SO2	Business units submitted to evaluations of risks related to corruption	10	
ES	SO3	Employees trained in anti-corruption policies and procedures	10	
ES	SO4	Measures taken in response to cases of corruption	10	
		<b>Public policies</b>		
ES	SO5	Positions and participation in elaboration of public policies and lobbies	1 to 10	
AD	SO6	Contributions to political parties or related institutions	10	



		<b>Unfair competition</b>	
AD	SO7	Legal actions for unfair competition, anti-trust and monopoly practices	
		<b>Conformity</b>	
ES	SO8	Fines and sanctions for non conformity with laws and regulations	
<b>RESPONSIBILITY FOR THE PRODUCT</b>			
<b>Customer health and safety</b>			
ES	PR1	Phases of the life cycle of products and services in which impacts on health and safety are evaluated	1
AD	PR2	Conformity with regulations and voluntary codes with regard to health and safety	1
<b>Labeling products and services</b>			
ES	PR3	Type of information on products and services required by labeling procedures	8
AD	PR4	Cases of non conformity related to information and labeling	8
AD	PR5	Practices concerning customer satisfaction, including results of surveys	
<b>Marketing communications</b>			
ES	PR6	Compliance with laws, norms and voluntary codes of marketing communication	
AD	PR7	Cases of non conformity with marketing communications	
<b>Customer privacy</b>			
AD	PR8	Proven complaints concerning the violation of customer privacy and loss of data	1
<b>Conformity</b>			
ES	PR9	Fines for non conformity in supply and use of products and services	

# Corporate information

## BOARD OF DIRECTORS

### Pedro Franco Piva - president

#### Members

Armando Klabin  
Celso Lafer  
Daniel Miguel Klabin  
Israel Klabin  
Lília Klabin Levine  
Miguel Lafer  
Paulo Sérgio Coutinho Galvao Filho  
Pedro Franco Piva  
Roberto Luiz Leme Klabin  
Olavo Egydio Monteiro de Carvalho  
Rui Manuel de Medeiros D'Espinay Patricio  
Vera Lafer

#### Alternate members

Wolff Klabin  
—  
Amanda Klabin Tkacz  
Alberto Klabin  
Roberto Klabin Martins Xavier  
Mildred Lafer  
Graziela Lafer Galvao  
Horácio Lafer Piva  
Edgar Gleich  
Agilio Leão de Macedo Filho  
Sergio Francisco Monteiro de Carvalho Guimarães  
Francisco Lafer Pati

## FISCAL COUNCIL

#### Members

Luis Eduardo Pereira de Carvalho  
João Alfredo Dias Lins  
Antonio Marcos Vieira Santos  
Wolfgang Eberhard Rohrbach  
Antonio Gonçalves de Oliveira

#### Alternate members

Thais Lopes Petrilli Aguiar  
Carlos Alberto Alves  
Vivian do Valle Souza Leão Mikui  
Tania Maria Camilo  
Sueli Reis de Souza

## DIRECTORS

### EXECUTIVE DIRECTORS (Elected)

Fabio Schvartsman	Chief Executive Officer (CEO)
Antonio Sergio Alfano	Director of Finance, Planning and Investor Relations (CFO)
Arthur Canhisares	Industrial Director PR and SP
Francisco César Razzolini	Director of Projects, Industrial Technology and Procurement
Paulo Roberto Petterle	Director of Operations (COO)

### DIRECTORS (Appointed)

#### Corporate

Roberto Tonioli	Human Resources Director
-----------------	--------------------------

#### Paper Business Unit (cartonboard and kraft paper)

Sadi Carlos de Oliveira	Industrial Director SC
José Gertrudes Soares	Sales Director – Kraft Paper
Edgard Avezum Junior	Sales Director – Cartonboard

#### Industrial Sack Converting Business Unit

Antonio Andrucio	Director
------------------	----------

#### Forestry Business Unit

José Artemio Totti	Director
--------------------	----------

**Klabin Argentina S.A.**

Paulo Roberto Petterle – President and managing director

Julio Alfredo Vieito – Vice-president

Antonio Andrucio – Director

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Bolsa de Valores de Sao Paulo

Tickers: KLBN3 and KLBN4

**International Stock Market**

US OTC (over-the-counter) Market

Ticker: KLBAY

**Independent Auditors**

Deloitte, Touche & Tohmatsu Independent Auditors

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