

# Sustainability Report | 2011





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# About the Report





# About the Report

This is Klabin's second Annual Sustainability Report published in accordance with the guidelines of the GRI (Global Reporting Initiative), an international non-profit organization that works for a sustainable global economy and provides guidance on production of the contents of sustainability reports.

The information presented here includes the activities and results accomplished in the year of 2011, as well as the outlook for 2012, in the economic, social and environmental spheres, and follows G-3.1 of the GRI model. [|GRI 3.1; 3.3|](#)

The financial indicators published in this document cover all the operational plants in Brazil and in Argentina, whereas the social and environmental information refers only to the operations in Brazilian territory.

Some of the indicators of human resources include data from the industrial sack plant located in Argentina. The consolidated financial statements are presented in accordance with Brazilian standards and international norms of accounting (International Financial Reporting Standards – IFRS), as determined by the

CVM 457/07 and CVM 485/10 instructions, having been audited by Deloitte Touche Tomatsu Independent Auditors. The socio-environmental information complies with standards determined by the ABNT (Brazilian Association of Technical Norms) and by the certifications ISO 14011 and OHSAS 18001. Eventual modifications to the data bases, due to adjustments to the information, are justified throughout the document.

[|GRI 3.6; 3.7; 3.8; 3.9; 3.10|](#)

The relationship with external auditors is governed by the principle of independence and by norms established by the CVM (Securities and Exchange Commission of Brazil), among which is the prohibition of these professionals to audit their own work, to exercise managerial functions in the Company and to promote their interests. [|GRI 3.13|](#)



## Engagement

The contents of the document reflect the concerns and interests considered to be of most importance by the stakeholders consulted during the compilation of this report. The process was started by mapping the principal stakeholders, considering their representation of and relationship with issues pertinent to Klabin's sustainability. The selection of issues submitted for consultation was based on the Company's strategic planning, sectorial questions of sustainability and aspects highlighted by the press in 2011, in news published about the Company and the sector. [\[GRI 4.15\]](#)

Two panels of people, which met in the Company headquarters in São Paulo, jointly debated and appraised the 26 topics, covering the complete range of sustainable performance. The first assembled 42 representatives of the external stakeholders (customers, investors and capital market analysts, suppliers, public organs,

community and non-government organizations). The 20 participants of the second one were employees and workers' union representatives. In both panels, the participants discussed in groups what the current challenges of sustainability were and how Klabin should position itself in this regard. In addition, a total of 77 people, including members of the Board of Executive Directors, were contacted and consulted by e-mail. This process was conducted by external consultants. (Editora Contadino). [\[GRI 3.5\]](#)

The results were used to build a materiality matrix, which graphically represents the degree of relevance attributed to each topic. The opinions of internal and external stakeholders were given equal weight, except for those of the members of the Board which were given twice the weight in assessment. The relevant score obtained is shown in a quadrant graph: the score given by the internal public is shown on the horizontal axis and that of the external public on the vertical axis.

Thus each item has a pair of values (coordinates) which fixes its position on the graph.

The topics submitted for consultation were arranged hierarchically. The issues placed in the top right quadrant were considered of greater relevance for Klabin's sustainability, taking into account the two axes of the matrix (the perspective of external stakeholders and the internal perspective of the company). Five topics of major relevance stood out: ethical behavior; economic-financial results; rational consumption of natural resources; compliance with laws and regulations and human rights.

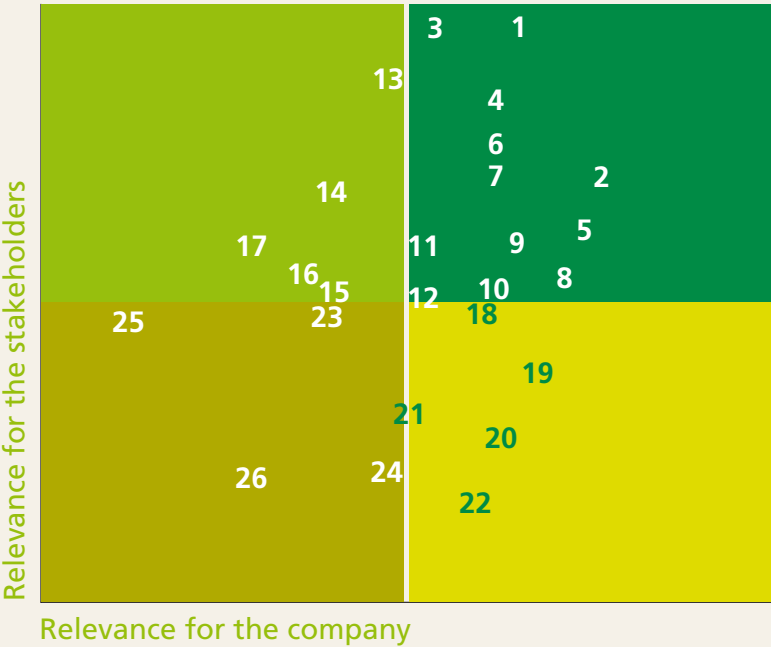


Principal topics and concerns

|GRI 4.17|

Extremely Important	
1	Ethical behavior (anti-corruption practices, respect for human rights, relations with competitors)
2	Economic-financial results (revenues, cash generation, results)
3	Rational consumption of natural resources (reuse and reduction of water consumption, development of renewable sources of energy)
4	Conformity (compliance with environmental, social, fiscal and product and service laws and regulations)
5	Human rights (non-discrimination, combatting slave and child labor, union freedom among others)
6	Socio-environmental criteria on selection of suppliers and in investments / Chain of value (human and labor rights, environmental controls)
7	Biodiversity (abundance and variety of natural environment, forest stewardship, preservation of natural areas, flora and fauna)
8	Health and safety of own and contracted employees
9	Actions of environmental control taken by Klabin
10	Certification / auditing of management systems (ISO 14001, ISO 9001, ISO 22000, OHSAS 18001, FSC®, Isega, and others)
11	Quality of products and services
12	Relations with customers (frequency, dialogue, conditions)
Very Important	
13	Waste management (recycling materials, proper transportation and disposal of hazardous wastes)
14	Climate change (measures to reduce the impact of the operations on the climate, such as control of greenhouse gas emissions throughout the production chain – carbon footprint)
15	Commitments to external initiatives (e.g. Global Compact, Forest Dialogue, Companies for the Climate, etc.)
16	Innovation in the offer of products and services
17	Relations with and development of support for suppliers (selection criteria, stimuli to improve production and management systems, dialogue)
Important	
18	Brand and reputation of Klabin
19	Training and advancement of employees
20	Presence in the market (relevance for communities / local economies, leadership in segments of operation)
21	Diversity and equal opportunity (social inclusion)
22	Remuneration and benefits for employees and contract workers
Less Important	
23	Corporate governance (transparency, broad disclosure of information, relations between majority and minority shareholders)
24	Job generation
25	Investment in production capacity
26	Investment in the community, in infrastructure and services for public benefit

Materiality matrix





The document reached application level B of the GRI guidelines, confirmed by an external verification conducted by the BSD Consulting Company, in compliance with the parameters shown in the chart below, through which GRI stipulates the requirements to define the extension of the report.

To clarify doubts regarding this Report, and also to make any criticisms or suggestions, Klabin has made the following e-mail available [rs@klabin.com.br](mailto:rs@klabin.com.br).

[GRI 3.4.]

Report - GRI application levels

	C	C+	B	B+	A	A+
<div>Profile of G3.1</div> <div>RESULT</div>	Report on itens: 1.1; 2.1 - 2.10; 3.1 - 3.8; 3.10 - 3.12; 4.1 - 4.4; 4.14 - 4.15	With external verification	Report on all criteria listed for Level C plus: 1.2; 3.9, 3.13; 4.5 - 4.13; 4.16 - 4.17	With external verification	Same as required for Level B	With external verification
<div>Information on management approach of G3.1</div> <div>RESULT</div>	Not required		Management Approach Disclosures for each Indicator Category		Management Approach Disclosures for each Indicator Category	
<div>G3.1 Performance Indicators &amp; Sector Supplement Performance Indicators</div> <div>RESULT</div>	Report on a minimum of 10 Performance Indicators, including at least one from each area of performance: Economic, Social and Environmental.		Report on a minimum of 20 Performance Indicators, at least one from each area of performance: Economic, Environmental, Human Rights, Labor, Society, Product Responsibility.		Report on each core G3 and Sector Supplement * Indicator with due regard to Materiality Principle by: a) reporting on the indicator or b) explaining the reason for its omission.	

\* Sector supplement in final version



## Statement of Assurance

ABSD Consulting has independently verified, for the second time, the preparation process of Klabin's Sustainability Report, drawn up in accordance with the guidelines of GRI G3.1 (Global Reporting Initiative). The process of verification is intended to provide Klabin's stakeholders with an independent opinion on: the quality of the report; engagement procedures with stakeholders; adhesion to the principles of norm AA1000AS (2008); and the company's sustainability management.

## Independence

We work independently and we guarantee that no member of BSD has consultancy contracts or any kind of commercial link with Klabin. BSD Consulting is licensed by AccountAbility as an assurance provider (AA1000 Licensed Assurance Provider) and registered under number 000-33.

## Our Competency

BSD Consulting is a company specialized in sustainability. The work has been carried out by a team of experienced professionals trained in the processes of external verification.

## Klabin and BSD Responsibilities

The preparation of the Sustainability Report and also the definition of its content is Klabin's responsibility. Appraisal of the report and substantiation of the application level of the GRI G3.1 guidelines were the object of BSD's work.

## Scope and Limitations

The scope of our work encompasses the information from the full version of Klabin's 2011 Sustainability Report, for the period covered by the report. The independent verification process was carried out in accordance with the AA1000AS (2008) standard (AccountAbility1000 Assurance Standard 2008), Type 1, providing a moderate level of assurance.

The process entails appraisal of the adhesion of Klabin's accountability procedures to the three principles: Inclusion, Materiality and Response Capacity.

## Methodology

The extent of the AA1000 verification process consisted of:

- Appraisal of the content of the 2011 Sustainability Report;
- Comprehension of the procedures to generate information for the Sustainability Report, considering the process of engagement and definition of materiality;
- Survey of public information on the sector and the company (press, sites and legal basis) to identify relevant issues from an external point of view;



- Interviews with executives, managers and employees from key areas to evaluate relevant issues, the context of sustainability management and information presented in the Report;
- Visit to the industrial sack plant of Lages, Santa Catarina;
- Whenever relevant, confirmation of information on Sustainability performance with directors of the company; and
- Based on random sampling, confirmation of the information in the Report with supporting documentation, internal managerial reports and official correspondence.

## Main Conclusions – AA1000AS Principles

In accordance with the evaluation of BSD Consulting, there has been an evolution in Klabin's processes of sustainability management. Establishment of the Sustainability Committee and the definition of engagement procedures with stakeholders are the highlights for the year of 2011. It continues to be necessary to consolidate the various ways the company communicates its sustainability practices, both internally and externally. The expansion of its activities through acquisition of new forestry areas and the installation of a new industrial plant present a major challenge for the coming years. The conclusions in relation to the three principles of AA1000AS follow hereafter.

## Main Conclusions on Adhesion to the AA1000AS Principles (2008)

1. **Inclusion** – covers the participation of stakeholders in the development of

a transparent, strategic process of sustainability management.

- At the beginning of 2012 Klabin's first panel of stakeholders was held, assembling the internal public, suppliers, government, customers, financial institutions and NGO's. To ensure the continuity and quality of this process, it is important for Klabin to define criteria to identify and prioritize stakeholders, and also to systematize engagement procedures.
- Since this process was conducted at the beginning of 2012, it is important that its results are felt throughout this year, so that they can help define the company's sustainability strategy, and provide both learning and internal changes, whenever necessary.
- We recommend that the stakeholders' engagement procedures be extended to all operating plants and also that local teams be trained in order that the changes and



the demands of local stakeholders are properly analyzed.

2. Materiality (or Relevance) – issues essential for stakeholders to draw conclusions on the economic, social and environmental performance of the organization.

- The process of materiality appraisal, through consultation with stakeholders (holding the panel), was conducted at the beginning of 2012. Consequently, the 2011 report does not yet reflect the analysis of materiality made this year. The results of this process should be considered when preparing the report of 2012.
- For the appraisal process and definition of materiality to be both continual and structured, it is recommended that the procedures and criteria for this analysis are defined, also taking into consideration local issues of the plants and

results of the company's other processes, such as the Operational Dialogues held in Klabin's forestry areas.

- Some of the issues dealt with initially in this report will be relevant topics in the future, especially those concerning expansion. There is real concern on the part of the company regarding the socioenvironmental impacts on the community in which it will be operating; not only to minimize the negative impacts but also to provide economic, social and environmental development for the region.
- Critical topics were dealt with in a clear and transparent manner in the report of 2011. Issues such as difficulties of the international market and an end to operations at the Del Castilho plant, together with the challenges to improve occupational health and safety were also covered in the Message from the Management.

• Klabin's goals and objectives for sustainability (in 2012 and the medium term) are aligned with the company's business strategy. However it is important that they are also aligned with identified material issues and with future challenges, providing additional confirmation of its commitment to strategic management and sustainability of its business.

3. Response Capacity – covers actions taken by the organization as a result of specific demands from stakeholders.

- Klabin advanced to application level B with its sustainability report and presented important commitments regarding the challenges of sustainable growth of its business.
- With a view to improving its administration, Klabin has set up and introduced actions in important areas, such as Supply Chain,



Strategic Planning and Sustainability, as well as formalizing the activities of the Sustainability Committee.

- The communication of its practices and actions in Sustainability is an ongoing challenge for the company. It should be pointed out that, besides communicating with its external stakeholders, it should communicate with and engage the internal public in all its plants seeking principally to train them, given the complex issues involved with sustainable development.

- The area of Strategic Planning has taken measures to define and formalize its processes. The area identified the topics of Innovation and Sustainability as issues which will be exploited by the company in the coming years.
- With a view to developing its management of sustainability, it is recommended that Klabin steer its actions towards management of the supply chain, with special consideration for aspects concerning Human Rights and labor practices and that it pursue active participation in relevant discussions by the sector, in such a way as to positively influence the definition of public policies and new regulations.

### GRI Application Level G3

In accordance with the orientations of GRI G3.1 guidelines, BSD declares that the 2011 sustainability report of Klabin S.A. is classified as Application Level B+. The report supplies answers to items concerning the profile of the company and information related to all categories, aspects and indicators: economic, environmental, human rights, labor practices, society and product responsibility.

**São Paulo, May 17, 2012.**







# 01.

## Klabin



# 01. Klabin

With a history of commitment to sustainable development and preservation of natural resources and biodiversity, Klabin is Brazil's biggest producer, exporter and recycler of packaging paper and a global paragon of forest stewardship.

Klabin S.A. is the biggest paper producer, exporter and recycler of Brazil, the largest paper recycler in Latin America and the leading manufacturer of packaging paper and board, corrugated boxes and industrial sacks and it also sells timber in logs. It is a publicly-traded, 100% Brazilian company and is controlled by the Klabin Irmãos e Cia holding company – which retains 59% of the voting capital – and its shares have been traded on the BM&FBovespa Stock Exchange for 32 years. Its production capacity topped 1.9 million tons a year of paper for converting into paper packaging or exporting to more than 70 countries on five continents. [|GRI 2.1; 2.2; 2.6|](#)

The size and importance of its business are also expressed by the number of active customers which totaled some 3 thousand in 2011 and include industries of food, hygiene and cleaning products, electro-electronics, beverages, cement, sawn and laminated timber, packaging conversion and others. [|GRI 2.5; 2.7|](#)

To meet the demands of customers efficiently in domestic and overseas markets, it is organized in three Business Units: Forestry, Paper (cartonboard and kraft papers) and Converting (corrugated boxes and industrial sacks). Operations are comprised of 16 manufacturing plants, installed in eight Brazilian States and one also in Argentina. It is supported by sales offices in nine States of the country, a branch office in the United States and a logistics distributor in Europe, as well as representatives and agents in a number of countries. [|GRI 2.3|](#)

Historically committed to sustainable development, it has reserved over 40% of its lands for preserved native woodlands, which at the end of 2011 totaled 212 thousand hectares. With an integrated system of forestry production, it has maintained 243 thousand hectares of its own areas planted with pines and eucalyptus – responsible for supplying



the majority of wood needed to manufacture its products. In all, the Company's areas (own, leased and for infrastructure) came to 506 thousand hectares. Its practices include commitments to conserve natural resources and biodiversity, in a model of sustainable stewardship which made it the first company from the pulp and paper sector in the Southern Hemisphere to be granted Forest Stewardship Council® (FSC®) certification, which occurred in 1998. It furthermore runs a well-developed program of Forestry Incentives, in partnership with 19 thousand rural farmers, in a process which combines the economic, social and environmental development of neighboring communities.

Klabin ended the year of 2011 with a staff of 13,831, of which 8,556 were own employees and 5,140 outsourced workers as well as 135 trainees and young apprentices. It sold 1,739 thousand tons of paper and packaging, which generated a net revenue of R\$ 3,889 million. Cash generation, expressed in EBITDA, (earnings before interest, taxes, depreciation and amortization) came to R\$ 1,077 million, equivalent to a margin of 28% and net profits reached R\$ 183 million. The market value of the Company on 31st December was R\$ 7.3 billion.

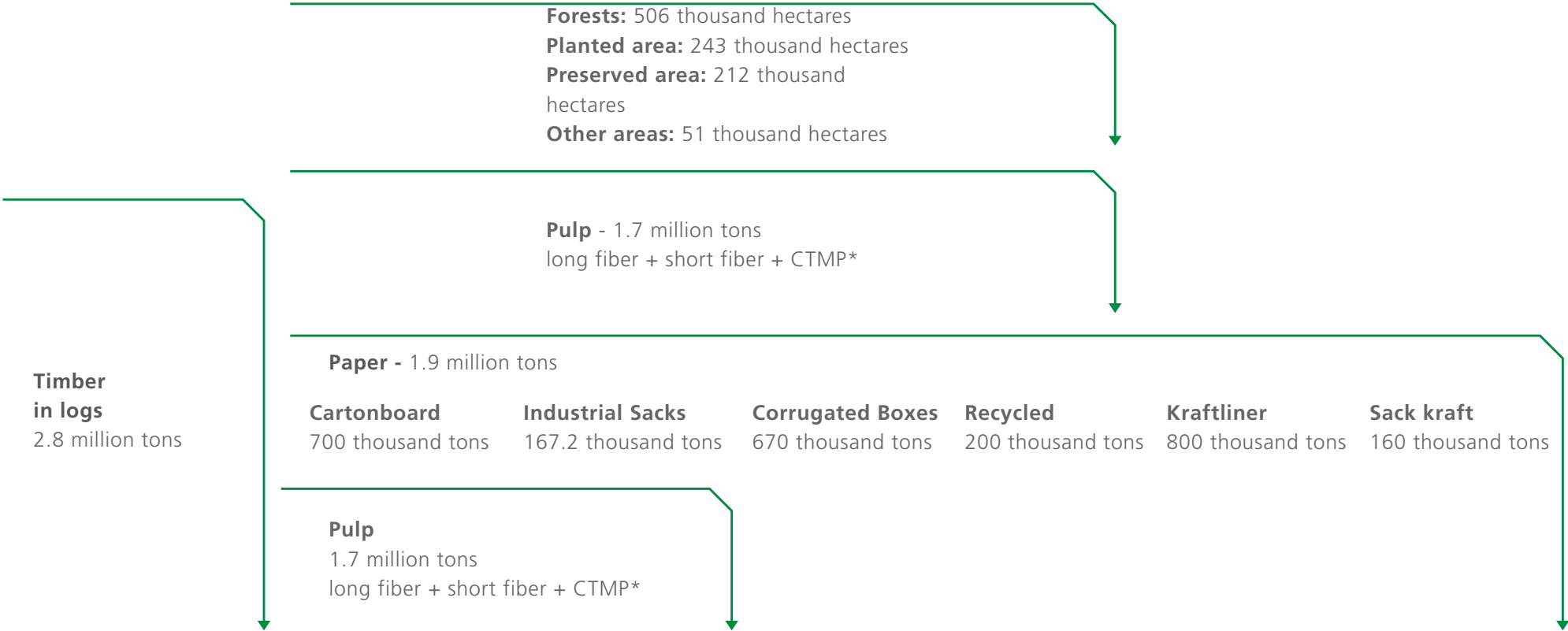
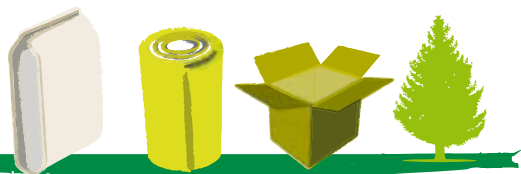
**[GRI 2.8]**







# Production capacity



\*CTMP - Chemi-thermomechanical Pulp





present in the daily lives of people over

70 countries

Export Destinations

- North America
- Canada
  - USA
  - Mexico

- Central America
- Holland Antilhas
  - Costa Rica
  - Dominica
  - El Salvador
  - Guatemala
  - Haiti
  - Honduras
  - US Virgin Islands
  - Jamaica
  - Nicaragua
  - Panama
  - Puerto Rico
  - Dominican Republic
  - Suriname
  - Trinidad and Tobago

- South America
- Argentina
  - Bolivia
  - Chile
  - Colombia
  - Equador
  - Paraguay
  - Peru
  - Uruguay
  - Venezuela

- Europe
- Germany
  - Belgium
  - Cyprus
  - Spain
  - Finland
  - France
  - United Kingdom
  - Greece
  - Holland
  - Ireland
  - Italy
  - Lithuania
  - Poland
  - Portugal
  - Czech Republic
  - Russia

- Africa
- South Africa
  - Angola
  - Algeria
  - Benin
  - Congo
  - Ivory Coast
  - Egypt
  - Gana
  - Morrococs
  - Nigeria
  - Kenya
  - Senegal
  - Tanzania
  - Togo
  - Tunisia
  - Uganda

- Middle East
- Saudi Arabia
  - Arab Emirates
  - Iran
  - Israel
  - Jordan
  - Kuwait
  - Lebanon
  - Syria
  - Turkey

- Asia
- Bangladesh
  - China
  - Philippines
  - Hong Kong
  - India
  - Pakistan
  - Thailand
  - Taiwan
  - Vietnam

- Oceania
- Australia



## Awards and Acknowledgments

[GRI 2.10]

### 2011 Abre Award for Brazilian Packaging

A valved sack with handle produced by the industrial sack plant in Lages (Santa Catarina) was the winner in two categories of the Award presented by Abre (Brazilian Packaging Association): Technology in Packaging Products in General and Popular Vote of the Consumers. Besides these, it placed among the three best packages in the item Structural Design.

### 18th Expressão Ecology Award

The Company was the overall winner in the Environmental Management category, with the case Biodiversity at Klabin making it the biggest winner in the history of the award. The awards were presented at the 2011 Forum of Sustainable Management, held at the headquarters of Fiesc (Federation of Industry of Santa Catarina), in Florianópolis. On the occasion, the Company received its 11th Green Wave trophy.

### Companies of Most Prestige in Brazil 2011

Prize given by the Annual Directory Epoca Negócios 100, of the magazine Epoca Negócios, in the Pulp and Paper category.

### Brazilian Environmental Benchmarking Award

The case Program of Forestry Incentives Sowing Sustainable Development was awarded a prize at the ninth edition of Dia Benchmarking. The project deals with incentives and guidance for planting pines and eucalyptus on rural properties close to the regions where Klabin is operating. The prize is an initiative of Mais Projetos – a socio-environmental management and training company.

### Best Global Paper Supplier to Tetra Pak

For the sixth time, Klabin received this recognition, granted by Tetra Pak. Among the topics appraised were product performance – from manufacture to filling – board availability, compliance with specifications, technical capacity, sales performance, relationship, CO<sub>2</sub> emissions, forest sustainability and engagement with recycling.

### Outstanding Supplier Trophy of the Gerdau Group

The trophy was presented to those suppliers who excelled in quality, punctuality in delivery and flexibility, whilst meeting Gerdau's requirements. The prizes were given out during an event held by Fiergs (Federation of Industry of Rio Grande do Sul), in Porto Alegre.

### Qlicar Natura Award

Presented by the biggest cosmetics company in the Country, its objective is to promote high quality relations with suppliers aligned with the Natura vision. In 2011, Klabin was the outright winner in the Graphics category.

### Impact Awards

Granted by the SAP Users' Association (Asug) for the case Leveraging Timber Invoicing at Klabin – Direct Sales from the Forest. In all, 18 cases were enrolled by 14 companies from all over the Country.



### ABTCP 2011 Highlights of the Sector Award

For the seventh time, Klabin was victorious in the category of Packaging Paper Manufacturer. This award, which has been promoted for the last ten years by ABTCP (Brazilian Technical Association of Pulp and Paper), acknowledges companies which are active in the pulp and paper sector.

### Companies which Communicate Best with Reporters

Prize given by the magazine Negócios da Comunicação, in the Pulp and Paper category.

### Biggest & Best of Brazilian Bakery

Prize given by the magazine Panificação Brasileira, in the category Specials – Sustainability.

### Company of preference in the pulp and paper sector

Report of the Itau BBA Bank elected Klabin as the company of preference in the pulp and paper sector, during conference among companies from the commodities sector, which took place in Rio de Janeiro.

### 2011 Outstanding Preference Pack

Klabin was acknowledged among the best suppliers to the packaging industry in 2011, in the categories of corrugated boxes (17% of preference) and paper sacks (44% of preference).

### Certifications

Klabin was the first company from the sector of pulp and paper in the Americas to be granted certification for its forests by the Forest Stewardship Council (FSC), which took place in 1998. The FSC trademark is an important tool that bears witness to the adoption of environmentally proper, socially just and economically viable practices. The Company was a world pioneer in FSC certification of the management and chain

of custody of non-wood products (medicinal plants, phytotherapy and phytocosmetic products). This certification also covers the Chain of Custody the manufacture of cartonboard, industrial sacks, corrugated packaging and recycled paper.

The packaging paper which comes into contact with foodstuff is certified by Isega (Institute of Packaging Materials Analysis), of Germany, and by ISO 22000. Other certifications include ISO 14011 (environmental management) and OHSAS 18011 (occupational health and safety).

#### FSC in Klabin

1998	–	First company from the pulp and paper sector to have its forests certified by the organ.
1999	–	First company in the world to be granted certification for management of medicinal plants and phytotherapy and phytocosmetic products.
2001	–	Chain of Custody certification of non-wood forest products.
2005	–	Chain of Custody certification of the production of virgin fiber paper and board in Monte Alegre (PR).
2006	–	Chain of Custody certification of the production of paper in the Otacilio Costa and Correia Pinto Plants (SC).
2007	–	Certification of the production processes of recycled paper, industrial sacks and corrugated packaging.



## Key Indicators

	2009 <sup>(1)</sup>	2010	GRI 2.8  2011
<b>Sales volume (thousand t)</b>			
Total volume	1,544	1,716	1,739
Domestic market	989	1,161	1,151
Export market	555	555	588
<b>Results (R\$ million)</b>			
Gross revenue	3,591	4,431	4,686
Net revenue	2,960	3,663	3,889
Domestic market	2,248	2,850	3,017
Export market	712	813	872
Gross profits	526	1,371	1,332
Operating results (EBIT)	60	821	797
EBITDA	747	962	1,077
Net profits	169	560	183
<b>Margins</b>			
Gross margin	18%	37%	34%
EBITDA margin	25%	26%	28%
Net margin	6%	15%	5%

(1) Data published in 2009 has been adjusted, as a result of adopting international accounting standards (IFRS), with exception of socio-environmental data

(2) These figures do not include employees and outsourced workers of Antas Serviços Florestais and Hotel Ikapê Empreendimentos

	2009	2010	2011
<b>Financial</b>			
Total assets (R\$ million)	11,402	12,261	12,742
Net assets (R\$ million)	4,662	4,994	4,958
Return on net assets	4%	11%	4%
Total capitalization (R\$ million)	7,339	7,122	7,693
Net debt (R\$ million)	2,676	2,128	2,735
Net debt/EBITDA - annualized (times)	3.6	2.2	2.5
Net debt/Total capitalization	36%	30%	36%
Investments (R\$ million)	247	386	883
<b>Social</b>			
Number of employees <sup>(2)</sup>	7,417	7,910	8,556
Number of outsourced workers <sup>(2)</sup>	4,885	6,122	5,140
External social investment (R\$ million)	8.2	5.4	9.9
<b>Environmental</b>			
Specific consumption of water (m³/t) – average (paper business)	42.94	40.89	40.04
Investments in environment (R\$ million)	22.2	39.6	52.6



# 02.

## Message from the Management



# 02.

## Message from the Management

Marked by our management practices and sustainable development, 2011 was also a year in which we were able to improve our processes, discipline our expenditures and extend our dialogue with different stakeholders, thus improving economic, social and environmental performance.

### |GRI 1.1|

The year of 2011 was especially rewarding for Klabin. We progressed with the evolution of our practices of sustainable development, striving to enrich our dialogue with different stakeholders, better our practices and improve performance in the social, environmental and economic spheres.

We started the year with our feet on the ground, aware that we needed to concern ourselves with costs and productivity. This early diagnosis was crucial for preparing the Company to face up to the uncertainties and difficulties that the global market presented at that time. As a result, we were able to plan actions to sustain our operations efficiently throughout the year.

On the national scene, preoccupation with above-average stock levels led us to review our sales strategies. We adopted changes allowing us to improve our product mix and margins, with a positive reflection in our revenues. In the

international sphere, we chose to stand by our determination to reduce exported volumes to meet internal demand but without losing sight of customer service. Consequently, we closed the period with net revenue of R\$ 4 billion and a record EBITDA cash generation of R\$ 1.1 billion showing important growth over the previous year.

We gave precedence to a well-structured program to reduce fixed and variable costs, carried out with the efforts and dedication of the entire Company. We began activities with the Monte Alegre Plant (PR), due to its amplitude and importance in our business. After four months of mapping points of improvement and adopting new tools, we managed to achieve significant cost reductions. In 2012, the program will be repeated with the Forestry Business Unit, where there is also great potential for gains in efficiency and, after that, with the corporate headquarters and other plants.



Investments in industrial modernization, capacity expansion and environmental improvements have made considerable progress. The new biofuel boiler installed at the Otacilio Costa Plant (SC) brought with it important gains in efficiency and a reduction in costs. We are completing the installation of similar equipment in Correia Pinto (SC) which will be concluded in the middle of 2012. Besides these, in the second half of 2012 we will complete expansion work on the Goiana Plant (PE) making it Klabin's biggest corrugated box plant, and the Jundiá Plant (SP) which will give our converting operations fresh leeway.

Committed to growing sustainably, with value creation throughout the production chain, we acquired the lands of Vale do Corisco Forestry, in partnership with Arauco Forest Brazil. This investment is in keeping with a project to build a modern pine and eucalyptus pulp mill in the State of Paraná. We want this mill to be the most sustainable in the world in terms

of operating efficiency, its relationship with the environment and the community. Besides self-sufficiency in energy, the project includes the creation of a fund for developing the local community, which will be driven initially by us. This is a major step towards the new expansion cycle that we are forecasting for coming years.

**|GRI 2.9|**

Two significant investments have already been approved for 2012: a new paper machine in Correia Pinto (SC), with 100 thousand tons of capacity to make sack kraft, and the installation of a recycled paper machine in Angatuba (SP), to improve production processes and make this product more competitive. As a result, all the paper and packaging production plants will be state-of-the-art in terms of both technology and cost, which is vital if we are to maintain our competitive advantages in different markets.

We created two new directorships in the year – of Supply, Logistics and Materials and of Planning, Pulp Project and Communication and we set up a Sustainability Committee, responsible for making sure that good economic, social and environmental practices are a part of our business strategy and pervade all managerial processes.

These are administrative advances which are in harmony with our commitment to the ten principles of the Global Compact, a United Nations initiative that encourages companies to adopt responsible business practices, putting the social and environmental agendas on the same level as the economic one. On top of this, we modified the Company's payment system, so as to reinforce the alignment of the executives' earnings with those of shareholders.



Our commitment to sustainable growth goes way beyond economic performance and is expressed in a series of socio-environmental actions in line with the principles of Klabin's Code of Conduct. One of the foremost initiatives is the Caiubi Program of Environmental Education which completed ten years in 2011. During this period over 240 thousand students, 10 thousand teachers and 771 schools were benefited with activities to preserve the fauna and flora.

The year also brought some difficult decisions, such as the end to operations at the Del Castilho Plant (RJ), a direct result of the urban advance in its proximity, which limited manufacturing activities and made it impossible to carry out any expansion project.

Among the challenges for 2012, we must improve our actions in occupational health and safety. Our performance in this regard fell short

of previous years, which has led us to step up actions to increase a culture of safety in all our activities. Furthermore we will keep our attention firmly riveted on costs, closely checking on the whole business and applying the necessary changes to become more efficient.

More than just success, the results we have achieved go to show how much Klabin has matured in this process. We are very proud to be a part of this chain, in which each of our stakeholders plays a fundamental role. For sure the right tools help to build the future; but, without a doubt, the result depends in the last analysis on the firm hand of the one who is working.

Our thanks go to all our employees, customers and business partners who helped us conquer this year's results.

**The Management**



A close-up photograph of several large rolls of paper, likely tissue or paper towels, stacked together. The rolls are light brown or tan in color. A single roll in the foreground has a distinct green stripe running diagonally across its surface. The lighting is soft, creating gentle shadows and highlights on the curved surfaces of the paper rolls.

# 03.

## Strategy and Management



# 03.

## Strategy and Management

Innovation, competitive spirit and a vision of the future are the basis for the sustainable growth and actions which are intended to create value for all Klabin's stakeholders.

### Strategic Orientation

With sights fixed on value creation, the activities of Klabin determine its strategic priorities, which are to make all its product lines more competitive, to seize the numerous growth opportunities in the sector and to reinforce its leadership in the markets of packaging paper and paper packaging in Brazil. In pursuit of superior performance from the economic, environmental and social point of view, commitments to corporate sustainability help us achieve these targets.

In order to grow sustainably, the Company has based its vision of the future on a judicious analysis of the perspectives for the global pulp and paper industry and its competitive advantages in the forestry sector, such as the availability and high productivity of its wood.

In 2011, we started to reflect on how to structure a fresh cycle of strategic planning as of 2012. The directors of the Company assembled in a forum of alignment to analyze the outlook for the global forest-based industry and opportunities

for sustainable growth in the coming years, thus repeating the success story it has enjoyed ever since it was founded in 1899.

Two new directorships were created to improve the Company's administration; Planning, Pulp Project and Communication; and Supply, Logistics and Materials.

This was a period to revisit details of the current business and define positioning and strategic goals:

- Timber: To make the forests more competitive
- Cartonboard: To boost the leadership of production;
- Kraftliner: To support the growth of corrugated board in Brazil;
- Corrugated packaging: To increase domestic market share, through organic and inorganic growth (acquisitions);



- Industrial sacks: To retain market share in cement and grow in other segments.

More emphasis was given to issues such as innovation and sustainability in our business and they will be definitively incorporated in 2012 into our growth strategy. To this end, a Sustainability Committee was established in 2011, which includes representatives from nine different areas and is responsible for bringing this issue to the permanent attention of the Company.

Another initiative involves the definition of a medium and long-term Master Plan of Research, Development and Innovation, with a forum to analyze opportunities in these areas, recommend projects and analyze results.

## Growth project

With a focus on long-term growth, the construction of a new pulp mill is under study, with a capacity of 1.5 million tons/year to be installed in the State of Parana. The goal is for this plant to be recognized as the

most sustainable pulp mill in the world. The location, still to be defined, will be in one of 12 municipalities neighboring Telemaco Borba (PR), where the Monte Alegre Plant, the Company's biggest, already operates. The acquisition of Vale do Corisco Forestry, made in partnership with Arauco Forest Brasil, in November 2011, is also part of the growth strategy for the coming years. (Further information on this investment is found on page 33). [|GRI 2.9|](#)

The project was named Puma, in reference to the characteristics of this animal species found in the Company's forests, which are considered to be similar to those of the new mill, namely flexibility, agility and a capacity to adapt to the environment. The Puma represents the top of the food chain and its existence in the Company's areas demonstrates the environmental equilibrium maintained in the region.

The operation has been planned to cause minimum impact to the environment, using the latest technology available worldwide, so as to

achieve excellent indicators of consumption of natural resources, such as water and energy. It will also enjoy the advantage of a reduced average radius of wood supply (around 80 kilometers) which will in turn diminish the impacts of emissions from transportation.

Not only will the project make Klabin self-sufficient in energy, but it will also enable the generation of an excess 150 MW to be sold on the market, enough power to supply a city of 500 thousand inhabitants.

## Goals and targets

### [|GRI 1.2|](#)

To achieve its ambitions for growth, Klabin has defined the following main targets and goals for 2012 and for the medium term:



## Goals and targets

**|GRI 1.2|**

Goal	2012 target	Medium term target (3 to 5 years)
To reduce fixed and variable costs	To conclude the installation of the debottling project for bleached pulp production at the Plant in Monte Alegre (PR)	
To expand production capacity of corrugated packaging	To conclude expansion projects in Goiana (PE) and Jundiai (SP)	To install new capacities to accompany growth in demand
To increase production capacity of industrial sacks	To install a new converting line in Goiana (PE)	To install new capacities to accompany growth in demand
To make recycled paper more competitive	To start project of new machines in Angatuba (SP) and Goiana (PE), with capacity of 300 and 100 thousand tons/yr.	To conclude the project in three years
To study economic viability and approval of new pulp project	To conclude studies and obtain environmental licenses	To conclude the project in three years
To reduce greenhouse gas emissions <sup>(1)</sup>	176 kg CO <sub>2</sub> t/paper	165 kg CO <sub>2</sub> t/paper
To reduce water consumption <sup>(2)</sup>	40 m <sup>3</sup> t/paper	38 m <sup>3</sup> t/paper
To increase share of renewable sources in the energy matrix	75%	85%
To expand self-sufficiency in power generation	57% of requirements	100% of requirements
To increase efficiency, quality in soil preparation and reduce costs in the Forestry area of PR	Mechanization of 100% of soil preparation by June	
To increase efficiency and reduce costs in the Forestry area of PR	Return to company-run harvesting in SP and in SC by September	
To expand of sack kraft production capacity in Correia Pinto - PM23	Increase of 80 thousand t/yr of paper. Start in 2012	Project on stream by end of 2016
To reduce transport costs	Purchase of 40 trucks with equipment on high productivity routes. Enter into operation in August	

(1) Klabin Paper Monte Alegre

(2) Specific consumption of water (m<sup>3</sup>/t) – paper business



## Support for management

Discipline in the use of financial resources and respect for legal criteria guarantee the financial solidity needed to sustain the business. In 2011, these values became evident with the adoption of a program to control fixed and variable costs which will ensure significant gains in efficiency in all the plants.

The work was carried out with consultancy support from INDG (Institute of Managerial Development), which helped to map the operations and opportunities of improvements for efficiency gains and cost reductions.

The first phase of the program began in April, at the Monte Alegre Plant (PR), in preparation for the Matrix Management of Expenses (GDM), which will bring important savings in annual costs to be felt especially as of 2012.

The program involved administering eight packages of fixed costs (such as personnel, maintenance, transport and locomotion, communications and others) and six of variable costs (such as wood, energy and chemicals). Each package is a group of expenses of the same kind and it is accompanied by two managers who cross-control it. This management is a complement to the ongoing improvements covered by the Superar Program, adopted since 2002 at the Monte Alegre Plant, in Telemaco Borba (PR).

In 2012, the cost management program will be extended to the Forestry Area and, thereafter, to the corporate headquarters and the other industrial plants. At the same time, the Monte Alegre Plant will incorporate the GP methodology (Goal Programming), which aligns individual goals with corporate goals.



## Management tools

Program	Scope	Reach
INDG Reduction of costs	Run in partnership with INDG, its goal is to reduce fixed and variable costs, by monitoring operations, identifying opportunities for improvement and proposals for reduction.	Initially in Monte Alegre, in Telemaco Borba (PR). Will be extended to all the areas of the Company.
Klabin's Superar Program	Ongoing improvement tool which is based on the methodology of World Class Operation Management. The objective is to increase productivity and motivate the employees to contribute with ideas and suggestions. Among its advantages, are:	Monte Alegre, in Telemaco Borba (PR). Since 2002, already had activities of the Ongoing Improvement Teams. The program began in 2003 at the Correia Pinto and Otacilio Costa (SC) Plants and, in 2006, in Lages (SC). In Angatuba, was introduced in 2004 return calculated at R\$ 8.85 for each R\$ 1.00 invested. The Superar is also run at the corrugated box plants.
	• Better conditions of safety;	
	• Increase of competency and of confidence of the employees;	
	• Better working climate and more motivation;	
	• Dissemination of the culture of continuous improvement;	
	• Reduction of the rate of rejects and losses of raw material;	
	• Increase in the efficacy and reliability of equipment, with reduction of breakages and operational stoppages;	
Loss Control Program	• Increase in productivity;	Angatuba (SP)
	• Satisfaction of customers, with reduction in the number of claims	
Loss Control Program	Permits greater efficiency of the operational processes of the Plant.	
Environmental Inspection	Ongoing improvement tool which seeks to identify and propose solutions for possible environmental deviations caused by the Company.	All the Plants.
SAP/R3	Integrated management system, providing greater confidence and security in the control of managerial information, in real time.	All the Klabin Plants, from the shop floor up.



## Research, development and innovation

The initiatives of research, development and innovation represent one of the pillars which underpin Klabin’s growth with a focus on improving practices and processes to ensure more competitive products and a reduction in operational costs. A Plan for Research, Development and Innovation has been elaborated to serve as a working guide and will be applied in the industrial and forestry areas.

To make its actions more efficient, the Company looks for support to research institutes and universities in Brazil and overseas and maintains partnerships with suppliers of equipment and raw materials. Priority has been given to developing lower basis weight paper and board which can add to the quality standards established by the Company.

In corrugated packaging, this process is getting support from the Center of Competency

installed in Jundiai (SP). To broaden the scope of this work, the Company has been studying different opportunities in biotechnology and nanotechnology.

In biotechnology, efforts are currently being directed to the project known as the Wood Quality Program, which involves joint work between industrial and forestry areas and is aimed at improving eucalyptus clones with also a possible application for pines. The objective is to select and improve the trees that are more productive, resistant to pests, plagues and environmental stress (such as drought and frost), and that contain wood technologically suited to the different uses to which it is submitted. Because clones have faster growth rates and selected fibers, they enable higher pulp production, of better quality, with less production losses, a reduction in costs and more uniformity in the production process. As well as forestry applications, Klabin analyzes biotechnology projects for the industrial area,

such as the use of enzymes to make pulp and paper making more efficient.

In nanotechnology, an agreement has been signed with a chemical products supplier to develop nanofibers from eucalyptus and/or pine pulp. The technology is promising, since it will permit development of a new generation of products, lighter and more resistant, with lower production costs in the medium to long term.

This research, development and innovation model aspires to guarantee superior product quality, within the most exacting standards of health and safety. Currently 70% of Klabin’s products have their impacts on health and safety evaluated at different stages of their life cycles, as can be seen in the chart below. [\[GRI PR1\]](#)



### Health and safety of Klabin products

Life cycle phases of the products

How they occur

Development of the  
concept of the products and/or service

Research and Development

All raw materials to be used in the industrial process must meet the requirements of the Food and Drug Administration (FDA) – North American agency controlling food, medicines, cosmetics etc. – and also of Brazilian legislation.

Certification

All Klabin products are certified by Isega (Institute of Analysis of Packaging Materials), of Germany, which evaluates paper used in the production of packaging which comes into contact with foodstuff.

Manufacture and production  
Storage, distribution and supply

These are covered by the scope of ISO 22000 certification, an international norm which defines the requirements for food safety management systems.



## Investments

This vision of sustainable growth and value generation is reflected in the investments made by Klabin in 2011. The Company annually channels part of its financial resources to initiatives to improve productivity of its manufacturing plants, expand production capacities and mitigate socioenvironmental impacts. As a result, the amount of R\$ 883 million was invested in 2011, 129% above that of the previous year, with special mention for R\$ 428 million which was allocated to the acquisition of Vale do Corisco.

Vale do Corisco Forestry, owner of 107 thousand hectares of lands in Parana, 63 thousand hectares of which in planted forests, was acquired by Klabin (51% of participation) in partnership with Arauco Forest Brasil (49%). This acquisition was one of 16 contracts of relevant investments (over R\$ 3 million), evaluated during the year from the standpoint of economic,

environmental and social factors, including human rights. [|GRI HR1|](#)

Other investments in the forestry area were centered on the acquisition of more efficient machines to prepare the soil for planting and in the return to company-run harvesting in São Paulo.

The principal projects of industrial improvement involve the following initiatives:

- New biofuel boiler in Otacilio Costa (SC), which came on stream in March of 2011, to substitute the fuel oil driven equipment. Provides greater efficiency and productivity, reduction in consumption of fossil fuels (non-renewable) and of greenhouse gas emissions (GHG), combining both more environmental and production performance.

- Rebuild and expansion of the evaporation system in Otacilio Costa (SC) concluded in October of 2011. Together with the new biofuel boiler, permits a reduction in consumption of non-renewable energy.

- High tension power line in Monte Alegre (PR), which came on stream in November of 2011, rising from 69Kv to 230Kv, which brings more stability to power supply and reduction in costs.

- Start of the de-bottling project in the pulp bleaching line in Monte Alegre (PR), which should be concluded in October of 2012, with optimizations of production capacity.

Two expansions are of special note in the year:

- New line of industrial sacks, for the production of valved sacks, in the Lages plant (SC), which started up in December of 2011, to serve the segment of civil construction.

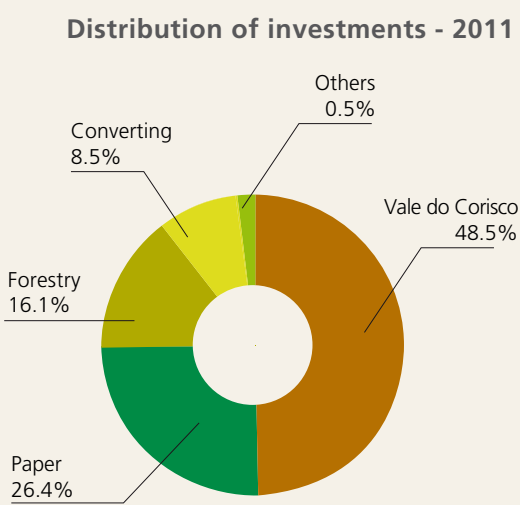
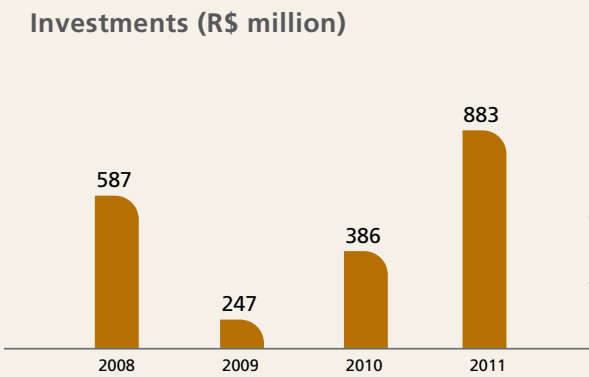


- Installation of two new corrugators in the box plants. The first, in Goiana (PE), came on stream in September, with a production capacity of 70 thousand tons. The second, in Jundiai (SP), should be completely installed during the first half of 2012.

For 2012, a feasibility study will be conducted for two more relevant investments:

- New paper machine in Correia Pinto (SC), with a capacity of 100 thousand tons, for the manufacture of sack kraft for industrial sack production, focused on the domestic market, which is to serve various sectors, among which are civil construction, seeds, chemicals, minerals and foodstuff. The forecast cost is between R\$ 150 million and R\$ 200 million.
- Installation of recycled paper machine in Angatuba (SP), with a capacity of 250 thousand to 350 thousand tons. The goal is to improve

production processes and increase technological competitiveness and productivity of recycled paper.





## Corporate governance

In its relationships with shareholders, investors and the capital market, Klabin gives precedence to transparency, accountability and equal treatment, in a never-ending pursuit to perfect this model. Since 2002, it has belonged to Level 1 of Corporate Governance of the São Paulo Stock Exchange (BMF&Bovespa), a segment which lists the shares of companies which are committed to adopting differentiated practices of governance.

In 2011, it adhered to Self-Regulation and Good Practices of Companies of Abrasca (Brazilian Association of Publicly-Traded Companies), which establishes principles, rules and recommendations for improving corporate governance practices. Shareholders of preferred stock are guaranteed to receive 70% of the amount paid to majority shareholders in the event that control of the Company is transferred (tag along). This right does not exclude the dividend payment for

preferred shares 10% higher than that for common shares.

The results, and also goals and future strategies, are discussed at bi-monthly meetings of the Board of Directors. Performance is disclosed publicly through quarterly reports, the Annual Financial Statement and the Reference Document, as well as the Sustainability Report, drawn up in accordance with established guidelines of the Global Reporting Initiative (GRI). The consolidated financial statements are drawn up in accordance with international norms (IFRS – International Financial Reporting Standards), issued by International Accounting Standards Board (IASB). [|GRI 4.9|](#)

## Codes and policies

Klabin has at its disposal a series of codes and policies with guidelines and procedures which must be followed to guarantee sustainable actions, founded on such values as liberty,

integrity, loyalty, transparency and justice.

The documents, which are widely disseminated among all employees and other stakeholders, are available to be read or downloaded on the site [www.klabin.com.br/ri](http://www.klabin.com.br/ri). [|GRI 4.8|](#)

The purpose of the Policy of Disclosure and Negotiation is to assure equality, transparency and the immediate dissemination of information to all interested parties, without privilege to any public. It covers topics such as economic-financial results, controlling shareholder's decisions, deliberations of the General Assembly or of administrative bodies, restrictions to trade of the Company's stock in certain periods and other topics considered to be relevant.

Approved by the Board of Directors in 2009, the Code of Conduct is designed to standardize norms of conduct among its board members, directors and employees, urging them to adopt behavior and attitudes which correspond to the basic values and guidelines of the Company.



The document explicitly repudiates all and any practice which may be classified as a deviation in conduct or disrespect for human rights, such as child or slave labor, corruption and so on.

Cases of violation of moral principles or of the guidelines may be reported to the Ombudsman by e-mail [ouvidoria@klabin.com.br](mailto:ouvidoria@klabin.com.br) or by telephone to 11 3046-5988 (HR Director), 11 3046-9903 (Auditing Manager) and 11 3046-9944 (Legal Department).

## Governance structure

The main bodies of Governance are the General Assembly of Shareholders, the Board of Directors, the Fiscal Council and the Executive Directors. It is for them to act in consonance to obtain long-lasting results for the sustainability of the business. It is up to the Board of Directors to establish long-term strategies and to take decisions, a function which is performed without advisory committees. **|GRI 4.1|**

The General Assembly represents the principal channel of communication between shareholders and board members, as a space for recommendations or criticism of the Company's actions. The meetings are called with 30 days' notice. Likewise, shareholders may address the area of Investor Relations, by telephone (55 11 3046-8401), e-mail ([invest@klabin.com.br](mailto:invest@klabin.com.br)) or through the link <http://klabin.infoinvest.com.br/static/ptb/fale-ri.asp?idioma=ptb>, on the internet. The same link is made available to all interested parties to forward recommendations to the top management. For employees, there is a specific channel, represented by the internal Ombudsman, and workers' committees that are consulted mostly on topics concerning occupational safety. In 2011, the main issues raised by shareholders were dividends and requests for clarifications about the Company; and by employees, of suspicion of favoritism in promotions. **|GRI 4.4|**



## Board of Directors

Elected by the General Assembly, with a one-year mandate and possibility of re-election, it comprises 13 full members and 13 alternate members, four of which are independent. The criteria of independence are defined in the Abrasca's Code of Self-Regulation and Good Practices of Publicly-Traded Companies. The President of the Board does not play an executive role, and neither does any executive director or employee sit on the Board. [\[GRI 4.2; 4.3\]](#)

The actions of the Board are regulated by the Company Statutes and its representatives comply with the Code of Conduct, a document which also serves to determine procedures to avoid conflicts of interest. The Statutes make it clear that approval of contracts between the Company and its controllers and/or companies, in which these have participation, must be given at the General Assembly of Shareholders, when the right to vote will be extended to holders of preferred shares. [\[GRI 4.6\]](#)

## Fiscal Council

Also elected by the General Assembly, with a mandate of one year and the possibility to be re-elected, its attributions include appraising the financial statements, identifying opportunities to reduce tax costs and proposing, whenever possible, solutions to the impacts and contingencies imposed by legislation and by the fiscal regulations in force. It comprises five full members and five alternate ones.

## Executive Directors

Responsible for taking the necessary or appropriate actions to run the business and for proposing plans and investment programs for industrial expansion and modernization. Its members are elected by the Board for a one-year mandate, and can be re-elected. Currently it is composed of a Chief Executive Officer (CEO) and five statutory directors (Finance and Investor Relations; Operations; Planning, Projects and Industrial Technology; Monte Alegre Industrial; and Supply, Logistics and Materials).

The non-statutory directors consist of eight members, two of which in the Paper Business Unit, two in the Converting Business Unit (Corrugated Packaging and Industrial Sacks) and one in the Forestry Business Unit, one corporate director of Human Resources, one Industrial director (SC) and one director of Planning, Pulp Project and Communication.

In 2011, a complete review of the system of executives' variable remuneration, subject to performance targets, was approved. Part of the variable remuneration may be allotted to the purchase of shares of the Company itself, which in turn will match the value on behalf of the executive, subject to a lock-up period of three years. The social and environmental targets are not corporate but individual, in accordance with the executive's function. [\[GRI 4.5\]](#)



# Risk management

[GRI 1.2]

To guarantee the best operational and economic-financial results, Klabin administers its risks based on best practices, with prognosis and analyses of adverse scenarios which may jeopardize the running of its business. The main risks identified are:

**Operational** – Inspections, tests and appraisals of the different aspects of operations are to ensure that the efficacy and quality of internal controls are compatible with the risk levels considered acceptable. Software assists in managing processes of preventive maintenance. In the forestry area, the planting of different eucalyptus clones reduces the chance of some pest or plague decimating the plantations. Additionally, a warning system and fire brigades are kept to prevent and control fire risks. Risk policies cover eventual losses caused by failures in controls or accidents.

**Market** – These risks, which are mainly associated with the prices of commodities and input raw materials and oscillations in demand, are monitored by accompanying the trends of national and international paper and packaging markets in order to make timely shifts in production and sales. Moreover, innovation and product development, allied with sales segmentation in different customer and geographic profiles, dilute the exposure to a given industry or specific customers.

**Financial** – The policy to manage financial risks stipulates that the allocations of cash funds only be made with first-line institutions and within pre-established limits. In addition, it works with a budgetary forecast which guides the management of funds. Because of financing contracts signed with the BNDES (National Bank of Economic Development), the Company is exposed to the fluctuations in the TJLP (Long Term Interest Rate), as also in the Libor in pre-

payment operations with exports. The exchange exposure on financing is substantially covered by revenue from exports. Speculative financial instruments are not contracted.

**Credit** – This kind of risk is administered based on specific norms of customer approval, credit analysis and establishment of exposure limits per customer, as well as through spot monitoring of bills due. Policies of credit insurance are contracted for the export market.

**Technological** – Investment in state-of-the-art, efficient technology reduces the risk of product and equipment obsolescence and ensures the improvement to systems and processes. Redundant IT systems, like contingency and disaster recovery plans, guarantee that business can be done in any environment.



**Environmental** – In its forestry and industrial production processes, the Company strives to follow the principles of eco-efficiency, with an ever-decreasing use of natural resources and the reduction of environmental impacts resulting from its operation. This attitude is supported by established guidelines in its System of Environmental Management, certified by norm ISO 14001 (plants) and FSC (forests). The principle of precaution is dealt with by means of the Evaluation of Environmental Aspects and Impacts. **|GRI 4.11|**

**Reputation/image** – The Code of Conduct conveys ethical, respectful attitudes with which business is handled, exalting the good practices of ethical behavior and corporate governance and encouraging its shareholders, employees, and business partners to adopt a similar posture.





04.  
Vision of  
Sustainability



# 04.

## Vision of Sustainability

Operational and energy efficiency, responsible management of resources and long-term commitments to the environment and to stakeholders, with whom Klabin seeks to share information, principles and values with respect, ethics and transparency.

Sustainability is a key-concept in the management of Klabin's business, founded on a long-term pledge to its shareholders, customers, employees, suppliers and the community. Its model of self-sufficiency, respect for the environment and stimulus for sustainable development are the reason for the integration of its production chain, from forest to packaging. These actions are in keeping with the principles expressed in its Sustainability Policy, which lays down the seven principles that are applicable to all activities concerning products, services and relationships.

This pledge was reinforced in 2011 with the creation of a Sustainability Committee. Consisting of representatives from different areas, the committee is responsible for ensuring that these issues are integrally present in the day-by-day of the Company and in its strategic planning.

## 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.

## External commitments

**|GRI 4.12|**

The quest for efficiency and ongoing improvement is manifested by the commitments made to

sustainable initiatives run by national and international institutions.

**Global Compact** – Initiative of the United Nations Organization (UNO) has ten principles concerned with Human Rights, Workers' Rights, Environment and Anti-Corruption. The Global Compact is a way for companies to contribute towards a more sustainable and inclusive global economy, so that the Eight Millennium Goals may be reached by 2015. The objectives are also an initiative of UNO, which has won the adhesion of 191 countries - Brazil among them. Klabin has been a signatory since 2002. (See on page 85 which of Klabin's initiatives are in line with the Millennium Goals).

**Forest Dialogue** – Initiative with a focus on the Atlantic Rainforest, Pampa and Cerrado biomes, seeks to promote effective actions related to forestry production, to intensify the scale of efforts to conserve and recuperate the environment, benefiting participants and society

in general. Klabin joined the regional forum of Parana and Santa Catarina in 2008 and the national dialogue in 2009.

**Companies for the Climate (EPC)** – Intended to mobilize, sensitize and connect corporate leaders to administer and reduce emissions of greenhouse gases (GHG), as well as manage climate risks and propose public policies and positive incentives in the scope of climate change. The Company joined in 2009.

**Carbon Disclosure Project (CDP)** – Klabin has participated voluntarily since 2006. The CDP is the biggest global data base today on greenhouse gas emissions by the business sector.

**Corporate Movement for Conservation and Sustainable Use of Biodiversity (MEB)** – The initiative assembles companies which are seeking to discuss a positive agenda on the conservation and sustainable use of Brazilian biodiversity. The Company has been a signatory since 2010.



**Bracelpa Letter of Principles** – Launched in 2010, this document attests to the commitment of companies from the pulp and paper sector to sustainable development in the Country.

**Business & Biodiversity European Union Initiative** – Klabin joined in 2008 and the main objective is to raise protection of biodiversity.

**Sou Agro Movement** – Multi-sector initiative which unites companies and entities, for the purpose of drawing attention to agribusiness in the Country and which was joined by Klabin in 2011. This action includes campaigns in the principal media vehicles as well as the maintenance of a channel ([www.souagro.com.br](http://www.souagro.com.br)), on which information and news about the sector are available.

**Cempre** – The Corporate Commitment to Recycling (Cempre) is a not-for-profit association dedicated to the promotion of recycling starting

from integrated waste management. Founded in 1992, it is maintained by private companies from various sectors and has included Klabin’s participation since 2002.

**International Forest Year** – The Company undersigned this commitment taken up by the General Assembly of UNO in 2011. The idea is to promote an international action for the sustainable management, conservation and development of forests.

**Sustainable Cartonboard Forum** – Created in 2011, includes the participation of five important companies from the Country’s pulp and paper sector. The objective is to promote familiarity with and the practice of sustainability inherent to the origin, production, conversion, distribution, consumption and recycling of cartonboard for all companies and stakeholders who have direct or indirect contact with this raw material.



## Relations with strategic stakeholders

[GRI 4.14; 4.16]

To address its stakeholders directly, the Company relies on different channels of relationship and communication, such as the site on the internet ([www.klabin.com.br](http://www.klabin.com.br)), financial and sustainability reports, bulletins, newspaper reports in the local and national press, participation in events in the sector, and so on.

A special initiative is the Operational Dialogue to administer impacts from the forestry operations. It entails meetings in the communities from the region of Telemaco Borba (PR), before the start of planting, harvesting and wood transporting operations, in order to inform people about the activities to be carried out by the Company. The procedure is supported by Suggestion Boxes which are installed in different locations of the communities to identify eventual demands, recommendations or praise and ideas for

improvement to the Company’s activities. These questions are evaluated and opportunely inserted in the planning of forest stewardship.

The Program of Monitored Visits to the Monte Alegre Plant, in Telemaco Borba (PR), is an opportunity to present the Company’s model of sustainability and tighten bonds with customers, technicians, investors, suppliers, students, opinion-makers, employees and the local community. In 2011 alone, 2,053 people got to know the plants, the Ecological Park, the phytotherapy lab and the Company’s forested areas in Monte Alegre.

With these activities, the Company is reaffirming its commitments to environmental preservation and the social function of its initiatives. (Details of these actions can be found in the chapters on Society and Biodiversity, as of pages 56 and 88 , respectively)

### Relations with strategic stakeholders

Stakeholders	Relationship actions and channels of communication
Shareholders, investors	Website with economic-financial information   E-mail to communicate with the area of Investor Relations   Meetings of Apimec (Association of Investment Analysts and Executives of the Capital Market)   Quarterly and annual reports to the Securities Exchange (CVM) and the BM&FBovespa   Sustainability Report   Program of visits to industrial and forestry units   Participation in conferences and road shows
Customers	Relationship events with customers   Website   Phone channel   Periodic visits to customers   Program of visits to industrial and forestry units   Programs of product and service development   Printed and virtual informative channels
Direct employees	Printed and virtual informative channels   Intranet   Climate survey   Events with the directors   Ombudsman  Website
Outsourced workers	Printed and virtual informative channels   Ombudsman   Website
Suppliers	Site on the internet for registration and contact   Program of Forest Incentives   Program of visits to industrial and forestry units
Communities	Sponsorship of cultural and social events   Program of visits to industrial and forestry units   Disclosure through press of Projects and social programs Website   Socio-environmental Programs (Caiubi Environmental Education, Legal Woods, Junior Environmental Guards, Junior Green Force, and others)   Operational Dialogue (clarifications and suggestions on forest stewardship, suggestion box in the community and telephone)   Participation in community events
Government and society	Participation in sectorial forums and committees   Participations and contributions to associations and institutions   Program of visits to industrial and forestry units   Website   Training program for undergraduates and post-graduates, with classes of field disciplines





# 05.

Economic-financial  
Performance



# 05.

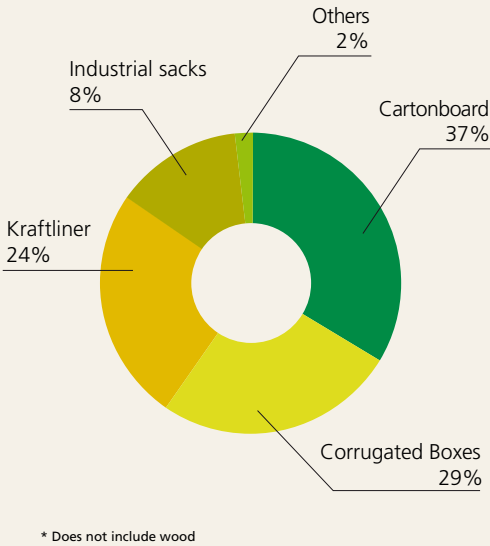
## Economic-financial Performance

Productivity, flexibility and a sense of opportunity, combined with quality products and reliable relations with its stakeholders, assure Klabin superior economic-financial performance, even in a scenario of below-forecast growth.

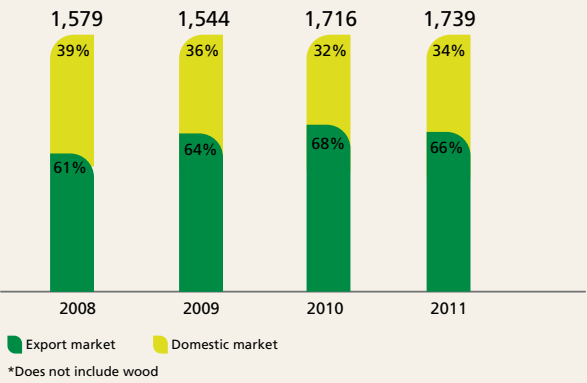
### Results

Accumulated sales for the year, excluding wood, were 1,739 thousand tons, 1% above 2010, which is explained by a rise in the export of kraftliner. In the domestic market, volumes reached 1,151 thousand tons, level with the previous year, with an increase of 2% in the sales of cartonboard, offset by a slight reduction in sales of converted products. Exports came to 588 thousand tons, 6% above 2010.

Sales volume per product - 2011



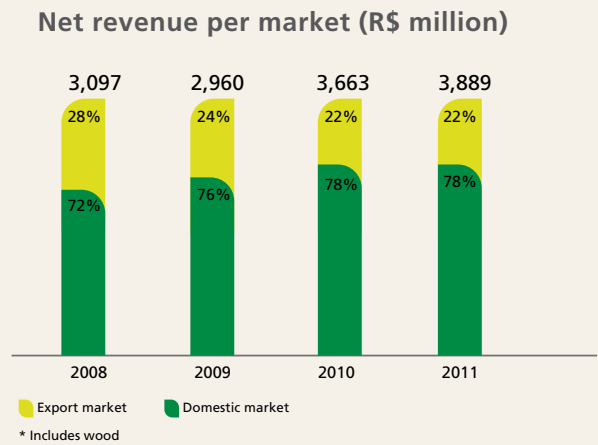
Sales volume per market (thousand tons)



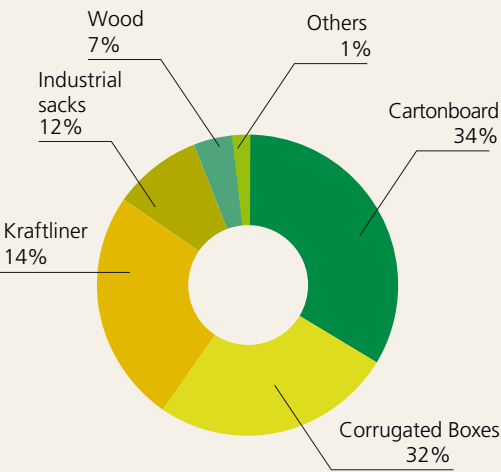


## Net revenue

In the year, net revenue totaled R\$ 3,889 million, 6% above 2010. In the domestic market, it came to R\$ 3,017 million, 6% over the previous year, and represented 78% of the total. Exports totaled R\$ 872 million (US\$ 521 million), an evolution of 7%, however with an average exchange rate 5% below that of 2010.



Net revenue per product - 2011



\* Includes wood

## Operational cash generation (EBITDA)

In 2011, EBITDA amounted to R\$ 1,077 million, the best result in the history of the Company and 12% over the year of 2010, with an EBITDA margin of 28% versus 26% in the previous year, resulting from the pursuit of bigger margins in the sale of products and the implementation

of the cost reduction program. The result was especially benefited by the gains of R\$ 40 million with the sale of the Del Castilho (RJ) real estate and of R\$ 8 million with the sale of lands in Mato Grosso do Sul. Excluding these results, the adjusted EBITDA for 2011 amounted to R\$ 1,028 million, even so the best result in the Company's history.

### Composition of EBITDA (R\$ million)

	2010	2011
Operating results (after financial expenses)	850	296
(+) Financial results	(28)	501
(+) Depreciation, depletion and amortization	589	548
(-) Variation of fair value for biological assets	(449)	(271)
(+) Participation in Vale do Corisco	-	3
EBITDA	962	1,077
EBITDA margin	26%	28%



## Debt

Consolidated net debt totaled R\$ 2,735 million, compared with R\$ 2,128 million on 31st of December 2010, influenced by the exchange rate which appreciated over that part of the debt in foreign currency and by the disbursement of R\$ 428 million for the acquisition of Vale do Corisco. The ratio of net debt/EBITDA, which was 2.2 times at the end of 2010, rose to 2.5 times in 2011.

### Debt (R\$ million)

	2010		2011	
<b>Short term</b>	<b>842</b>	<b>17%</b>	<b>910</b>	<b>17%</b>
Local currency	496	10%	373	7%
Foreign currency	346	7%	537	10%
<b>Long term</b>	<b>4,015</b>	<b>83%</b>	<b>4,387</b>	<b>83%</b>
Local currency	1,506	31%	1,295	24%
Foreign currency	2,509	52%	3,092	58%
<b>Gross Debt</b>	<b>4,857</b>	<b>100%</b>	<b>5,297</b>	<b>100%</b>
Total local currency	2,002	41%	1,668	31%
Total foreign currency	2,855	59%	3,629	69%
<b>(-) Availability</b>	<b>2,729</b>		<b>2,562</b>	
<b>Net debt</b>	<b>2,128</b>		<b>2,735</b>	
<b>Net debt / EBITDA</b>	<b>2.2 x</b>		<b>2.5 x</b>	

## Net results

In the year, net profits came to R\$ 183 million.

### Evolution of the business (31/12/2011 )

R\$ million	Forestry	Paper	Converting	Elimination	Total
<b>Net sales</b>					
Domestic market	282	1,110	1,625		3,017
Export market	-	781	91	-	872
<b>Revenue from third parties</b>	<b>282</b>	<b>1,891</b>	<b>1,716</b>	<b>-</b>	<b>3,889</b>
Revenues between segments	478	869	14	(1,361)	-
<b>Total net sales</b>	<b>760</b>	<b>2,760</b>	<b>1,730</b>	<b>(1,361)</b>	<b>3,889</b>
Variation in fair value of biological assets	271	-	-	-	271
Cost of products sold	(778)	(2,027)	(1,386)	1.363	(2,828)
<b>Gross profits</b>	<b>253</b>	<b>733</b>	<b>344</b>	<b>2</b>	<b>1,332</b>
Operating expenses	(59)	(298)	(191)	13	(535)
<b>Operating results before financial expenses</b>	<b>194</b>	<b>435</b>	<b>153</b>	<b>15</b>	<b>797</b>



## Added value

Added value reveals the Company’s capacity to generate wealth and the social effects produced by the distribution of these resources among shareholders, employees, financiers, government and society. The basis for calculation is the difference between revenue obtained from the sale of products and services and the expenses deriving from payment of goods and services acquired from third parties and the costs of depreciation and amortization.

In 2011, added value for Klabin totaled R\$ 2,086 million (growth of 3.1% over 2010), 6.6% of which for shareholders, 24.8% for government and society by way of taxes and contributions, 25.85% to employees, 40.8% to financiers (interest and rents) and 2.2% as retained profits.

Statement of added value (R\$ million)		GRI EC1
	2010	2011
Revenues	5,069	5,266
Operating costs – Inputs acquired from third parties	(2,864)	(2,978)
Retentions – Depreciation, amortization and depletion	(561)	(548)
Added value received in transfer – financial revenue and asset equivalents		
<b>Total added value for distribution</b>	<b>2,024</b>	<b>2,086</b>
<b>Distribution of added value:</b>		
Salaries and benefits for employees	463	538
Taxes, duties and compulsory contributions	649	518
Remuneration of third parties capital – interest	352	847
Remuneration of own capital – dividends	190	137
Retained economic value	370	46



## Capital market

In 2011, Klabin's preferred shares (KLBN4) rose 37% in value, whilst Ibovespa recorded a drop of 18%. The average daily volume of trades amounted to R\$ 15 million, 27% above 2010.

At an extraordinary meeting of the Board of Directors held on 13th of October 2011, authorization was given for the Repurchasing Program of Preferred Shares of up to R\$ 42 million in shares of its own issue. This program is valid for 365 days, or until 12th of October 2012. During the year, the Company purchased 2.8 million shares and ended the month of December with 30 million preferred shares in the treasury, which correspond to 5% of its preferred stock. Throughout the year BNDESPar sold 20.4 million of Klabin's preferred shares. The bank's participation thus dropped from 18% to 15% of preferred stock.

The amount of R\$ 70 million was paid out in complementary dividends and of R\$ 137 million in intermediary dividends, making a total of R\$ 207 million in 2011.

## Business units

Klabin's paper and packaging are a harmonious combination of strength, high quality printability and respect for the environment. They are produced under the strictest international standards of sustainability, which is corroborated by Forest Stewardship Council (FSC) certification of the origin of the raw materials and of how the company controls its production to ensure traceability throughout the production chain.

### Forestry Business Unit – productivity, research and respect for the environment

Ongoing investments in research and development and a well-structured Program of Forestry Incentives ensure increasing

productivity and consolidated leadership of certified log supply to saw mills and veneer plants in Brazil and also supplies for its paper-making operations.

Not only does it supply the wood for its own paper-making operations, but Klabin is also the biggest Brazilian supplier of certified logs to sawmills and veneer plants. In 2011, it handled approximately 10 million tons of logs and pine and eucalyptus chips and waste for energy, an equal amount to that of 2010. The sales of timber to sawmills and veneer plants came to 2,753 thousand tons – a 12% lower volume than that of 2010 and mainly a reflection of the decrease in demand from home and export markets. Net revenue was R\$ 265 million, 2% above 2010.

During the year, 24 thousand hectares were planted, 15 thousand of which on own lands and 9 thousand on third parties' lands, by



means of the Forestry Incentives Program, run since 1984. As well as seedlings, the Company provides participants with all the necessary guidance for proper management of their land, with careful attention to sustainable development of the business and its partners.

The yield of eucalyptus forests, measured in tons of pulp produced per hectare of planted forest, has grown year on year, resulting from investments in research and development. Estimated productivity of the planted areas in 2011 is 36% greater than that of the plantations of five years earlier.

The Company steered its investments in the year to optimize processes and increase efficiency and productivity and took actions in preparation for a forestry cost reduction program in 2012.

In the field of genetic improvement, partnerships with universities and research institutes in Brazil

and overseas were continued. One example was greater approximation with Camcore (Central America and Mexico Coniferous Resources Cooperative), of North Carolina (USA), to step up work to improve the productivity of long fiber (pines).

Forest areas of Klabin – 2011

	Hectares (December/2011)
Planted forests	243 thousand
Eucalyptus	82 thousand
Pine	161 thousand
Preserved native woodlands	212 thousand
Other areas	51 thousand

Benefits from Klabin’s Forestry Incentives Program

[GRI EC9]

To the receiver of incentives	To the environment	À região
<ul style="list-style-type: none"><li>• Promotes social inclusion through the partnership between the Company and small farmers</li></ul>	<ul style="list-style-type: none"><li>• Protects hydrographic basins</li></ul>	<ul style="list-style-type: none"><li>• Contributes to the acquisition of agricultural machines and allows new markets and processing industries to arise</li></ul>
<ul style="list-style-type: none"><li>• Democratizes distribution of wealth generated by the forest</li></ul>	<ul style="list-style-type: none"><li>• Controls soil erosion</li></ul>	<ul style="list-style-type: none"><li>• Creates favorable conditions for the installation of industrial plants to convert the wood produced</li></ul>
<ul style="list-style-type: none"><li>• Generates family income / Increases financial gains for the rural family</li><li>• Support from the Legal Woods Program (see page 83), which optimizes the use of land</li></ul>	<ul style="list-style-type: none"><li>• Endorses the disclosure and application of environmental laws</li><li>• Builds up ecological and forest awareness</li></ul>	<ul style="list-style-type: none"><li>• Generates economic development</li><li>• Produces environmental benefits</li></ul>



## Paper business unit – protection that goes way beyond just packaging.

Recognized for the quality and technology of its products and for the sustainability of its operations, Klabin invests continuously in research and innovation, adding extra value to its customers' business and, thanks to this commitment, leading the production of packaging paper in Brazil.

The leading manufacturer of virgin fiber kraft paper for packaging, Klabin sold 1,068 thousand tons of kraftliner and coated cartonboard (kraftliner, white top liner, testliner, sack kraft, folding box board, carrier board and liquid packaging board), a 4% increase in volume over the previous year.

This performance occurred in spite of a less favorable scenario, with demand affected by the crisis in Europe and by a plunge in the

international prices of kraft in comparison with the year before. Net revenue reached R\$ 1.851 million, 8% higher than in 2010.

### Kraftliner

Klabin paper is manufactured in a wide range of basis weights, to meet the different needs of the packaging markets.

In 2011, sales of kraftliner reached 415 thousand tons, 13% above 2010. The increase in volume is related to greater production at the Monte Alegre (PR) mill as a consequence of its operational stability. Exports represented 65% of the volume sold, totaling 269 thousand tons in the year, with the biggest concentration of products in Latin America.

To meet the requirements of the consumer market, Klabin invests in research to continually improve the product, stressing the properties of strength and printability. In 2011, fresh strides

were taken to reduce the basis weight of paper, which went down from 110gsm to 100gsm. This means a gain of 10% in the volume the customer receives, with practically the same quality as the higher basis weight paper. For the Company, this means more flexibility in the offer of raw material and an important differential in the market.

**Recycled paper** – Klabin is the biggest paper recycler in Brazil and used nearly 200 thousand tons of waste paper in 2011, representing an approximate amount of 185 thousand tons of recycled paper. This operation offers customers the chance to use a more complete mix of products, with a combination of virgin and recycled fibers. If the project turns out to be feasible, this strategy will be reinforced with the installation of a new recycled machine at the Angatuba (SP) Plant, making this kind of paper both more competitive and more productive.



## Cartonboard

A Klabin is the biggest manufacturer and exporter of cartonboard in the Country. Klabin cartonboard is produced with a mixture of short and long fibers, which lend strength to the package and give it excellent printing quality. Cartonboard is the Company's manifestation of high technology, closely bound to product development and centered on satisfying every customer. In 2011, the cartonboard segment in the home market sustained two major impacts: high stock levels at the end of 2010 due to the customers' apprehension with a possible lack of offers in the production chain and a rise in imports of packaged products, aided by the over-valued Real for the majority of the year. Overseas, business portrayed the slump in the international economy, particularly the worsening of the European crisis.

Sales volume of coated cartonboard in 2011 amounted to 653 thousand tons. In comparison with 2010, volume dropped by 1%, with an increase of 2% in the home market, but a drop

of 4% in exports. The diversification of Klabin's line of coated cartonboard offset the downturn in demand for folding box board (FBB) in the domestic market.

The growing demand for the Forest Stewardship Council's (FSC) trademark of responsible wood management throughout the production chain has increasingly influenced the cartonboard market both in Brazil and the export market. Klabin cartonboard grades, which are 100% certified, offer the biggest competitive differential and are least subject to impacts in an economically unfavorable climate.

## Converting business unit – proximity and innovation that make the difference.

Innovation, quality and personalized service, added to an excellent system of distribution throughout the country, have made Klabin the biggest manufacturer of corrugated boxes and

largest converter of industrial sacks in Brazil.

In 2011, sales of Klabin's converted products (corrugated packaging and industrial sacks) totaled 638 thousand tons, 2% down on the year before. Net revenue came to R\$ 1,712 million, 5% up over 2010, which reflects the improved mix of products and customers.

## Corrugated packaging

Leader in the Brazilian corrugated packaging market, Klabin has eight box-converting plants, all FSC-certified and located at strategic points around the Country, which makes its service rapid, efficient and safe to all segments of the economy.

In close step with the evolution of Brazilian industrial production in 2011, the Company recorded a volume 2% below that of last year, with 504 thousand tons.

In the year, it reinforced the policy of gains in efficiency and maintenance of margins. In



agreement with this strategy, it decided to close down operations in Del Castilho (RJ), mainly taking into account the logistical aspects of the region, which concentrates today a large number of residential and commercial buildings close to the plant, making both access and expansion difficult.

From the projects in progress, especially noteworthy is the expansion of the Goiana Plant (PE) which will be Klabin's biggest box plant in Brazil and is forecast for conclusion in the second half of 2012. Likewise the Jundiá Plant (SP) is under expansion, raising Klabin's capacity to 670 thousand tons and offsetting the shutdown of operations in Del Castilho. Building modifications are underway also in Betim (MG), in order to prepare the plant for future investments.

Industrial sacks

Klabin is the biggest industrial sack converter in the Country and is recognized for the top quality and innovation of its products and for

the personalized service to customers from the most varied segments of the market, such as civil construction, foods, chemical products, agribusiness and so on.

With an annual capacity of 167.2 thousand tons per year or 93 million glued sacks per month, its industrial park includes three plants in Brazil – two in the town of Lages (SC) and one in Goiana (PE) – and one in Argentina and has been totally remodeled in the last six years, which has permitted a continual and sustainable expansion of business. Two new lines in Lages (SC) increased production capacity to approximately 1 billion sacks per year. In Goiana (PE), a new unit comes on stream in 2012 and will enable the plant to triple its volume of production.

In 2011, sales volume totaled 136 thousand tons, a decline of 4% from 2010, with net revenue of R\$ 489 million, a rise of 3% compared with the previous year. Part of this

result is due to the strategy of diversifying the customer base, which has made it possible to improve the average purchase per customer as well as reduce the risk of concentration.

The Company has moved ahead firmly with its strategy to increase its market share of sacks for flour. To this end, it has counted on a line of differentiated products, which includes glued and valved sacks with opening systems suited to different options and combinations of valves, facilitating filling with manual and high-speed automatic machines.

Among this year's launches is the valved sack with handle, a product designed for the mortar market and differentiated by a polyethylene lining, a special and stronger sealing system which minimizes leakage and a handle which makes carrying easier for the consumer. This product won the Abre Packaging Prize of 2011, presented by the Brazilian Association of Packaging.





06.  
Social Performance



# 06.

## Social Performance

Transparent, ethical and respectful, Klabin's relations with its employees, suppliers and the communities where it operates are governed by a pursuit of common development and promotion of well-being and are aligned with the values and principles manifested in its Code of Conduct and Sustainability Policy.

### People management

For Klabin, success of the business is directly related to the competence and professionalism of its employees. It has adopted initiatives and policies which bring real benefits to this public, besides promoting their personal and professional development. Actions in this respect are based on ethical values which have been amply divulged and are clearly expounded in its Code of Conduct.

At the end of 2011, it had 8,556 own employees on its staff in Brazil and Argentina, an increase of 7.55% in comparison with the end of 2010. This variation is particularly a reflection of the process of reverting forest labor and maintenance services in the Monte Alegre Plant (PR) to in-house operations, with the substitution of third-party contract workers by own employees. A fifth work-shift was also created in this mill, for which 270 employees were hired.

In order to gain more efficiency in its processes, the Human Resources area started to run the RH

Conecta project in 2011. This involves a model of attendance and ways of interacting with employees. A number of new ideas are foreseen, which include the Operations Center, the Attendance Center, the HR Portal and self-service booths at main points in operational plants.

Since the Forestry base is at the heart of its principal plants, Klabin's biggest mills are located in small and medium-sized municipalities. Its biggest plant is in Telemaco Borba, in Parana, a town of 69,872 residents (IBGE) and the second biggest in Otacilio Costa, a town in Santa Catarina with 16,337 inhabitants (IBGE). Consequently Klabin absorbs a significant amount of labor in locations where it is operating.

Currently, around 80% of the administrative positions at supervisor level and leaders of work-shifts are composed of local residents. [\[GRI EC7\]](#)



While continuing to maintain a healthy and respectful relationship with its employees, the Company communicated the closure of the Del Castilho plant (RJ) in November of 2011. The employees were given notice at a formal meeting with the corporate manager of Industrial Relations. [\[GRI LA5\]](#)

### Total of workers

[\[GRI LA1\]](#)

	2010		2011	
	Total	Men	Women	Total
<b>Employees</b>				
For undetermined period or permanent	7,910	7,855	701	8,556
- Full time	7,910	7,855	701	8,556
- Half time				
For undetermined period or temporary	-	-	-	-
<b>Contract workers / outsourced</b>				
For undetermined period or permanent	6,122	4,367	773	5,140
<b>Others</b>				
Trainees	80	30	25	55
Apprentices	151	51	29	80
<b>Total</b>	<b>14,112</b>	<b>12,303</b>	<b>1,528</b>	<b>13,831</b>

### Workers by region

[\[GRI LA1\]](#)

	2010			2011		
By region	Employees	Outsourced	Trainees	Employees	Outsourced	Trainees
South	4,613	5,155	36	5,032	2,824	70
Southeast	2,451	777	35	2,572	1,800	59
Northeast	737	188	9	846	514	6
Argentina	109	2	-	106	2	-

### Turnover – 2011

[\[GRI LA2\]](#)

	Men	Women	Total
<b>Nº of employees</b>	7,757	693	8,450
<b>Staff variation – total</b>			
Nº of dismissals	1,128	179	1,307
Nº of admissions	1,771	269	2,040
Turnover rate (%)	20.2%	37%	21.5%
<b>Up to 30 years old</b>			
Nº of dismissals	562	121	683
Nº of admissions	1,181	196	1,377
Turnover rate (%)	41.2%	91.7%	45.1%
<b>From 30 to 50 years old</b>			
Nº of dismissals	436	51	487
Nº of admissions	556	68	624
Turnover rate (%)	11.0%	15.6%	11.4%
<b>Over 50 years old</b>			
Nº of dismissals	130	7	137
Nº of admissions	34	4	38
Turnover rate (%)	12.5%	9.3%	12.2%
<b>South Region</b>			
Nº of dismissals	648	93	741
Nº of admissions	1,110	132	1,242
Turnover rate (%)	20%	42%	21%
<b>Southeast Region</b>			
Nº of dismissals	394	76	470
Nº of admissions	472	118	590
Turnover rate (%)	20%	33%	22%
<b>Northeast Region</b>			
Nº of dismissals	86	10	96
Nº of admissions	189	19	208
Turnover rate (%)	20%	35%	21%

(1) Base number of employees excludes trainees, apprentices and Klabin Argentina



## Indicators of diversity – 2011

[GRI LA13]

### Employees

	Men		Women	
	Nº	Percentage	Nº	Percentage
<b>By functional category</b>	7,779	100.0%	715	100.0%
Managers, coordinators	191	2.5%	26	3.6%
Administrative	252	3.2%	237	33.1%
Technical level (includes supervisors)	846	10.9%	242	33.8%
Operational level	6,439	82.8%	181	25.3%
Apprentices	51	0.7%	29	4.1%
<b>By age group</b>				
Up to 30 years old	2,778	32%	300	3%
From 30 to 50 years old	4,507	52.5%	393	4.6%
Over 50 years old	553	6.4%	54	0.6%
<b>By race – in progress</b>				
White	5,582	65.0%	530	6.2%
Negro (black and brown)	1,395	16.3%	81	0.9%
Yellow	60	0.7%	8	0.1%
Indigenous	0	0.0%	0	0.0%
Undeclared	801	9.3%	128	1.5%
<b>By minority groups</b>				
Handicapped	111	1.3%	6	0.1%

### Directors

	Men		Women	
	Nº	Percentual	Nº	Percentual
<b>By age group</b>				
Up to 30 years old	0	0%	0	0%
From 30 to 50 years old	2	14%	1	7%
Over 50 years old	10	71%	1	7%
<b>By race</b>				
White	12	86%	2	14%
Negro (black and brown)	0	0%	0	0%
Yellow	0	0%	0	0%
Indigenous	0	0%	0	0%
<b>By minority groups</b>				
Handicapped / people with special needs	0	0%	0	

### Members of the Board

	Men		Women	
	Nº	Percentage	Nº	Percentage
<b>By age group</b>				
Up to 30 years old	0	0%	0	0%
From 30 to 50 years old	4	18%	2	9%
Over 50 years old	13	59%	3	14%
<b>By race</b>				
White	17	77%	5	23%
Negro (black and brown)	0	0%	0	0%
Yellow	0	0%	0	0%
Indigenous	0	0%	0	0%
<b>By minority groups</b>				
Handicapped	0	0%	0	0%

(1) Excludes Antas, Ikape, KPPF and Argentina



## Training and development

Klabin allocated R\$ 5.3 million to programs of training and development, 32.5% more than the amount in 2010. The initiatives involved 105,035 participations, with an average of 42.13 hours per employee a year.

Throughout 2011, the following training programs, designed to increase the competencies of its leaders and other employees, are worthy of special mention: [|GRI LA11|](#)

• **Training Program for Corrugated Packaging Operators**, run in partnership with Senai (National Service of Industrial Apprenticeships). The Plants at Jundiaí–Tijuco Preto and Jundiaí–Industrial District (SP), Goiana (PE), Feira de Santana (BA), São Leopoldo (RS), Piracicaba (SP) Betim (MG) and Itajai (SC) all received the Training Course in Corrugated Packaging Production. In all, 157 employees took part in the program, with 11,416 class-hours.

• **Crescer Program**, of continuing education, is the fruit of a partnership between Klabin's forestry units in Parana and Santa Catarina, service contractors and Sesi. Created in 2008, it provides informative lectures to almost 4,000 employees. At the meetings, the topics covered include the environment, health, family life, quality of life, career advancement and so on.

### Hours of training

Functional category <sup>(1)</sup>	Nº of participants	Nº of total hours	Hours per employee
<b>Directors</b>	<b>5</b>	<b>221</b>	<b>44.20</b>
Men	4	189	47.25
Women	1	32	32.00
<b>Managers and coordinators</b>	<b>241</b>	<b>12,478</b>	<b>51.78</b>
Men	212	10,757	50.74
Women	29	1,721	59.33
<b>Administrative level</b>	<b>394</b>	<b>10,463</b>	<b>26.55</b>
Men	207	4,550	21.98
Women	187	5,912	31.62

(1) Information on training members of Board is not available

### |GRI LA10|

Functional category <sup>(1)</sup>	Nº of participants	Nº of total hours	Hours per employee
<b>Technical level</b>	<b>1,032</b>	<b>43,157</b>	<b>41.82</b>
Men	802	33,325	41.55
Women	230	9,833	42.75
<b>Operational level</b>	<b>6,515</b>	<b>279,286</b>	<b>42.87</b>
Men	6,352	274,154	43.16
Women	163	5,132	31.49
<b>Apprentices</b>	<b>116</b>	<b>4,227</b>	<b>36.44</b>
Men	76	3,416	44.95
Women	40	811	20.27
<b>Total</b>	<b>8,303</b>	<b>349,832</b>	<b>42.13</b>



When dealing with the perspective of development, Klabin has continued to consolidate all its programs, the principal of which is the **PKD**, or **Klabin Program of Development**, which functions on two fronts:

- **Development of Leadership** – Run since 2004, its aim is to train administrators (nearly 300 executives, among whom are directors, managers, coordinators and consultants) to act in cohesion and in alignment with the goals of the Company. As a consequence, tools are presented which are able to promote the development of this public, considering both individual aspects and the progress of the group. In 2011, the company consolidated its Performance Analysis process, ensuring that results in the areas of both “goals” and “competencies” could be measured.

During this period the scope of analysis of competencies was increased to 360 degrees. To

ensure the accuracy of this process, its public was limited to directors and managers (70 men and 5 women, equivalent to 0.9% of the staff) and will be gradually extended to the other levels.

**|GRI LA12|**

- **Team Development** – Directed to all hierarchical levels, its aim is to develop the behavioral aspects and skills of managing people and teams, with a view to high performance. Already well-established in the Forestry and Paper Business Units, it was extended to the Converting Plants (Corrugated and Industrial Sacks) in 2011.

One other initiative is the **Young Talents Program**, focused on trainees and the admission of apprentices. In 2011, it included 55 trainees working in all the business units and the head office and 80 apprentices, who received theoretical and/or practical incentives.



## Diversity and inclusion

The Program of Diversity and Inclusion was created in 2011, in line with the Sustainability Policy, the Code of Conduct and the strategic goals of the Company. Its content is built on four pillars (Accessibility, Sensitivity, Employability and Social Mobility) and on the concepts of diversity, equality and inclusion. The first steps involved the preparation of a specific working group; the formation of committees in four plants in Santa Catarina and at the head office; sensitivity workshops for leadership; and an evaluation of accessibility to job positions. The second phase, forecast for 2012, includes actions in the pilot-plants and proposals for improvements and expansion of the project to other units.

## Remuneration and benefits

Klabin’s salary policy proposes remuneration in accordance with real market conditions, taking into account the complexity of responsibilities, expected results and the effective performance of each professional. To ensure that this

guidance is followed, the responsible areas conduct periodic surveys in selected markets, consisting of companies from both the pulp and paper and other sectors.

In addition to the fixed remuneration which each employee receives every month, there are programs of variable remuneration with half-yearly payments – these are known as the PPR (Program of Participation in the Results) and the PPRG (Program of Participation in the Results of Administrators). In 2011, this system evolved with the creation of a long-term incentives plan for directors (this process is waiting for approval by the CVM (Securities Exchange).

In 2011, a total of R\$ 223 million was paid out in salaries. This amount is what was paid to employees as fixed remuneration. In the same period, a further R\$ 178 million was paid in compulsory social contributions and R\$ 85 million in benefits – such as medical and odontological assistance, complementary pensions, pharmaceutical benefit schemes,

transportation, meals, life insurance and so on. Apprentices have the rights to all the benefits; interns get meal vouchers, medical assistance, life insurance and travel vouchers; meal tickets and transportation vouchers are given to temporary workers. [\[GRI LA3\]](#)

Comparison of salaries and remuneration of men and women [\[GRI LA14\]](#)

By functional category	Base salary Proportion (W/M)	Remuneration <sup>(1)</sup> Proportion (W/M)
Directors	0.72	0.75
Managers	0.97	0.97
Supervisors	0.87	0.77
Coordinators	0.80	0.76
Administrative	0.93	0.93
Operational	0.76	0.81
Technicians	0.94	0.94
By region		
South	0.98	0.97
Southeast	0.58	0.59
Northeast	1.41	1.46
Argentina	ND	1

(1) Base salary plus additional values (such as benefits, overtime, etc.). W/M – Women/Men



# Health and safety

In order to make sure the working environment is increasingly safer and more accident-free, a number of programs and activities are run, designed to create a culture of safe behavior. These activities are coordinated by Klabin's Safety Committee, which consists of managers responsible for each plant and of directors of the Company. All the plants also include a Cipa (Internal Commission of Accident Prevention), made up of workers and managers, representing 100% of the employees. [\[GRI LA6\]](#)

In 2011, Klabin reached the historic milestone of 2.2 million man-hours without an accident to its own employees leading to absence from work. Despite this result, there was an increase in the rate of accident frequency, with the absence of own employees in some plants, breaking the consecutive run of drops in these indicators. There were 23 incidents with absence from work above 2010.

During the year the Program of Leadership Development in OHS was launched with the intention of preparing a greater number of people to multiply occupational health and safety values. Consisting of 36 actions, including workshops and lectures, it involved 411 employees of intermediate leadership level.



## Indicators of occupational safety

|GRI LA7|

Rate of Accident Frequency – NBR 14,280 <sup>(1)</sup>	Employees	Outsourced	Total
South	2.79	3.32	3.09
Southeast	4.93	10.30	6.06
Northeast	2.63	1.95	2.49
Argentina	25.53	ND	25.53
Men	3.69	3.57	3.64
Women	0.12	0.34	0.22

Rate of Accident Frequency – OHSAS 18001 <sup>(2)</sup>	Employees	Outsourced	Total
South	0.56	0.66	0.62
Southeast	0.99	2.06	1.21
Northeast	0.53	0.39	0.50
Argentina	5.11	No outsourced	5.11
Men	0.74	0.71	1.45
Women	0.02	0.07	0.09
<b>Total</b>	<b>0.76</b>	<b>0.78</b>	<b>0.77</b>

Rate of Accident Gravity – NBR 14,280	Employees	Outsourced	Total
South	620	617	618
Southeast	235	185	225
Northeast	131	16	106
Argentina	342	-	342
Men	448	ND	ND
Women	1	ND	ND
<b>Total</b>	<b>449</b>	<b>557</b>	<b>498</b>

Rate of Accident Gravity – OHSAS 18001	Employees	Outsourced	Total
South	124.0	123	124
Southeast	47.0	37	45
Northeast	26.2	3	21
Argentina	68.4	-	68.4
Men	89.6	ND	ND
Women	0.2	ND	ND
<b>Total</b>	<b>90</b>	<b>111</b>	<b>100</b>

Rate of occupational illnesses <sup>(3)</sup>	Employees	Outsourced	Total
South	0.04	-	0.04
Southeast	-	-	-
Northeast	-	-	-
Argentina	-	-	-

Rate of lost days <sup>(4)</sup>	Employees	Outsourced	Total
South	123.98	123.35	123.63
Southeast	47.04	37.08	44.94
Northeast	26.12	3.12	21.24
Argentina	68.31	-	68.31
Men	ND	ND	ND
Women	ND	ND	ND
<b>Total</b>	<b>90</b>	<b>111</b>	<b>99.68</b>

Rate of absenteeism	Employees	Outsourced	Total
South	2.02	ND	ND
Southeast	1.49	ND	ND
Northeast	3.90	ND	ND
Argentina	ND	ND	ND
Men	1.68	ND	ND
Women	2.04	ND	ND

Number of deaths	Employees	Outsourced	Total
South	-	1	1
Southeast	-	-	-
Northeast	-	-	-
Argentina	-	-	-
Men	-	1	1
Women	-	-	-

(1) System of rules follows determinations of the ILO (International Labor Organization )

(2) Includes small injuries

(3) No control for outsourced workers yet

(4) In accordance with norm 14.280, includes days lost, deducted and transferred. Lost days are counted sequentially from the day following an accident.



## Suppliers

Due to the extent of the Company’s territorial coverage and the vast number of contracts with suppliers from a variety of locations, a Directorship of Supply, Logistics and Materials was created in 2011 to be responsible for managing and negotiating the acquisition of products and services needed for the operation of each plant.

During the year, the entire operation was mapped. With this diagnosis in hands, a project is under development to evaluate suppliers by category and field of business, using economic, social and environmental criteria. The suppliers will be classified according to their rating and this ranking will be made available for electronic consultation.

All the contracts are established by means of an approval process which consists of evaluating many aspects such as occupational health and safety, legal, commercial, technical, environmental responsibility and financial. There is specific mention of the prohibition of child or slave

labor, the fight to end child prostitution on the highways and the need to ensure protection for the environment. During the year, no risks of this nature were identified among the suppliers.

**|GRI HR6, HR7|**

In the area of logistics, one of the year’s highlights was the increase of deliveries made by barge to the Northeast Region. Almost all the cargo which left the Monte Alegre Plant in Telemaco Borba (PR) was transported via this system to the Goiana Plant (PE), where the paper was converted into industrial sacks and corrugated boxes.

The Company is also concerned with the development of its suppliers, planning new products systematically and in total synergy with them. Thus partners can control their stocks more efficiently, with assurance of better results. The initiative also contributes to the success of new products in the market, since they depend principally on the adequate supply of raw materials.

## Distribution of suppliers – 2011

Area	Nº
Maintenance materials	4,927
Services	2,208
Raw materials	555
Imported materials	135
<b>Total</b>	<b>7,825</b>

## Distribution of purchasing |GRI EC6|

Type of supplier	Share in the total of purchases (%)	
	2010	2011
Local suppliers <sup>(1)</sup>	22.0%	59.3%
National suppliers	56.0%	39.0%
Global suppliers <sup>(2)</sup>	22.0%	1.7%

(1) Installed in the regions of the industrial and forestry units.  
(2) The drop in share of global suppliers reflects the level of investments for industrial modernization and expansion, with the acquisition of materials produced locally.



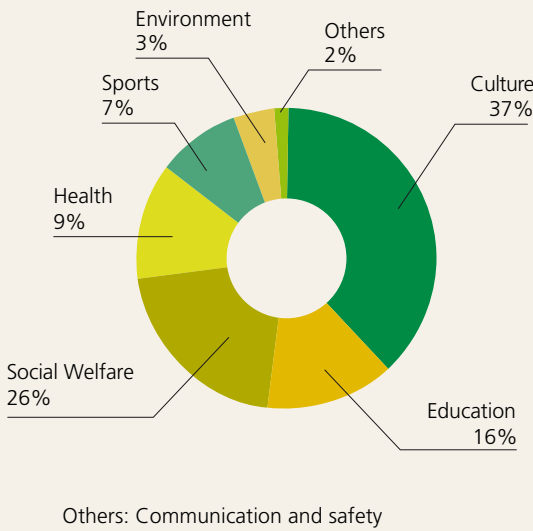
## Society

|GRI EC8, SO1|

In 2011, Klabin allocated R\$ 9.86 million to external social projects, which benefited communities in the vicinity of its manufacturing plants throughout the Country, 53% of which represented programs linked to education and culture. Of the total, R\$ 5.34 million came from own funds and were allocated to projects run by non-profit organizations, while the other R\$ 4.52 million came from fiscal incentives such as the Rouanet Law (Federal Law of Cultural Incentives) and the FIA (Fund for Infancy and Adolescence). In all, these contributions benefited some 82 institutions and nearly 1.9 million people.

With financial and material donations, the Company collaborates with various entities in the regions where it is operating, like orphanages, asylums, hospitals, common interest associations, military and civil police and the fire brigade. One of the high points of the year was the donation of 26 thousand corrugated boxes to the Warm Clothing Campaign, promoted by FUSSESP (Social Solidarity Fund of the State of São Paulo). The action, which benefited 3 thousand entities, has been receiving support from Klabin for over 11 years, which has donated over 176 thousand boxes to the initiative.

External social investment - 2011



### External social investment (R\$ thousand)

|GRI EC1|

	2011
Own funds	5,343
Donations to learning institutions	492
Donations to welfare entities	3,600
Cultural donations	496
Other donations	679
Sponsorships	76
<b>Investments with incentives  GRI EC4 </b>	<b>4,526</b>
Rouanet Law	3,122
Sports Law	753
Funds of Children's and Adolescents' Rights	650



## Impact management

Impact appraisals are made for 100% of the operations. In the forestry area (planting, harvesting and logistics), the process entails consultations with communities in the neighborhood during meetings and/or visits which are a part of the so-called Operational Dialogue. Complaints and/or ideas are collected through Suggestion Boxes placed at meeting points in the locales (bars, clubs and bus-stops). The following telephones are also available for contact: 0800 728 0607 in the States of São Paulo and Parana; (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 São Paulo. The system registered 65 complaints/suggestions in 2010 and 344 in 2011, an increase which reflects the work done to divulge the Company's relationship channels. [|GRI SO10|](#)

In the industrial operations, these appraisals occur especially at moments of planning major works. For example, a local committee was set up, consisting of representatives from communities, public organs and civil society for the expansion project at the Monte Alegre Plant which was concluded in 2008. The consultation process is also being applied in planning a new pulp mill which may be installed in the region. (Further information on page 27)

Given the size of the Monte Alegre Plant and the impact on the local economy, there is more frequent interaction with the authorities of Telemaco Borba (PR) and representatives of civil society. This process identified the need to rescue socially vulnerable youngsters, by means of concrete actions in socio-educative and cultural programs. [|GRI SO1|](#)



Impacts of the operations

|GRI SO9, SO10, EN12, EN14|

Aspect	Potential or real impacts	Duration	Mitigating actions
Industrial and Forestry operations			
Status as major employer in the local community	Economic dependence	Permanent	Incentives to diversify the local economy; projects to generate income and stimulate entrepreneurship.
Pollution	Emissions of gases and effluents, disposal of wastes, leakage	Permanent	Technical and operational recommendation to mitigate and contain pollution which might be generated by the operations.
Consumption of natural resources	Flow of water courses	Permanent	Forestry production is only carried out in regions with minimum annual rainfall of 1,700 millimeters Actions of operational efficiency and responsible consumption of resources.
Forestry operations			
Proximity of the operations	Noise, heavy traffic of vehicles, dust	From days to weeks, depending on the size of the area harvested	Recommendation to perform operations in the period between 8pm and 6am, with minimum distance of 300 meters from neighborhoods; traffic deviation.
Use of harmful substances (e.g. herbicides)	Risk to health of the populations; impact on fauna and flora	Permanent	Controlled application of chemical products.
Industrial operations			
Proximity of the operations	Discomfort from noise, emissions of gases and effluents	Permanent	Installation of environmental controls, in compliance with legal requirements at the federal, state and municipal levels.



## Local development

With the participation of Klabin, in 2011 the Agency to Develop the Timber Chain of the Middle Tibagi River (Agency of Timber) was created, as an initiative to support activities of the timber complex in the region of Telemaco Borba (PR) which encompasses 14 municipalities. The idea is to foster the chain of timber production and attract the installation of companies, stimulating the formation of industrial districts for wood processing in its various stages.

According to the 2010 Census, Telemaco Borba has 69.9 thousand inhabitants. Since the Timber Complex was established in 1993, around 87 industrial plants have settled in the region bringing 4.3 thousand new jobs. Together with Klabin they have made an effective contribution to the local economy, tripling revenue and increasing the collection of ICMS taxes in the municipality by over 50%. The Timber Complex was originally started in a partnership between Klabin, the Town Hall, Senai (National Service of Industry) and the Center of Wood and Furniture Technology with

the objective of training local labor to work in the timber industry and carpentry shops. [|GRI EC9|](#)

Another local development initiative is the Program of Apiculture and Meliponiculture, which has been run since 2007 in conjunction with the Beekeepers' Association of Telemaco Borba and the Cooperative Caminhos do Tibagi. Klabin offers its forests to lend impetus to production chains which bring benefits to the communities and the environment, thus making good use of the potential of the flora found in its areas. The Cooperative runs a processing unit and distributes honey and its by-products. Production reached 14,450 kilos of honey in the period from March 2011 to March 2012, 28% above the previous harvest. [|GRI EC9|](#).

The average honey production per beehive in the Program is 62% greater than the national average, thanks to the abundance of the forests, the proper management of its beehives and genetic improvement of the bees.

## Education

Klabin runs and supports socio-educative and environmental programs directed especially to youngsters and adolescents from the communities with which it has connections. The action with widest coverage is the Caiubi Program of Environmental Education which in 2011 completed ten years of existence. It is run in the States of Parana and Santa Catarina and its objective is to disseminate the concepts of ecological awareness among teachers and students, as well as to contribute to the education of more critical citizens, conscious of their responsibilities to the environment. In commemoration of the date, it promoted the 1st Environmental Exhibition of the Caiubi Program, held in the Monte Alegre Athletic Club, with environmental education works produced by students and teachers from schools in the municipal system of the region.

### Caiubi Program

Region	Nº of people benefited			
	2008	2009	2010	2011
Parana	16,191	7,065	8,055	8,097
Santa Catarina	17,332	2,659	14,483	14,616
<b>Total</b>	<b>33,523</b>	<b>9,724</b>	<b>22,538</b>	<b>22,713</b>



## Socio-environmental initiatives

|GRI EC8|

Project	Scope	Results
<b>Caiubi Program</b>	Environmental education initiative which brings together specialists so as to train teachers from the municipal and state school networks to educate future generations about environmental preservation. The program was started in 2001 in Parana and extended to Santa Catarina in 2007.	In its ten years, over 245 thousand students, 9,489 teachers and 771 schools were benefited.
<b>Environmental Guards</b>	Run since 2005 in conjunction with the Environmental Police of Santa Catarina, encourages respect for people and the environment and social development reaffirming citizenship.	In 2011, there were actions to preserve nature, environmental legislation, aspects of local fauna and fl ora, first aid, civism, morals and ethics, in which 25 youngsters participated.
<b>Junior Green Force</b>	Pioneering project to prepare environmental guards has been run in Parana since 2007. Students from schools with the lowest HDI (Human Development Index) ratings receive theoretical and practical training on nature preservation, environmental legislation, aspects of local fauna and fl ora, first aid, civism, morals and ethics. Training lasts for six months.	During the year, a number of cultural activities were involved, and 38 guards were trained.
<b>Intermunicipal Consortium for the Environmental Protection of the Rio Tibagi Basin (Copati)</b>	With the project Pingo D'água, promotes environmental education, taking information to the communities near the river basin about how to use natural resources sustainably. Includes environmental education activities, recuperation of riverside woodlands, repopulation of rivers with fish, prevention of predatory hunting and fishing, and management of solid urban waste, among others.	75 actions were held, involving 29.5 thousand participants.
<b>Singing Girls' Choir</b>	Based in the Monte Alegre Plant, in Telemaco Borba (PR), the Choir contributes to the practice of ethical and moral values and, above all, to the education of children and adolescents, daughters of Company employees. In activity since 2004, the group is made up of nearly 60 girls between 7 and 17 years old.	In 2011, the Choir gave 12 presentations, in the towns of Telemaco Borba and Ponta Grossa (PR), to a public of over 4 thousand people.
<b>Right Step</b>	Created in 2008, in conjunction with Studio 3 Cia. De Dança, the program consists of contemporary dance and capoeira activities, for children and adolescents between 6 and 17 years old, with the main purpose of teaching artistic expression and the appreciation for culture and education.	During the year, 100 children and adolescents took part in the activities.
<b>Our Digital Language</b>	Run in partnership with the NGO Jaborandi Institute, the program uses new information and communication technology in educational initiatives for youngsters between 13 and 18 years old, the children of employees and contract workers at the Monte Alegre Plant (PR).	In 2011, 256 students were certified by the program, which has a seal of quality from the Ministry of Education.
<b>Program of monitored visits</b>	In Santa Catarina, the program of visits to the Araucaria Trail receives students from the municipal network of Correia Pinto. In Parana, they take place in Monte Alegre's Ecological Park, where students from schools participating in the Caiubi Program of Environmental Education are received.	Nearly 30 thousand visitors to the Ecological Park, just in 2011, and around 4 thousand visitors in Santa Catarina, since 2007.
<b>Music in School</b>	The program focuses on underprivileged youth from 11 to 15 years of age, and through the teaching of music aims to help develop logical thinking, perception, reasoning and stimulate self and group esteem which leads to better performance in other subjects.	In the year, 155 youngsters from the community of Telemaco Borba (PR) were trained.



## Volunteer work

The Company encourages and applauds the practice of volunteer work among its employees, since it believes that these activities help to build citizenship and stronger moral values.

In the scope of the Terra Viva Volunteer Association, which was set up in 2003, many actions are promoted, ranging from spot campaigns (such as blood donations on the company premises and the warm clothing campaign) to educational projects such as guidance on how to find the first job and classes of IT. There are many actions dedicated to children, the elderly and people with special needs in the area of the Company's activities. In 2011, 219 volunteers, both employees and their relatives, participated and around 8.6 thousand people were benefited in the 50 organizations attended.

## Sectorial participation

Klabin considers its participation to be strategic and is a member of different forums, associations and groups representing various sectors. The main topics broached in 2011 in these forums involved aspects such as: revision of the Forestry Code, limitation to the acquisition of lands by foreigners, outsourcing services, Brazilian goals for biodiversity, climate change, conservation of remaining natural resources and the reduction of federal, state and municipal taxes, among others.



## Participation in entities

[GRI 4.13]

Entity	Participation in organs of governance	Participation on committees
<b>Associations and unions</b>		
Brazilian Association of Pulp and Paper (Bracelpa)	Vice-Presidency	Sustainable Cartonboard Forum; Committees of Supply, Communication and Sustainability
Brazilian Association of Corrugated Board Papelão Ondulado (ABPO)	Vice-Presidency	OCC Market Group; Tax Group
Brazilian Technical Association of Pulp and Paper (ABTCP)		Scientific Committee of the 45th International Congress of Pulp and Paper
Association of SAP Users Brazil (Asug)		Business Intelligence Group (coordination)
Union of Pulp and Paper Industry of Parana	Director (alternate)	
Union of Corrugated Board Industry of State of São Paulo (Sinpesp)	Presidency	
Union of Pulp, Paper and Groundwood Pulp Industry, in the State of São Paulo (SIP)	Board of Directors	
Parana Association of Forestry Companies (Apre)	Vice-Presidency	
Florestar – São Paulo Association of Planted Forest Producers	Vice-Presidency	
Santa Catarina Association of Forestry Companies (ACR)	Vice-Presidency	
<b>Research entities</b>		
National Council of Scientific and Technological Development (CNPQ)		Nucleus of Advisors in Technology and Innovation
Institute of Forestry Research and Studies (Ipef)	Deliberative Council (alternate member)	
<b>Other entities</b>		
Canoas River Hydrographic Basin Administrative Committee	Consultative Council	
Tibagi River Committee	Full member	
Corporate Movement for Biodiversity		Communication Committee
World Containerboard Organization (WCO)	Director	
International Corrugated Case Association (ICCA)	Director	
<b>International organizations</b>		
Innventia (Research institute)		Cluster Fiber Stock and Product Optimization
Central America and Mexico Cooperative for Coniferous Resources (Camcore), of North Caroline (USA)	Consultative Council	





# 07.

## Environmental Performance



# 07.

## Environmental Performance

Burgeoning investments in prevention and increased energy efficiency have ensured ongoing improvements in the Company's environmental performance since 1998. Together with its commitment to biodiversity and forest stewardship which is a global benchmark, these attitudes have helped shape the future and promote genuinely sustainable development.

In 2011, initiatives to protect the environment required funds of R\$ 52.6 million, the majority of which (72%) was allocated to prevention programs. The total amount is 33% greater than that of 2010, especially because of the investment of R\$ 28 million for the expansion of the evaporators at the Otacilio Costa Plant which led to lower consumption of water and oil.

In order to mitigate environmental impacts, Klabin is taking action to reduce noise from its industrial plants. An example is the acoustic insulation for machinery in São Leopoldo (RS), which has made it possible to reduce the level of noise and increase safety while running machines. Another noteworthy action was the removal of old coal slag in an area to be flooded for the construction of the Maua hydroelectric dam (PR). The approximately 230 thousand cubic meters of waste have been sent to a new industrial landfill built on the Monte Alegre Farm, eliminating any potential risk of environmental liability. [\[GRI EN26\]](#)

Activities are governed by an Environmental Management System certified by ISO 14001 and backed by the 3R's concept (Reduce, Reuse and Recycle). Environmental management is centralized with support from a Corporate Environmental Portal, which consists of a data bank with information on every unit's performance concerning water and fuel consumption, effluent quality and waste generation. This tool makes it possible to follow up on compliance with environmental goals and to benchmark and exchange results between units.

**Environmental investments and expenditure**

**[GRI EN30]**

	2011 (R\$ thousand)
Management of waste	10,088.278
Monitoring emissions	134.90
Expenditure with corrective measures	1,076.00
Costs of prevention	37,630.35
Expenditure of environmental management	3,646.85
<b>Total</b>	<b>52,576.38</b>



## Climate change and Carbon footprint

The issue of climate change, which is considered to be strategic by Klabin, is a reality and represents the most serious threat to humans' well-being and to natural ecosystems, driving the Company to invest in a sustainable energy matrix, using fuels with lower emissions of greenhouse gases (GHG). With this goal in mind, it has invested in boilers which burn biofuels instead of equipment driven by fossil fuels. [\[GRI EC2\]](#)

Along these same lines, it conducted a study of Life Cycle Analysis (LCA) to calculate the carbon footprint of the products Liquid Packaging Board (LPB), Carrier Board, Folding Box Board and Kraftliner, with an estimation of the amount of CO<sub>2</sub> sequestered and emitted in the forestry and industrial areas.

The results revealed significant improvements in environmental performance since 1998, with special mention for Liquid Packaging Board: reductions of 69% in the use of land, 38% in

energy and; 30% in water and 40% in wood. The balance of CO<sub>2</sub> equivalent was positive in 1,010 kilos sequestered per ton of LPB produced – that is to say, there is more absorption in photosynthesis than there is emission with the production process.

### Emissions to air

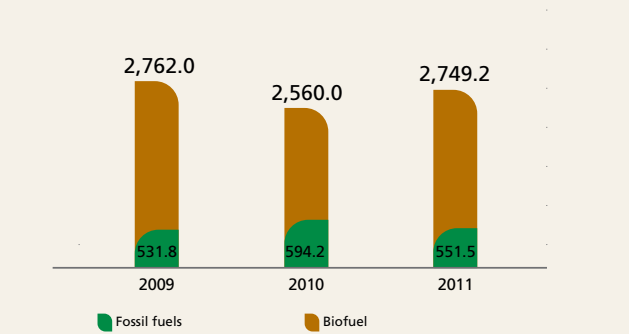
The emissions inventory covers all the industrial and forestry operations in Brazil and has been compiled using scopes 1 (sources which belong to or are controlled by the organization); 2 (electrical energy acquired for own consumption); and 3 (occurring as a consequence of the company's activities, but do not belong to nor are controlled by it).

In 2011, there was a reduction of 7.2% in direct emissions coming from burning fossil fuels, the result of cleaning the energy matrix. On the other hand burning biofuel used for generating energy registered an increase of 7%. These emissions are considered neutral because photosynthesis occurs with the growth of the forests, since the

forest material, from which the biofuel comes, sequesters carbon from the atmosphere during its growth phase.

The smaller purchase of energy from outside sources and the increase in consumption of direct energy (own generation) led to a decline of 46.8% in indirect emissions. A reduction of 23% was also registered in specific emissions of CO<sub>2</sub> per ton of paper produced. [\[GRI EN26\]](#)

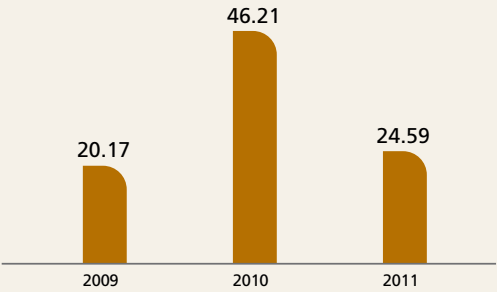
Direct emissions of CO<sub>2</sub> - Scope 1 (thousand t) [\[GRI EN16\]](#)



N.B. PCI values modified according to information of the GHG Protocol Brazil



Indirect emissions of CO<sub>2</sub> - Scope 2 (thousand t) |GRI EN16|



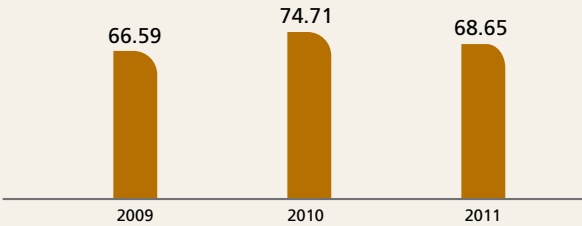
N.B. Values obtained using emission factors from the GHG Protocol Brazil (2009: 0.0246 tCO<sub>2</sub>/MWh / 2010: 0.051275 tCO<sub>2</sub>/MWh / 2011: 0.02868 tCO<sub>2</sub>/MWh)

In 2011, Klabin included the calculation of emissions related to the air transport of its employees, (domestic, continental and intercontinental trips), which totaled 749 tons of CO<sub>2</sub>. The emissions originating from road transport of products, compiled since 2010, showed a decrease of 8.1% in relation to the previous year, reflecting the use of vehicles with better performance in specific fuel consumption (km/l).

[|GRI EN18, EN29|](#)

The amount of sulfur hexafluoride gas (SF6) in 2011 was 89 kilos, stored in the electrical circuit breakers of the high tension power lines and with an emission potential of 533 tons of CO<sub>2</sub>.

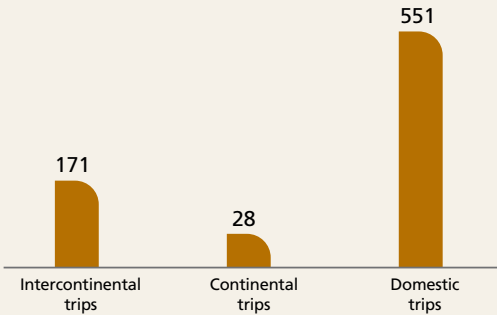
Emissions originating from transport of products National Market and Mercosul Klabin Paper (thousand t CO<sub>2</sub>) |GRI EN17|



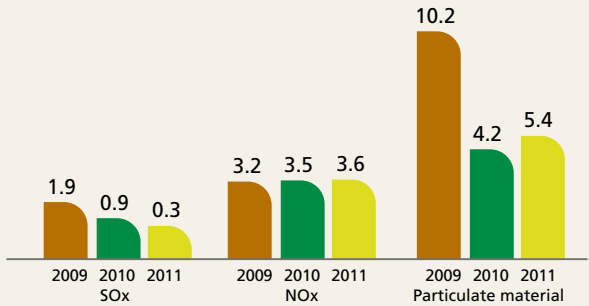
The Company is eliminating the use of CFC's (chlorofluorocarbons) in all its plants. [|GRI EN19|](#)

Fixed sources of emissions of particulate materials, nitrogen oxides (NOx), sulfur oxides (SOx), total reduced sulfur (TRS) and carbon monoxide are monitored frequently. In 2011, a drop of 61% in the specific values of sulfur oxide emissions was noted, due mainly to improved stability in operational controls.

Emissions originating from air transport Klabin S.A. (t CO<sub>2</sub>)



Other emissions to air (kg/t paper) Klabin Paper IGRI EN20I



## Biggest paper recycler in Brazil

### Materials

Each material introduced in the production process is previously analyzed by the environmental team to identify behavior concerning aspects such as waste disposal, liquid effluents and atmospheric emissions. After the material is approved, there is a periodic appraisal of the environmental practices of the suppliers.

In 2012, a project will be started to improve materials management which will involve mapping critical partners and identifying criteria such as purchase volumes, product risks and socio-environmental impacts among other items. Brazil's



biggest paper recycler, Klabin used 222 thousand tons of waste paper to produce recycled paper in 2011. Around 15% of this volume originates from the corrugated box plants and the rest is purchased from waste paper dealers. [\[GRI EN27\]](#)

### Materials used

[\[GRI EN1\]](#)

	2009	2010	2011
<b>Indirect materials</b>			
Wood for processing (thousand t)	5,200	5,850	6,048
OCC purchased from market (recycled) (thousand t)	180	220	220
Purchased pulp (Pulp and CTMP) (thousand t)	51.9	52	44
<b>Non-renewable materials</b>			
Sulfuric acid (thousand t)	7.7	9.4	7.3
Caustic soda (thousand t)	20.6	24.7	27.0
Sodium sulfate (thousand t)	16.8	19.5	19.0
Aluminum sulfate (thousand t)	27.1	22.6	26.5
Virgin lime (thousand t)	14.6	38.3	26.7
Clay (thousand t)	19.1	23.3	15.0
<b>Materials coming from recycling<sup>(1)</sup> <a href="#">[GRI EN2]</a></b>			
Percentage of recyclable materials used (%)	3.3%	3.5%	3.4%

(1) Waste paper bought in the market over company's total production taking into account wood for processing and purchased pulp.

### Lower consumption of fossil fuels

The Company is continually searching for alternatives to make its energy matrix cleaner and for technology which results in less greenhouse gas emissions. In 2011, 73% of the energy consumed was from renewable sources – like biofuel, black liquor (residue from pulp production process) and own hydraulic energy. [\[GRI EN6\]](#)

This process was accelerated as of 2008, with the start-up of the biofuel boiler to substitute the use of fuel oil at the Monte Alegre Plant. In 2011, the installation of similar equipment was concluded in Otacilio Costa (SC) and in 2012 new boilers should come on stream in Correia Pinto (SC) and Angatuba (SP). The plants in Piracicaba (SP), Jundiai – Industrial District (SP), Guapimirim (RJ), Goiana (PE), Del Castilho (RJ) and Betim (MG) all use natural gas as fuel to generate steam.

### Klabin's complete energy matrix (direct and indirect energy) – GJ annual

	2009	2010	2011	% total
<b>Renewable sources</b>				<b>73.2%</b>
Black liquor	12,636,411	14,067,186	14,442,191	38.5%
Biofuel	13,885,349	10,860,711	12,250,109	32.7%
Own electrical energy (hydro)	730,648	761,023	761,340	2.0%
<b>Non renewable sources</b>				<b>18.6%</b>
Natural gas	1,207,901	1,236,245	1,344,699	3.6%
Fuel oil	5,198,521	6,020,728	5,325,550	14.2%
Diesel oil	-	11,238	9,564	0.03%
GLP	252,992	286,243	276,689	0.7%
<b>Purchased electrical energy</b>				<b>8.3%</b>
Purchased electrical energy	2,954,432	3,247,174	3,089,286	8.3%
<b>Total</b>	<b>36,866,265</b>	<b>36,490,548</b>	<b>37,499,428</b>	<b>100.0%</b>

N.B. PCI values adjusted, according to information of GHG Protocol Brazil.



In 2011, there was an increase of 3.5% in the amount of direct energy consumed in comparison with the previous year, mainly a reflection of the 1.8% increase in production volume. Direct energy is that which is consumed by the organization, its products and services. A significant point to be noted was the 12.8% increase in the share of renewable energy in total consumption, with drops of 11.5% in the share of fossil fuels, 3.3% in LPG and 14.9% in diesel oil.

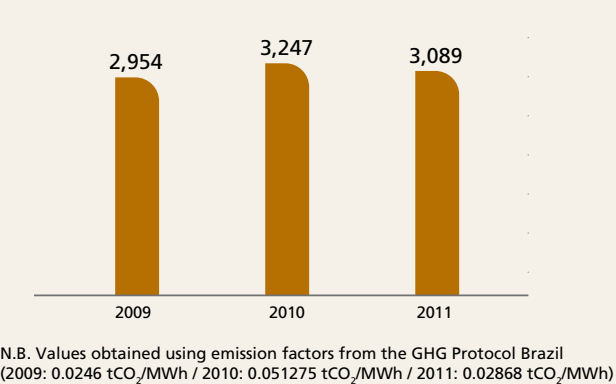
Consumption of direct energy |GRI EN3|

Energy produced (GJ/yr)	2009	2010	2011
Natural gas	1,207,911	1,236,245	1,344,699
Fuel oil	5,198,521	6,020,728	5,325,550
Biofuel	13,885,349	10,860,711	12,250,109
Black liquor	12,636,411	14,067,186	14,442,191
Hydraulic EE	730,648	761,023	761,340
LPG	252,992	286,243	276,689
Stationary diesel <sup>(1)</sup>	-	11,238	9,564
<b>Total</b>	<b>33,911,833</b>	<b>33,243,374</b>	<b>34,410,143</b>

N.B. PCI values adjusted, according to information of GHG Protocol Brazil.  
(1) In 2009, the share of energy generated by stationary diesel was calculated as part of fuel oil.

There was a reduction of 4.9% in the consumption of indirect energy, which is acquired from external sources and represented by electrical power, due mostly to operational stabilization and optimization recorded during the year. The sources of indirect energy are the same as those considered in the national energy matrix, made up predominantly of renewable sources (86%), with special mention for hydraulic energy (74%) and biofuel (4.7%), in accordance with data from the 2011 National Energy Balance, elaborated by EPE (Energy Research Company). |GRI EN4, EN7|

Consumption of indirect energy |GRI EN4|  
(thousand GJ)



Water

Practices of water reuse, investments in more efficient equipment and campaigns for conscientious consumption permitted a 6% reduction in the specific consumption of water in the paper segment, comparing 2011 with 2009. During the year, consumption of water was 67,282,113 cubic meters, a decrease of 1% in relation to 2010, despite a production increase of 1.8%. Klabin recycles and reuses 22,520,114 cubic meters per year, or 33.5% of its total water consumption. |GRI EN10|

The average specific consumption of water in the paper mills (Monte Alegre, Correia Pinto, Otacilio Costa and Angatuba) declined 2.1% and reached an annual average of 40.04 cubic meters per ton of paper produced. At the Monte Alegre Plant (PR) consumption was 36.60 cubic meters per ton, the best value yet registered by the mill. The result is owed principally to the operational adjustment of the industrial areas, fruit of the analysis of environmental anomalies and Groups of Autonomous Management (Gigas). |GRI EN26|



Water consumption by source |GRI EN8|

	2010	2011
Surface water (m³)	67,449,109	66,931,863
Subterranean water (m³)	112,971	115,933
Rainwater collected directly and stored by the company (m³)	960	960
Water from municipal concessionaires or other public sources (m³)	404,973	233,356
<b>Total</b>	<b>67,968,013</b>	<b>67,282,113</b>

N.B. Until 2010 information was not broken down

Effluents and waste

The efficiency of the paper mills’ Effluent Treatment Plants (ETP’s) in removing BOD5 (Biological Oxygen Demand) is over 85.5%, a rate considered to be excellent and compliant with the legal parameters established for each plant.

The generated waste totaled 1.1 million tons, 582 tons of which were hazardous wastes (used lubricating oil, medical waste, fluorescent

Total discharge of water, by quality and destination <sup>(1)</sup> |GRI EN21|

	2010	2011
<b>Destination</b>		
Effluent Treatment Plant (m³)	53,009,332.88	54,060,768.92
<b>Method of treatment</b>		
Physical-chemical process, aeration and activated sludge (m³)	53,009,332.88	54,060,768.92
<b>Quality of effluents</b>		
Chemical Oxygen Demand (COD (mg/l)	192.94	198.65
Biochemical Oxygen Demand (COD (mg/l)	47.22	35.84

(1) In 2012, the plant in Goiana (PE) was not included.  
N.B. The plants of Betim (MG), Del Castilho (RJ), Feira de Santana (BA), Guapimirim (RJ), Piracicaba (SP) and São Leopoldo (RS) reuse 100% of their effluents in the installations. Jundiaí Tijuco Preto (SP) and Lages 1 (SC) reuse 90% of the effluent they generate.

lamps, industrial toweling and others) and 1,113,452 tons were non-hazardous wastes, (plastic, paper, wood bark, metal scrap, grits and dregs among others). Solid wastes are treated in accordance with the 3Rs concept (Reduce, Re-use and Recycle) and the companies interested in purchasing, disposing of or treating the waste generated are submitted to an audit, with

requirements for legal documentation, structural evaluation and analysis of the legal parameters and requirements. All waste transporters (hazardous or not) are also evaluated.

|GRI EN24|

Moreover, transporters of hazardous wastes and/or chemical products are obliged either to maintain a team or contract a specialized company to attend highway emergencies. With the backing of these measures, no significant leakages were reported. |GRI EN23|



## Total weight of waste (t)

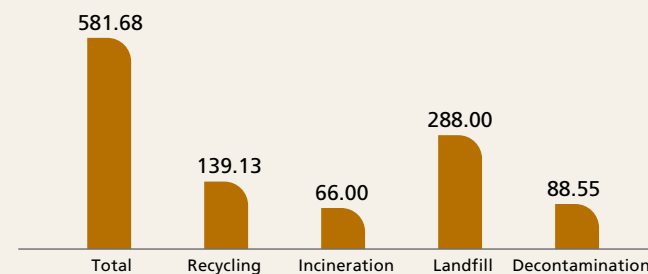
[GRI EN22]

	Weight (tons)	Destination
<b>Hazardous</b>	<b>582.28</b>	
Residue from oil/water separation box	5	Recycling
Used lubricating oil	119	Recycling
Batteries and cells	5	Recycling
IT scrap	11	Recycling
Class I Waste	66	Incineration
Class I Waste	288	Landfill
Fluorescent lamps	5	Decontamination
Industrial toweling	83	Decontamination
Medical waste	0.28	Decontamination
<b>Non hazardous</b>	<b>1,113,452</b>	
Big bags	1,556	Recycling
Drums and containers	1,879	Recycling
Virgin lime	675	Landfill
Wood bark	31,045	Composting, agricultural use
Bark and sawdust <sup>(1)</sup>	602,503	Incineration
Biofuel ashes	43,783	Composting, agricultural use
Grits and dregs	17,783	Landfill
Lime sludge	115,973	Storage on location, agricultural use
ETP mud (primary, secondary, biological)	129,273	Composting, recycling, landfill, agricultural use
Wood	5,856	Recycling, incineration, landfill
Pulp stock	937	Composting, recycling
Various materials	551	Composting
Non-recyclable materials	7,918	Landfill
Vegetable oil	2	Recycling
Plastics	350	Recycling

	Weight (tons)	Destination
Worthless tyres/rubber	63	Recycling
Rejects and side trims of paper and corrugated	63,480	Reuse
Process rejects	7,778	Landfill
Scrap of aluminum and plastic	7,530	Recycling, incineration, landfill
Leftovers of glue/inks	455	Landfill
Civil construction scrap	26,825	Recycling, landfill
Organic and restaurant waste	17,534	Landfill, composting
Sand residue	11,169	Landfill
EPI Waste	1	Landfill
Septic tank wastes	43	Recycling, landfill
Insulation scrap	15	Landfill
Metal scrap	18,461	Recycling
Felts and wires	9	Recycling
Glass	5	Recycling

(1) The highlight of incineration concerns the burning of forest wastes (biofuel).

## Hazardous wastes by disposal method (t)





## Biodiversity

Conserving biodiversity is one of Klabin’s practices of socio-environmental responsibility which is laid out in its Sustainability Policy. For every 100 hectares of planted forest, more than 90 hectares of native woodlands are preserved, maintaining suitable habitats for both fauna and flora and equilibrium in the ecosystems.

Thanks to these practices Klabin’s inclusion in the book Exemplary Cases of Sustainable Forest Stewardship in Latin America and the Caribbean, published by FAO (Food and Agriculture Organization of the UN), was assured.

The document compiles 35 cases in 14 different countries of these regions, of which Klabin is the only Brazilian company mentioned on account of its multi-use of wood and non-wood forest.

## Monitoring

Ever since the beginning, the Company has worked exhaustively to identify and monitor the biodiversity in its forests, starting with the identification of rare or threatened species on the lists of the IUCN (International Union for Conservation of Nature) and of Ibama (Brazilian Institute of the Environment and Renewable Natural Resources). In association with the monitoring activities, various procedures and programs are adopted to protect these areas, such as: [|GRI EN14|](#)

- Avoidance of activities causing impacts in productive areas neighboring preserved areas.
- Removal of planted species, monitoring natural regeneration and, if necessary, recuperation of the areas. In 2011, areas were recuperated by eliminating the regeneration of pines in the States of Parana and Santa Catarina.[|GRI EN13|](#)

- Controlled application of chemical products, avoiding risks in the protected areas.

An example of this special care is the RPPN (Private Natural Heritage Reserve), located on the Monte Alegre Farm (PR) with an area of 3,852 hectares. Also being registered is the RPPN, known as the Serra da Farofa Complex, in Santa Catarina, with a total area of 4,920 hectares.

By the end of 2011, 826 species of animal and 1,725 species of plant had been identified in Klabin’s forests in the States of Santa Catarina and Parana; of these 630 and 49, respectively, are considered to be threatened with extinction in accordance with IUCN (International Union for Conservation of Nature). A diagnosis was made during the year of the biodiversity on the farms located at the Angatuba Plant (SP) to determine what the best way to monitor the area is.



Areas of high biodiversity outside protected areas <sup>(1)</sup>

|GRI EN11|

Parana (Telemaco Borba and vicinity)		
	2010	2011
Size of operational unit, in km²	1,230.98	1,343.31
Type of operation	Conservation	
Value of biodiversity	Mixed and seasonal semi-deciduous ombrophylous forests	
Santa Catarina (Lages and vicinity)		
	2010	2011
Size of operational unit, in km²	634.80	621.53
Type of operation	Conservation	
Value of biodiversity	Dense and mixed ombrophylous forests , and Grasslands, within the Atlantic Rainforest	
São Paulo (Angatuba and vicinity)		
	2010	2011
Size of operational unit, in km²	34.29	46.97
Type of operation	Conservation	
Value of biodiversity	Dense and mountainous ombrophylous and seasonal semi-deciduous forests and forested savanna	

(1) Modification of concept used in the report of 2010, which registered within protected areas.



Number of species identified

|GRI EN15|

	2010				2011			
	Parana		Santa Catarina		Parana		Santa Catarina	
	Identified	At risk	Identified	At risk	Identified	At risk	Identified	At risk
Risk of extinction								
Threatened <sup>(1)</sup>	1,863	583	995	286	1,864	609	995	287
Total animals (IUCN 2010)	717	551	304	262	717	551	304	262
Insects (bees)	22	0	ND	ND	22	-	ND	ND
Amphibians	52	39	6	5	52	39	6	5
Birds	408	379	251	220	408	379	251	220
Crustaceans	3	0	ND	ND	3	-	ND	ND
Mammals	132	120	42	35	132	120	42	35
Fish	60	2	ND	ND	60	2	ND	ND
Reptiles	40	11	5	2	40	11	5	2
Total plants (IUCN 2009)	1,146	32	691	24	1,147	58	691	25
Trees	426	24	356	21	427	42	356	21
Bushes	100	1	ND	ND	100	1	ND	ND
Epiphytes	114	4	ND	ND	114	5	ND	ND
Herbaceous	245	1	232	1	245	8	232	1
Vines	4	0	39	1	4	-	39	1
Pteridophytes	139	1	64	1	139	1	64	1
Underbrush	21	0	ND	ND	21	-	ND	ND
Climbers	97	1	ND	ND	97	1	ND	1

(1) There is no identification of critically threatened, vulnerable or almost threatened species  
IUCN - International Union for Conservation of Nature



## Initiatives

A number of different programs are dedicated to the study and preservation of biodiversity of its forests. Most noteworthy among them are:

**Ecological Park** – Created in the decade of the eighties, within the limits of Monte Alegre Farm (PR), the objective of the park is to breed and protect threatened species from the region for repopulation, to promote environmental education activities, to protect entire landscapes and to conduct scientific research on forest wildlife. It has a total area of 11,196 hectares, 7,883 of which are composed of natural forests, represented by araucaria woodlands. The park offers shelter to 205 animals of 51 species. In 2011, 31,297 people visited the Ecological Park.

**Herbarium** – Also located on the Monte Alegre Farm, the herbarium contains a collection of 2.249 examples, scientifically documented and classified.

**Museum of Fauna and Flora** – The museum has one of the most complete zoological collections in the State of Parana, consisting of approximately 600 items of which 165 are stuffed animals. Located within the Ecological Park, it also has

an insectarium, a sepentarium for live non-poisonous snakes and collections of exsiccatae, dried fruits and wood samples from the trees of Monte Alegre.

**Scientific Breeding Ground for Forest Wild Animals** – Set up in 1989, and recognized by Ibama, it aims to study the behavior of endangered species, ensuring their reproduction and reintroduction to wildlife in total safety. The structure has 55 pens which house 19 species of mammals, 24 of birds and 8 of reptiles.

**Research into Wild Life** – Every employee who spots a forest animal in the areas of the Company should fill out a form with the information and hand it in for registration in a spotting system. The service, which has been run since 1991, received 1,592 forms in 2011, covering 3,637 animals of 54 species.

**Legal Woods Program** – Created in 2005 and run in partnership with Apremavi (Association for the Preservation of the Environment and Life), the program is designed to develop actions in rural property planning, conservation, environmental education and forestry incentives. It provides the necessary guidance for small and medium sized

farmers to operate more efficiently and help them preserve ecosystems.

**Phytotherapy Program** – Created 27 years ago, its goal is the sustainable use of biodiversity, combining environmental preservation with social responsibility. An unprecedented activity in the forestry sector, the program was the first in the world connected with medicinal plants to be granted FSC certification in 1999. The non-wood forest products are used to concoct phytotherapy and phytocosmetics products, which are used by the employees and population of Telemaco Borba (PR). The phytotherapy products help in the treatment of illnesses like slight hypertension, flus and colds, wounds and skin lesions and digestive problems. The phytocosmetics combine hygienic and cleansing actions with protection for the worker and his family. These products benefit nearly 8 thousand people and are present in up to 70% of all medical consultations at the Monte Alegre Plant with a 97% acceptance rating. The program has built up an inventory of 240 vegetable species, 130 of which are of potential therapeutic interest.





08 .  
Alignment with  
Global Compact




















08.

Alignment with Global Compact

In keeping with its pledge to sustainable development, Klabin adhered to the Global Compact in 2000. These principles cover human rights, labor, environment and anti-corruption measures, which the Company endorses.

ALIGNMENT WITH GLOBAL COMPACT

Principles of the Global Compact	Millennium Goals	Actions
<b>Human rights</b>		
<div><div><div>1</div><div></div></div><div><b>To support</b> and respect protection of internationally proclaimed human rights within its sphere of influence</div></div>	<div><div><div>1</div><div></div><div>ERADICATE EXTREME POVERTY AND HUNGER</div></div><div><div>2</div><div></div><div>ACHIEVE UNIVERSAL PRIMARY EDUCATION</div></div><div><div>4</div><div></div><div>REDUCE CHILD MORTALITY</div></div><div><div>5</div><div></div><div>IMPROVE MATERNAL HEALTH</div></div><div><div>6</div><div></div><div>COMBAT HIV/AIDS, MALARIA AND OTHER DISEASES</div></div></div>	<ul style="list-style-type: none"><li>• Donations to Funds for Children and Adolescents</li><li>• Volunteer work and campaigns for donations (warm clothing)</li><li>• Strategic supply management – socioenvironmental clauses in suppliers contracts</li></ul>
<b>Labor rights</b>		
<div><div><div>3</div><div></div></div><div><b>To support</b> freedom of association and effective recognition of the right to collective bargaining</div></div> <div><div><div>5</div><div></div></div><div><b>To support</b> the effective eradication of child labor</div></div> <div><div><div>4</div><div></div></div><div><b>Elimination</b> of all forms of compulsory and forced labor</div></div> <div><div><div>6</div><div></div></div><div><b>To support</b> the elimination of discrimination regarding employment and occupation</div></div>	<div><div><div>3</div><div></div><div>PROMOTE GENDER EQUALITY AND EMPOWER WOMEN</div></div><div><div>8</div><div></div><div>DEVELOPE SUSTAINABLE PARTNERSHIPS</div></div></div>	<ul style="list-style-type: none"><li>• Code of Conduct</li><li>• OHSAS 18001 Certification</li><li>• Program to Manage Diversity and Inclusion</li><li>• Klabin's Development Program</li><li>• Union agreements</li><li>• Klabin Program of Excellence in Occupational Health and Safety</li><li>• Klabin Quality of Life Program</li></ul>
<b>Environment</b>		
<div><div><div>7</div><div></div></div><div><b>To adopt</b> a precautionary approach to environmental challenges</div></div> <div><div><div>8</div><div></div></div><div><b>To undertake</b> initiatives to promote greater environmental responsibility</div></div> <div><div><div>9</div><div></div></div><div><b>To encourage</b> the development and diffusion of environmentally friendly technologies</div></div> <div><div><div>7</div><div></div><div>ENSURE ENVIRONMENTAL SUSTAINABILITY</div></div></div>		<ul style="list-style-type: none"><li>• Sustainability Policy</li><li>• Sustainability Committee</li><li>• Monte Alegre Ecological Park</li><li>• Caiubi Project</li><li>• Forest stewardship (mosaic and ecological corridors)</li><li>• Monitoring of biodiversity</li><li>• Participation in Consortium for Environmental Protection of Tibagi River basin</li><li>• Forest Stewardship Council (FSC) Certification</li><li>• ISO 14011 Certification</li><li>• Adhesion to external initiatives (Companies for the Climate, Forest Dialogue, Corporate Movement for Conservation and Sustainable Use of Biodiversity, Sustainable Pro-Food Initiative, Sou Agro Movement, International Year of Forests, Sustainable Cartonboard Forum)</li></ul>
<b>Anti-corruption</b>		
<div><div><div>10</div><div></div></div><div><b>To fight</b> corruption in all its forms including extortion and bribery</div></div>		<ul style="list-style-type: none"><li>• Code of Conduct</li><li>• Ethics Commission</li><li>• Corporate governance</li><li>• Adhesion to Self-Regulating Code of Abrasca</li><li>• External auditing to validate economic-financial data</li><li>• Internal auditing</li></ul>





09.  
GRI Remissive  
Index



# 09.

## GRI Remissive Index

[GRI 3.12]

		Page / Commentary	Level of reporting
<b>STRATEGY AND ANALYSIS</b>			
1.1	Declaration by the person with the highest decision-making position in the organization about the relevance of sustainability for both the organization and its strategy	22	Complete
1.2	Description of the main impacts, risks and opportunities	27, 28, 38	Partial
<b>ORGANIZATIONAL PROFILE</b>			
2.1	Name of the organization	13	Complete
2.2	Principal brands, products and/or services	13	Complete
2.3	Operational structure, including principal divisions, operational units, subsidiaries and joint ventures	13	Complete
2.4	Location of head office	97	Complete
2.5	Number of countries in which the organization operates and name of countries in which its main operations are located or are especially relevant for the questions of sustainability covered by the report	13	Complete
2.6	Type and legal nature of the property	13	Complete
2.7	Markets served (regions, sectors and types of customers/ beneficiaries)	13	Complete
2.8	Size of the organization	14, 20	Complete
2.9	Principal changes during the period covered by the report concerning size, structure or shareholder participation	23, 27	Complete
2.10	Prizes received in the period covered by the report	18	Complete
<b>PROFILE OF REPORT</b>			
3.1	Period covered by the report for the Information presented	4	Complete
3.2	Date of the last previous report	May 2010, in digital version ( <a href="http://www.klabin.com.br">www.klabin.com.br</a> )	Complete
3.3	Issue cycle of the reports	4	Complete
3.4	Contact data in case of questions regarding the report or its contents	7	Complete
3.5	Process to determine the contents of the report	5	Complete
3.6	Limit of the report (countries, divisions, subsidiaries, suppliers)	4	Complete
3.7	Declaration about any specific limitations regarding the scope or the limit of the report	4	Complete
3.8	Basis for elaboration of the report concerning joint ventures, subsidiaries, leased installations, outsourced operations and other organizations which can significantly affect the comparison between periods and/or organizations	4	Complete
3.9	Measurement techniques of data and bases for calculations	4	Complete



<b>3.10</b>	Consequences of any alterations of information provided in previous reports and the reasons for such alterations	4	Complete
<b>3.11</b>	Significant changes in comparison with previous years concerning the scope, limits or measurement methods used in the report	They did not happen	Complete
<b>3.12</b>	Chart which identifies the location of Information in the report	87	Complete
<b>3.13</b>	Policy and current practice regarding the search for external verification for the report	4	Complete
<b>GOVERNANCE, COMMITMENTS AND ENGAGEMENT</b>			
<b>Governance</b>			
<b>4.1</b>	Governance structure of the organization	36	Complete
<b>4.2</b>	Indication, in case the president of the highest governance body is also a director	37	Complete
<b>4.3</b>	Independent members or non-executives of the highest governance body	37	Complete
<b>4.4</b>	Mechanisms for shareholders and employees to make recommendations or give advice to the highest governance body	36	Complete
<b>4.5</b>	Ratio between remuneration of members of the highest governance body, the executive directors and other executives (including separation agreements) and the performance of the organization	37	Complete
<b>4.6</b>	Procedures in force in the highest governance body to ensure that conflicts of interest are avoided	37	Complete
<b>4.7</b>	Procedure to determine the Composition, the qualifications and the knowledge of the members of the highest governance body to define the strategy of the organization	There is no structured process	Complete
<b>4.8</b>	Statements of mission, values, codes of conduct and internal principles relevant to economic, environmental and social performance and also their degree of implementation	35	Complete
<b>4.9</b>	Procedures of the highest governance body to supervise the identification and administration by the organization of economic, environmental and social performance, including relevant risks and opportunities, and also adhesion to or conformity with agreed International norms, codes of conduct and principles	35	Complete
<b>4.10</b>	Procedures for self-evaluation of performance of the highest governance body especially with regard to economic, environmental and social performance	There is no structured process	Complete
<b>Commitments to outside initiatives</b>			
<b>4.11</b>	Explanation of whether and how the organization applies the precautionary principle	39	Complete
<b>4.12</b>	Letters, principles or other initiatives developed externally of an economic, environmental or social nature which the organization upholds or endorses	42	Complete
<b>4.13</b>	Participation in associations and/or national/international organisms of defense	71	Complete
<b>Engagement of the stakeholders</b>			
<b>4.14</b>	List of groups of stakeholders engaged by the organization	44	Complete
<b>4.15</b>	Basis for identification and selection of stakeholders with which it engages	5	Complete
<b>4.16</b>	Approaches to engage stakeholders, including the frequency of engagement by type and by group of stakeholder.	44	Complete
<b>4.17</b>	Principal topics and concerns raised through engagement of stakeholders and what measures organization has adopted to deal with them	6	Complete



FORM OF ADMINISTRATION	Page / Commentary	Level of reporting
<b>ECONOMIC PERFORMANCE</b>		
Economic performance	26, 27, 38, 39, 50 a 54	Complete
Presence in the market	56, 64	Complete
Indirect economic impacts	51, 65, 68, 69	Complete
<b>ENVIRONMENTAL PERFORMANCE</b>		
Materials	39, 73, 76	Complete
Energy	39, 73, 77	Complete
Water	39, 73, 78	Complete
Biodiversity	39, 67, 73, 80, 81	Complete
Emissions, effluents and wastes	39, 73, 78, 79	Complete
Products and services	39, 73, 74, 76, 77, 78	Complete
Conformity	39, 73	Complete
Transportation	39, 73, 75	Complete
General	39, 73	Complete
<b>LABOR PRACTICES AND DECENT WORK</b>		
Employment	56, 57	Complete
Relations between the workers and governance	56, 57	Complete
Occupational health and safety	56, 62	Complete
Training and education	56, 59, 60	Complete
Diversity and equality of opportunities	56, 58, 61	Complete
<b>HUMAN RIGHTS</b>		
Practices of investment and purchasing processes	35, 36, 33, 64	Complete
Non discrimination	35, 36	Complete
Freedom of association and collective bargaining	35, 36, 56	Complete
Child labor	35, 36, 64	Complete
Forced labor analogous to slave labor	35, 36, 64	Complete
Safety practices	35, 36	Complete
Indigenous rights	35, 36	Complete
<b>SOCIETY</b>		
Community	65, 66	Complete
Corruption	35, 36	Complete
Public policies	35, 36	Complete
Unfair competition	35, 36	Complete
Conformity	35, 36	Complete
<b>RESPONSIBILITY FOR THE PRODUCT</b>		
Health and safety of the customer	31	Complete
Labelling of products and services	There is no labelling	Complete
Marketing communications	35, 36	Complete
Privacy of the customer	35, 36	Complete
Conformity	35, 36	Complete



PERFORMANCE INDICATORS		Page / Commentary	Reporting level
<b>ECONOMIC PERFORMANCE</b>			
<b>EC1</b>	Direct economic value generated and distributed	49, 65	Complete
<b>EC2</b>	Financial implications, risks and opportunities for the activities of the organization due to climate change	74	Partial
<b>EC3</b>	Coverage of the obligations of the defined benefit pension plan which the organization offers	There are no plans with defined benefits	Complete
<b>EC4</b>	Significant financial help received from the government	65	Complete
<b>EC5</b>	Lowest salary, by gender, compared with local minimum salary	-	Uninformed
<b>EC6</b>	Policies, practices and proportion of expenditure with local suppliers	64	Complete
<b>EC7</b>	Procedures for local hiring and proportion of members of top management recruited from the local community	56	Complete
<b>EC8</b>	Development and impact of investments in infrastructure and services offered, principally for public benefit, by means of commercial engagement, in cash or pro bono activities	65, 69	Complete
<b>EC9</b>	Identification and description of significant indirect economic impacts, including the extension of the impacts	51, 68	Complete
<b>ENVIRONMENTAL PERFORMANCE</b>			
<b>EN1</b>	Materials used by weight or volume	76	Complete
<b>EN2</b>	Percentage of recycled materials used coming from recycling	76	Complete
<b>EN3</b>	Direct energy consumption broken down by primary energy source	77	Complete
<b>EN4</b>	Indirect energy consumption broken down by primary energy source	77	Complete
<b>EN5</b>	Energy saved due to improvements to conservation and efficiency	There were no savings in 2011	Complete
<b>EN6</b>	Initiatives to supply products and services with low energy consumption or which use energy generated by renewable sources and the reduction in need for energy resulting from these measures	76	Complete
<b>EN7</b>	Initiatives to reduce indirect energy consumption and reductions obtained	77	Complete
<b>EN8</b>	Total water withdrawn by source	78	Complete
<b>EN9</b>	Water sources significantly affected by water withdrawal	There are no bodies of water significantly affected by withdrawal of water for use in the production process.	Complete
<b>EN10</b>	Percentage and total volume of water recycled and reused	77	Complete
<b>EN11</b>	Location and size of the area owned, leased or administered inside protected areas or adjacent to them and areas of high rate of biodiversity outside protected areas	81	Complete
<b>EN12</b>	Description of significant impacts on the biodiversity of activities, products and services in protected areas and in areas of high rate of biodiversity outside protected areas	67	Complete
<b>EN13</b>	Protected or recuperated habitats	80	Partial
<b>EN14</b>	Strategies, measures in force and future plans to administer impacts on biodiversity	67, 80	Partial



<b>EN15</b>	Number of species on the Red List of IUCN and on National lists of Conservation with habitats in areas affected by operations, discriminated by level of risk of extinction	82	Complete
<b>EN16</b>	Total of direct and indirect emissions of greenhouse gases, by weight	74, 75	Complete
<b>EN17</b>	Other relevant indirect emissions of greenhouse gases, by weight	75	Complete
<b>EN18</b>	Initiatives to reduce emissions of greenhouse gases and reductions obtained	75	Complete
<b>EN19</b>	Emissions of substances harmful to the ozone layer, by weight	75	Complete
<b>EN20</b>	NOx, SOx and other significant emissions to air, by type and weight	75	Complete
<b>EN21</b>	Total discharge of water, by quality and destination	78	Complete
<b>EN22</b>	Total weight of wastes, by type and method of disposal	79	Complete
<b>EN23</b>	Number and total volume of significant leakages	78	Complete
<b>EN24</b>	Weight of wastes transported, imported, exported or treated, that are considered hazardous in the terms of the Basle Convention – Annexes I, II, III and VIII, and percentage of cargos of waste transported internationally	78	Partial
<b>EN25</b>	Identification, size, status of protection and rate of biodiversity of bodies of water and related habitats significantly affected by discharges of water and drainage made by the reporting organization	Klabin does not significantly affect the bodies of water and habitats receiving effluents generated by the plants.	Complete
<b>EN26</b>	Initiatives to mitigate the environmental impacts of products and services and the amount by which these impacts have been reduced	73, 74, 77, 78	Complete
<b>EN27</b>	Percentage of products and their packaging recuperated in relation to total of products sold, by category of product	76	Complete
<b>EN28</b>	Monetary value of significant fines and total number of non-monetary sanctions resulting from non-conformity with environmental laws and regulations	In 2011, Klabin received no significantly fines, nor any administrative or non-monetary judicial sanction.	Complete
<b>EN29</b>	Significant environmental impacts from the transportation of products and other goods and materials used in the organization's operations, and also from the transport of workers	75	Partial
<b>EN30</b>	Total investments and expenditure in environmental protection, by type	73	Complete
<b>LABOR PRACTICES AND DECENT WORK</b>			
<b>LA1</b>	Workers by type of job, work contract and region, separated by gender	57	Complete
<b>LA2</b>	Total number of employees who left their jobs and of newly hired employees during the period and rate of employee turnover by age, gender and region	57	Complete
<b>LA3</b>	Benefits offered to full-time employees which are not offered to temporary or half-time employees, listed by the principal operations	61	Complete
<b>LA4</b>	Percentage of employees covered by collective bargaining agreements	100% of employees – with exception of Executive Directors – are represented by the principal union of the category and are supported by collective labor agreements.	Complete
<b>LA5</b>	Minimum period for advanced notice concerning operational changes including whether this procedure is specified in collective bargaining agreements	57 (There is no specified term in agreement)	Complete



<b>LA6</b>	Percentage of employees represented in formal committees of health and safety, composed of managers and workers, which help to monitor and advise on programs of occupational health and safety	62	Complete
<b>LA7</b>	Rates of injuries, occupational illnesses, lost days, absenteeism and deaths related to work, by region and by gender	63	Complete
<b>LA8</b>	Programs of education, training, counseling, prevention and risk control underway, to lend assistance to employees, their families or members of the community concerning serious illnesses	-	Uninformed
<b>LA9</b>	Topics related to health and safety covered by formal agreements with unions	Include items such as use of PPE's, work in confined spaces, right to refuse work with serious or imminent risks, medical-odontological benefits, additional sickness/ accident assistance, among others.	Complete
<b>LA10</b>	Average number of training hours per year, per employee, separated by gender and by functional category	59	Complete
<b>LA11</b>	Programs to manage competencies and continuous learning which assist employees with employability and administration of the end of their careers	59 (There are no programs to administer the end of career)	Complete
<b>LA12</b>	Percentage of employees who regularly receive performance analyses, by gender	60	Complete
<b>LA13</b>	Composition of the groups responsible for corporate governance and listing of employees by category, according to gender, age group, minority groups and other indicators of diversity	58	Complete
<b>LA14</b>	Proportion of base salary and remuneration of women in relation to men, by functional category and significant operating locations	61	Complete
<b>LA15</b>	Rates of return to work and of retention after maternity or paternity leave, by gender	-	Uninformed
<b>HUMAN RIGHTS</b>			
<b>HR1</b>	Percentage and total number of significant investment agreements and contracts which include clauses referring to human rights or which were submitted to evaluation concerning human rights	33	Complete
<b>HR2</b>	Percentage of significant suppliers, contractors and business partners that were submitted to evaluation concerning human rights and the measures taken	-	Uninformed
<b>HR3</b>	Total number of training hours for employees in policies and procedures related to aspects of human rights, pertinent to operations, including percentage of employees trained	-	Uninformed
<b>HR4</b>	Total number of cases of discrimination and corrective actions taken	-	Uninformed
<b>HR5</b>	Significant operations and suppliers identified where the right to exercise freedom of association and collective bargaining is being violated or running considerable risk and measures taken to support this right	Not identified. The Company follows guidelines of International Labor Organization in regard to union freedom.	Complete

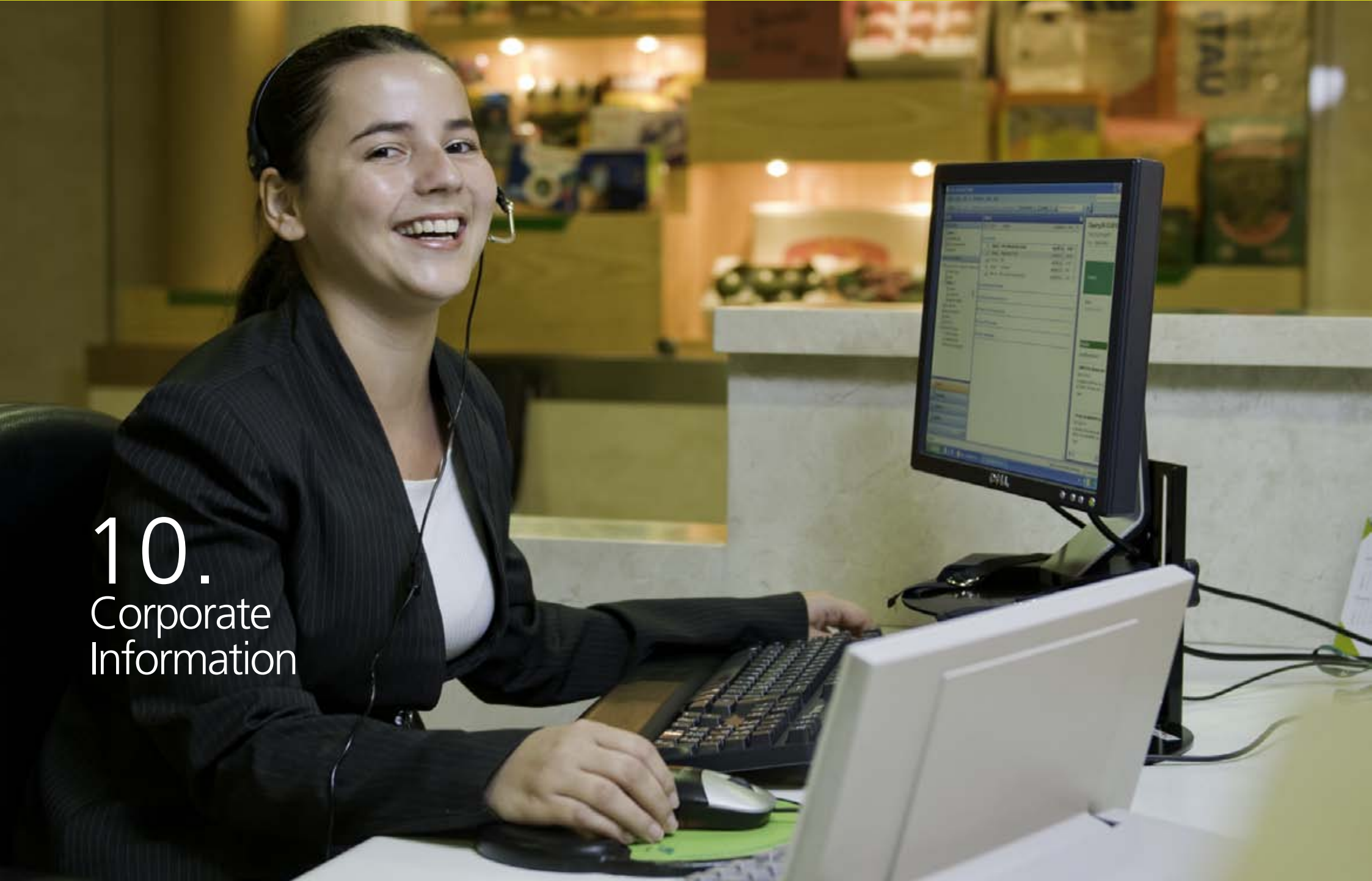


<b>HR6</b>	Significant operations and suppliers identified as presenting considerable risk of occurrence of child labor and the measures taken to contribute to the abolition of child labor	64	Complete
<b>HR7</b>	Significant operations and suppliers identified as presenting considerable risk of occurrence of forced labor or that analogous to slave labor and the measures taken to contribute to the eradication of forced or analogous to slave labor	64	Complete
<b>HR8</b>	Percentage of security personnel submitted to training in policies and procedures of the organization related to aspects of human rights which are pertinent to operations	-	Uninformed
<b>HR9</b>	Total number of cases of violation of the rights of indigenous peoples and the measures taken	They were not registered	Complete
<b>HR10</b>	Percentage and total number of operations subject to reviews and/or appraisals of impact regarding human rights	-	Uninformed
<b>HR11</b>	Number of complaints related to human rights received, dealt with and resolved by means of formal complaint mechanisms	-	Uninformed
<b>SOCIETY</b>			
<b>SO1</b>	Percentage of operations with engagement actions with the local community, impact appraisals and development programs	65, 66	Complete
<b>SO2</b>	Percentage and total number of business units submitted to evaluations of risks connected with corruption	-	Uninformed
<b>SO3</b>	Percentage of employees trained in the anti-corruption policies and procedures of the organization	-	Uninformed
<b>SO4</b>	Measures taken in response to cases of corruption	-	Uninformed
<b>SO5</b>	Positions regarding public policies and participation in the elaboration of public policies and lobbies	-	Uninformed
<b>SO6</b>	Total value of financial and cash contributions to political parties, politicians or related institutions, discriminated by country	-	Uninformed
<b>SO7</b>	Total number of legal proceedings on account of unfair competition, anti-trust and monopoly and their results	-	Uninformed
<b>SO8</b>	Monetary value of significant fines and total number of non-monetary sanctions resulting from non-conformity with laws and regulations	-	Uninformed
<b>SO9</b>	Operations with significant potential or real negative impact on local communities	67	Complete
<b>SO10</b>	Measures of prevention and mitigation implemented in the operations with significant potential or real negative impact on local communities	66, 67	Complete
<b>RESPONSIBILITY FOR THE PRODUCT</b>			
<b>PR1</b>	Phases of the life-cycle of products and services in which the impacts on health and safety are evaluated with a view to improvements and the percentage of products and services subject to these procedures	31	Complete



<b>PR2</b>	Total number of cases of non-conformity with regulations and voluntary codes related to the impacts caused by products and services on health and safety during the life-cycle, discriminated by type of result	They were not registered	Complete
<b>PR3</b>	Type of Information on products and services required by labelling procedures and the percentage of products and services subject to such requirements	There are no requirements	Complete
<b>PR4</b>	Total number of cases of non-conformity with regulations and voluntary codes related to information and labelling of products and services, discriminated by type of result	There are no requirements for labelling	Complete
<b>PR5</b>	Practices related to customer satisfaction, including results of surveys which measure this satisfaction	-	Uninformed
<b>PR6</b>	Programs of adhesion to laws, norms and voluntary codes related to marketing communications, including publicity, promotions and sponsorship	-	Uninformed
<b>PR7</b>	Total number of cases of non-conformity with regulations and voluntary codes related to marketing communications, including publicity, promotions and sponsorship, discriminated by type of result	They were not registered	Complete
<b>PR8</b>	Total number of proven complaints regarding violation of privacy and loss of customers' data	They were not registered	Complete
<b>PR9</b>	Monetary value of significant fines for non-conformity with laws and regulations regarding the supply and use of products and services	They were not registered	Complete





10.  
Corporate  
Information



# 10.

## Corporate Information

### Board of Directors

#### Members

Daniel Miguel Klabin (President)  
 Pedro Franco Piva  
 Armando Klabin  
 Celso Lafer (\*)  
 Israel Klabin  
 Lília Klabin Levine  
 Miguel Lafer  
 Paulo Sérgio Coutinho Galvão Filho  
 Roberto Luiz Leme Klabin (\*)  
 Olavo Egidio Monteiro de Carvalho (\*)  
 Rui Manuel de Medeiros D’Espiney Patrício (\*)  
 Vera Lafer

#### Alternate Members

Amanda Klabin Tkacz  
 Horácio Lafer Piva  
 Wolff Klabin  
 Reinoldo Poernbacher  
 Alberto Klabin  
 Roberto Klabin Martins Xavier  
 Fernando José da Silva  
 Graziela Lafer Galvão  
 Edgar Gleich  
 Agilio Leão de Macedo Filho  
 Sérgio Francisco Monteiro de Carvalho Guimarães  
 Francisco Lafer Pati

(\*) Independent members in conformity with Abrasca Code of Self-regulation and Good Practices of Publicly-traded Companies

### Fiscal Council

#### Members

Luís Eduardo Pereira de Carvalho  
 João Alfredo Dias Lins  
 Vivian do Valle Souza Leão Mikui  
 Wolfgang Eberhard Rohrbach  
 Antonio Gonçalves de Oliveira

#### Alternate Members

Gabriel Agostini  
 Carlos Alberto Alves  
 Antônio Marcos Vieira Santos  
 Tania Maria Camilo  
 Sueli de Souza

### Executive directors

**Fabio Schvartsman** – Executive Officer - CEO  
**Antonio Sergio Alfano** – Director of Finance and Investor Relations  
**Paulo Roberto Petterle** – Director of Operations - COO  
**Francisco César Razzolini** – Director of Planning, Projects and Industrial Technology  
**Arthur Canhisares** – Industrial Director Monte Alegre  
**Cristiano Cardoso Teixeira (\*)** – Director of Supply Chain  
 (\*) Elected statutory director

### Designated directors

**Adriana Caruso (\*)** – Director of Planning and Communication  
**Roberto Tonioli** – Director of Human Resources  
 (\*) Designated director

### Klabin Paper Business Unit

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

### Klabin Industrial Sacks Business Unit

Antonio Andruccioli – Director

### Klabin Corrugated Packaging Business Unit

Gabriela Dias Marchi Michelucci (\*) – Director

### Klabin Forestry Business Unit

José Artêmio Totti – Forestry Director  
 (\*) Designated director

### Klabin Argentina S.A.

Paulo Roberto Petterle – President and CEO  
 Júlio Alfredo Vieito – Vice-President  
 Antônio Andruccioli – Director



### Investor Relations

Antônio Sérgio Alfano – Director  
Vinícius José Ferreira Campos – Manager  
Address: Av. Brigadeiro Faria Lima, 3.600 – 3º andar – Itaim Bibi – 04538-132-900  
São Paulo/SP – Brasil  
Tel.: 55 11 3046-8404  
Fax: 55 11 3046-5833  
E-mail: [vjcampos@klabin.com.br](mailto:vjcampos@klabin.com.br)

### Shareholder Services

Banco Itaú S.A.  
Address: Av. Eng. Armando de Arruda Pereira, 707 – 9º andar – Torre Eldoro Villela – Jabaquara – 04344-902 – São Paulo/SP – Brasil

### Stock Exchange in Brazil

Bolsa de Valores de São Paulo  
Tickers: KLBN3 and KLBN4

### Tickers

US OTC (over-the-counter) Market  
Ticker: KLBAY

### Independent Auditors

Deloitte, Touche & Tohmatsu Independent Auditors

### Newspapers for Disclosure of Information

Valor Econômico and Diário Oficial do Estado de São Paulo

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22210-030 – Rio de Janeiro/RJ  
Tel.: 55 21 3235-8300

#### Klabin Argentina S.A.

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Parque Industrial de Pilar  
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### Credits

#### General Coordination

Communication and Social Responsibility

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