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# Klabin S/A - Forests 2020

## F0. Introduction

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### F0.1

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#### **(F0.1) Give a general description of and introduction to your organization.**

For 121 years, Klabin has been part of the daily lives of millions of people, creating customized sustainable solutions for various industrial sectors. Our products provide protection and safety for food, beverages, hygiene and cleaning products, electronics and appliances, cement, seeds, wheat flour, chemicals and other items.

Klabin is a publicly held Brazilian company, private and member of the BM&FBovespa (B3). It is the largest paper manufacturer and exporter in Brazil and the main producer of paper and cardboard in the country for packaging, industrial bags and corrugated packaging. In addition, it is the only Brazilian company to simultaneously supply wood pulp (eucalyptus), short fiber pulp (pine) and cellulose to the market. Klabin has 19 industrial units, 18 of which are distributed in nine Brazilian states and one in Argentina. Klabin also has offices in several Brazilian states, a subsidiary in the United States, Austria and sales representatives and agents in several countries.

Klabin's Integrity Program comprises a series of procedures to prevent, detect and remedy conduct that may expose Klabin to undesirable situations, in addition to implementing global best practices related to the subject. In this way, Klabin demonstrates its commitment to building ethical relationships, contributing to a more transparent business environment. The program is in line with the UN Sustainable Development Goals (SDGs). From forests to industrial operations, Klabin's sustainability policy integrates the entire production chain, offering environmentally responsible products to the market.

For Klabin, sustainability is the continuous creation of value that prioritizes the balance between the economic, social and environmental dimensions. The organization cares for the approximately 19,000 direct and indirect employees. It is one of the company's priorities, which performs constant investment in the training and development of people, and promoting the welfare and safety of all. More than just offering good job opportunities, Klabin invests in the region so that the entire population benefits from initiatives in the areas of local development, education, culture and environmental education. Respect for communities is ultimately





Klabin is a global reference in sustainable development. The forest base is one of its most important assets with more than 258 thousand hectares of planted forest with pine and eucalyptus for pulp production. Klabin maintains a further 240 thousand hectares of native forests destined for conservation. It is pioneer in the adoption of forest management in mosaic concept - a system that merges planted forests and preserved native forests, contributes to biodiversity, soil and water conservation. The company was the first in the pulp and paper sector in the Southern Hemisphere to obtain, in 1998, the FSC® (Forest Stewardship Council) certification, which attests management that conserves natural resources, provides fair working conditions and encourages good relations with the community. Besides FSC®, in 2017, Paraná state's unit earned a new forestry certification, internationally recognized by PEFC, Cerflor (Brazilian Forestry Certification Program). Once again, Klabin works collaboratively with suppliers, driven by regional development. The Forest Partnership Program, created in 1987, seeks to expand alternatives for income in rural properties near its units. In addition to the economic and social bias, the program assists producers to achieve environmental suitability according to the Brazilian Forest Code. The sum of good practices opened up the possibility for the Forest Supplier Certification Program in Paraná and Santa Catarina states. This program presented the result of 126 thousand hectares FSC® certified in 2019.

Furthermore, it is important to highlight that Klabin is trusted by several investors and in March 2019 was able to perform its second Green bond, the first 30 year Green Bond in its sector, an equivalent of 500 million dollars, the biggest transaction for sustainable and forest projects in Brazil. In the last year, the company was recognized at Leadership level in the climate, water and supply chain of the Carbon Disclosure Project reports and also ranked in second place among companies of the sector in the global Spott Timber & Pulp ranking, which assesses public information regarding the policies, operations and commitments to the best environmental, social and governance practices of 50 wood and pulp producers in the world.

## F0.2

**(F0.2) State the start and end date of the year for which you are reporting data.**

	Start Date	End Date
Reporting year	January 1 2019	December 31 2019

## F0.3

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## F0.4

**(F0.4) Select the forest risk commodity(ies) that you are, or are not, disclosing on. For each forest risk commodity selected, identify the stages of the supply chain which best represents your organization's area of operation.**

	Commodity disclosure	Stage of the value chain	Explanation if not disclosing
Timber products	Disclosing	Production Processing Manufacturing	<Not Applicable>
Palm oil	<Not Applicable>	<Not Applicable>	<Not Applicable>
Cattle products	<Not Applicable>	<Not Applicable>	<Not Applicable>
Soy	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other - Rubber	This commodity is not produced, sourced or used by our organization	<Not Applicable>	<Not Applicable>
Other - Cocoa	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other - Coffee	<Not Applicable>	<Not Applicable>	<Not Applicable>

## F0.5

**(F0.5) Are there any parts of your direct operations or supply chain that are not included in your disclosure?**

No

## F1. Current state

### F1.1

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Growing/production of raw materials  
Harvesting

### Form of commodity

Hardwood logs  
Softwood logs  
Sawn timber, veneer, chips

### Source

Owned/managed land  
Smallholders

### Country/Area of origin

Brazil

### % of procurement spend

21-30%

### Comment

Klabin is recognized for its sustainable management adopted. The use of the environmental practices used by the company, as well as the proper management of the landscape, allow the excellent exploitation of the potential of production of the forests and the protection of the natural resources. Klabin was the first pulp and paper company in the Southern Hemisphere to obtain, in 1998, the Forest Stewardship Council®-FSC® certification which attests to management practices that conserve natural resources, provide fair working conditions and encourage healthy relations with local communities. 70% of the wood that goes into the production process comes from Klabin's own forests, the other 30% comes from partnerships and producers in the regions where Klabin has forestry operations, approximately 3% refers to chips purchased and the rest refers to hardwood and softwood logs.

## F1.2

**(F1.2) Indicate the percentage of your organization's revenue that was dependent on your disclosed forest risk commodity(ies) in the reporting year.**

	% of revenue dependent on commodity	Comment





	commodity	
Timber products	91-99%	Klabin is recognized for its sustainable management adopted. It was the first pulp and paper company in the Southern Hemisphere to obtain, in 1998, the Forest Stewardship Council®-FSC® certification, which attests to management practices that conserve natural resources, provide fair working conditions and encourage healthy relations with local communities. The company's forest management unit follows the mosaic management concept, which means that ensures the business sustainability by optimizing the forest operation planning while preserves water resources and biodiversity present in the Atlantic Forest biome, predominant at Klabin areas. The mosaic management and the forestry certifications (FSC® in all units and PEFC/Cerflor in the Paraná unit) are the most important part of our risk control investment. The wood suppliers' areas are also considered in the risk control. Investments in programs that involves field verification (Controlled Wood); forestry certification (Smallholder Certification Program); and environmental adjustment of suppliers's properties (Legal Wood and Social Wood Programs) are made. 70% of the wood that goes into the production process comes from Klabin's own forests, the other 30% comes from partnerships and producers in the regions where Klabin has forestry operations. Timber is classified as the main raw material for pulp and paper production. Based on the total amount of inputs consumed in 2019 for total production of Klabin S/A, wood represents 95.08% of the amount of the inputs. - Calculation: % Revenue = Total Quantity of Wood (thousand t / year) / Total Quantity of Input (thousand t / year) * 100 % Revenue = (12,284.77 / 12,919.20)*100 = 95.08% It is also important to mention that, considering all the inputs consumed by Klabin in 2019, 97.9% are from renewable origin, the remaining 2.1% refer to chemicals used in the production process.
Palm oil	<Not Applicable >	<Not Applicable>
Cattle products	<Not Applicable >	<Not Applicable>
Soy	<Not Applicable >	<Not Applicable>
Other - Rubber	<Not Applicable >	<Not Applicable>
Other - Cocoa	<Not Applicable >	<Not Applicable>
Other - Coffee	<Not Applicable >	<Not Applicable>

### F1.3

(F1.3) Provide details on the land environmental management that is used for the





Own land

**Country/Area**

Brazil

**Land type**

Tree plantations

**Area (Hectares)**

258000

**% Area certified**

90

**Certification scheme**

FSC Forest Management certification

PEFC Group Forest Management certification

**Conversion of natural ecosystems during the reporting year**

No

**Area converted during the reporting year (hectares)**

<Not Applicable>

**% covered by natural forests**

<Not Applicable>

**Please explain**

Klabin was the first pulp and paper company in the Southern Hemisphere to be FSC® certified, in 1998. In 2017, Paraná unit was also certified by PEFC/Cerflor. Both certifications attest to the best management practices. In 2019, Klabin's production area was 258 thousand hectares, located in Paraná, Santa Catarina and São Paulo states of Brazil. Commodity management is very important to ensure the lowest financial, operational and legal risk for the company. The level of management varies according to the contractual clauses – owned, leased or partnership, but all of them undergo a verification process that consist of georeferenced assessments, land use map and property protection. The Land Use team manages information from official databases (i.g. CAR) and is responsible for processing the property area information by remote sensing, generating a temporal analysis of forest conversion by using LandSat 1994 images and maps of land use, including the identification of proximity to communities. When necessary, the Community Relations team is mobilized to assess the communities' fragility. The GIS team is responsible for satellite monitoring (Planet and Sentinel-2), every two days the images (with a 3-meter resolution) are updated, which enables environmental adjustment and identification of abnormalities (i.g. erosion). In addition to image analysis, registrations are made by the co-workers in field through Esri's Survey 123 app. The





and age. Besides the traditional inventory techniques, new technologies as LiDAR (Light Detection and Ranging) have been used. This remote sensor enables the estimation of a range of forest inventory attributes as height and biomass volume. Combining ground plots data and Airborne LiDAR scanning data, predictive models can be developed and applied to the entire area.

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## F1.4

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**(F1.4) Provide details on the land you control and/or manage that was not used for the production of your disclosed commodity(ies) in the reporting year.**

**Forest risk commodity**

Timber products

**Country/Area**

Brazil

**Type of control**

Own land

**Land type**

Other land type, please specify (Productive area available for the next planting cycle.)

**Area (hectares)**

23877

**% covered by natural forests**

0

**Please explain**

Klabin was the first pulp and paper company in the Southern Hemisphere to be FSC® certified, in 1998. In 2017, Paraná unit was also certified by PEFC/Cerflor. Both certifications attest to the best management practices. In 2019, Klabin's production area available for the next planting cycle was 23,877 hectares, located in Paraná, Santa Catarina and São Paulo states of Brazil. Commodity management is very important to ensure the lowest financial, operational and legal risk for the company. The level of management varies according to the contractual clauses – owned, leased and partnership, but all of them undergo a verification process that consist of georeferenced assessments, land use map and property protection. The Land Use team manages information from official databases (i.g. CAR) and is responsible for processing the property area information by remote sensing, generating a temporal





(i.g. erosion). In addition to image analysis, registrations are made by the co-workers in field through Esri's Survey 123 app. The notes are linked to a georeferenced panel that allows the responsible areas (i.e. Property Protection team) to manage the demands of forest occurrences and develop an action plan for recurring events. The inventory team uses technologies as LiDAR (Light Detection and Ranging). This remote sensor enables the assessment of land relief and soil fragility. Combining ground plots data and Airborne LiDAR scanning data, predictive models can be developed and applied to the entire area.

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### Forest risk commodity

Timber products

### Country/Area

Brazil

### Type of control

Own land

### Land type

Set-aside land

### Area (hectares)

240255

### % covered by natural forests

100

### Please explain

Klabin was the first pulp and paper company in the Southern Hemisphere to be FSC® certified, in 1998. In 2017, Paraná unit was also certified by PEFC/Cerflor. Both certifications attest to the best management practices. In 2019, Klabin's native area for conservation was 240,000 ha (Atlantic Forest mainly; and Cerrado), located in Paraná, Santa Catarina and São Paulo states of Brazil. Including almost 19,000 ha of High Conservation Value Area - HCV and 9,000 ha of Private Nature Preserve - RPPN. Annually those areas are monitored by a third-party team of specialists that assess their degree of conservation. The monitoring of native areas is very important to ensure the lowest environmental and legal risk for the company. It undergo a verification process that consist of georeferenced assessments, land use map and property protection. The Land Use team manages information from official databases (i.g. CAR) and is responsible for processing the property area information by remote sensing, generating a temporal analysis of forest conversion by using LandSat 1994 images and maps of land use, including the identification of proximity to communities. When necessary, the Community Relations team is mobilized to assess the communities' fragility. The GIS team is responsible for satellite monitoring (Planet and Sentinel-2), every two days the images (with a





study on the possibility of using this remote sensor to monitor the succession stage of native forests. In 2020, the goal is to establish partnerships with research institutions to validate this project to the entire area of the company.

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## F1.5

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### (F1.5) Does your organization collect production and/or consumption data for your disclosed commodity(ies)?

	Data availability/Disclosure
Timber products	Consumption and production data available, disclosing
Palm oil	<Not Applicable>
Cattle products	<Not Applicable>
Soy	<Not Applicable>
Other - Rubber	<Not Applicable>
Other - Cocoa	<Not Applicable>
Other - Coffee	<Not Applicable>

## F1.5a

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### (F1.5a) Disclose your production and/or consumption data.

#### Forest risk commodity

Timber products

#### Data type

Production data

#### Volume

12344519

#### Metric

Metric tons

#### Date covered

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**Forest risk commodity**

Timber products

**Data type**

Consumption data

**Volume**

11013698

**Metric**

Metric tons

**Data coverage**

Full commodity production/consumption

**Please explain**

&lt;Not Applicable&gt;

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**F1.5b**

**(F1.5b) For your disclosed commodity(ies), indicate the percentage of the production/consumption volume sourced by national and/or sub-national jurisdiction of origin.**

**Forest risk commodity**

Timber products

**Country/Area of origin**

Brazil

**State or equivalent jurisdiction**

Specify state/equivalent jurisdiction (Paraná state)

**% of total production/consumption volume**

79.7

**Please explain**

Klabin's forestry unit in Paraná state is distributed across three regions: Telêmaco Borba, Guarapuava and Jaguaíva. A total area of 400,399 ha across 57 municipalities. The Unit is headquartered at the Monte Alegre Farm in Telêmaco Borba city, located in Campos Gerais region. Based on the total amount of wood produced in 2019, Paraná unit production represented 79.7%. % of Total Production Volume = Total Quantity of Wood Production at Paraná



**Country/Area of origin**

Brazil

**State or equivalent jurisdiction**

Specify state/equivalent jurisdiction (Santa Catarina state)

**% of total production/consumption volume**

19

**Please explain**

Klabin's forestry unit in Santa Catarina state is located in the Planalto Serrano region. A total area of 136,326.98 ha across 40 municipalities. The industrial units (paper mills) are located in the municipalities of Otacilio Costa and Correia Pinto. Lages is the largest municipality in the region and the social and economic development center. Based on the total amount of wood produced in 2019, Santa Catarina unit production represents 19%. % of Total Production Volume = Total Quantity of Wood Production at Santa Catarina unit (ton) \*100 / Total Quantity of Wood Production of Klabin S.A. % of Total Production Volume = 2,347,720.00 \* 100/ 12,344,518.97 % of Total Production Volume = 19

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**Forest risk commodity**

Timber products

**Country/Area of origin**

Brazil

**State or equivalent jurisdiction**

Specify state/equivalent jurisdiction (São Paulo state)

**% of total production/consumption volume**

1.3

**Please explain**

Klabin's forestry unit in São Paulo state is located in the Southeastern region. A total area of 8,800 ha across nine municipalities. The head office of the São Paulo Unit is in Angatuba. Based on the total amount of wood produced in 2019, Santa Catarina unit production represents 1.3%. % of Total Production Volume = Total Quantity of Wood Production at São Paulo unit (ton) \*100 / Total Quantity of Wood Production of Klabin S.A. % of Total Production Volume = 162,778.74 \* 100/ 12,344,518.97 % of Total Production Volume = 1.3

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**F1 6**



## F1.6a

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**(F1.6a) Describe the forests-related detrimental impacts experienced by your organization, your response, and the total financial impact.**

**Forest risk commodity**

Timber products

**Impact driver type**

Reputational and markets

**Primary impact driver**

Local community opposition

**Primary impact**

Brand damage

**Description of impact**

In 2018, harvest plan of Imbuia Farm (an owned area in the municipality of Reserva-PR) was made. The access route to the farm goes through the community of Campinas Belas, one of the largest districts located in the municipality of Reserva, which has an asphalt street of approximately 1,000 meters in its perimeter. After a multidisciplinary technical analysis, it was evaluated that the asphalt would not support the traffic of wooden transport trucks. City Hall was contacted and an agreement was signed, which predicted that the company would be responsible for the road maintenance before, during and after the operations. A meeting was also held with the local community, to present the signed term and the measures to mitigate the impacts. The harvest planning of the area was executed by blocks, in different periods of time, following the industrial unit demand for wood. The last block was harvested at the end of 2019. Thus, this impact is not considered financially substantial for the company, considering the matrix of environmental and social aspects and impacts. It is a one-off situation and the cost is offset by the significant transport of timber (500,000 tons) without negative consequences for the community. Were this action not taken, the organization would have a considerable repercussion in its reputational image; jeopardizing safety, environment and good relationship with the community.

**Primary response**

Promotion of best practice and awareness

**Total financial impact**

920000





possible for the actions presented here to be successful.

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## F2. Procedures

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### F2.1

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#### **(F2.1) Does your organization undertake a forests-related risk assessment?**

Yes, forests-related risks are assessed

### F2.1 a

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#### **(F2.1a) Select the options that best describe your procedures for identifying and assessing forests-related risks.**

##### **Timber products**

##### **Value chain stage**

Direct operations

Supply chain

##### **Coverage**

Full

##### **Risk assessment procedure**

Assessed as part of an established enterprise risk management framework

##### **Frequency of assessment**

Annually

##### **How far into the future are risks considered?**

> 6 years

##### **Tools and methods used**

Internal company methods





### Please explain

Klabin's main raw material is wood from planted forest, resulting to attend the demand for pulp and paper production. Due to the relevance for the organization, forest-related risks and opportunities are integrated into a companywide risk assessment framework. Risks and opportunities in the direct operations and value chain are considered. Klabin segments management into five risk classes in its mapping process: Identification, Analysis, Treatment, Monitoring and Contingency Plan. It based on internal company methods such as COSO framework-standard and ISO 31000 risk management standard. Both are followed as they are commonly recognized standards. For forest risks, other tools are important supports, for example, FSC® and SPOTT. These tools are widely approved in the sector and recommended by the company's stakeholders, which brings security and credibility to risk management. It audits and guidelines data are concerned in the risk mapping process. Klabin has a dedicated area for risk management and a Risk Committee composed by Executive Directors, with a quarterly agenda, for discussion and decision-making in short, medium and long-term. This ensures the governance of the organization's risks. The assessment of the company's risks is based on four indicators: financial, reputational, environmental loss and healthy and safe. A calculation is applied to define the degree of impact (low, medium, high or very high) which is correlated to vulnerability, generating a risk result referenced by a heat map. Each Business Unit is responsible for embracing its risks (pointed out by the vulnerability matrix) and address it accordingly. In 2019, Forestry Business unit used FSC® Global Forest Registry as data source concerning risk assessment status and control measures related to wood source. The company has relevant actions to mitigate this risk: 70% of the wood used by the company comes from its own planted forests in South and Southeast of Brazil. In operational level, potential site level risks are acknowledged based on GIS data and observations made during operational planning. Using ArcGis tool, Klabin specialists include deforestation and sustainable wood sourcing risks for each Klabin's unit in analyzes. In addition, suppliers are evaluated more than quartely by FSC® Controlled Wood procedure and annually by Ecovadis methodology, which assesses ESG issues.

## F2.1b

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**(F2.1b) Which of the following issues are considered in your organization's forests-related risk assessment(s)?**

### Availability of forest risk commodities

#### Relevance & inclusion

Relevant, always included





process is from its own planted forest, which minimizes these risks because it is covered by annual assessments conducted by an independent certification body for the FSC® Certification System, since 1998. This certificate is internationally recognized, which contributes to risk management security regarding illegality or forest risk. The company considers in its strategic planning the expansion of its own forest production to accompany the increase in demand for wood due to the expansion of industrial units. Thus, the company has a complete internal management system to guarantee the current and future supply of wood from the market. This system makes a planning of the demand of the wood of the short and medium term with crossing of the supply. This process contributes to decision-making related to purchase of wood, and minimizes the risk of lack of input. For support, the company adopts REMSOFT software for analytics and shared intelligence for precise and proactive planning across all time horizons – from long term strategic planning to tactical scheduling and daily operational decision-making. Based on the study of supply and demand conducted in 2018 (it is performed biannually), it was possible to identify the stock of the current cycle of wood (7 years for eucalyptus and 15 years for pine). The result showed that there is a sufficient volume of wood in the region and allowed the identification of pasture areas with potential for forest production that exist within a radius of 150 km from our mill units. Simultaneously with the wood supply strategy, Klabin also considers development strategies for responsible land use. Since 2015, Klabin has supported the Forest Supplier Certification Program in order to guarantee a sustainable source of raw material and add value to regional production. In 2019, there were more than 625 certified suppliers, equivalent to 126,000 ha certified.

## Quality of forest risk commodities

### Relevance & inclusion

Relevant, always included

### Please explain

Klabin adopts tools and processes to mitigate the principal risks involving the business, to maintain expected results in operations and their longevity. Thus, the company considers its management the quality of wood, and a complete system is operated to constantly assess and mitigate this risk. For quality monitoring, an audit system for forestry, timber harvesting, loading, roads and nursery has been developed. Reports are generated for tracking continuous improvement action plans to increase forest efficiency while respecting environmental laws and ensuring safe operation. Monthly evaluation meetings are held to check for improvements and proactive actions and quarterly a general indicator evaluation meeting is held. The Operational Quality monitoring system consists of three main steps: 1. Daily Spreadsheet: Filled in by the field leader of the service company, aiming at strict control of operations; 2. Monthly Spreadsheet: Completed by Klabin supervisors to assess the company and to verify that its concepts are in line with the field team leader's concepts; 3. Quarterly Audit: Performed by Klabin's internal auditors. For all steps, several trainings are





certification bodies in the Chain of Custody Audit. Klabin has been increasing its program over the years to “insource” its labor in the Forestry operations, which has reduced the social risk of contracting outsourced workers in the wood supply chain. Additionally, Measures of Assessment of Aspects and Impacts, concerning the conservation of environment and maintenance of human health, ensure that the Principle of Precaution is applied, established by ECO92.

## Impact of activity on the status of ecosystems and habitats

### Relevance & inclusion

Relevant, always included

### Please explain

The analysis of production impacts of pine and eucalyptus planted forests on the ecosystem is assessed and monitored by the company and included in the Klabin’s management of the risks and opportunities. The company has an area of Forest Environment responsible for this analysis and monitoring. The company recognizes that positive performance on biodiversity can enhance a company’s standing among outside stakeholders and create real business value for the company. Klabin is pioneer in adopting the mosaic technique, which consists of forming planted forests interspersed with native forests for conservation, forming ecological corridors that directly contributes to protection of soil, water and biodiversity . 43% of Klabin’s forest areas (Atlantic Forest mainly; and Cerrado biomes) are designed to conservation. In 2019, the company accomplished a study to identify the main risks and opportunities related to the impacts (positive or negative) of forest production in the main ecosystem services: water, soil, carbon and biodiversity. The tool used in this process is a study based on recommendations of the Natural Capital Coalition in face to identify the impact, dependence and externality of its activities considering ecosystem services. Based on this study, some actions were intensified to mitigate biodiversity risk mapped, per example, control of exotic species, i.g. pine. Exotic invasive species are a big concern to native ecosystems, because it competes for natural resources with native species and takes over natural areas. To avoid it dispersion and to restore native areas, Klabin has field-workers responsible for control those species. The technics used are girdling the three trunk or cutting them, as recommended by this study. To meet the need for process improvements, in 2019, the environmental team implemented in Paraná a tool to collect data field, with the aim to improve the analysis. In this way, the workers use Collector Esri’s Collector app to upload field data of the activity and later the information is connected to an online dashboard that allow environmental team to monitor and analyze the performance of the activity. Before that, tracking used to be made manually on printed maps, compromising the accuracy of the data.

## Regulation

### Relevance & inclusion

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used in this process. In addition, internal (more than quarterly) and external (annually) audits are performed to validate management efficiency. The company maintains straight dialogue with associations and organizations to debate Brazilian regulations, specially, the legal issues for forest - FSC®, Forest Dialogue, Ibá (Brazilian Tree Industry), IPEF (Forestry Research Institute) and Brazil Forest, Climate and Agriculture Coalition. This Coalition is an important forum composed by companies from different sectors, NGO's and academic institutions to debate public policy in the country. Gathered information is used on both short and long-term management, in order to consider the regulation comply in the company's investments and audits plan. For example, investments in operation scheme is always considered in order to improve technologies and tools used to verify and ensure compliance with environmental regulations. - Georeferenced technologies: GIS team manages information from official databases (e.a. CAR); generates temporal analysis by using LandSat 1994 images, assuring that the company do not acquire or lease properties with forest conversion; and monitors environmental adjustment by satellite images (Planet and Sentinel-2). - Field-evaluation tools: Esri's Explorer, Collector and Survey 123 applications are used in field to apply checklists. - Regulation internal system: Âmbito is an online consulting system offered by legal experts, it is a tool accessible/didactic to coordinators to manage the laws applicable to their activities. - Audits plan: in the forest certification scheme, FSC® and Cerflor seal ensures correct forest management according to ten principles, the first one refers to compliance with laws applicable to the business. Annually, external audits are performed and guidelines are used to implement risk management. This assessment allows the unit to manage the demands of forest occurrences and develop an action plan for recurring events. Based on these practices, in the last three years, the company has not incurred any criminal lawsuit for environmental reasons.

## Climate change

### Relevance & inclusion

Relevant, always included

### Please explain

Klabin's risk management incorporated climate risks into its assessment along with financial, market and reputational. Thus, climate risks are incorporated into the company's risk management and follow the company's entire assessment and management methodology. The prevention of losses in planted forests due climate change has a significant role for the company. To understand the potential of climate risk, Klabin conducts studies to identify and measure the possible impact of climate change on pinus and eucalyptus plantation considering the region that the company has forest operation (Santa Catarina, Paraná and Sao Paulo states) and future area for expansion. The analyses of climatic variables are based on the historical climate in the region (1981- 2010); and reference scenarios on GHG emissions for climate model - Hadgen, between 2021 and 2040. The 2021-2040 period was defined in line





this result, the company made important decisions, including investments in The Center for Research, Development and Innovation. Studies for pine genetic improvement for climate changing are being developed. Klabin pine forests are historically planted in South of Brazil with *Pinus taeda*, a subtropical species from southeast United States. Considering the climate change projections for the region, the research team are working to develop new pine species to plant in warmer conditions. Using tree breeding techniques the species *Pinus maximinoi*, a species from Central America, was genetic improved and now we start operational plantation in North of Paraná State. The wood production with this new species is showing up to 20% increase comparing with *Pinus taeda* plantation in some regions. In 2019, the first industrial test was done in Puma Unit to produce bleached pine cellulose and there are industrial benefits using this new wood.

### Impact on water security

#### Relevance & inclusion

Relevant, always included

#### Please explain

The impact on water security is always included in Klabin forest-related risk assessment. The business sustainability depends on the conservation of the riparian zones. Hence, Klabin have created flows to guide the forest management planning in order to comply with correct proportion of forestry activities and water balance in the catchment (i.e. the proportion of wood harvested influence in the availability of water in the territory). The first analysis is in the medium term of supply (5 year's harvest plan). In this horizon, the main point observed is the catchment (basins of up to third order). The main analysis performed is the proportion of area harvested within the watershed. Micro-basin area should always have 40% of standing forest (both, native and planted). Nowadays there are 5,300 catchments mapped in Paraná. In the latest version of the 2019 medium-term supply, harvest planning was arranged in 795 catchments for the next 5 years; 25 catchments would have a management higher than 60%. Due to this analysis, it was possible to make changes in the harvest planning in order to maintain standing forest in the harvest block. Of these 25 catchment, harvest block planning of 23 were spaced in a period of time. This decision reduces the impact in the hydrological cycle. This analysis is done together with the availability of the medium-term supply and actions are taken constantly. In addition to the analyzes made at the micro-basin level, water collection points by community are taken in consideration. The objective is to identify the effects of planting and adapt the planting plan if necessary. Klabin seeks to manage forest areas in an ethical manner, respecting all forms of water use. The search at this point is to maintain water availability for people, animals, forests and for the hydrological cycle itself. There are 3,100 water collection points mapped in Paraná unit's base. Analysis to identify attention points are executed monthly. Based on these data, decisions are taken: in 2019, changes in silviculture planning were made in five areas (over 550 hectares) considering the





Relevant, always included

### Please explain

The risk related to tariffs or price increases are always included in Klabin forest-related risk assessment. Klabin has a market intelligence area that uses tools and internal controls to access risks related to price and tariffs. In addition, this risk was incorporated in the Klabin's risk management. For Brazilian scenario two points are specially considered: (i) entry of major consumer of wood in the region, high demand may raise the price of wood; (ii) competition with other crops in the region, the price of the agricultural commodity may make the planted forest less attractive, with a lower supply of wood the price tends to increase. Thus, to mitigate the risk Klabin take decision to established commercial politic, strong relationships with its suppliers, seeking loyalty through fair trade. In 2019, Klabin decided to expand the Forest Fostering Program for 2020. Last year, approximately 3.000 contracts were active. The Program is a partnership between the company and rural producers with properties located up to 150 km away from the factory. The basis of the program's support is the direct participation of the community, with the objective of adding idle areas to the production process, generating income, recovering degraded areas, promoting crop-livestock and forest integration. However, it is important to mention that 70% of the wood used by Klabin comes from its own forest production, which protects the company from price fluctuations.

## Loss of markets

### Relevance & inclusion

Relevant, always included

### Please explain

The risk related to loss of markets is always included in Klabin forest-related risk assessment. Klabin has a market intelligence area that works closely with the commercial area to mitigate market risks and seize opportunities. For this, the company has specialists in market trends, which follows the main drives of the pulp and paper market, as well as the market for substitute products. Klabin risk management considers three main points: market monitoring/price/demand projections, trends, competing products, and customer's relationship. Using the Materiality, we developed the basis of Klabin's Sustainability Strategy, which includes a deep study of market intelligence. Mapped trends are important drivers for decision making in the company's research and development projects. Thus, Klabin is structured to act at the forefront of the pulp and paper market. It is important to mention that Klabin has an extensive product portfolio - (short- long fiber and fluff), paper (carton board, kraft, and recycled paper) and packing (corrugated boxes and industrial sacks). This allows the company to be less susceptible to market risks and can tailor its business strategy to market trends. This is a great value for the company that differs Klabin from its competitors and non-integrated companies. Besides that, the company has long-term contracts with customers, especially pulp and sacks customers. Klabin is a century-old company (121 years)





Relevant, always included

### Please explain

Damage to brand reputation is an essential element of the impact of any given risk on Klabin activities. For each risk identified by the company is assessed what the damage to the image this risk can offer. Klabin constantly monitors its image in the various media, considering the below to evaluate periods of damage to the public image: > 24 months – critical impact, 12 - 24 months - high impact, < 12 months – medium impact, without damage to the public image– low impact. One of the potential risks monitored by the internal controls of Klabin's communication area is the risk of a lack of knowledge about the productive process of the planted forest in Brazil. This lack of knowledge can tie paper production to deforestation. This is a risk discussed in several areas of the company's governance, such as in the Risk and the Sustainability Committees. Klabin with other companies of the sector, through the Brazilian Tree Industry (IBA), launched an advertising campaign to inform the consumer about the sustainable forest management of the pulp and paper industry. In addition, the company has been positioning itself strongly in the media with its own #allforestmatters campaign. This campaign aims to reinforce the importance of forests and position the company as companies that fight against deforestation in Brazil. Klabin is a centenary company recognized for its commitment to sustainable development. Certification risk in direct operations and value chain are considered in risk management. It is assured by annual assessments conducted by an independent certification body for the FSC® and PEFC/Cerflor Certification System that guarantee company's commitment to sustainable management. The timber coming from our suppliers is covered by a procedure called the FSC® Controlled Wood and by Klabin's Wood Purchase Policy. These procedures guarantee that production of timber is made precisely and covers the main subjects of sustainability. In 2019, 650 audits were carried out in Paraná and 501 in Santa Catarina. From 300 suppliers audited, 17 suppliers were blocked. One of these blockages occurred because there was a non-conformity about the accommodation available for the workers. In the same month, the requested adjustments were met and the supplier was again audited and released to supply.

### Corruption

#### Relevance & inclusion

Relevant, always included

#### Please explain

Risk related to corruption is integrated in company overall risk assessment. In 2018, Klabin reinforced the management structure of the Internal Audit and Ombudsman's Office creating the Integrity area. During the year, with the support of consulting specialists, the integrity risks inherent to the business were mapped, assessed and incorporated into the company's risk matrix. The work resulted in an improvement plan, which includes a review of policies and procedures, among other actions, combining goals with the implementation of Klabin's





(SDGs) and is intended for all those who work or interact with Klabin, in public and private interactions. The Program's cornerstone is the strengthening of the ethical culture, having as strategic pillars the Code of Conduct, the Anticorruption Manual, the Competition Policy (currently being disseminated in 2019), the Ombudsman's Office and Policy, and the company-wide Dialogue Channels. Also, Klabin is a signatory to the UN Global Compact, The Business Pact for Integrity and Against Corruption and adheres to the Ethos Institute's Charter of the Entrepreneurial Movement for Integrity and Transparency.

## Social impacts

### Relevance & inclusion

Relevant, always included

### Please explain

Risk related to ethics and to human rights are integrated in company overall risk assesment. The matrix of social aspects and impacts is an instrument used to identify and evaluate the potential impacts of forest management operations and guide decision making in the company. This document is updated annually regarding an analysis of the indicators of the management of socio-environmental demands received through the company's communication channels (0800 and email). The analysis of the Matrix and the demand management indicators showed that the main impacts are related to the transport of wood, especially dust generation. Given this scenario, to minimize the impacts of operations and seeking to evolve from corrective action to more proactive and interactive action, a map was prepared with all neighboring communities (70 in Paraná, 40 in Santa Catarina and nine in São Paulo) of forest management areas and also of the transport routes of wood. These communities were classified based on the number of houses and resident people and the wood transport routes were classified according to the flow and intensity of traffic, also regarding the duration of the operation (permanent / temporary). This information was crossed generating the prioritization matrix. Based on the results of this diagnosis, the matrix directs the implementation of proactive actions, such as the Pre-Operational Dialogues, in the form of community meetings or individual communications. In this phase, the communities are informed about the operation, are consulted about the interference in their local routine and can propose mitigation measures. At this moment the communication channels with the company are disclosed. As a result of the use of the A&I Matrix and the Prioritization Matrix, we highlight the reduction of 53%, from 428 to 202 dust complaints in the indicators of the social and environmental demands management system, from 2017 to 2019. Currently the company has a fleet of water trucks to supply all wood transportation fronts at the Paraná unit. And it also seeks other ways of mitigating this impact, such as carrying out tests with suppressant products applied directly on communities roads. In 2019, five tests were carried out in four communities with satisfactory results in one of them, the test will continue with another protocol application to try a better effectiveness.





The current Materiality Study identified as relevant to the company's sustainability management in the short, medium, and long term, was developed in 2014 through consultation of stakeholders with several of our audiences. Through that, we define Sustainability indicators related to strategic objectives that would help assess the management of material aspects. This work was carried out in 2015 and makes up Klabin's Sustainability Strategy. Also guided by our Vision and Sustainability Policy, the materiality study aims us to identify risks and to design ways to mitigate or prevent them. So we incorporate these outcomes in our Sustainability Strategy and Business action plan. The Beekeeping and Meliponiculture Program can be cited as a case in partnership with the Association of Beekeepers, which aims to harness the potential of the flora of our forest areas, preserving biodiversity and exercising social responsibility, to support the productive chain of honey, structuring the rational use of the forest. Beekeepers receive free professional qualifications, which generates family income. In 2019, 45 beekeepers were benefited in Paraná and 15 in Santa Catarina, together there are almost 4 thousand hives installed. This program can be related to the UN Sustainable Development Goals (ODS): 1 - Eradication of Poverty, 2 - Zero Hunger and Sustainable Agriculture, 8 - Decent Work and Economic Growth, and 17 - Partnerships and Means of Implementation.

## F2.1c

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### (F2.1c) Which of the following stakeholders are considered in your organization's forests-related risk assessments?

#### Customers

##### Relevance & inclusion

Relevant, always included

##### Please explain

Klabin considers customers as relevant to its risk assessment for a better understanding of changing consumer purchasing decisions in the face of a more conscious scenario about sustainable company performance. The product development, commercial and sustainability areas developed a program called Packaging School. Together strategic customers, training and meetings are held to (i) identify the customer's perception of the partnership with the company, (ii) identify business opportunities, especially in the context of the circular economy and sustainable production, emphasis on new products with wood origin (MFC and lignin) that can substitute fossil based products. Furthermore, Klabin promotes partnerships with customers is the focus of a dedicated Wood Trade team in Klabin. Focusing on the production needs and changes in the clients' portfolio, these professionals ensure efficient communication and alignment to match the demand for logs from sawmills in the Telêmaco





list is applied to verify if the standards and the particular requirements of each customer regarding the delivery of the product (such as log length) are being satisfactory.

## Employees

### Relevance & inclusion

Relevant, always included

### Please explain

Employees are always included in our forest-related risk assessments, since their motivation, engagement and well-being are the basis for good results at work. Klabin values collective bargaining with union representatives, as well as the freedom of association. Except for the Board of Executive Officers, 100% of its employees are covered by collective bargaining agreements. Klabin is thus a company that values its employees and invests in their professional development. In 2019, the company realized more than 119 thousand hours of training to motivate and prepare our professionals to carry out the designated activities, while prioritizing security and environmental issues, to stimulate their sense of ownership. Klabin has a unique recognition program (PUR), which aims to encourage the engagement of its employees and recognize their efforts during the year. Points are accumulated for employees who have multiplied their knowledge with the other co-workers through trainings. At the end of the year it is possible to exchange these points for prizes. In 2019, the ranking “The most loved companies - choice of professionals” was released on the Love Mondays website, a platform that records assessments of the work environment of companies in Brazil. Klabin was one of the 50 best-rated companies in the ranking.

## Investors

### Relevance & inclusion

Relevant, always included

### Please explain

Klabin considers investors as relevant in its risk assessment because forest-related risks and opportunities could have an impact on Klabin results and so in their investment decisions, any detrimental impact on the reputation of the company could increase the difficulty to get access to investments, for example. Klabin is aware that a relationship of trust with investors is essential to achieve excellence in its businesses. Driven by its concern, Klabin adopts a policy of transparency through different communication channels, such as a dedicated space on its website for Sustainability Report and Public Summary of Forestry Stewardship, which is updated annually, and disclosure of the results of Klabin’s participation in SPOTT Timber&Pulp and CDP Climate Change, Water and Forest. Besides, the company is part of B3 ISE (Corporate Sustainability Index) whose objective is to induce good practices and transparency in the Brazilian Business Environment. The company calls results quarterly





## Local communities

### Relevance & inclusion

Relevant, always included

### Please explain

Local communities are always included in our forest-related risk assessments. Annually, Klabin evaluates the communities' perception of Klabin. In 2019, we obtained 64% perception of Klabin's commitment to the Community. This is important because allows us to achieve a constructive relationship with the communities that guide us to direct our efforts to minimize the impact of forestry activities. Klabin understands that the forest operations, especially the transportation of wood in rural roads, may impact on the routine of communities. Therefore, concerned about people's quality of life and to promote the least discomfort possible while carrying out our activities through these roads, Klabin does an awareness-raising work with its own and third-party drivers. However, the community must have easy access to dialogue with the company. For that, there is a Klabin team that works in the way to do a proactive action that involves on-site diagnosis in the operation area and Pre-Operational Dialogues with the community. At this moment, the communities are consulted about interference with their local routine and can propose mitigation measures to be adopted by Klabin. This activity is monitored periodically through the management of requirements via Talk to Klabin (communication channels); direct and periodic contact with community members for monitoring the operations (telephone, WhatsApp and periodic visits); monitoring of compliance with agreements established with the community in the preoperational dialogue phase; weekly multidisciplinary forum (weekly meetings with the Relationship with the Community areas + Operational Areas and Relationship with the Community + Logistics - Highways). In 2019, we registered 931 calls in Talk Klabin. From 428 complains, 202 were about dust. Currently the company has a fleet of water trucks to supply all wood transportation fronts at the Paraná unit. And it also seeks other ways of mitigating this impact, such as carrying out tests with suppressant products applied directly on communities roads. In 2019, five tests were carried out in four communities with satisfactory results in one of them, the test will continue with another protocol application to try a better effectiveness.

## NGOs

### Relevance & inclusion

Relevant, always included

### Please explain

NGOs are systematically considered in the risk assessment process, both at strategic and local levels. Klabin keeps a very active and engaged approach in regards to both local and national NGOs. At the national level, Klabin has strong and long-standing partnerships with entities such as The Nature Conservancy, Ethos Institute and the InPacto (National Pact for





constant meetings and events organized by them. At local levels, NGO action is also part of the community characterization step. An example is The Social Woods Program that was launched in partnership with the Association for the Environment and Life's Preservation (Apremavi), The Nature Conservancy (TNC) and the Brazilian Micro and Small Business Support Service (Sebrae) in Paraná state, with the goal of strengthening the economic, environmental and social conditions of small and mid-sized rural properties. Among the main results achieved since 2015, we have the involvement of more than 500 rural properties receiving specialized technical advice about olericulture, cattle, fruit growing, poultry and agrobusiness; up to 60% increase in the income of small rural producers; implementation of forest conservation and restoration projects in 1600 hectares (ha) of permanent preservation areas and legal reserve; the protection of 615 springs; the donation and planting of 200 thousand native seedlings of the Atlantic Forest and the accomplishment of more than 450 monitoring visits. This helps us to improve the natural conservation of our region and to encourage the local economy.

### Other forest risk commodity users/producers at a local level

#### Relevance & inclusion

Relevant, always included

#### Please explain

Klabin maintains a longstanding open dialogue with the communities neighboring its operations. This type of constructive relationship allows us to direct our efforts to minimize the impact of industrial and forestry activities while we encourage local empowerment and collaborate with social and environmental development projects. In the communities where we are present, we develop health, culture, education, sports, leisure, and environmental programs, in which we invested BRL17.98 million in 2015. Examples of local development initiatives practiced by Klabin are the forest certification incentive program for small forest producers in Paraná, the Legal Woods Program in Paraná and Santa Catarina and the Social Woods Program in Paraná, which increases the value of the producers' product by providing technical assistance. We also created and support youth professionalization programs and cultural and environmental education initiatives. In 2015, we also began an engagement and local development project in Santa Catarina, with some projects carried out in the community. Furthermore, on the environmental and social issues, the current FSC certified virgin fiber in the overall input is 90%. As part of this effort, Klabin is providing technical knowledge and training to improve the ability of producers to obtain certification. One of the actions was a joint effort developed with FSC® Brasil, other forest companies and WWF to customize principles and criteria for small landowners producers (SLIMF). Klabin aims to certify 70% its partner suppliers by 2022 and reach out 100% until 2025, and actively works to help them achieve this objective. In 2019, a total of 495 producers were certified by the FSC® seal in the SLIMF standard (Small and Low Intensity Managed Forests) and 130 were certified by





Relevant, always included

### Please explain

Regulators are always considered in Klabin forest-related risk assessment, because they are fundamental to understand the context inside and outside the company that guides Klabin's business strategy. Klabin's participation as a member in national and international associations and organizations, such as FSC®, Ibá (Brazilian Tree Industry) and IPEF, reinforces sustainability governance and the company's commitment to strengthening dialogue. In 2019, Klabin's Forestry Sustainability consultant stands out as a member of the FSC® (Forest Stewardship Council®) International Board of Directors. At the municipal level, Klabin's professionals focus on maintaining a dialogue with the unions representing the professional categories of the sectors comprising the company and Community Relations specialists are responsible for interacting with the City Councils. The Klabin Regional Development Support Program of Paraná arose from the need to support the planning of municipal public management in a short, medium and long term. One of the motivators of the program was the construction of the Puma unit, as it brought - and still brings a series of challenges, opportunities and possibilities for municipalities in the Campos Gerais region that share the additional ICMS resources generated by the project. Based on the identification of the Regional Development Guidelines, the most relevant municipalities for Klabin's operations in the region were prioritized: Telêmaco Borba, Ortigueira and Imbaú. Government secretaries from each municipality were brought together, and with the technical support of consultants and specialists, government plans were analyzed and priority axes of public policies were established.

## Suppliers

### Relevance & inclusion

Relevant, always included

### Please explain

Suppliers are always included in Klabin forest-related risk assessment, because they play a vital role in achieving the company target of fighting against deforestation. Suppliers are subject to a verification of property documentation and harvesting planning of wood by Commercial team. In addition to frequent audits in accordance with the FSC® certification standards for wood of controlled origin. During these audits, compliance with environmental and social laws are verified, ensuring the traceability of wood and accordance with Klabin's Wood Procurement Policy. In case of non-compliance, the supplier is blocked in the internal system of control (SAP) until the proper correction is made, which is also verified through on-site verification. Another important action to include suppliers in the company's decision-making is the risk management is the suppliers evaluation. Klabin took an important step in improving supply chain management in 2019 with the adoption of the EcoVadis methodology for supplier assessment, aimed at classifying sustainability in several aspects: financial, labor &





## Other stakeholders, please specify

### Relevance & inclusion

Relevant, always included

### Please explain

Klabin considers other stakeholder groups like end-users, competitors and sector entities in its risk analyses and the materiality studies. As an example, Klabin is a full member of the Brazilian Tree Industry and participates in the following thematic groups: Certification Committee; Climate Change Committee; Forestry Steering Committee; Forestry Protection Committee; Biotechnology Committee; Biodiversity Committee; Working Group for the National Policy on Solid Waste. All these subjects treated there matter to the risk analysis and they are fundamental to understand the context inside and outside the company that guides Klabin's business strategy.

## F3. Risks and opportunities

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### F3.1

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**(F3.1) Have you identified any inherent forests-related risks with the potential to have a substantive financial or strategic impact on your business?**

	Risk identified?
Timber products	Yes
Palm oil	<Not Applicable>
Cattle products	<Not Applicable>
Soy	<Not Applicable>
Other - Rubber	<Not Applicable>
Other - Cocoa	<Not Applicable>
Other - Coffee	<Not Applicable>

### F3.1a

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In Klabin's process, risks with substantive financial impacts are over 30% of EBITDA. It means – R\$: > 700 – critical impact, > 400 < =700 MM- high impact, > 150 MM > =400 – medium impact.

Other 3 indicators are considered in to define the substantive impact:

- National and international reputation impact . The indicators of periods of damage to the public image are used: > 24 months – critical impact, 12 a 24 months - high impact, < 12 months – medium impact, without damage to the public image– low impact.

- Environmental accidents with difficult remediation and occupational accidents are considered as substantial strategic or financial impact. To determine the significance of the impact an assessment is made regarding the temporality, i.e., the period in which the impact was identified, whether it occurred in the present or in the past but has influence currently or whether it can be predicted to cause some change in the future; incidence – it is considered direct if under the company's control and indirect if the company merely exerts influence on the activity that generated the impact; and condition – normal for routine activities, anormal for non-routine activities and emergency for aspects resulting from unplanned situations.

- Identification of scope of the area of impact is also recommended, whether it is local or affects another sector; severity, whether low, medium or high; and if complaints exist.

The goal to support and effectiveness of the risk management, Klabin has a matrix of environmental and social aspects and impacts which is revised annually, where all the risks arising from forestry operations are mapped and classified as significant or not. This document serves as the basis for the pre- and post-operational follow-up that is carried out and also serves as the reference for the weekly meetings held between representatives from the forestry sectors to monitor the risks. Also, it stipulates the operational procedure to control the aspect and the actions to be taken by the team in case of any environmental or social impacts. These impacts are addressed at the meetings held with a weekly multidisciplinary forum (weekly meetings with the Relationship with the Community Relations + Operational Areas and Community Relations + Logistics - Highways).

## F3.1b

**(F3 1b) For your disclosed forest risk commodity(ies) provide details of risks identified with the**



**Type of risk**

Physical

**Geographical scale**

State or equivalent

**Where in your value chain does the risk driver occur?**

Direct operation

**Primary risk driver**

Rising mean temperatures

**Primary potential impact**

Reduction or disruption in production capacity

**Company-specific description**

Climate change can have an impact on the company's planted forests, generating loss of productivity. Klabin has a complete study on climate conditions and the impact of climate change in forestry operation regions – Paraná, Santa Catarina and São Paulo (Brazilian states). In 2019, Klabin's planted forest areas were approximately 258 thousand hectares. The analysis of climatic variables was based on (i) the climatic history of the region (1981-2010), (ii) and reference scenarios on emissions (RCP 8.5) of greenhouse gases for climate models - HadGEN2-ES. Therefore, the climatology studies for the reference period 1981 to 2010 were generated for the scenarios HadGEN2 of 2011-2020, 2021-2030 and 2031-2040. Some of the results of this study show a general tendency of temperature increase in the regions considered with a mean increase of 0.32 °C per decade. Thus, temperature increase with low change in the rain distribution regime, which may imply an increase in evapotranspiration, in other words, risk of water deficit. The water deficiency is directly related to the decrease in wood production, and this is explained by the SPPA (System soil-plant-atmosphere). The set of climate changes, especially considering water availability and temperature, indicates scenarios of impact on forest productivity, especially for the growth of planted forests. In the period, the annual average loss of productivity (ton of wood) will be 3% for eucalyptus and 5% for pine - if no measures are taken.

**Timeframe**

1-3 years

**Magnitude of potential impact**

High

**Likelihood**

Likely

**Are you able to provide a potential financial impact figure?**



<Not Applicable>

### Potential financial impact figure - maximum (currency)

<Not Applicable>

### Explanation of financial

Climate change could have an impact on the company's forestry productivity. 70% of the wood consumed by the company comes from the company's own pine and eucalyptus forests. The company has a study that indicates in the period from 2020 to 2050, what will be the impact on productivity, that is, on the loss of wood. In this period, the annual average loss of productivity (ton of wood) will be 3% for eucalyptus and 5% for pine - if no measures are taken. 3% of Klabin's average annual wood production represents 179,035 tonnes of eucalyptus; and 5% of Klabin's average annual wood production represents 192,601 tonnes of pine. In order to understand the financial impact, the company adopted the scenario of buying wood in the market/suppliers to replace the wood that can stop being produced due the impact of climate change. In this context was considered the price of buy wood in the last six month - YTD: R\$ 92,80 per eucalyptus tonne and R\$ 117,20 per pine tonne. It is a replacement cost approach.  $179.035 \text{ tonnes of eucalyptus} \times \text{R\$ } 92,80 = \text{R\$ } 16.614.519$   $192.601 \text{ tonnes of pines} \times \text{R\$ } 117,20 = \text{R\$ } 22.630.699$  Thus it is estimated that climate change may impact Klabin's forest productivity with an annual average cost of wood loss of about R\$ 39.245.218 - if no measures are taken.

### Primary response to risk

New product/technology development

### Description of response

Klabin has Forest Efficiency and Ecophysiology Department responsible for forestry research. This department is responsible for developing forest solutions to combat the impact of climate change. This work involves different lines of action, such as (i) protection plant, which considers in its research the increase of pests and diseases due to climate changes; and (ii) biotechnology and genetic improvement. Forest development incorporates climate change in decision-making and research. The department is also responsible for Climate Scenarios, developing a model of datas related to exposure to climatic parameters and assessing the impact of changes in planted forests, and recommends the necessary measures in case of adverse effects. A practical example of the result of this work was the pine genetic improvement for climate changing. Klabin pine forests are historically planted in South of Brazil with *Pinus taeda*, a subtropical species from Southeast United States. Considering the climate change projections for the region, the research team are working to develop new pine species to plant in warmer conditions. Using tree breeding techniques the species *Pinus maximinoi*, a species from Central America, was genetic improved and now we start operational plantation in North of Paraná State. The wood production with this new species is showing up to 20% increase comparing with *Pinus taeda* plantation in some regions.





2018, and develop activities in Ecophysiology, Soils, Forest Nutrition, Pest Control and Climate Scenarios. All lines of forestry research work directly or indirectly to develop solutions to mitigate the impacts of climate change on forest production. However, the investments and researches are not exclusive to climate solutions, it also involves increased productivity, improvements in the forestry process and other factors. For more details, we can mention the phytosanitary line, with an investment of R\$ 550.000 which investigates the plant protection against pests and diseases. In this development, for example, it is considered that pests and diseases will be intensified due to climate change. Another line that we can use as an example is biotechnology and genetic improvement, with investments around R\$ 5.893.203 develops clones of pine and eucalyptus aiming at greater forest production, but also materials that are more resistant to the impacts of climate change.

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## F3.2

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**(F3.2) Have you identified any forests-related opportunities with the potential to have a substantive financial or strategic impact on your business?**

	Have you identified opportunities?
Timber products	Yes
Palm oil	<Not Applicable>
Cattle products	<Not Applicable>
Soy	<Not Applicable>
Other - Rubber	<Not Applicable>
Other - Cocoa	<Not Applicable>
Other - Coffee	<Not Applicable>

### F3.2a

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**(F3.2a) For your selected forest risk commodity(ies), provide details of the identified opportunities with the potential to have a substantive financial or strategic impact on your business.**

#### **Forest risk commodity**





Direct operation

### Primary forests-related opportunity

Cost savings

#### Company-specific description & strategy to realize opportunity

For 121 years, Klabin adopts a managing for sustainable development. It seeks to integrate a responsible growth, combining profitability, social development, and environmental commitment. The company was the first in the pulp and paper sector in the South Hemisphere to obtain, in 1998, the FSC® certification. In 2017, Paraná unit also won PEFC/Cerflor certificate. The forest base is one of its most important assets. The company is pioneer in forest management in mosaic form - a system that merges planted forests of pine and eucalyptus and native forests. Mosaic management contributes to conservation of water resources and biodiversity. In 2019, there were approximately 258 thousand hectares of pine and eucalyptus forests planted for Pulp production (short/long fiber and fluff) and 240 thousand hectares of preserved native forest in Paraná, Santa Catarina and São Paulo state. The main Klabin's forestry unit is located in Paraná state, with 188 hectares of planted forests. In 2019, the own production in Paraná was 9,834,020 tons; 18 harvest modules operating. Forest Transportation is responsible for the link between the Forest Area and Fabric; hence the Road team is responsible for the construction and maintenance of the roads through which the transport will transit in the forest areas. There is a project to create a new concept of road-opening planning. The challenge is to allocate the roads at strategic points. Briefly, when the forests were mainly composed of old trees, with a larger diameter, and the harvesting machine capacity was limited, the roads were planned by circling the field, to bring the road closer to the piles of wood to be transported; now, the new concept is to open a strategic road, to where the piles will be directed. In this way, Klabin will have a decrease in the number of open roads. Besides, using technologies such as LiDAR, the mapping of soil fragility (carried out by our team of experts) and KplanR (a software developed by Klabin to simulate different scenarios of how the extraction will behave in the road network that was planned and how this will impact in the costs of construction and operation), it is predicted a lower cost with the maintenance of roads and minimization of possible environmental impacts - erosion - i.e. soil loss. Moreover, it will also have a productive and conservation area gain.

#### Estimated timeframe for realization

Current - up to 1 year

#### Magnitude of potential impact

High

#### Likelihood

Likely



**Potential financial impact figure – minimum (currency)**

4000000

**Potential financial impact figure – maximum (currency)**

10000000

**Explanation of financial impact figure**

From the analyzes of harvesting plan executed by Klabin's Planning team in Paraná unit, the possibility to achieve a reduction of 30 m/ha of roads density was identified. Also, an opportunity to gain productive area with the exclusion of 200 hectares of highways. To 2019, around 30 hectares of roads have been converted into a productive area and the expectation is to reach 200 hectares until the end of 2020. This goal will yield an opportunity cost between R\$4 to R\$10 million of land acquisition.

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**Forest risk commodity**

Timber products

**Type of opportunity**

Markets

**Where in your value chain does the opportunity occur?**

Supply chain

**Primary forests-related opportunity**

Improved community relations

**Company-specific description & strategy to realize opportunity**

With the development of projects for wood production and restoration, Klabin can benefit carbon credit generation (tCER) in supplier's areas. Reforestation in areas dedicated to traditional crops or pasture proposes a change in traditional land use in the region, including reforestation practices as a sustainable alternative. The benefit of carbon credit trading becomes an additional incentive for reforestation incentives. In this regard, it is applied: (i) technical assessment for eligibility of areas to be reforested – of course following the Brazilian Forestry Code and others standards; (ii) two reforestation methodologies from CDM – Clean Development Mechanism, ONU. The project aims: encouraging forest development (planted forest and restoration); income generation and job creation. Klabin already invests in two programs: Legal Forests (in Santa Catarina since 2005 and in Paraná since 2008) and Social Forests (in Paraná state since 2015), which helps landowners to use their lands sustainably by encouraging the recovery of native forest remnants; silviculture with responsible methods; organic farming; ecotourism and conservation of natural heritage, which helps to improve the community quality of life and to improve forest development. About 1.700 properties have received technical assistance during the 14 years of these programs; and a total





High

### Likelihood

Likely

### Are you able to provide a potential financial impact figure?

Yes, a single figure estimate

### Potential financial impact figure (currency)

23850000

### Potential financial impact figure – minimum (currency)

<Not Applicable>

### Potential financial impact figure – maximum (currency)

<Not Applicable>

### Explanation of financial impact figure

The project estimates the generation of around 4.500.000 carbon credits, considering around 28.000 hectares- area with reforestation (planted and native). Carbon credit price expectation – around R\$ 5,30 per credit. Gross income = 4.500.000 credits X R\$ 5,30 = around R\$ 23,850,000. The project has an estimated cost around R\$ 5.592.784 – administrative cost.

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## F4. Governance

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### F4.1

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#### (F4.1) Is there board-level oversight of forests-related issues within your organization?

Yes

### F4.1a

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#### (F4.1a) Identify the position(s) of the individual(s) (do not include any names) on the board with responsibility for forests-related issues.





	fore, forest-related issues are a big concern for Klabin's executives, investor and especially for the board chair. As all responsibility towards the forest-related topics are shared, all strategic decisions are made between the executive and approved by the board chair, considering forest demand and production, as well as a solid plan to map the operational impacts and potential risks to maintain the sustainable management of forests, certified by FSC® and PEFC/Cerflor.
Board-level committee	Klabin maintains a fixed sustainability committee composed of directors, with the Executive Director of Industrial Technology and Sustainability as the sponsor, and the Sustainability and Environment Executive Manager as technical advisor of the committee. The committee is also compound of directors from the following areas: (i) Industrial paper; (ii) Forestry; (iii) Legal, Integrity and Risk Management, (iv) People and Corporate Services.
Chief Sustainability Officer (CSO)	As stated, Klabin's value chain is intricately connected with its forestry plantation and management. The CEO is constantly aware of forest-related issues and reports directed to Klabin's CEO are done frequently (more than quarterly). In addition, Klabin has a Chief Sustainability Officer (CSO), the Executive Director of Industrial Technology and Sustainability. He has responsibilities over ESG (Environmental-Social-Governance) matters, which includes Forests and its related studies, impacts and opportunities. Alongside him, the Environmental and Sustainability Corporate team, with over 70 employees, is also responsible for the day-to-day management of the issue with the responsibility of monitoring global and national climate and biodiversity agendas and mapping their related risks and opportunities. It is worth mentioning that the CSO area and director works closely with the Forestry area, to maintain coherence between daily actions.
Other C-Suite Officer	Because Klabin supplies 70% of its pulp and paper production, forests related issues are of ultimate importance to all of the Executive Board too. It requires a solid plan and close monitoring to map potential risks in maintaining the sustainable management of forests (certified by FSC® and PEFC/Cerflor), and the whole production chain. The director of Forestry has total attention on forest-related issues and management, such as planning, operations, production and future demand. Klabin's forests are among the most efficient in the world in terms of the production of pulp per hectare planted. Currently, 258 thousand hectares of planted forests are monitored in real-time, with a solid plan to map the operational impacts and potential risks to maintain the sustainable management of forests.

## F4.1b

### (F4.1b) Provide further details on the board's oversight of forests-related issues.

Frequency that forests-related issues are a scheduled agenda item	Governance mechanisms into which forests-related issues are integrated	Please explain





	related issues are a scheduled agenda item	forests related issues are integrated	
Row 1	Scheduled - some meetings	Monitoring implementation and performance Overseeing acquisitions and divestiture Overseeing major capital expenditures Reviewing and guiding annual budgets Reviewing and guiding business plans Reviewing and guiding corporate responsibility strategy Reviewing and guiding major plans of action Reviewing and guiding risk management policies Reviewing and guiding strategy Reviewing innovation / R&D priorities Setting performance objectives	Issues related to forests are part of the organization's sustainability policy. The organization's goals are defined based on the principles. Klabin has a corporate area of Sustainability and Environment that has as one of its objectives the day-to-day management of national/global climate and biodiversity agendas. Klabin maintains a fixed sustainability committee main composed of directors, with the CSO as the sponsor and Sustainability and Environment Executive Manager as the technical advisor. Items related to forest risks and opportunities are fixed agenda items of critical analysis. The aligned strategies and actions defined in the committee (more than quarterly) are guided by financial, legal, social and environmental themes. In general, all these mechanisms taken into consideration during these meetings are important issues for the definition of the organization's growth strategy, considering the company expansion plan until 2030 in line with the UN Sustainable Development Goals. In 2019, Klabin released the Puma II Project in - Paraná state, which comprises the expansion capacity of 920 million tons of paper production. To meet the need for additional wood, the company implemented a strategy for the acquisition of standing forests and new areas for planting, in addition to encouraging independent producers and partnership program. Efforts are also directed towards maintaining the concern to ensure the standard of excellence in sustainable forestry operations.

## F4.2

### (F4.2) Provide the highest management-level position(s) or committee(s) with responsibility for

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		to the board on forests-related issues	
Chief Executive Officer (CEO)	Both assessing and managing forests-related risks and opportunities	More frequently than quarterly	Klabin's CEO, the highest executive level in the decision-making process, is briefed on all issues discussed in all groups and attend some of the meetings in accordance with the sensitivity of the issues discussed. Klabin has Permanent Committees to manage material issues, named as Market Strategy, People, Investments, Innovation, Risk Management, and Sustainability. Composed of executive directors, each group has one sponsor (the responsible manager for the main issue", who ensures the operations of the committee and the relevance of the initiatives, and one representing manager, who is responsible for the dynamics of the operation. These meetings take place every two months and all decisions discussed by the Committees are submitted to Klabin's Executive Board for validation. Therefore, the forest-related issues are discussed in four of those five groups (except "People"), due to its great relevance to the company business.
Chief Sustainability Officer (CSO)	Both assessing and managing forests-related risks and opportunities	More frequently than quarterly	The Executive Director of Industrial Technology and Sustainability, the CSO-Chief Sustainability Officer is the sponsor of the Sustainability committee. The committee is also compound of directors from the following areas: (i) Industrial Paper; (ii) Forestry; (iii) Legal, (iv) Integrity and Risk Management, (v) People and Corporate Services. The CSO is responsible for ESG(Environmental-Social-Governance) matters, which includes Forests and its related studies, impacts and opportunities. Alongside him, the Environmental and Sustainability Corporate team, with over 70 employees, is also responsible for the day-to-day management of the issue with the responsibility of monitoring global and national biodiversity agendas and mapping their related risks and opportunities. It is worth mentioning that the CSO area and director works closely with the Forestry area, to maintain coherence between daily actions.

## F4.3

### (F4.3) Do you provide incentives to C-suite employees or board members for the management of forests-related issues?

Provide incentives for management of forests-related issues	Comment





	management of forests-related issues	
Row 1	Yes	Klabin has a monetary rewards program, named PGR, exclusive for leadership positions. To be eligible, leaders have to achieve the company's targets related to forest productivity, R&D findings, impact mitigation, market share's position, ESG assessments performance, and maintaining and improving the FSC® and PEFC/Cerflor certifications (better practices in the sustainable management of forest and the supply chain are required), among others.

## F4.3a

### (F4.3a) What incentives are provided to C-Suite employees or board members for the management of forests-related issues (do not include the names of individuals)?

	Role(s) entitled to incentive?	Performance indicator	Please explain
Monetary reward	Board chair Board/Executive board Director on board Corporate executive team Chief Executive Officer (CEO) Chief Financial Officer (CFO) Chief Operating Officer (COO) Chief Sustainability Officer (CSO)	Achievement of commitments and targets Other, please specify (Forest productivity)	Klabin has a monetary rewards program, named PGR, exclusive to leadership positions. To be eligible, the leaders have to achieve the company's targets. Klabin has developed guidelines for forest and climate management. Based on those guidelines, managers establish goals in accordance with its own projects. The targets are annually reassessed. One of the items that compose this index are the environmental indicators of the specific unit. These indicators include environmental aspects that are directly linked to forest productivity; R&D findings; impact mitigation; market share's position; ESG assessments performance; and maintaining and improving the FSC® and Cerflor/PEFC certifications. (better practices in the sustainable management of forest and the supply chain are required), among others. In 2019, the specific certification target reached 100% compliance.
Non-monetary reward	Chief Procurement Officer (CPO)	Supply chain engagement	The procurement area, in line with the sustainability area, have related goals for the sustainability of the business, where criteria related to environment, climate change, social responsibility and labor are linked to the process of evaluation of Klabin's supply chain. These goals directly influence the results of wood reliable purchase, in addition to the correlation between the development of sustainable products with lowest forest risk.





## F4.5

### (F4.5) Does your organization have a policy that includes forests-related issues?

Yes, we have a documented forests policy that is publicly available

## F4.5a

### (F4.5a) Select the options to describe the scope and content of your policy.

	Scope	Content	Please explain
Row 1	Company-wide	Commitment to eliminate conversion of natural ecosystems Commitment to eliminate deforestation Commitment to remediation, restoration and/or compensation of past harms Commitment to protect rights and livelihoods of local communities Commitments beyond regulatory compliance Commitment to transparency Commitment to stakeholder	Issues related to forests are part of the organization's sustainability policy and objectives. Item number four of Klabin S/A sustainability policy: "Ensure the supply of planted wood for its industrial units in a sustainable manner, without harming the natural ecosystems associated with their own and partners operations". Furthermore, the policy establishes its commitments with the UN Sustainable Development Goals and responsible sourcing (ESG assessments). The organization's performance is based on organization's principles. Klabin was the first pulp and paper company in the Southern Hemisphere to receive the FSC® certification, in 1998. FSC® is recognized by Klabin's stakeholders, and attests the commitment to deal daily on issues related to the environment sustainability. Klabin is pioneer on mosaic management based on "hidrosolidarity", ensuring the operational efficiency while preserves the water resources and biodiversity present in 240 thousand hectares of native area (Atlantic Forest predominantly, and Cerrado). The forest-issues commitment enlarges through the value chain. Klabin's Wood Purchase Policy is a standard for wood procurement. Klabin is committed to 100% coverage of FSC® Chains of Custody and controlled wood/due diligence system to ensure the legal and responsible wood sources. Certification guidelines is composed by 10 principles, which address: regulatory compliance; rights of local/traditional communities; efficient ecosystem services management (including the conservation and/or restoration, and to avoid, repair or mitigate negative environmental impacts); risk management, among others. The certification's 7th principle refers to the Management Plan (annually updated), containing detailed information about all items mentioned. This document is confidential, but Public Summaries are available with the main points and results. Sustainability Report (annually updated) is also on Klabin's website, and discloses national/international commitments, such as the UN Global Compact and Forest Dialogue initiative, which promotes interaction between business representatives from the forest sector and environmental/social NGOs, aiming to build a commitment for all the stakeholders. In 2019, three Klabin socio-environmental projects were awarded by Forest Dialogue, the recognition reinforces organization's sustainability policy.





	<p>the SUGS</p> <p>Recognition of the overall importance of forests and other natural ecosystems</p> <p>Description of business dependency on forests</p> <p>Recognition of potential business impact on forests and other natural habitats</p> <p>Description of forest risk commodities, parts of the business, and stages of value-chain covered by the policy</p> <p>List of timebound milestones and targets</p> <p>Description of forests-related performance standards for direct operations</p> <p>Description of forests-related standards for procurement</p>	
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## F4.5b

**(F4.5b) Do you have commodity specific sustainability policy(ies)? If yes, select the options that**





	sustainability policy?		
Timber products	Yes	Company-wide	<p>Commitment to eliminate conversion of natural ecosystems</p> <p>Commitment to eliminate deforestation</p> <p>Commitment to remediation, restoration and/or compensation of past harms</p> <p>Commitment to protect rights and livelihoods of local communities</p> <p>Commitments beyond regulatory compliance</p> <p>Commitment to transparency</p> <p>Commitment to stakeholder awareness and engagement</p> <p>Commitment to align with the SDGs</p> <p>Recognition of the overall importance of forests and other natural ecosystems</p> <p>Description of business dependency on forests</p> <p>Recognition of potential business impact on</p>
			<p>Issues related to forests are part of the organization's sustainability policy and objectives. Item number four of Klabin S/A sustainability policy: "Ensure the supply of planted wood for its industrial units in a sustainable manner, without harming the natural ecosystems associated with their own and partners operations". Furthermore, the policy establishes its commitments with the UN Sustainable Development Goals and responsible sourcing (ESG assessments). The organization's performance is based on organization's principles. Klabin was the first pulp and paper company in the Southern Hemisphere to receive the FSC® certification, in 1998. FSC® is recognized by Klabin's stakeholders, and attests the commitment to deal daily on issues related to the environment sustainability. Klabin is pioneer on mosaic management based on "hidrosolidarity", ensuring the operational efficiency while preserves the water resources and biodiversity present in 240 thousand hectares of native area (Atlantic Forest predominantly, and Cerrado). The forest-issues commitment enlarges through the value chain. Klabin's Wood Purchase Policy is a standard for wood procurement. Klabin is committed to 100% coverage of FSC® Chains of Custody and controlled wood/due diligence system to ensure the legal and responsible wood sources. Certification guidelines is composed by 10 principles, which address: regulatory compliance; rights of local/traditional communities; efficient ecosystem services management (including the conservation and/or restoration, and to avoid, repair or mitigate negative environmental impacts); risk management, among others. The certification's 7th principle refers to the Management Plan (annually updated), containing detailed information about all items mentioned. This document is confidential, but Public Summaries are available with the main points and results. Sustainability Report (annually updated) is also on Klabin's website, and discloses national/international commitments, such as the UN Global Compact and Forest Dialogue initiative, which promotes interaction between business representatives from the forest sector and environmental/social NGOs, aiming to build a commitment for all the stakeholders. In 2019, three Klabin socio-environmental projects were awarded by Forest Dialogue, the recognition reinforces organization's sustainability policy.</p>





	sustainability policy?			
			Description of forest risk commodities, parts of the business, and stages of value-chain covered by the policy List of timebound commitments and targets Description of forests-related performance standards for direct operations Description of forests-related standards for procurement	
Palm oil	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Cattle products	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Soy	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other - Rubber	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other - Cocoa	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other - Coffee	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>





## F4.6a

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**(F4.6a) Has your organization endorsed any of the following initiatives as part of its public commitment to reduce or remove deforestation and/or forest degradation?**

Other, please specify (FSC® certification; United Nations' Sus)

## F4.6b

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**(F4.6b) Provide details on your public commitment(s), including the description of specific criteria, coverage, and actions.**

### **Forest risk commodity**

Timber products

### **Criteria**

No conversion of natural ecosystems

Zero gross deforestation/ no deforestation

Zero net deforestation

Restoration and compensation to address past deforestation and conversion

Avoidance of negative impacts on threatened and protected species and habitats

No trade of CITES listed species

No land clearance by burning or clearcutting

No conversion of High Conservation Value areas

No conversion of High Carbon Stock forests

Secure Free, Prior and Informed Consent (FPIC) of indigenous people and local communities

Remediate any adverse impacts on indigenous people and local communities

Adoption of the UN International Labour Organization principles

Resolution of complaints and conflicts through an open, transparent and consultative process

Facilitate the inclusion of smallholders into the supply chain

No sourcing of illegally produced and/or traded forest risk commodities

No sourcing of forest risk commodities from unknown/controversial sources

### **Operational coverage**

Direct operations and supply chain





## Commitment target date

2026-2030

### Please explain

As part of Klabin's Sustainability Policy, Forest Certification guidelines and UN Sustainable Development Goals are covered and the organization is committed to continuously compliance them. Klabin forests are FSC® certified, since 1998. Klabin is committed to 100% coverage of FSC® chains of custody and controlled wood/due diligence system to ensure the legal and responsible wood sources. The certification is internationally recognized in the forest business, including as a performance evaluation tool. It attests no conversion of natural habitats after 1994; no deforestation or forest degradation; no land clearance by burning or clearcutting; preservation of High Conservation Value Areas; among others forest environmental and social related issues. It is important to mention, that internally, the GIS team work is fundamental to effecting these commitments. Some tools used: (i)temporal analyzes from Landsat 1994 images, to identify conversion of forests; (ii)satellite monitoring, which allows environmental assessment of PPAs and LRs in accordance with the Brazilian Forest Code; (iii)mapping of rural and traditional communities near of forestry operation. There are some actions taken in 2019: -No conversion and no deforestation: Klabin maintained investments in Legal/Social Forests and Forest Suppliers Certification Programs (126,000 ha certified). The aim is to assist properties' land use adequacy and prevent deforestation. Another highlight is that Klabin and other 37 companies demanded Brazilian government for measures to end deforestation in a public letter, in the first semester 2020. -Restoration: controlled exotics invasive species in 3,000 ha; 55,000 native seedling donated and 3,000 ha PPAs demarcated to preservation in partners' properties, with the aim to contribute to landscape ecology restoration where the company operates, through Legal and Social Forests Program in partnership with NGO Apramavi. -FPIC: Klabin maintains a transparent and close dialogue with communities (local and traditional). In 2019, 15 Klabin's representatives received a training on FPIC. A pilot project was accomplished in a Quilombola community, located in Paraná; about 1.5 kilometers from Klabin's forest areas. Community consent was formalized in December and the pilot project will be used as a reference for the implementation of the FPIC concept in the company.

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## F5. Business strategy

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### F5.1

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	Issues integrated?	Horizon (years)	
Long-term business objectives	Yes, forests-related issues are integrated	>30	Klabin is a forest-based company with 557 thousand hectares, recognized for responsible management, committed to biodiversity. The company works collaboratively with customers and suppliers, driven by innovation and constantly improvement of products and processes to meet a global demand for sustainable products as an alternative to minimize the need for fossil materials. To cater for this demand, our long-term strategic planning is structured to determine the need to expand the productive area and purchase volumes of wood. Remsoft software is used to generate the long-term supply plan, where the following variables are inserted: factory demand, Forest register and production tables and the placement of some restrictions such as: expansion area limits and wood purchase limits. There are in each scenario of the results analyzed: level of self-sustainability, purchase of wood, installation program, age of harvest, distance from the factory, among others. These results are defined according to the expansion scenario that is being studied, which depends on the year of entry of the new units and the product that will be manufactured. In 2019, Klabin released the Puma II project in Ortigueira - Paraná state, which comprises the construction of two paper packaging machines (kraftliner), for integrated pulp production and a total capacity of 920 million tons of paper production. For that, the Forest Partnership Program will be expanded to ensure wood supply and concomitantly environmental assistance programs. In 2019, over R\$ 470 thousand were invested in the Legal Forest Program in Paraná state to help preserve natural forests in partners properties.
Strategy for long-term objectives	Yes, forests-related issues are integrated	>30	Klabin's revenue depends on Pulp and Paper production. Timber is the main raw material for this production. Consequently, the revenue depends on the availability of raw material meet the process demands. Therefore, the strategic for long-term objectives business is also the strategic plan for wood supply. The strategic plan for wood supply was prepared based on the study of supply and demand conducted in 2018. In this study it was possible to identify the stock of the current cycle of wood, which corresponds to 7 years for eucalyptus and 15 years for pine. The result showed that there is a sufficient volume of wood in the region and allowed the identification of pasture areas with potential for forest production that exist within a radius of 150 km from our manufacturing units. This study is performed biannually, so in 2020 there will be a new assessment on the stock of raw material for more 15 years. Simultaneously with the wood supply strategy, Klabin also considers development strategies for responsible land use. Since 2015, Klabin has supported the certification of its suppliers in order to guarantee a sustainable source of raw material and add value to regional production. In 2019, there were more than 600 certified suppliers, equivalent to 126 thousand certified hectares .
Financial planning	Yes, forests-related issues are integrated	>30	Our entire business depends upon the availability of sustainably raw materials sufficient for the production demand of cellulose and paper. In order to ensure our financial commitments and expansion expectations, financial planning is considered for our business sustainability. Klabin's financial planning consists of maintaining adequate debt levels. Part of the expenses with land acquisition and plantations are being made with third party resources. This strategy offers a guarantee for the purchase of wood and can be made based on different agreements - an example: investment by a third party in the purchase of land, in return Klabin is responsible for the technical know-how of forest management.





## F0.1

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**(F6.1) Did you have any timebound and quantifiable targets for increasing sustainable production and/or consumption of your disclosed commodity(ies) that were active during the reporting year?**

Yes

## F6.1a

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**(F6.1a) Provide details of your timebound and quantifiable target(s) for increasing sustainable production and/or consumption of the disclosed commodity(ies), and progress made.**

**Target reference number**

Target 1

**Forest risk commodity**

Timber products

**Type of target**

Third-party certification

**Description of target**

Klabin is a forest-based company with 577 thousand hectares based on responsible management. FSC® certified since 1998. Nowadays, Klabin is able to supply 70% of the raw material for the process, which minimizes the risk about reliable wood origin. The other 30% refers to wood purchased from certified and controlled wood suppliers. In 2019, Paraná and Santa Catarina units purchased certified wood from 141 suppliers and controlled wood from 286 suppliers. São Paulo unit consumed raw material from owned production. Klabin is committed to 100% coverage of FSC chains of custody and controlled wood/due diligence system to ensure the legal, social and environmental responsible wood sources. However, to ensure a long-term supply it is interesting for the company the transition of suppliers from Controlled Wood to FSC® Certificated. Therefore, Klabin actively works to help the smallholders to achieve the certification through technical approach in the Certification Program, since 2015.

**Linked commitment**

Zero net/gross deforestation

**Traceability point**

<Not Applicable>





2015

**Target year**

2030

**Quantitative metric**

<Not Applicable>

**Target (number)**

<Not Applicable>

**Target (%)**

100

**% of target achieved**

54

**Please explain**

Klabin's 2030 target is to have 100% of its wood consumption from certified sources. FSC® is a credible forest certification scheme and widely used in forest sector, and recognized by stakeholders as a standard of sustainable management. The company seeks to have complete control over the origin of raw material, and uses documentation and digital GIS maps to track the wood flows from the forest to the mill, to secure the 100% traceability, Klabin also conducts field audits in suppliers' properties. The target to 100% certified wood was set in 2019, but it is important to mention that the action plan to turn the target achievement possible has started in 2015 with the Forest Suppliers Certification Program. The encouragement to wood suppliers to get certification led to the result of almost 625 farmers with official recognition by the FSC® (126 thousand ha certified). The number has increased 22 times from the start figure, which is a positive result. In 2019, the Program was awarded in the 21st Edition of the Citizen Company Award ADVB / SC, recognized for the Environmental Preservation. In 2019, Klabin was able to supply 70% of the raw material for the process (100% certified wood). The other 30% refers to purchase wood from Controlled Wood suppliers (286 suppliers); independent certified supplier and attended by Klabin Certification Program in groups (141 suppliers). In 2019, Klabin purchased more than 3 million ton of wood from suppliers. Certified wood represented 54% of it. The target is to exponentially increase 5% per year the consumption of certified wood (ton). So, the target is to reach 79% in 2025 and 100% in 2030. Note: it is not possible to disclose the target in number (consumption volume), because this information refers to organization's expansion strategy. Its disclosure could harm the company's competitive potencial.

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**Target reference number**

Target 2





### Description of target

Klabin is a forest-based company with 577 thousand hectares based on responsible management ; 240 thousand hectares are native vegetation for conservation, which represents 43% of total area. The environmental commitment of the company considers monitoring, restoring and preserving these areas. Annually, a third-party consultant monitor the native area's degree of conservation. This is done by surveying species of fauna and flora. Areas of High Conservation Value (almost 19,000 ha in Paraná, Santa Catarina and São Paulo units) and other strategic areas are monitored. Every four years, the consulting company also performs a specific study of restoration status and the succession stage of forests. Because of this analyse, priority areas to restoration intervention (i.e. exotic species control) are establish. Exotic invasive species, such as pine, are a big concern to native ecosystems, because it competes for natural resources with native species and takes over natural areas.

### Linked commitment

Zero net/gross deforestation

### Traceability point

<Not Applicable>

### Third-party certification scheme

<Not Applicable>

### Start year

2017

### Target year

2030

### Quantitative metric

Absolute number

### Target (number)

15000

### Target (%)

<Not Applicable>

### % of target achieved

38

### Please explain

Klabin's 2030 target is to improve the quality and functionality of PPAs (Permanent Preservation Areas). Klabin's native areas represents 240 thousand hectares. One way to seek this objective is invest in exotic invasive species control (such as, pine). To avoid it dispersion and





2030 is been operating on 15,000 hectares throughout the preservation areas. To achieve this goal, the performance of 2019 must be maintained, always considering improvements in the process. The target to 15,000 hectares was set in 2019, but it is important to mention that the action plan to turn the target achievement possible has started in 2017. To first step to meet process improvements, last year (2019) the environmental team implemented in Paraná a tool to collect data field, with the aim to improve the analysis. In this way, the workers use Collector, Esri application, to upload field data of the activity and later the information is connected to an online dashboard that allow environmental team to monitor and analyze the performance of the activity.

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### Target reference number

Target 3

### Forest risk commodity

Timber products

### Type of target

Traceability

### Description of target

Klabin is a forest-based company with 577 thousand hectares based on responsible management. FSC® certified since 1998. Nowadays, Klabin is able to supply 70% of the raw material for the process, which minimizes the risk about reliable wood origin. The other 30% refers to wood purchased from certified and controlled wood suppliers. In 2019, Paraná and Santa Catarina units purchased certified wood from 141 suppliers and controlled wood from 286 suppliers. São Paulo unit consumed raw material from owned production. Klabin is committed to 100% coverage of FSC chains of custody and controlled wood/due diligence system to ensure the legal, social and environmental responsible wood sources. To ensure a long-term supply it is interesting for the company the transition of suppliers from Controlled Wood to FSC Certificated. Therefore, Klabin actively works to help the smallholders to achieve the certification through technical approach in the Certification Program, since 2015.

### Linked commitment

Zero net/gross deforestation

### Traceability point

Forest management unit

### Third-party certification scheme

<Not Applicable>

### Start year





<Not Applicable>

### Target (number)

<Not Applicable>

### Target (%)

100

### % of target achieved

54

### Please explain

Klabin's 2030 target is to have 100% of its wood consumption from certified sources, to ensure a long-term supply and best traceability. FSC® is a credible forest certification scheme and widely used in forest sector, and recognized by Klabin's stakeholders as a standard of sustainable management. Klabin has a due diligence system for raw materials supplied without FSC® certification, guided by the FSC Controlled Wood procedure, guarantees traceability through internal audits that are verified annually by an external auditor in the Chain of Custody audit FSC. In 2019, 650 audits were carried out in Paraná and 501 in Santa Catarina. Approximately 300 suppliers were evaluated. All suppliers of the forestry units are audited by Klabin on a quarterly basis. In case of non-compliance, Klabin stops supplying immediately and sends a recommendation of adequacy. After fulfilling the recommendations, the supplier is audited again and, in the event of no pending issues, the supply contract is resumed. To ensure a long-term supply and best traceability, it is interesting for the company the transition of suppliers from Controlled Wood to FSC Certificated. The target to 100% certified wood was set in 2019, but it is important to mention that the action plan to turn the target achievement possible has started in 2015 with the Forest Suppliers Certification Program. The encouragement to wood suppliers to get certification led to the result of almost 625 farmers with official recognition by the FSC® (126 thousand ha certified). In 2019, Klabin was able to supply 70% of the raw material for the process (100% certified wood). The other 30% refers to purchase wood from Controlled Wood suppliers (286 suppliers); independent certified supplier and attended by Klabin Certification Program in groups (141 suppliers). In 2019, Klabin purchased more than 3 million ton of wood from suppliers. Certified wood represented 54% of it. The target is to exponentially increase 5% per year the consumption of certified wood (ton). So, the target is to reach 79% in 2025 and 100% in 2030. Note: it is not possible to disclose the target in number (consumption volume), because this information refers to organization's expansion strategy. Its disclosure could harm the company's competitive potential.





	Do you have system(s) in place?	Description of traceability system	Exclusions	Description of exclusion
Timber products	Yes	The control of wood supply is the Controllership responsibility. The wood purchase invoice registration in the internal company system (SAP) contain the following data: supplier's registration number (a code) and the origin of the wood as certified or not. Each farm/material has a specific purchase area, which provides reliable control over the origin of the wood. This method ensure the raw material traceability. The entire process is accompanied by audit visits made by the Commercial team. The audit evidence and purchasing documents are maintained for at least 5 years. In 2019, Klabin purchased wood from 264 suppliers in Paraná's unit and 153 in Santa Catarina's unit (represents 30% of total consumption; the other 70% is Klabin own wood supply); 1,150 audits were realized contemplating all suppliers. Working conditions and environmental sustainability are evaluated in those audits. Compliance with Brazilian Forest Code and other regulations are considered; and a characterization of the conservation status of the PPAs and the LRs are made qualitatively. Klabin has a documented due diligence system (DDS) for raw materials supplied without FSC® or Cerflor declarations. It allows to be used as controlled raw material. All raw material suppliers are included in the DDS, which is revisied at least once a year. Klabin performs an internal audit to ensure that the system is being applied correctly. The following operational procedures are used to guide the perform: FCO-PRO-COM-0002 - Controlled Wood; SmartWood Guidelines for Chain of Custody; FSC® Standards for Chain of Custody; among others. In February 2019, after Chain of Custody (CoC) certification audit, Klabin identified a weakness in the certification control system. As a result, an action plan to improve the procedure was implemented. In November 2019, the FSC® and Cerflor Certification Control in Klabin's SAP system was updated. In the new scenario, the information is assigned in blocks that guarantee traceability of the place of harvest; material and species; certification flag; and the historic of changes in the Status data. The updated list of suppliers is maintained in a spreadsheet and can be issued by SAP for purchase orders for active wood suppliers. When the supplier ends the harvest, the purchase order of the same is finalized; movements with integration into the scales are impossible.	Not applicable	<Not Applicable >
Palm oil	<Not Applicable >	<Not Applicable>	<Not Applicable >	<Not Applicable >
Cattle products	<Not Applicable >	<Not Applicable>	<Not Applicable >	<Not Applicable >
Soy	<Not Applicable >	<Not Applicable>	<Not Applicable >	<Not Applicable >
Other - Rubber	<Not Applicable >	<Not Applicable>	<Not Applicable >	<Not Applicable >





Other - Coffee	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
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## F6.2a

**(F6.2a) Provide details on the level of traceability your organization has for its disclosed commodity(ies).**

Forest risk commodity	Point to which commodity is traceable	% of total production/consumption volume traceable
Timber products	Forest management unit	100

## F6.3

**(F6.3) Have you adopted any third-party certification scheme(s) for your disclosed commodity(ies)? Indicate the volume and percentage of your certified production and/or consumption.**

### Forest risk commodity

Timber products

### Third-party certification scheme

FSC Chain of Custody

### Certification coverage

Consumption volume

### % of total production/consumption volume certified

100

### Form of commodity

Hardwood logs

Softwood logs

### Volume of production/ consumption certified





FSC® Certification attests the sustainable forest management. FSC® Chain of custody (CoC) certification guarantees traceability of the raw material in the value chain. 12 million ton was the total wood consumed in the process, in 2019 verified by CoC third-party audit. The control of wood supply is the Controllership responsibility. Registration of wood purchase invoice into the internal company system (SAP) contain the following data: supplier's registration number (a code) and the origin of the wood as certified or not. Each farm/material has a specific purchase area, which provides reliable control over the origin of the wood. This method ensure the control of the Chain of Custody (CoC). 70% of the total raw material (timber) used in the process refers to the FSC certified timber produced by Klabin itself. Klabin has a documented due diligence system (DDS) for raw materials supplied without FSC® declarations. It allows to be used as controlled raw material; or to be sold under the FSC Controlled Wood declaration. All raw material suppliers are included in the DDS, which is revised at least once a year. Klabin performs an internal audit to ensure that the system is being applied correctly. The following operational procedures are used to guide the perform: FCO-PRO-COM-0002 - Controlled Wood; Klabin's Wood Purchasing Policy; SmartWood Guidelines for Chain of Custody; and FSC® Standards for Chain of Custody; among others. The following action was taken in 2019 can be highlighted as important for the improvement in Klabin's certification system: In February 2019, after Chain of Custody (CoC) certification audit, Klabin identified a weakness in the certification control system. As a result, an action plan to improve the procedure was implemented. In November 2019, the FSC® and Cerflor Certification Control in Klabin's SAP system was updated. In the new scenario, the information is assigned in blocks that guarantee traceability of the place of harvest; material and species; certification flag; and the historic of changes in the Status data. The updated list of suppliers, including mixed chip and 100% process suppliers is maintained in a spreadsheet and can be issued by SAP for purchase orders for active wood suppliers. When the supplier ends the harvest, the purchase order of the same is finalized; movements with integration into the scales are impossible.

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### Forest risk commodity

Timber products

### Third-party certification scheme

PEFC Sustainable Forest Management certification

### Certification coverage

Production volume

### % of total production/consumption volume certified

100

### Form of commodity

Hardwood logs





Metric tons

### Please explain

Klabin is the first paper and pulp company in Southern Hemisphere to achieve FSC® certification forests and the world's first company to be certified in non-wood forestry products, in 1998. FSC® Certification attests to the correct management of the forest, based on ten principles, among them: the efficient use of the multiple forest products and services, well-being of employees and communities, conservation and biodiversity, detailed management plan, monitoring and assessment of environmental and social impacts. 9 million ton is the total Klabin's wood production (Paraná, Santa Catarina and São Paulo units) used in process, in 2019. Klabin is able to supply 70% of the total raw material used in the process, which minimizes the risk about reliable wood origin. Environmental team performs internal audits to ensure that the management guidelines are being applied correctly in field. Internal operational procedures, which consider FSC® Forest Management principles, are used to guide the operational perform. Each activity has your own procedure considering it best practices and risks (for example, harvesting activity). Forest Quality team is responsible for update and review the procedures annually. The following action was taken in 2019 and can be highlighted as important for the improvement in Klabin's certification system: Klabin's participation in national and international associations and organizations as an associate, member of committees and as a member of boards reinforces sustainability governance and the company's commitment to strengthening dialogue. In 2019, the appointment of Klabin in FSC, IBÁ and IPEF committees were fundamental to understand the regulation context inside and outside the company to guide Klabin's business strategy and improve internal process to maintain the exemplary results on third party certification audits.

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### Forest risk commodity

Timber products

### Third-party certification scheme

PEFC National forest certification system

### Certification coverage

Production volume

### % of total production/consumption volume certified

77

### Form of commodity

Hardwood logs

Softwood logs

### Volume of production/ consumption certified





Brazilian Forestry Certification Program (Cerflor) is internationally recognized by PEFC. The Certification attests to the sustainable forest management. Paraná forest unit is both FSC® (since 1998) and Cerflor (since 2017) certified, while Santa Catarina and São Paulo are FSC® certified. Considering the total production volume used by the organization (PR, SC and SP units) in 2019 = 8.929.793 ton And the total production volume Cerflor certified (PR) used in the process in 2019 = 6.900.659 ton % of total production volume Cerflor certified = 77

Klabin's environmental team performs internal audits to ensure that the management guidelines are being applied correctly in field. Internal operational procedures, which consider Cerflor Forest Management principles, are used to guide the operational perform. Each activity has your own procedure considering it best practices and risks (for example, harvesting activity). Forest Quality team is responsible for update and review the procedures annually. The following action was taken in 2019 and can be highlighted as important for the improvement in Klabin's certification system: Klabin's participation in national and international associations and organizations as an associate, member of committees or committees and as a member of boards reinforces sustainability governance and the company's commitment to strengthening dialogue. In 2019, the appointment of Klabin in IBÁ and IPEF committees were fundamental to understand the regulation context inside and outside the company to guide Klabin's business strategy and improve internal process to maintain the exemplary results of certification audits.

## F6.4

**(F6.4) For your disclosed commodity(ies), do you have a system to control, monitor, or verify compliance with no conversion and/or no deforestation commitments?**

	A system to control, monitor or verify compliance	Comment
Timber products	Yes, we have a system in place for our no conversion and/or deforestation commitments	<Not Applicable>
Palm oil	<Not Applicable>	<Not Applicable>
Cattle products	<Not Applicable>	<Not Applicable>
Soy	<Not Applicable>	<Not Applicable>
Other - Rubber	<Not Applicable>	<Not Applicable>
Other - Cocoa	<Not Applicable>	<Not Applicable>





## F6.4a

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**(F6.4a) Provide details on the system, the approaches used to monitor compliance, the quantitative progress, and the non-compliance protocols, to implement your no conversion and/or deforestation commitment(s).**

### **Forest risk commodity**

Timber products

### **Operational coverage**

Direct operations

Supply chain

### **Description of control systems**

Forest management is the most important part of Klabin's risk control. Compliance with Brazilian Forest Code must be considered throughout the value chain. FSC® and Cerflor/PEFC audits and guidelines are important references in the risk mapping process. Both are implemented due to their importance to the forestry business. Annually, Klabin is audited by a team of outsourced auditors to evaluate the Principles and Criteria of the certifications. Control system is done by satellite monitoring and field evaluations. Klabin's GIS team is responsible for updating own, leased and third-party areas images through satellite monitoring. The images have a 3-meter resolution and are updated every two days. The information is available via printed maps, intranet, local support, digital cartographic database and mobility tools that enable monitoring compliance with environmental requirements. For on-site evaluation, Environmental and Commercial team are responsible for applying field audits.

### **Monitoring and verification approach**

Geospatial monitoring tool

Ground-based monitoring system

First-party verification

Third-party verification

### **% of total volume in compliance**

100%

### **% of total suppliers in compliance**

100%

### **Response to supplier non-compliance**

Suspend & engage

### **Procedures to address and resolve non-compliance with suppliers**





### Please explain

Annually, the forestry unit is audited by a outsourced auditors who evaluate the Principles and Criteria of FSC® (in all units) and Brazilian Forest Certification Program – Cerflor (in Paraná unit). The first principle of both certifications refers to compliance with the laws applicable to the country where the company operates. Moreover, the Chain of Custody (CoC) certification ensures that suppliers also undertake to comply the laws, which is verified in the traceability of raw materials through field and documentary audits. The not certified timber coming from suppliers is covered by a procedure called FSC® Controlled Wood, which guarantees that this production of timber is made precisely and covers the main subjects of sustainability. In 2019, 1151 audits were applied in suppliers' properties in Paraná and Santa Catarina. All suppliers of the forestry units are audited by Klabin's Commercial team on a quarterly basis. In case of non-compliance, Klabin stops supplying immediately and sends a recommendation of adequacy. After fulfilling the recommendations, the supplier is audited again and, in the event of no pending issues, the supply contract is resumed. Klabin measures the success by compliance percentage of sustainability parameters. The checklist has labor and human rights, environmental and social aspects and it is used to measure of success of the engagement. In 2019, 96.7% of the evaluated items involved were attended; 2020's target is to reach 100%.

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## F6.5

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**(F6.5) For your disclosed commodity(ies), indicate if you collect data regarding your own compliance and/or the compliance of your suppliers with the Brazilian Forest Code.**

	Do you collect data regarding compliance with the Brazilian Forest Code?	Please explain





	the Brazilian Forest Code?	
Timber products	Yes, from both suppliers and owned/managed land	The sustainable forest management is the most important part of our risk control, therefore the compliance with the Brazilian Forest Code must be part of our routine. Klabin's Geographic Information System team is responsible for updating own, leased and third-party areas images through satellite monitoring and environmental adjustment. The images have a 3-meter resolution and are updated every two days, the information is available for forest co-workers via printed maps, intranet, local support, digital cartographic database and mobility tools that enable monitoring compliance with environmental requirements. For on-site evaluation, Klabin has an Environmental team composed by technicians and specialists, which applies internal audits in own, leased and partnership areas to ensure that the operations are in accordance with legislation. In third-party areas, the Commercial team is responsible for applying audits in accordance with the FSC Controlled Wood standard, which involves verifying the CAR registration, property and operation documents, among field evaluations. Annually, the forestry unit is audited by a team of outsourced auditors who evaluate the Principles and Criteria of the Forest Stewardship Council® – FSC® (in all units) and Brazilian Forest Certification Program – Cerflor (in Paraná unit). The first principle of both certifications refers to compliance with the laws applicable to the country where the company operates. Moreover, the Chain of Custody (CoC) certification ensures that suppliers also undertake to comply with environmental laws, which is verified in the traceability of raw materials through field and documentary audits.
Palm oil	<Not Applicable>	<Not Applicable>
Cattle products	<Not Applicable>	<Not Applicable>
Soy	<Not Applicable>	<Not Applicable>
Other - Rubber	<Not Applicable>	<Not Applicable>
Other - Cocoa	<Not Applicable>	<Not Applicable>
Other - Coffee	<Not Applicable>	<Not Applicable>

## F6.5a

**(F6.5a) For your disclosed commodity(ies), indicate which Key Performance Indicators (KPIs) you use to measure your own compliance with the Brazilian Forest Code and your performance against these indicator(s).**

### Forest risk commodity

Timber products





## Performance against indicators

91-100%

### Please explain

The management of the commodity is very important to ensure the lowest financial, operational and legal risk for the company. The Land Use team manages information from official databases, such as property registrations and CAR. There is an internal tool to manage these information. Also is the team responsibility processing the property area information by remote sensing, generating a temporal analysis of forest conversion by using LandSat 1994 images and maps of land use, including the identification of proximity to communities and environmental readjustment of PPA and LRs, according to guidelines Brazilian Forest Code.

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## Forest risk commodity

Timber products

### KPIs

% of owned and/or managed properties with Legal Reserve (RL) and/or Permanent Protected Area (APP) deficit

## Performance against indicators

91-100%

### Please explain

The environmental management of the commodity is very important to ensure the lowest financial, operational and legal risk for the company. The Land Use team manages information from official databases, such as the register with Legal Reserve (LR). The GIS team is responsible for analyzing the property registrations to verify the SISLEG term, and a satellite image analysis to verify if the preservation areas are adequate according to the Brazilian Forest Code guidelines. Klabin total owned/manage area is 557 thousand hectares; 240 thousand hectares refers to native vegetation destined to conservation, so 43% of Klabin area is conserved (PPA and LR). Brazilian Forest Code requires that at least 20% of the property area must be intended for conservation (PPA and LR). Therefore, is possible to affirm that Klabin has no Legal Reserve (LR) and/or Permanent Protected Area (PPA) deficit.

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## Forest risk commodity

Timber products

### KPIs

% of owned and/or managed properties with signed Terms of Commitment of the Environmental Regularization Program (PRA)

## Performance against indicators





(PRA) in progress. In Paraná state, the environmental agenda issued the PRA guidelines in July 2020. It is in the medium-term planning to sign the PRA. Internal tool to monitor compliance with environmental adequacy plans is under preparation.

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### Forest risk commodity

Timber products

### KPIs

% of owned and/or managed properties with no gross deforestation after July 2008

### Performance against indicators

91-100%

### Please explain

The environmental management of the commodity is very important to ensure the lowest financial, operational and legal risk for the company. Klabin neither acquires nor leases properties that underwent deforestation after 1994, as per the criteria of the Forest Stewardship Council (FSC). The GIS team is responsible for processing this information by remote sensing, using LandSat 1994 images that allow a temporal analysis of forest conversion. In 2019, the land negotiation process was revised and structured in an internal system to track the status of analysis. The conversion analysis is one of the requirements to proceed with the land negotiation, amongst the analysis of the official documents (CAR). If the conversion of forests is identified, the negotiation process is blocked. Also, GIS team is responsible for satellite monitoring (Planet and Sentinel-2). Every two days the images (with a 3-meter resolution) are updated, which enables environmental monitoring. Complementary to image analysis, Klabin manages records made in Esri's Survey 123 app by co-workers in the field. The notes made are linked to a georeferenced panel that allows the responsible areas (such as Property Protection and Environmental teams) to manage forest occurrences, such as PPA invasion or degradation.

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## F6.5b

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**(F6.5b) For your disclosed commodity(ies), indicate which Key Performance Indicators (KPIs) you use to measure the compliance of your suppliers with the Brazilian Forest Code and their performance against these indicator(s).**

### Forest risk commodity

Timber products





## Performance against indicators

100%

### Please explain

The environmental compliance of supply chain is very important to ensure the lowest financial, operational and legal risk for the company. Certified FSC® and Cerflor CoC systems provide mechanisms of traceability, which ensures the minimum commitment with biodiversity. Annually, a third-party verified forest certification beyond legally based requirements. 100% of suppliers' properties are registered in CAR (Rural environmental registry). Commercial team is responsible to manage this information. The GIS team assists by analyzing satellite images to verify if the land use and the preservation are adequate according to Brazilian Forest Code.

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## Forest risk commodity

Timber products

### KPIs

% of suppliers with Legal Reserve (RL) and/or Permanent Protected Area (APP) deficit

## Performance against indicators

100%

### Please explain

The environmental compliance of supply chain is very important to ensure the lowest financial, operational and legal risk for the company. Certified FSC and Cerflor CoC systems provide mechanisms of traceability, which ensures the minimum commitment with biodiversity. Annually, a third-party verified forest certification beyond legally based requirements. 100% of the suppliers are monitored as to their compliance with the law on Legal Reserve (LR) and Permanent Preservation Areas (PPA). The GIS team assists by analyzing satellite images to verify if the preservation is adequate according to the Brazilian Forest Code and Commercial team is responsible for auditing suppliers' properties to verify actual regulations compliance. In 2019, Klabin purchased wood from 264 suppliers in Paraná's unit and 153 in Santa Catarina's unit; 650 internal audits were realized in Paraná and 501 in Santa Catarina, contemplating all suppliers. In these audits, environmental sustainability are evaluated. Compliance with Brazilian Forest Code and other regulations are considered. The following operational procedures are used to guide the supplier monitoring performance: FCO-PRO-COM-0002 - Controlled Wood; Klabin's Wood Purchasing Policy; SmartWood Guidelines for Chain of Custody; and FSC® Standards for Chain of Custody.

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## Forest risk commodity

Timber products





## Performance against indicators

100%

### Please explain

The environmental compliance of supply chain is very important to ensure the lowest financial, operational and legal risk for the company. Commercial department is responsible to manage 100% of supplier documentation. Also, is responsible for auditing suppliers' properties to verify actual compliance with Brazilian Forest Code and other regulations. In 2019, Klabin purchased wood from 264 suppliers in Paraná's unit and 153 in Santa Catarina's unit; 650 internal audits were realized in Paraná and 501 in Santa Catarina, contemplating all suppliers. Certified FSC and Cerflor CoC systems provide mechanisms of traceability, which ensures the minimum commitment with biodiversity. Annually, a third-party verified forest certification beyond legally based requirements. Klabin has a documented due diligence system (DDS) for raw materials supplied without FSC® or Cerflor declarations. It allows to be used as controlled raw material; or to be sold under the FSC Controlled Wood declaration. All raw material suppliers are included in the DDS. Klabin analyzes and, if necessary, revises its DDS at least once a year and performs an internal audit to ensure that the system is being applied correctly. The following operational procedures are used to guide the supplier monitoring performance: FCO-PRO-COM-0002 - Controlled Wood; Klabin's Wood Purchasing Policy; Smart-Wood Guidelines for Chain of Custody; and FSC® Standards for Chain of Custody.

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## Forest risk commodity

Timber products

### KPIs

% of suppliers with no gross deforestation after July 2008

## Performance against indicators

100%

### Please explain

The environmental compliance of supply chain is very important to ensure the lowest financial, operational and legal risk for the company. Certified FSC and Cerflor CoC systems provide mechanisms of traceability, which ensures the minimum commitment with biodiversity. Annually, a third party verified forest certification beyond legally based requirements. FSC certification has as criteria do not accept properties that underwent conversion/deforestation after 1994. Commercial department is responsible to manage supplier commitment by applying audits in suppliers' properties to verify actual compliance with Brazilian Forest Code and other regulations. In 2019, Klabin purchased wood from 264 suppliers in Paraná's unit and 153 in Santa Catarina's unit; 650 internal audits were realized in Paraná and 501 in Santa Catarina, contemplating all suppliers. Klabin has a documented due diligence system (DDS) for raw materials supplied without FSC® or Cerflor declarations





## F6.6

**(F6.6) For your disclosed commodity(ies), indicate if you assess your own compliance and/or the compliance of your suppliers with forest regulations and/or mandatory standards.**

	Assess legal compliance with forest regulations	Please explain
Timber products	Yes, from both suppliers and owned/managed land	<Not Applicable>
Palm oil	<Not Applicable>	<Not Applicable>
Cattle products	<Not Applicable>	<Not Applicable>
Soy	<Not Applicable>	<Not Applicable>
Other - Rubber	<Not Applicable>	<Not Applicable>
Other - Cocoa	<Not Applicable>	<Not Applicable>
Other - Coffee	<Not Applicable>	<Not Applicable>

## F6.6a

**(F6.6a) For you disclosed commodity(ies), indicate how you ensure legal compliance with forest regulations and/or mandatory standards.**

### Timber products

#### Procedure to ensure legal compliance

The sustainable forest management is the most important part of our risk control, therefore the compliance to Brazilian Forest Code and other regulations must be concerned to ensure the lowest financial, operational and legal risk for the company. The company's legal area continuously monitors and maps these regulations; and internal tools are used in this process. As part of Klabin's Sustainability Policy, Forest Certification guidelines are covered and the organization is committed to continuously compliance them. FSC® and Cerflor are implemented due to their importance to the forestry business. Klabin's stakeholders internationally recognize them, what contributes to risk management security. Annually, forestry unit is audited by third parties regarding the FSC® Principles and Criteria (in all units) and Cerflor / PEFC (Paraná unit). The first principle of both certifications refers to compliance with the laws applicable to the country where the company operates. Klabin forestry unit operates in





ment. The images have a 3-meter resolution and are updated every two days. The information is available via printed maps, intranet, local support, digital cartographic database and mobility tools that enable monitoring compliance with environmental requirements. For on-site evaluation, - Environmental team, composed by technicians and specialists, applies internal audits in own, leased and partnership areas to ensure that the operations are in accordance with legislation. And Commercial team is responsible for applying audits in supplier's properties in accordance with the FSC® Controlled Wood standard. All suppliers of the forestry units are audited on a quarterly basis. In 2019, 1151 internal audits were realized. In case of non-compliance, Klabin stops supplying immediately and sends a recommendation of adequacy.

### Country/Area of origin

Brazil

### Law and/or mandatory standard(s)

Brazilian Forest Code

### Comment

The Brazilian Forest Code is the law that establishes the general rules on native vegetation of the Brazilian territory. To achieve its preservation objective, the code established the Legal Reserve and the Permanent Preservation Area (PPA). The Legal Reserve is the portion of each rural property that must be conserved as a representative natural area necessary for the maintenance of local biodiversity. While Permanent Preservation Areas preserves fragile places, such as river banks, hill tops and slopes. Klabin is reconized for you environmental compliance. It is pioneer in adopting the mosaic technique, which consists of planted forests interspersed with native forests for conservation, forming ecological corridors that enable the coexistence and transit of native fauna in their natural habitat. In addition to directly contributing to the protection of soil, water and biodiversity. 43% of Klabin's forest areas are designed to conservation - 240 thousand hectares in three Brazil's region: São Paulo, Santa Catarina and Paraná states. Compliance with Brazilian Forest Code is concerned in Klabin's Sustainability Policy and risk management. The organization recognizes that positive performance on biodiversity can enhance a company's standing among outside stakeholders and create real business value. For this reason, the organization always considers investments in tools, methods or plans to assess forest regulations compliance.

## F6.7

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### **(F6.7) Are you working with smallholders to support good agricultural practices and reduce deforestation and/or conversion of natural ecosystems?**

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		Approach			
Timber products	Yes, working with smallholders	Capacity building Financial and commercial incentives	Offering on-site technical assistance and extension services Providing agricultural inputs Organizing capacity building events Financial incentives for certified products	1680	Since 2005, Klabin has helped landowners in Paraná (PR) and Santa Catarina (SC) states to use their land sustainably by encouraging the recovery of native forest remnants; silviculture with responsible methods; and decrease the rural exodus, helping to improve the quality of life and to improve forest development regional. The Legal Forest Program is conducted in partnership with Apremavi (Association for the Environment and Life's Preservation). In 15 years (2005-2019), more than 1,180 owners were assisted and more than 1,000,000 of native seedlings were donated. As an extension of the implementation of the Legal Forests Program, in 2015, Klabin began the Supplier Forest Certification Program in the region of Campos Gerais (PR) and in 2017 in the region of Planalto Serrano (SC), seeking to raise the quality standard of forest management regional. The efforts to our wood suppliers to get certification by providing technical assistance and financial incentive led to the result of 625 producers certified in 2019, by the FSC® seal - about 126,000 hectares certified. The initiative is a part of our goal to gradually change the standards from Controlled Wood to FSC Certified Wood. Annually the company purchase wood from about 400 suppliers, in 2019, approximately half of them were certified. It is important to note that the commodity is a 7 (eucalyptus) and 15 (pine) cutting cycle, therefore the supply of wood by the same smallholder is not continuous. For this reason, is fundamental the effort to encourage the certification of new suppliers. Another strategy is offer benefits in the price per ton of wood if certificated until the date of harvesting. In 2019, the benefit was around 20% over the price of non-certified wood. Every year, Klabin organizes a meeting with producers certified by the program with the aim to exchange experiences between them and create a bond of trust between them and Klabin. Besides forest commodity, in 2015, the Social Forest Program was launched in partnership with the Apremavi, The Nature Conservancy (TNC) and the Brazilian Micro and Small Business Support Service (Sebrae) in Paraná state, with the goal of strengthening the economic, environmental and social conditions of small and mid-sized rural properties (i.g. olericulture). Until the date, the program reached 500 smallholders and 200,000 native seedlings were donated.
Palm oil	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>





		approach			
Soy	<Not Applicable>				
Other - Rubber	<Not Applicable>				
Other - Cocoa	<Not Applicable>				
Other - Coffee	<Not Applicable>				

## F6.8

**(F6.8) Are you working with your direct suppliers to support and improve their capacity to comply with your forests-related policies, commitments, and other requirements?**

	Are you working with direct suppliers?	Type of direct supplier engagement approach	Direct supplier engagement approach	% of suppliers engaged	Please explain





	Direct suppliers?	Engagement approach			
Timber products	Yes, working with direct suppliers	Supply chain mapping Capacity building Financial and commercial incentives	Supplier questionnaires on environmental and social indicators Supplier audits Offering on-site training and technical assistance Organizing capacity building events Financial incentives for certified products	41-50%	Since 2005, Klabin has helped landowners in Paraná (PR) and Santa Catarina (SC) states to use their land sustainably by encouraging the recovery of native forest remnants; silviculture with responsible methods; and decrease the rural exodus, helping to improve the quality of life and to improve forest development regional. The Legal Forest Program is conducted in partnership with Apremavi (NGO). In 15 years (2005-2009), more than 1,180 owners were assisted since the creation of the project and more than 1,000,000 of native seedlings were donated. As an extension of the implementation of the Legal Forest Program, in 2015, Klabin began the Supplier Forest Certification Program in the region of Campos Gerais (PR) and in 2017, in the region of Planalto Serrano (SC), seeking to raise the quality standard of forest management regional. The efforts to our wood suppliers to get certification by providing technical assistance and financial incentive led to the result of 625 producers certified in 2019, by the FSC® seal - about 126.000 hectares certified. The initiative is a part of our goal to reach 100% certified wood used in our production process. The initiative is a part of our goal to gradually change the standards from Controlled Wood to FSC Certified Wood. Annually the company purchase wood from about 400 suppliers, in 2019, approximately half of them were certified. It is important to note that the commodity is a 7 (eucalyptus) and 15 (pine) cutting cycle, therefore the supply of wood by the same smallholder is not continuous. For this reason, is fundamental the effort to encourage the certification of new suppliers. Another strategy is offer benefits in the price per ton of wood if certificated until the date of harvesting. In 2019, the benefit was around 20% over the price of non-certified wood. Every year, Klabin organizes a meeting with producers certified by the program with the aim to exchange experiences between them and create a bond of trust between them and Klabin. In 2019, Klabin applied the first risk assessment of suppliers with the Ecovadis tool, which uses ESG as methodology. In 2020, the objective will be to collaboratively develop action plans aimed at the weaknesses of each supplier.
Palm oil	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Cattle products	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Soy	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>





	Direct suppliers?	Engagement approach			
Other - Rubber	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other - Cocoa	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other - Coffee	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>

## F6.9

### (F6.9) Are you working beyond your first-tier supplier(s) to manage and mitigate deforestation risks?

	Are you working beyond first tier?	Type of engagement approach with indirect suppliers	Indirect supplier engagement approach	Please explain
Timber products	Not applicable	<Not Applicable>	<Not Applicable>	Klabin's business model has The Forest Fostering Program, a partnership with the local land-based producers (properties in a range of 150 km away from our mills in Paraná and Santa Catarina) to expand and diversify the income of communities close to its units by planting forests on rural properties. At the same time, these producers represent an important link in the company's wood supply chain. In that way, our first tier supply chain is the small partner-producer farmer, so our first tier is the last one as well. All that producers are also participants of the Legal Forest Program, which guides forestry producers to comply with the Forest Code and improve the environmental condition of their property.
Palm oil	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Cattle products	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Soy	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other -	<Not	<Not	<Not	<Not Applicable>





	not applicable	with indirect suppliers	approach	
Other - Cocoa	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other - Coffee	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>

## F6.10

**(F6.10) Do you participate in external activities and/or initiatives to promote the implementation of your forests-related policies and commitments?**

### Forest risk commodity

Timber products

### Do you participate in activities/initiatives?

Yes

### Activities

Involved in multi-partnership or stakeholder initiatives

### Initiatives

UN Global Compact

Forest Stewardship Council (FSC)

Programme for the Endorsement of Forest Certification (PEFC)

Other, please specify (Brazilian Alliance on Climate, Forests and Agriculture; The Forests Dialogue; Forestry Research Institute (IPEF).)

### Jurisdictional approaches

<Not Applicable>

### Please explain

Klabin management is guided towards Sustainable Development, seeking integrated and responsible growth, combining profitability, social development and environmental commitment. The company participates in national and international organizations, to reinforce sustainability governance and company's commitment to strengthening dialogue. For 20 years relating to the FSC® organization, Klabin Forestry Sustainability Consultant was elected as a member of the International Board of Directors, in 2019. Klabin was the first in the Southern





This Politic concerns about the use of pesticides identified as restricted use. As a result of these involvement, Environmental and Social Risk Assessment (ARAS) was developed. In 2017, Paraná unit also earned the Cerflor/PEFC certificate to reinforce the forest-related commitment, recognized by stakeholders. Klabin participates in committees intended to influence public policies on forest-related issues. Klabin Forestry Sustainability Consultant participates directly in Brazilian Alliance on Climate, Forests and Agriculture, a multi-sector alliance; and in Forest Dialogue, a platform to engage stakeholders in economic, social and environmental initiatives related to sustainable forest. Klabin's technical representatives are committed to brazilian Forestry Research Institute (IPEF) on issues such as: Forestry Certification; Integrated Management of Exotic Pests; and Monitoring of Water Resources. Klabin has been part of the B3 Corporate Sustainability Index and is a signatory to UN Global Compact and National Pact for the Eradication of Slave Labor, seeking suppliers and business partners that follow the same values of ethics. In 2019, Klabin participated in the Global Compact Brazil Network event, to debate Brazilian private sector initiatives in the SDGs application.

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### Forest risk commodity

Timber products

### Do you participate in activities/initiatives?

Yes

### Activities

Involved in jurisdictional approaches

### Initiatives

<Not Applicable>

### Jurisdictional approaches

Verified Sourcing Areas

Forests, Farms and Finance Initiative

### Please explain

Jurisdictional approaches to sustainable development are essential to address issues linked to deforestation and rural development. Sustainable investments to finance business in the region have a fundamental role in this action. Klabin is a forest-based company recognized for responsible management, committed to biodiversity. The company works collaboratively with suppliers, driven by regional development. The great highlight in this sense is Klabin's Forest Partnership Program. The Forest Partnership Program is a partnership between Klabin and rural producers within a radius of 150 km from the mill. The basis of support for the program is the direct participation of the community, the State and the municipalities in the region. The program has started in 1987 with the participation of four municipalities. In 1991





small producers; distribute the income and benefits generated by reforestation through the formation of partners; adding idle areas to the production process, offering another source of income for rural producers; act in support of governmental activities, aiming at forming a forest mentality in the region. In 2019, Klabin had 2,747 active contracts in this modality. Since 2008, the program has been supported by the Legal Forest Program, a partnership between Klabin and the environmental NGO Apremavi, with the aim of promoting environmental suitability of properties; control soil erosion; and protect watersheds. In 2019, over R\$ 470 thousand were invested in the Legal Forest Program in Paraná state to help preserve natural forests in partner's properties.

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### Forest risk commodity

Timber products

### Do you participate in activities/initiatives?

Yes

#### Activities

Engaging with policymakers or governments

#### Initiatives

<Not Applicable>

#### Jurisdictional approaches

<Not Applicable>

### Please explain

The commitment to Local Development is part of Klabin essence and is registered in our Sustainability Policy. It is promoted through engagement of communities, policymakers and governments. An economic, environmental and social agenda is built with the participation of different stakeholders. In 2019, Local Development Forum of Angatuba (SP) was created. Activities in Correia Pinto and Lages (SC) have been executed for four years. The proposal is to involve several actors from organized civil society, including Klabin, to seek a continuous improvement of the territory management model. The initiative has been improved with the application of the Social Progress Index (IPS), a methodology that measures items on the territory quality of life, independently of economic development. At the meetings in Angatuba, priority was given to actions on the fronts of education and sustainability, such as meetings on Sustainable Cities and the creation of a Geopark in the municipality, and the projects "Community at School" and "Project Water Springs" for the long term (in 5 years). In 2019, Klabin also expanded the Public Management Support Program in Paraná. The municipal administrations of Sapopema, Curiúva, Reserva and Tibagi had the help of specialized consultants to plan actions and management. The objective is to seek the balance of public accounts, optimizing the use of resources. In 2019, R\$ 520 thousand were invested to hire this





offered. The initiative received R\$ 35 million in investments and is a partnership between Klabin, the Government of the State of Paraná and the Municipality of Ortigueira to contribute to the training of qualified work for the sector. According to the Brazilian Tree Industry (Ibá), projects related to the increase in forest plantations, expansion of factories and new units that work with forest raw material should add up to R\$ 32.9 billion in investments, between 2020 and 2023.

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## F6.11

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**(F6.11) Is your organization supporting or implementing project(s) focused on ecosystem restoration and protection?**

Yes

### F6.11 a

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**(F6.11 a) Provide details on your project(s), including the extent, duration, and monitoring frequency. Please specify any measured outcome(s).**

**Project reference**

Project 1

**Project type**

Forest ecosystem restoration

**Primary motivation**

Voluntary

**Description of project**

Klabin has direct and indirect interference in the socioeconomic dynamics of the communities in the municipalities where operate. Thus, the organization invests voluntarily in the territory, in order to benefit the entire population from initiatives in the areas of local development, education, culture and environmental education. The Forest Partnership Program is a partnership between Klabin and rural producers within a radius of 150 km from the mill. The main objectives of the program are: reduce the rural exodus of small producers; distribute the income and benefits generated by reforestation through the formation of partners; adding idle areas to the production process, offering another source of income for rural producers; act in





natural resources. In Paraná, more than 672.000 native seedlings have already been distributed among 845 property owners, since 2008. In Santa Catarina more than 328.000 seedlings among 339 property owners, since 2005. Furthermore, the sum of good practices opened up the possibility for the Forest Supplier Certification Program in both states. In 2019, a total of 625 suppliers were certified – approximately 126 thousand hectares. Change the standard of Controlled Wood to Certified Wood is interesting for Klabin to ensure a long-term purchasing of sustainable raw material and also it is interesting for the smallholders that gain value in their product because the certification.

**Start year**

2005

**Target year**

Indefinitely

**Project area to date (Hectares)**

18000

**Project area in the target year (Hectares)**

20000

**Country/Area**

Brazil

**Latitude**

-24.450455

**Longitude**

-50.866636

**Monitoring frequency**

Six-monthly or more frequently

**Measured outcomes to date**

Biodiversity

**Please explain**

The Legal Forest Program was launched in Santa Catarina in 2005; and in Paraná unit in 2008. Its development is uninterrupted. A joint venture between the Association for the Environment and Life's Preservation (Apremavi) and Klabin. The program aims to restore supplier's PPAs and LRs in accordance with Brazilian Forest Code. The majority of small farmers attended by the program participate in the company's Forest Partnership Program. The essence is an encouragement to rural property planning, with adaptation to the laws in force, consequently promoting environmental education and conservation, using the concept





distributed among 845 property owners in Paraná; and more than 328.000 native seedlings among 339 property owners in Santa Catarina. A total of 18 thousand hectares of PPAs and LRs were demarcated to conservation.

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### Project reference

Project 2

### Project type

Forest ecosystem restoration

### Primary motivation

Voluntary

### Description of project

Klabin has direct and indirect interference in the socioeconomic dynamics of the communities in the municipalities where operate. Thus, the organization invests voluntarily in the territory, in order to benefit the entire population from initiatives in the areas of local development, education, culture and environmental education. The Social Forest Program has been developed since 2015 in partnership with Apremavi, Sebrae and Telêmaco Borba, Ortigueira, Imbaú and Reserva City Halls (Paraná state). In 2019, the program was expanded to five more municipalities: Sapopema, Curiúva, São Jerônimo da Serra, Tibagi and Cândido de Abreu. The initiative encourages family farming and assists small rural producers in all stages of production, from environmental adaptation to the commercialization of products in local markets, through the diversification of property and incentives to associations and cooperatives. In addition, it offers training actions involving agricultural management, livestock, organic production and environmental education, among others. For four years (2015-2019), more than 500 rural properties participated in this Program; up to 60% increase in the income of small rural producers dedicated to family farming; increase in food production and sale to new markets; and reduction in the use of pesticides.

### Start year

2015

### Target year

Indefinitely

### Project area to date (Hectares)

1600

### Project area in the target year (Hectares)

2500

### Country/Area





-50.866636

### Monitoring frequency

Six-monthly or more frequently

### Measured outcomes to date

Biodiversity

Water

Financial

### Please explain

The Social Forest Program has been developed since 2015 in partnership with the NGO Apremavi and the entity Sebrae. The essence of the program is to promote technical assistance and income generation and diversify production. The small producers assisted work with other forms of income (other than planted forest): olericulture, livestock, fruit production, among others. The Program highlights in four years (2015-2019) are: more than 500 rural properties assisted; up to 60% increase in the income of small rural producers dedicated to family farming; 1,600 hectares of PPA and LR demarcated; 615 protected springs; 200 thousand seedlings planted. Restoration monitoring is made six-monthly or more frequently by the program's technicians. In 2019, a socioeconomic and environmental survey was applied to a group of 60 program participants. The main result is: more than 80% of small producers recognize the benefits in environmental aspects, such as the quality of the water in the springs.

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## F7. Verification

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### F7.1

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**(F7.1) Do you verify any forests information reported in your CDP disclosure?**

Yes

### F7.1a

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**Data points verified**

The points are verified by external consultants hired by the company by verifying the sustainability report.

**Verification standard**

The verification standard used is in accordance with AA1000 standard.

**Please explain**

Information provided in the sustainability report was verified and checked with the respective areas through objective and comparable evidence, or interviews with managers and other available team members.

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**Disclosure module**

F1. Current State

**Data points verified**

The points are verified by external consultants hired by the company by verifying the sustainability report.

**Verification standard**

The verification standard used is in accordance with AA1000 standard.

**Please explain**

Information provided in the sustainability report was verified and checked with the respective areas through objective and comparable evidence, or interviews with managers and other available team members.

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**Disclosure module**

F2. Procedures

**Data points verified**

The points are verified by external consultants hired by the company by verifying the sustainability report.

**Verification standard**

The verification standard used is in accordance with AA1000 standard.

**Please explain**

Information provided in the sustainability report was verified and checked with the respective areas through objective and comparable evidence, or interviews with managers and other available team members.

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### Verification standard

The verification standard used is in accordance with AA1000 standard.

### Please explain

Information provided in the sustainability report was verified and checked with the respective areas through objective and comparable evidence, or interviews with managers and other available team members.

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### Disclosure module

F4. Governance

### Data points verified

The points are verified by external consultants hired by the company by verifying the sustainability report.

### Verification standard

The verification standard used is in accordance with AA1000 standard.

### Please explain

Information provided in the sustainability report was verified and checked with the respective areas through objective and comparable evidence, or interviews with managers and other available team members.

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### Disclosure module

F5. Strategy

### Data points verified

The points are verified by external consultants hired by the company by verifying the sustainability report.

### Verification standard

The verification standard used is in accordance with AA1000 standard.

### Please explain

Information provided in the sustainability report was verified and checked with the respective areas through objective and comparable evidence, or interviews with managers and other available team members.

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### Disclosure module

F6. Implementation



**Please explain**

Information provided in the sustainability report was verified and checked with the respective areas through objective and comparable evidence, or interviews with managers and other available team members.

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**Disclosure module**

SF. Supply chain module

**Data points verified**

The points are verified by external consultants hired by the company by verifying the sustainability report.

**Verification standard**

The verification standard used is in accordance with AA1000 standard.

**Please explain**

Information provided in the sustainability report was verified and checked with the respective areas through objective and comparable evidence, or interviews with managers and other available team members.

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## F8. Barriers and challenges

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### F8.1

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**(F8.1) Describe the key barriers or challenges to eliminating deforestation and/or conversion of other natural ecosystems from your direct operations or from other parts of your value chain.**

**Forest risk commodity**

Timber products

**Coverage**

Direct operations

Supply chain

**Primary barrier/challenge type**

Cost of sustainably produced/certified products





to ensure the legal and responsible wood sources. Our timber is covered by annual assessments conducted by an independent certification body for the FSC® Certification System. FSC® is a certification system that assures sustainable management of forests, and it is internationally recognized. Klabin is certified since 1998. All supplies are known and it is possible to trace them and audit them. The timber from third-party producers is audited from the origin based in FSC® Controlled Wood Procedure, a system to guarantee the traceability. There is also a project that aim to certify third-party producers. Klabin is providing technical knowledge and training to improve the ability of producers to obtain certification. In 2019, a total of 495 producers were certified by the FSC® seal in the SLIMF standard (Small and Low Intensity Managed Forests) and 130 were certified by the FSC® Harmonized standard, a total of 126 thousand hectares certified in Paraná and Santa Catarina states. Partner suppliers participate in Klabin's Legal Forest Program, which guides forestry producers to comply with the Brazilian Forest Code and improve the environmental condition of their property. Klabin aims to certify all its partner suppliers, and actively works to help them achieve this objective. Also in 2016, the company has set up a working group named "Climate Committee", which follows both global and national Climate agendas and discusses related risks and opportunities such as deforestation and the threats to biodiversity, factors directly related to the company's productivity and reputation. In 2016, the Sustainability Policy, updated to follow the advances in sustainability management practices in the company. Furthermore, another new item of this policy talks about commitment to climate change and actions to control Klabin's operations.

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## F8.2

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**(F8.2) Describe the main measures that would improve your organization's ability to manage its exposure to deforestation and/or conversion of other natural ecosystems.**

### **Forest risk commodity**

Timber products

### **Coverage**

Direct operations

Supply chain

### **Main measure**

Development of certification and sustainability standards

### **Comment**

Continuous monitoring and engagement with lawmakers to strengthen and encourage legis-





in sustainability management practices in the company. The seven policy priorities were expanded and now there are a total of 13 principles. One of the new topics included is item 10, related to the United Nations' Sustainable Development Goals (SDG), guiding Klabin's commitments to this agenda, its initiatives and investments. Furthermore, another new item of this policy talks about our commitment to climate change and our actions to control Klabin's operations with carbon efficiency. Klabin understands this agenda as comprehensive risk management to mitigation and to anticipate forest vulnerabilities (as deforestation) and incorporate it on our Sustainability Strategy. With this project, the standards have changed gradually from Controlled Wood to FSC® Certified Wood. In 2019, a total of 495 producers were certified by the FSC® seal in the SLIMF standard (Small and Low Intensity Managed Forests) and 130 were certified by the FSC® Harmonized standard. Partner suppliers participate in Klabin's Legal Forest Program, which guides forestry producers to comply with the Brazilian Forest Code and improve the environmental condition of their property. Klabin aims to certify all its partner suppliers and actively works to help them achieve this objective.

## F17 Signoff

### F-FI

**(F-FI) Use this field to provide any additional information or context that you feel is relevant to your organization's response. Please note that this field is optional and is not scored.**

#### F17.1

**(F17.1) Provide the following information for the person that has signed off (approved) your CDP forests response.**

	Job Title	Corresponding job category
Row 1	Industrial Technology, Innovation, Sustainability and Pulp Business Officer.	Director on board





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