

Corporate Practices

Level 1 of Corporate Governance



Sources:

By Laws

Code of Conduct

Sustainability Report

Reference Form

Disclosure and Trading

Policy

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Corporate Practices at Klabin

The disclosure of information on a consistent, transparent and accurate basis is part of the culture of Klabin. Therefore, due to its commitment to be transparent towards the market and its equalitarian treatment of shareholders, in 2002, it reached Level 1 of Corporate Governance in the Stock Exchange of São Paulo (BM&FBovespa), segment of which lists shares of companies adopting differentiated governance practices.

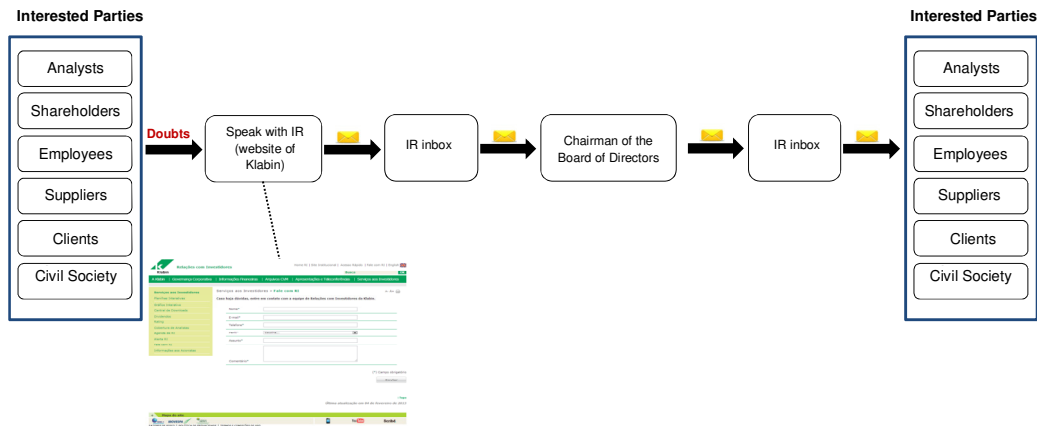
The shareholding dispersion policy provides titleholders of preferred shares with the tag along right, giving them a price equal to 70% of the amount paid by common share included in the control block. Such right does not eliminate the payment of a dividend by preferred share 10% higher than that assigned to common shares.

The Company has policies to disclose material facts and trading of shares, applicable to all shareholders and professions having access to information that may be deemed privileged. These policies establish the processes for communication with the market and the restrictions for trading with Klabin papers.

The directors meet on a bimonthly basis to evaluate the results and discuss goals and strategies. The Company's performance is made public by means of information disclosure on a quarterly basis, annual financial statements and annual sustainability reports.

Shareholders have their main recommendation channel to directors at the General Meeting. Another direct communication channel for shareholders is the Relations with Investors area, which may be contacted by phone, mail or e-mail. All audiences - including clients, co-workers, suppliers and representatives of the company - may use such channels, to make recommendations to the management.

The flowchart below shows how the demands from the interested parties to the Board of Directors are carried out.



Klabin keeps the General Shareholders' Meeting, the Board of Directors, the Fiscal Council and the Executive Board as its main governance bodies. These bodies act in synergy to reach the economic, financial, social and environmental results of the company.

The company presents its consolidated financial statements according to International Financial Reporting Standards (IFRS), issued by the *International Accounting Standards Board* (IASB).

In August 2011, the Company adopted the "ABRASCA's Code of Self-Regulation and Good Practices for Listed Companies", which establishes principles, rules and recommendations with the purpose of contributing to the improvement of corporate governance practices, aiming at promoting trust among investors, making it easy the access to capital market and reducing the capital cost, thus, fomenting the sustainability and long-lasting existence of the Brazilian open companies, as well as the creation of value in the long run.

Corporate Structure

Shareholders' General Meeting

The General Meeting is the main communication channel between shareholders and directors, as an opportunity for recommendations or criticisms to the Company's performance. The meeting ordinarily takes place within four months after the end of the tax year and extraordinarily whenever there are interests. The meetings are called within 30 days in advance.

Vote and Types of Shares

The Company's By-Laws provides for two kinds of shares: common and preferred. The common shares grant the right to vote at the deliberations taken at General Meetings.

The preferred shares without voting right shall have: (a) priority for reimbursement purposes, if the company is liquidated; (b) priority to receive dividends in equal conditions with the common shares, plus ten per cent (10%) on the amount paid to the latter, and (c) right to be included in the public offer of any disposal of the company's control (tag along), ensuring them the receipt of a price equal to seventy per cent (70%) of the amount paid per common shares included in the control block.

Klabin's By-Laws provides for preferred shareholders having voting right at the General Meetings in matters concerning the signature of agreements between the Company and its controllers and/or companies holding interests. Please find below the company's By-Laws concerning such determination.

"Article 13 - Each common stock shall entitle one vote in the corporate resolutions.

(...)

Paragraph 2 - The approval of agreements by and between the Company and its controlling stockholders and/or the companies they hold interests in shall be resolved at the Stockholders' General Meeting, in which the right to vote shall be extended to the stockholders holding preferred stocks."

Board of Directors' Structure

It is formed by up to 13 effective members and 13 alternates, elected at a General Meeting, four of them being independent. The office term is one year, reelection being allowed. The Board of Directors shall be in charge of establishing long-term strategies and the taking of decisions, duty of which is carried out without the advisory of committees.

The chairman of the Board does not exercise an executive duty. Likewise no officer or employee is a member of the board.

The duties of the Board are governed by the company's By-Laws, and its representatives follow the Code of Conduct, a document which also serves to determine procedures to avoid conflicts of interests.

Independent Members of the Board of Directors

The Board is formed by four independent members, who have the purpose of contributing for a better decision making, by means of an unbiased analysis of the discussed matters.

The independence criteria are those defined by the Code of Self-Regulation and Good Practices for Listed Companies of Abrasca.

Fiscal Council

Formed by five effective members and five alternate members, it is responsible for evaluating the Company's financial statements, identifying opportunities to reduce tax costs and propose, whenever possible, solutions to the impacts and contingencies imposed by the law and the tax rules in force. The members of the fiscal council and their relative alternates are elected at the General Meeting, with an office term of one (1) year, reelection being permitted.

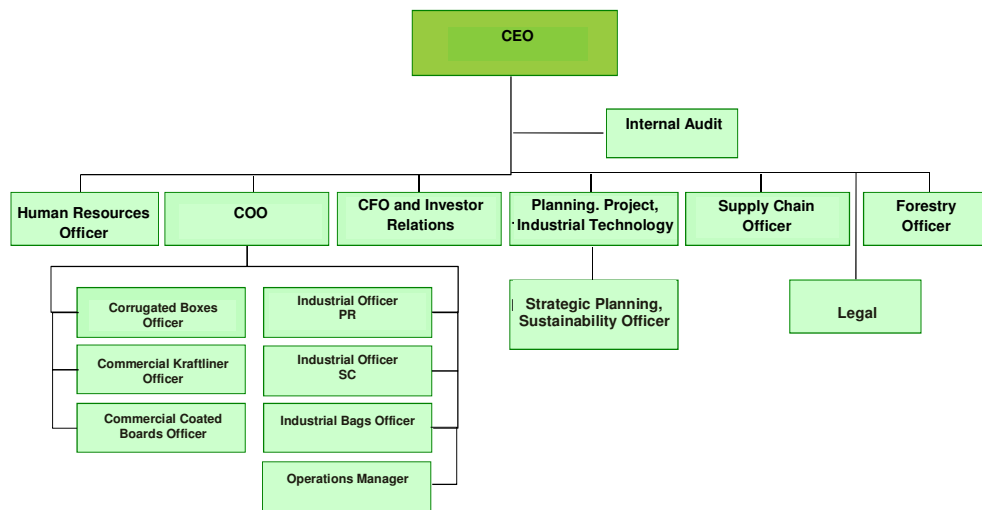
Statutory Executive Board

It is formed by six officers – one chief executive officer (CEO) and five officers (Financial and Investor Relations; Operations; Planning, Projects and Industrial Technology; Industrial of the Monte Alegre Plant and a Supply Chain), elected by the Board of Directors. They have one year term office, reelection being permitted, and they are responsible for enforcing the deliberations of the Board of Directors and for the daily management of the business.

Non-Statutory Executive Board

Eight officers, two of them at the Paper Business Unit, two in the Conversion Business Unit (Corrugated Boxes and Industrial Bags), one at the Forestry Business Unit, one Human Resource Corporate officer, one Industrial Officer (SC) and one Strategic Planning and Sustainability Officer.

Executive Board's Structure



Advisory

Internal Audit

At Klabin the Internal Audit reports to the Board of Directors, specifically to its Chairman, and operationally to the Chief Executive Officer. The result of the works carried out is reported to the management by means of Audit Reports, as well as periodic meetings with the members of the Board of Directors.

The purpose of the Internal Audit of Klabin is that of evaluating and examining the organization's activities, considering the risks existing in the activities, in such a way to meet the shareholders' and the organization's purposes, represented by the Board of Directors, Statutory and Designated Managements, as well as the other members of the company, providing them with analyses, reviews, recommendations and comments on the examined activities.

The guidelines are defined in the Annual Audit Plan aiming at evaluating the processes and internal controls, as well as complying with the law, rules and internal procedures and internal demands of the managers.

Independent Audit

The relationship of Klabin with auditors follows the principles of independence in order to eliminate the risk of conflict of interests. The Board of Directors grants an opinion on the independence of these auditors year by year. The matter is discussed at meetings and it has been determined that: *“The independent auditors providing audit services concerning financial statements to Klabin may not provide other services to the organization. Exceptions to this determination should be evaluated by the Board of Directors of Klabin, based on the knowledge of the services to be provided and their relative fees, taking into consideration the non interference in the auditor’s independence, in such a way to ensure that there is no conflict of interests”.*

The external audit is chosen by the Board of Directors. Since 2012 that work has been performed by PriceWaterhouseCoopers Auditores Independentes.

Ombudsman’s Office

Shareholders may resort to the Investor Relations area, by phones (55 11 3046-8401) and e-mail (invest@klabin.com.br) or by the website ([link](#)). The same link is made available to everybody interested in sending recommendations to the top management.

There is a specific channel for employees, represented by the Internal Ombudsman’s office, and worker commissions are consulted basically in aspects related to the occupational safety.

Code of Conduct

Since it was organized, in 1899, Klabin has sought to develop in such a way to provide its employees, clients, suppliers and the society in general with a relationship based on ethical conduct and socially recognized principles. The high standards followed by Klabin, both in the past and in the present, are fundamental factors to the company’s growth.

The assumptions of Klabin Code of Conduct exceed the mere compliance with laws and policies and have the purpose of informing standards among its directors, officers and employees, encouraging them to adopt, in their daily working shift and social life, behaviors and attitudes guided by basic values and guidelines established in the Code.

Klabin keeps the following communication channels for contact with the Ethical Committee – Ombudsman’s Office:

- Email: ouvidoria@klabin.com.br
- Phones: 11 3046 5800, extensions 5988, 9903 or 9949.

To access the Code of Conduct, click [here](#).

Disclosure and Negotiation Policy

The Policy is applicable not only to the controlling shareholders and their managers, but also to all employees (whether or not managers), who have access to privileged information. The regulation is governed by Instruction CVM 358, dated January 3, 2002, which provides for the disclosure and use of information on material acts or facts concerning open-capital companies.

The document establishes the guidelines and conducts that should be followed, in such a way to safeguard the Company and not violate the regulation.

To access the Disclosure and Negotiation Policy, click [here](#).