



Green Bond Report 2019

Suzano S.A. related of
erstwhile Fibria Celulose:
Use of Proceeds Statement







Suzano S.A. related to the Green Bond Report of erstwhile Fibria Celulose: Use of Proceeds Statement

May 2020

In January 2017, Fibria¹ issued green bonds for US\$ 700 million as part of the company's ongoing commitment to its sustainability strategy. This report describes the use of proceeds in the allocation period of 2019.

To consult the previous use of proceeds, check the **Report 2018**. For more information, read the Management Statement on Eligible Projects (**Appendix A**), Use of Proceeds Statement (**Appendix B**), External Auditor's Report (**Appendix C**) and **Second Opinion Statement**.

Here are some examples of the projects financed in 2019.

1. In January 2019, Suzano Papel e Celulose and Fibria Celulose merged to form Suzano S.A. Both companies issued green bonds and, for continuity purposes, will maintain the reports separate.

*Barão de Santa Branca Farm - Legal Reserve (São Paulo state).
Photo: Adriano Gambarini/WWF Brasil*

1. Category: Sustainable Forest Management

Project: Santa Cruz III Farm (F159)

Investments: US\$ 0.5 thousand (Services + Forestry Inputs + Roads) in 2019.

Estimated environmental benefits:

- Total managed area (protection and maintenance of planted seedlings) in 2019: 17.88 ha
- Total estimated carbon sequestered: 1,453.7 tCO₂e/year

DESCRIPTION:

Suzano is the world’s largest producer of eucalyptus pulp in production capacity, with its operations entirely based on renewable forest plantations. Santa Cruz III Farm (F159) is located in the city of Jacareí, São Paulo state. The total farm area is 54.91 hectares, of which 20.38 ha (37%) are designated for eucalyptus plantation, and 18.28 ha (22%) are set apart for conservation of native forests. Forest management at the farm is certified FSC® (Forest Stewardship Council®)² and by the Brazilian Forest Certification Program (Cerflor), which is part of the Programme for the Endorsement of Forest Certification (PEFC). In this farm, the funds mainly financed the protection and maintenance of certified forests. Eucalyptus protection and maintenance activities are crucial to the growth of eucalyptus forests, ensuring the ideal use of natural resources and mitigating greenhouse gas emissions.

Aware of its responsibility as the leader in the market where it operates, Suzano launched in early 2020 its sustainability strategy, which includes the commitment to be even more Climate Positive, that is, to remove more carbon from the atmosphere than it emits, specifically removing 40 million tons of greenhouse gases, considering not just removals from eucalyptus cultivation areas and native forests areas, but also subtracting from this sum all direct (scope 1) and indirect (outside the control scope - scopes 2 and 3) emissions. Forest management actions following the key benchmarks and national and international practices will help achieve this target in 2030.

REPORT ON IMPACTS ON FINANCED PROJECTS IN THE ‘SUSTAINABLE FOREST MANAGEMENT’ CATEGORY

ELIGIBILITY CRITERIA	ENVIRONMENTAL BENEFITS (2019)	KPI	SUB-CATEGORY
Sustainable Forest Management	3,109,444.33 ³	tCO ₂ e	Forest Maintenance
	764,510.42	Hectares of Certified Area: FSC® and/or PEFC/CERFLOR	Forest Management and Protection
			Purchase Certified Wood FSC® ⁴ and/or PEFC/CERFLOR

2. Forest Management certificate FSC-C009927.

3. As mentioned in Fibria’s Green Bond assessment, the company contributes to “improving carbon sequestration in land reservoirs, thereby removing carbon dioxide from the atmosphere”. The method used to estimate the carbon sequestered until 2019 was improved to be more consistent with international methodologies, based on the Intergovernmental Panel on Climate Change (IPCC) guidelines. The calculation of carbon removals was made according to the “stock-difference method”, as established by the IPCC Guidelines for National Greenhouse Gas Inventories; Volume 4: Agriculture, Forestry and Other Land Use; Chapter 4: Forest Land. The total carbon inventories of Suzano’s planted forests in 2019 were approximately 114,606,195 tCO₂e; for erstwhile Fibria operations these amounted to 53,949,072 tCO₂e, of which 43,315,046 are financed by green bonds. The volume of carbon sequestered from the atmosphere by Suzano between 2018 and 2019 reached 12,130,573 tCO₂e, considering only planted forests, while the former operations of Fibria sequestered 4,581,457 tCO₂e, of which 3,109,444 tCO₂e are financed by green bonds. The volume of carbon sequestered from the atmosphere by Suzano’s native forests reached 3,345,980 tCO₂e, while Fibria’s native forests removed 712,461 tCO₂e and 116,392 tCO₂e were removed by the restoration program financed by Green Bonds.

4. Chain of custody certificate FSC-C010014



Seedling Nursery
SOS Mata Atlântica (São Paulo state).
Photo: Adriano Gambarini/WWF Brasil

2. Category: Recovery of Native Forests and Conservation of Biodiversity

Project: Monitoring of biodiversity and protection of endangered species

Investments: US\$5.6 million from 2015 to 2019

Total area preserved: 315,414 ha

DESCRIPTION:

The main objective of the conservation and recovery program is to regenerate degraded areas and recover the native forest, generating an increase in vegetation, local biodiversity, protection of soils and springs, and greenhouse gases removals.

In order to ensure proper monitoring and a successful and effective forest restoration, specific procedures and methodologies are developed based on scientific research, internal and external partnerships with research institutions, universities, non-profit organizations and specialized companies, as well as historical data regarding forest operations. The stages in the process include short-, medium- and long-term planning, as well as micro-planning in the field – involving operational planning in small areas – setting and monitoring targets, executing the restoration, adaptive management, financial and operational monitoring and reporting results.

During the planning stage, there is an annual prioritization of projects that will be executed, considering the evaluation of soil, protection of water resources, connectivity through ecological corridors, forestry operational and logistics planning and legal requirements, among others.

In forest recovery, the team uses different techniques depending on the characteristics of the area, which include observing the proposed area and its surroundings, and analyzing the satellite images and the internal database. Other analyses such as soil composition, pre-existing vegetation and the degree of forest regeneration are also made to define the most suitable methodology to be implemented in each area.

The methodologies are:

- planting native seeds or seedlings of regional species in places with low potential for self-regeneration and/or regeneration of existing vegetation;
- management of natural regeneration considering the management of regenerating native species individuals in areas with abundant natural regeneration, where there is no need for planting interventions;
- control of exotic/ invasive species in areas where there is already native vegetation to reduce the dispersion and dominance of the species in these places and to reduce the invasion of new areas;
- isolation applied to pastureland, which has enough resilience capacity for self-restoration even after being disturbed. In this case, the area must be free of degradation factors that prevent natural regeneration.

In 2019, due to the financing through green bonds, the recovery processes were conducted on an area spanning 816.05 ha in the states of Mato Grosso do Sul and São Paulo, which helped remove 116,392 tCO₂e from the atmosphere.

Forest recovery initiatives in degraded areas, which increase the vegetation, contribute positively for achieving Suzano's public commitment undertaken early 2020 to be even more Climate Positive.

REPORT ON IMPACTS ON FINANCED PROJECTS IN THE CATEGORY 'RECOVERY OF NATIVE FORESTS AND CONSERVATION OF BIODIVERSITY'

ELIGIBILITY CRITERIA	ENVIRONMENTAL BENEFITS (2019)	KPI	SUB-CATEGORY
Recovery of Native Forests and Conservation of Biodiversity	116,392 ⁵	tCO ₂ e in restoration areas	Recovery
	816.05	Hectares under Restoration	
	315,414	Total hectares of Conserved Areas	Conservation of Biodiversity

5. As mentioned in Fibria's Green Bond assessment, the company contributes to "improving carbon sequestration in land reservoirs, thereby removing carbon dioxide from the atmosphere". The method used to estimate the carbon sequestered until 2019 was improved to be more consistent with international methodologies, based on IPCC guidelines. The calculation of carbon removals was made according to the "stock-difference method", as established by the IPCC Guidelines for National Greenhouse Gas Inventories; Volume 4: Agriculture, Forestry and Other Land Use; Chapter 4: Forest Land. The total carbon inventories of Suzano's planted forests in 2019 were approximately 114,606,195 tCO₂e; for erstwhile Fibria operations these amounted to 53,949,072 tCO₂e, of which 43,315,046 are financed by green bonds. The volume of carbon sequestered from the atmosphere by Suzano between 2018 and 2019 reached 12,130,573 tCO₂e, considering only planted forests, while the former operations of Fibria sequestered 4,581,457 tCO₂e, of which 3,109,444 tCO₂e are financed by green bonds. The volume of carbon sequestered from the atmosphere by Suzano's native forests reached 3,345,980 tCO₂e, while Fibria's native forests removed 712,461 tCO₂e and 116,392 tCO₂e were removed by the restoration program financed by Green Bonds.



Audemir Batista de Souza, SDCD Operator, Três Lagoas unit (Mato Grosso do Sul state). Photo: Márcio Schimming

3. Category: Waste Management

Project: Expansion of solid waste processing center - Três Lagoas

Investments: US\$3.4 million in 2019

Estimated environmental benefits:

- Reduction estimated in sending 0.0047 t/ADMT, in 2020, of waste to internal landfills⁶

DESCRIPTION:

Suzano's industrial processes generate waste, and the 4Rs and responsible and sustainable management of resources are adopted. To this end, in 2020, Suzano set a long-term target to reduce industrial waste sent to landfills by 70%.

From 4 types of waste generated at the Três Lagoas unit (Mato Grosso do Sul state): waste, grains, limestone mud and biomass ash, a soil concealer has been produced since 2013. After going through a transformation and integration process, this waste originates a new product, which has the ideal PH and nutrients required to prepare forest soil, favoring the growth of eucalyptus and thus closing the appreciation cycle.

With the positive results attained by creating our own soil amendment, the expansion of the current plant was started so that waste from Mill 2 could also be reused, doubling the production of soil amendment.

REPORT ON IMPACTS ON FINANCED PROJECTS IN THE 'WASTE MANAGEMENT' CATEGORY

ELIGIBILITY CRITERIA	ENVIRONMENTAL BENEFITS (2019)	KPI	SUB-CATEGORY
Waste Management	0.054	t/ADMT	Reduction of waste

6. This project was in the implementation stage in 2019 and the results will be measured from the startup planned for 2020.



Jacareí Unit
(São Paulo state).
Photo: Ricardo Teles

4. Category: Sustainable Water Management - Efficient Use of Water

Project: WWTP Improvement for efficiency - Jacareí

Investments: US\$2.0 million in 2019

Estimated environmental benefits:

- After the startup in the medium term, it will be possible to quantify the reduction of around 262,800 m³ in water withdrawal and improvements in the quality parameters of wastewater treated at the unit.

DESCRIPTION:

The Jacareí Unit is located in the state of São Paulo, with annual production capacity of 1.1 million tons of bleached pulp. The proceeds invested in improving the unit's Wastewater Treatment Plant (WWTP) are in line with the long-term target set by Suzano in 2020 to reduce by 15% the specific volume (m³/ADMT) of water withdrawn considering all its industrial units. This investment is also consistent with the company's ongoing commitment to efficiency and the sustainable use of natural resources. Consumption of water resources is a critical aspect of Suzano's business, where water is reused approximately 4.5 times before being returned to the source.

The proceeds financed the improvements at the Jacareí Wastewater Treatment Plant (WWTP). This project aims to improve the efficiency of wastewater treatment and consequently water management at the unit. These medium-term improvements will enable a more closed wastewater circuit and the development of alternatives for reusing or recycling industrial wastewater, thereby reducing the volume of water withdrawn for mill operations.

REPORT ON IMPACTS ON FINANCED PROJECTS IN THE 'SUSTAINABLE WATER MANAGEMENT' CATEGORY

ELIGIBILITY CRITERIA	ENVIRONMENTAL BENEFITS (2019)	KPI	SUB-CATEGORY
Sustainable Water Management	0 ⁷	m ³	Reduction in Water Consumption

7. This project was in the implementation stage in 2019 and the results will be measured from the startup planned for 2020.

5. Appendix A:

Suzano is responsible for the completeness, accuracy and validity of Fibria's Use of Proceeds Statement (Appendix B). We assert through this use of proceeds attestation that net proceeds of BRL 1,999.6 million (equivalent to USD 506.9 million) were disbursed between January 2015 and December 2019 for qualifying Eligible Projects that meet the Eligibility Criteria set forth below:

ELIGIBILITY CRITERIA

Sustainable Forest Management	Capital expenditures necessary to sustainably manage eucalyptus plantations that are certified by FSC [®] or CERFLOR/PEFC.
Recovery of Native Forests and Conservation of Biodiversity	Proceeds of the green bond will be allocated to inputs and services (capital and operational expenditures) required for restoration of native forest cover in degraded land and funding biodiversity conservation and monitoring
Waste Management	Proceeds of the Green Bond may be allocated to the construction, installation, operations, and upgrade of waste facilities that reduce the generation of waste and reuse waste in processes.
Sustainable Water Management - Water Usage Efficiency	Proceeds of the Green Bond may be allocated to construction, installation, operations and upgrades of water facilities that reduce water consumption and allow for water reuse in industrial processes.
Renewable Energy – Generation of Energy From Renewable Sources	Proceeds of the Green Bond may be allocated to construction, installation, operations and upgrades of renewable energy facilities that increase production of renewable energy from waste biomass sources (waste to energy).

8. Forest management certificates FSC-C110130, FSC-C118283, FSC-C100704, FSC-C009927 and FSC-C155943.

Forest mosaic in Capão Bonito (São Paulo state). Photo: Márcio Schimming



6. Appendix B: Use of Proceeds

ELIGIBILITY CRITERIA	SUB-CATEGORY	CURRENT AMOUNT DISBURSED (R\$ MILLION)					CURRENT AMOUNT DISBURSED (EQUIVALENT IN US\$)				
		2015	2016	2017	2018	2019	2015 ¹	2016 ²	2017 ³	2018 ⁴	2019 ⁵
Sustainable Forest Management	Forest Maintenance	35.3	66.3	67.7	60.4	41.1	10.6	19.0	21.2	16.5	10.4
	Forest Management and Protection	118.2	128.3	134.4	139.6	97.1	35.4	36.8	42.1	38.2	24.6
	Purchase of Certified Wood	235.3	288.5	100.8	199.6	185.6	70.5	82.8	31.6	54.6	47.0
Recovery of Native Forests and Conservation of Biodiversity	Restoration	4.0	4.4	3.0	2.4	0.8	1.2	1.3	0.9	0.7	0.2
	Conservation of Biodiversity	0.3	0.7	1.2	0.9	2.2	0.1	0.2	0.4	0.2	0.6
Waste Management	Reduction of waste	-	4.9	46.6	2.9	16.9	-	1.4	14.6	0.8	4.3
Sustainable Water Management - Water Usage Efficiency	Water reuse	-	0.9	0.9	0.6	7.8	-	0.3	0.0	0.2	2.0
Renewable Energy - Generation of Energy from Renewable Sources	Electricity generated from waste	-	0.7	0.1	0.0	0.0	-	0.2	0.0	0.0	0.0
Subtotal		393.2	494.6	353.9	406.4	351.5	117.8	142.0	110.8	111.2	89.1
Total				1,999.6				506.9			

1. Average Exchange Rate (R\$/US\$) 2015: 3.3387

2. Average Exchange Rate (R\$/US\$) 2016: 3.4833

3. Average Exchange Rate (R\$/US\$) 2017: 3.1925

4. Average Exchange Rate (R\$/US\$) 2018: 3.6546

5. Average Exchange Rate (R\$/US\$) 2019: 3.9451



Eucalyptus seedling.
Photo: Suzano image bank

7. Appendix C: External Auditor's Report



**BUREAU
VERITAS**

ASSURANCE STATEMENT – BUREAU VERITAS

Bureau Veritas Certification Brasil (Bureau Veritas) was engaged by Suzano S.A. (Suzano) to provide limited assurance over the use of proceeds during the year 2019, in relation to Fibria's Green Bond Report, dated April 2017.

This assurance was conducted by a multidisciplinary staff with expertise in financial and non financial data.

Fibria Celulose S.A. was fully acquired by Suzano in January 2019.

CONCLUSION

Based on the work we have performed and the evidence we have obtained we believe that Suzano's Green Bond Report 2019 was properly prepared in all material respects, following the reporting criteria. We evidenced conduction of the projects defined in the Report according to its financial and physical schedules.

SCOPE OF WORK

The scope of work included:

1. Recovery of Native Forests and Conservation of Biodiversity;
2. Sustainable Forest Management;
3. Waste Management;
4. Sustainable Water Management;
5. Renewable Energy – Generation of energy from renewable sources.

The verified data and information refer to the period from January to December 2019.

This assurance was performed due to the issuance of US\$ 700.000.000,00 in Green Bonds by Fibria Overseas Finance on 11 January 2017, guaranteed by Suzano S.A. (former Fibria Celulose S.A.)

The scope of our work was limited to assurance over the allocation of bond proceeds and impact reporting as stated in Fibria's Green Report, dated April 2017.

Financial data were verified in local currency (Real).

SUZANO'S AND BUREAU VERITAS RESPONSIBILITIES

The collection, calculation and presentation of the data published are Suzano's management sole responsibility. Bureau Veritas is responsible for providing an independent opinion to Suzano, pursuant to the scope of work defined in this statement.

METHODOLOGY, LIMITATIONS AND EXCLUSIONS

The Assurance covered the following activities:

1. interviews with the personnel responsible for the Green Bond Report preparation, evaluation and monitoring, specially the areas of sustainability, treasure, environmental, forestry and controlling;
2. collection of evidence on the use of proceeds and execution of activities associated with Green Bonds, throughout 2019;
3. traceability of financial and non-financial data, including planning and monitoring of disbursed proceeds.

The level of verification adopted was Limited, according to the requirements of the ISAE 3000 Standard¹, which were incorporated to the internal assessment protocols of Bureau Veritas.

Excluded from the scope of this work was any assessment of information related to activities outside the defined assessment period.

The Recovery of Native Forests, associated to the Green Bonds, is restricted to the following States: Mato Grosso do Sul and São Paulo.

We did not verify Suzano's inventory of Greenhouse Gas Emissions (GHG) regarding its data accuracy and reliability.

1. International Standard on Assurance Engagements 3000 – Assurance Engagements other than Audits or Reviews of Historical Financial Information.



TECHNICAL OPINION - SUSTAINABLE FOREST MANAGEMENT

- We evidenced the use of Green Bonds proceeds in areas that are properly certified by FSC® and PEFC/CERFLOR.
- Suzano maintains an inventory of GHG Emissions, which was evidenced during our verification process.
- We evidenced appropriated systems that support process flows and operational costs controls over the net proceeds disbursed between January and December 2019.

TECHNICAL OPINION – RESTORATIONS OF NATIVE FOREST AND CONSERVATION OF BIODIVERSITY

- We evidenced the correct use of proceeds in restoration and conservation activities, according to Suzano's 2019 Green Bonds Report.
- We noted appropriate increase of biodiversity in areas were Suzano maintains restoration of native forest projects. We evidenced data regarding restoration activities and updated images from the following farms: Campo Alegre, municipality of Tremembé (SP); Daniela, municipality of Guaratinguetá (SP); Modelo, municipality of Caçapava (SP) and Santa Edwiges, municipality of Lorena (SP).
- The inventory of GHG emissions includes all Suzano's recovery areas. These areas contribute directly to the final results of carbon sequestration. We noted that the emissions inventory was verified externally through an independent process, based on the GHG Protocol and NBR-ISO 14.064-1.

TECHNICAL OPINION – WASTE, WATER AND ENERGY MANAGEMENT

- We evidenced the use of proceeds in waste and water management projects, according to Suzano's 2019 Green Bonds Report. We did not evidence the use of proceeds in renewable energy projects, which is in line with the 2019 Green Bonds Report.
- We evidenced installation of equipment related to water and waste management at the Jacaré Unit (São Paulo state), according to Fibria's Green Bond Report, April 2017.

DECLARATION OF INDEPENDENCE AND IMPARTIALITY

Bureau Veritas Certification is an independent professional services firm specializing in Quality, Health, Safety, Social and Environmental Management, with more than 185 years' experience in independent assessment.

Bureau Veritas has a quality management system that is certified by a third party, according to which policies and documented procedures are maintained for the compliance with ethic, professional and legal requirements.

The assessment team has no links with Suzano and the assessment is performed independently.

Bureau Veritas implemented and follows a Code of Ethics throughout its business, in order to assure that its staff preserve high ethical, integrity, objectivity, confidentiality and competence/ professional attitude standards in the performance of their activities. At the end of the assessment, a detailed report was drawn up, ensuring traceability of the process. This Report is kept as a Bureau Veritas management system record.

CONTACT

Bureau Veritas Certification is available for further clarification on www.bureauveritascertification.com.br/faleconosco.asp or by telephone (55 11) 2655-9000.

São Paulo, Brazil, May 2020.



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Contact

For questions and suggestions,
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*Forest mosaic in Aracruz
(Espírito Santo State)
Photo: Márcio Schimming*



*Aldieris de Oliveira Correia,
Fiber Line, Aracruz unit
(Espírito Santo state).
Photo: Márcio Schimming*



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