



Fibria *Report* **2017**

A FOREST OF OPPORTUNITIES





About the Report

This publication presents, in an abridged version, Fibria's results, achievements and practices throughout 2017. From the very beginning, starting at the message from company leaders, a significant highlight is given to the company's strategic vision for the double challenge posed by climate change and the development of a new paradigm of sustainable development based on a low-carbon economy.

The digital edition — full version and main support of Fibria's 2017 Report — also gives access to attached documents and to an Indicators Center that graphically presents the company's key performance indicators.

For events subsequent to 2017,
see page 78 of the Report.



Visit our online report:

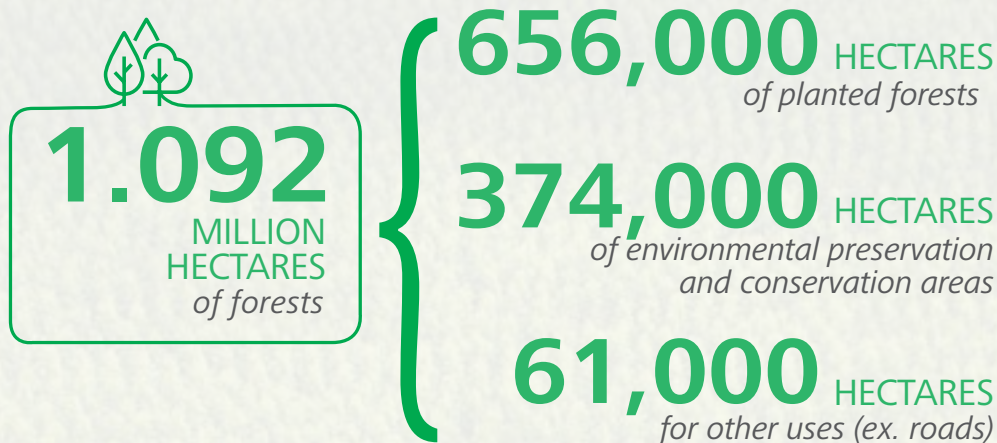
www.fibria.com.br/r2017



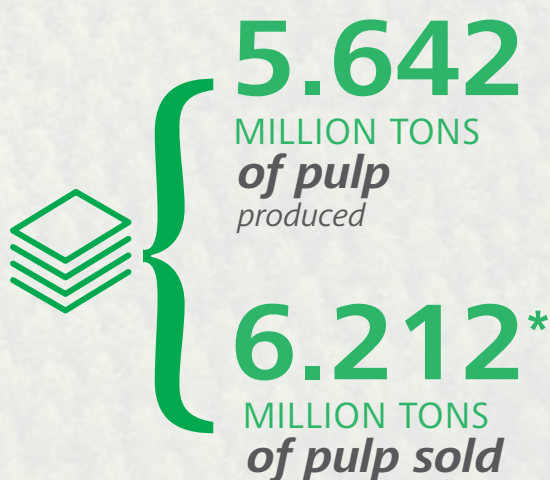
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Main highlights of the year



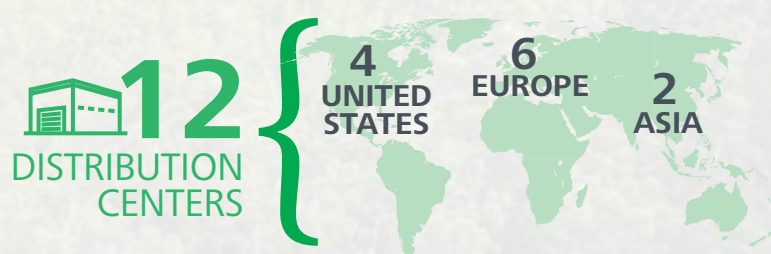
Fibria's Pulp End Use



* Includes contract with Klabin.

Net Revenue:
BRL **1.093**
BILLION

EBITDA:
BRL **4.952**
BILLION



CUSTOMER
SATISFACTION:
80%



SUSTAINABILITY INDICES

- Dow Jones Sustainability Emerging Markets Index (DJSI Emerging Markets)
- Índice de Sustentabilidade Empresarial (ISE - Corporate Sustainability Index) — B3



CERTIFICATIONS

- Sarbanes Oxley (SOX)
- Forest Stewardship Council (FSC®)
- Cerflor/Programme for the Endorsement of Forest Certification (PEFC)
- ISO 9001
- ISO 14001

Message from **the CEO**

HARVEST YEAR

In 2017, we had one of our most successful harvests. We managed to reconcile cost austerity with assertive investments linked to the vision of the future. Even though it was a challenging year for Brazil, Fibria was prepared and strong enough to achieve good results despite the political-economic scenario.

We started our second production line in Três Lagoas (Mato Grosso do Sul state), inaugurated before the planned date and below the estimated cost, a goal that reflects the company's competitive position. The new mill has the most modern technology in the world in our industry and brings advances to the industry of the future, which will be digitization and artificial intelligence.

We learned a lot from this expansion. One such learning is that without open dialogue and alliance we would never have completed the construction with good results. We work together with the government, suppliers, and the community to minimize the inevitable impacts of the arrival of thousands of workers, unfortunately very common on large-scale construction sites. In this context, I'd like to mention the *Agente do Bem* (Agent for Good in English)

Movement, which brought an innovative approach to the risk of sexual abuse or exploitation of children in high traffic areas. As a Fibria initiative, the city of Três Lagoas mobilized to build a citizenship network in order to address the problem and train representatives of the government departments and boards.

I also would like to emphasize the challenges we faced in logistics. I am not afraid to talk about the fact that some things have gone wrong as long as we learn from and evolve through those mistakes. It was clear to us that logistics would be a focal point for an export company operating in the central region of the country. We anticipated the operation of the mill, managed to deliver a production volume and sales above our expectations, but at first, the logistics did not go smoothly. Thanks to a competent team, we managed to get around the situation, ship all of our production, and reach the end of the year with good results.

The year 2017 was also highlighted by the progress we made towards building a high performance culture, a process initiated in 2014. We launched *We Are Fibria* — an action that marks the evolution of our corporate culture and disseminates



BRL 11.739 billion

was our **net revenue**, 22% higher than that of 2016, due to the growth in sales and the increase in prices in dollar.

company concepts. We know what inspires us: we must be part of the development of transformational solutions for a more just and sustainable society. We are sure that our role does not replace the role of other players, such as the government or organized civil society. On the contrary, we are complementary, partners to these players and not isolated protagonists.

In the context of our organizational culture, sustainability is fully tied into our business strategy: it is connected to climate issues, our relationship with our stakeholders, and the consistent financial results we are expected to deliver.

I end with an equally important topic: diversity. We created our institutional position with the support of the professionals who are part of the Diversity and Inclusion Commission. We believe in the creative and innovative capacity of diversity. Fibria's vitality depends upon it. In this sense, as an example, we can say that we have advanced in the gender issue, but we are still falling short of what is expected. There is still work to be done regarding racial equality in management positions. It is a journey, and we are taking the first steps.

If I could summarize the year 2017 in a few words, I would say that it is in periods of crisis and difficulty that we sustain what is most relevant. We took care of the business and of the people and never failed to invest in our environmental and social performance. As they say: when luck knocked on the door, it found us busy at work.

Marcelo Castelli
Fibria CEO

Photo: Marcio Schimming



Marcelo Castelli
Fibria CEO

“In 2017, we managed to reconcile cost austerity with assertive investments linked to the vision of the future.”



WATCH Castelli's testimonial on the most relevant issues for Fibria in 2017 in our online report (www.fibria.com.br/r2017)



Message from **the Chairman**

FIBRIA IN EVOLUTION

We delivered on our promise. For Fibria, this is the message we take from 2017. I would like to emphasize two points from the Board of Director's point of view. The first is the quality of the execution of our new production line in Três Lagoas — a BRL 7.3 billion project, in which all quality and safety procedures were followed, and production goals were met remarkably well.

The second highlight has to do with Corporate Governance, with the end of a cycle of the Board's Sustainability Committee. The Committee's first composition was very important to engaging relationships, building credibility, and transforming situations inherited by Fibria at its birth — such as tense and misguided social relationships with indigenous peoples, quilombolas, and landless workers' movements. Now, in 2017, the Committee itself understood that it was important to look toward new

“ *Innovation in biotechnology reveals enormous opportunities for us to formulate materials that meet new demands from society for a low-carbon economy.* **”**

challenges, such as those focused on developing innovation, human rights, and diversity.

This does not mean that we will shift our focus from the communities. The Committee will continue to track the company's performance on this front, as well as the issues related to climate change, an important point for our business. After all, we are committed to and engaged in the concept of



Photo: Marcio Schimming

José Luciano Penido
Chairman of the Board of Directors

shared value, which aims to improve a company's competitiveness by solving social and environmental challenges at scale. Creating shared value is a management strategy developed by Michael Porter and Mark Kramer, professors of Harvard Business School. In 2017, the consulting company FSG, created by Porter and Kramer, demonstrated the application of this concept in several initiatives led by Fibria.

On another front, innovation in biotechnology reveals enormous opportunities for us to formulate materials that meet new societal demands, with a much friendlier ecological footprint than mineral or fossil-fuel products. This new low-carbon economy protects native forests, since it is no longer necessary to rely on these native forests to extract the wood that can be produced in forests planted for this purpose.


With the new technologies, we are advancing towards turning our pulp mills into biorefineries of wood, expanding our product portfolio, interacting with the aerospace, automotive, food, cosmetics, textile, and civil construction industries. It will be the evolution of an apparently traditional and classic industry, to make use of technology in advanced products that are suitable to modern life — a life

of comfort that must have low impact on the environment. I see Fibria in a fortunate and unique position: it is a company that has gained enough scale to deal with the risks and, at the same time, capture opportunities from this transition.

I end my message by mentioning an important challenge that we still have to face in the forestry sector. We need to be more and more transparent with society for the public opinion to perceive the importance of planted forests for our quality of life and even for the survival of life on our planet. Planted forests integrated into the landscape significantly contribute to the protection of the springs and the interconnectivity of native forests, preserving biodiversity.

Society has not yet realized that our industry can be part of the solution to climate change. We're doing our homework. Fibria is committed to restoring 40,000 hectares of native forests by 2025. In addition, we plant six eucalyptus trees per second, 190 million each year. This story must be told to the world to show people the importance of the forests we plant. This is a challenge for both Fibria and the industry.

José Luciano Penido
Chairman of the Board of Directors



BRL 7.3 billion was invested in the **expansion of the second production line** in Três Lagoas (Mato Grosso do Sul state)



WATCH Penido's testimonial on the most relevant issues for Fibria in 2017 in our online report (www.fibria.com.br/r2017)



We are Fibria




ABOUT FIBRIA

Fibria is a Brazilian company that cultivates planted forests as a source for the sustainable development of new products. It is committed to continuously improving processes and relationships with people and recognizes its role in society, supported by the partnership with its stakeholders. This partnership is strongly anchored in open dialogue and building together. For all these reasons, the company believes that it should be part of the solution for a more just and sustainable society.


We are present in 261 municipalities across the country and export to 35 countries. With a production capacity of 7.25 million tons of pulp per year, we operate three industrial units — in Aracruz (Espírito Santo state), Jacareí (São Paulo state), and Três Lagoas (Mato Grosso do Sul state) — and the Veracel mill in Eunápolis, in the state of Bahia, where we operate jointly with Stora Enso. In partnership with Cenibra, we also operate Portocel in Espírito Santo — the only Brazilian port specialized in shipment of pulp.

Our activities toward developing new materials and products are carried out at two research centers in Brazil — in Aracruz and Jacareí — and by Fibria Innovations, our laboratory located in Burnaby, Canada, dedicated to researching and developing applications for lignin.



Fabio Diniz Do Nascimento,
area operator – Recovery
and Utilities, in Três Lagoas
(Mato Grosso do Sul state).

Photo: Marcio Schimming



5.642 million
tons of pulp
produced in 2017

On other technological fronts, we work with foreign companies, such as North American Ensyn (in which we have a 12.1% stake), researching new renewable fuels obtained from biomass. With the Finnish startup Spinnova, in which we have an 18% stake, we focus on developing low-cost and environmentally sustainable technologies to produce raw materials for the textile industry. Fibria also has a minority stake of 8.3% in CelluForce, a Canadian company that is a world leader in the commercial production of nanocrystalline cellulose (NCC).

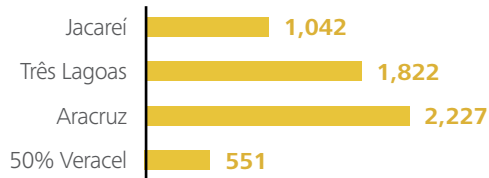
Fibria's forestry activities are based on renewable plantations and cover 1,092 million hectares of forests, of which 656,000 hectares are planted forests; 374,000 hectares are environmental preservation and conservation areas; and 61,000 hectares are intended for other uses.

The pulp we produce, with diverse specifications, is raw material for the manufacture of paper and other materials used in education, healthcare, hygiene, and cleaning products.

PRODUCTION¹ — 2017

thousand tons (t)

Total: 5,642



¹ Rounded numbers.

SALES BY END USE — 2017



Photo: Marcio Schimming



Tereza Cristina Rodrigues Machado, assistant at the Nursery, in Três Lagoas (Mato Grosso do Sul state).

SHAREHOLDING STRUCTURE — 2017

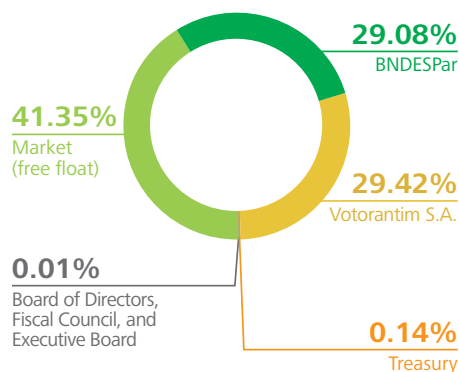
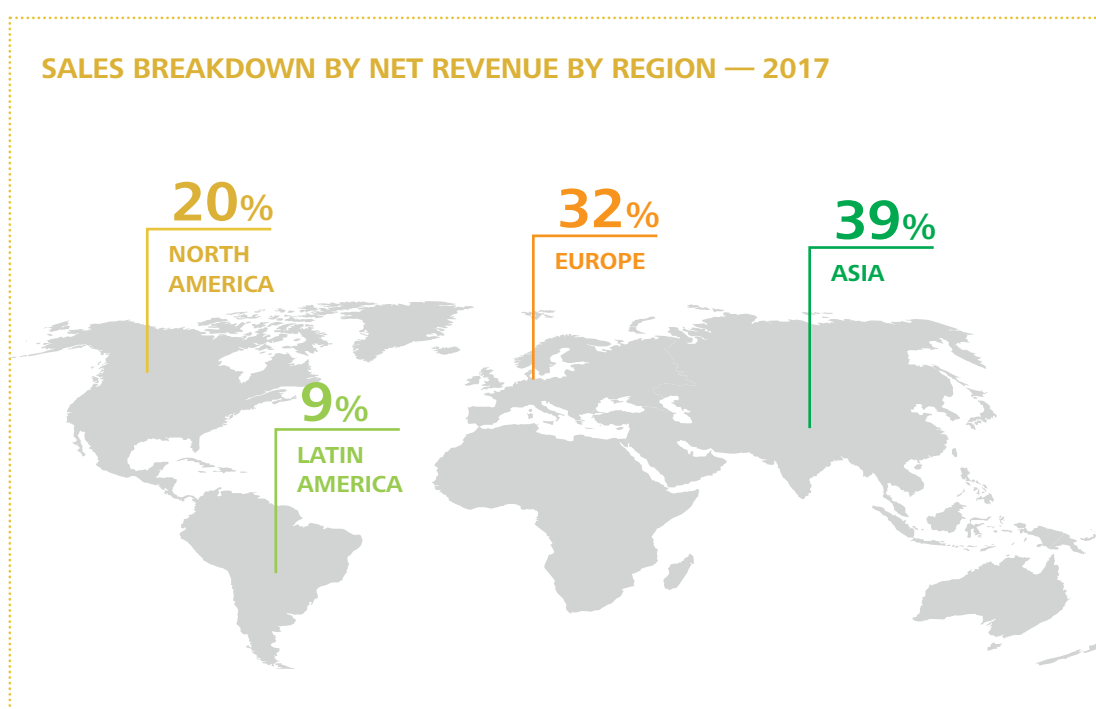


Photo: Marcio Schimming



Loading in the mill. Aracruz (Espírito Santo state)



OUR CULTURE

WE ARE FIBRIA

In 2017, Fibria made important progress in building a high-performance culture. In April, we launched *We Are Fibria* — a movement that marks the evolution of the company's corporate culture and disseminates company concepts.

ENGAGE TO CHANGE

We Are Fibria combines results from the culture discussion started in 2014 and the brand management project, in place since 2016. Throughout the process, Fibria promoted the engagement of its employees — in particular of the leaders — in discussing changes and defining the concepts adopted.

INSPIRATION AND PURPOSE

What drives and inspires us? What is our reason for being? Based on these questions and reflecting on what has guided Fibria since its inception, we defined our inspiration and our purpose in 2017.

These concepts reflect how we want to present ourselves to the world: more than speaking about goals and objectives, we want to share what motivates us to work every day and inspires us collectively.

Our purpose expresses the core of our business — the planted forest, a renewable natural resource that, through economic transformation and technology, offers vital inputs to society.

Placing the planted forest at the core of our business and defending this thesis is a challenge that Fibria embraces before academia, the industry, and consumers. After all, there isn't a consensus on the concept of planted forests and we understand that it is possible to engage the industry in this relevant and vital discussion for the forestry business.



INSPIRATION

Companies should be part of the construction of transformational solutions for a more just and sustainable society.



PURPOSE

To cultivate planted forests as a source of life, creation of shared value, and the well-being of people.

In 2017, we also presented our Desired Attributes — traits and characteristics by which we hope to be recognized by our stakeholders. We also revised the Management Beliefs, which express how we do things at Fibria and guide our way of thinking and acting every day.

DESIRED ATTRIBUTES

- Acting Responsibly
- Agility
- Building Together
- Competitive Innovation
- Customer Focus
- Systemic Vision

MANAGEMENT BELIEFS

- Alliance
- Excellence
- Human Potential
- Open Dialogue
- Pragmatism
- Sense of Ownership

DIVERSITY



FIBRIA'S POSITION STATEMENT ON DIVERSITY

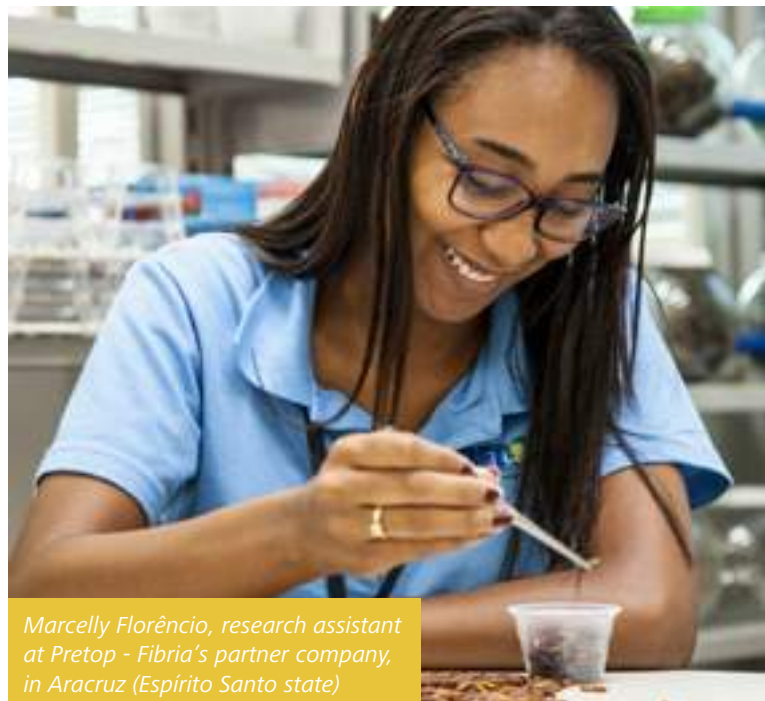
Fibria cultivates diversity by appreciating differences and promoting opportunities with a culture based on meritocracy, recognizing that people are unique, and together create the best results for everyone.

TO CULTIVATE DIVERSITY

In mid-2017, Fibria launched its Position Statement on Diversity. The initiative reflects the work carried out by the Diversity and Inclusion Commission, created at the end of 2016. Our intention is not only to encourage tolerance towards diversity, but also to promote effective inclusion.

We know that this work is still in the beginning and that many challenges still lie ahead. With this, in 2017 we recorded an increase in the percentage of black and pardo employees in the organization, from 29 to 35%.

Photo: Marcio Schimming



Marcelly Florêncio, research assistant at Pretop - Fibria's partner company, in Aracruz (Espírito Santo state)

| BREAKDOWN BY MINORITY GROUPS | 2015 | 2016 | 2017 |
|------------------------------|------|------|------|
| Women | 15% | 15% | 14% |
| Pardos* and Blacks | 28% | 29% | 35% |
| Employees 50 and older | 15% | 16% | 14% |
| People with Disabilities | 4% | 4% | 3% |

* In Brazil, Pardo is an ethnic/skin color category used by the Brazilian Institute of Geography and Statistics (IBGE) in the Brazilian censuses. The term "pardo" is a complex one, more commonly used to refer to Brazilians of mixed ethnic ancestries. They are typically a mixture of white Brazilian, Afro-Brazilian and/or Native Brazilian.

QUEST FOR EQUALITY

We want people to have the opportunity to compete on equal terms. Simple, timely changes are being made in internal processes so that Fibria may become a more diverse company and promote equality. One of the changes is to make job recruitment and selection posting more gender neutral, in order to open opportunities to participate in processes regardless of their gender or whether or not they have a disability.

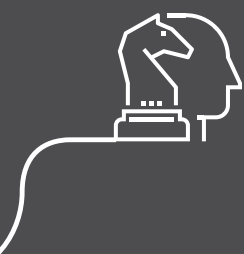
STRATEGY

Fibria ended 2017 with many accomplishments, but also with a great challenge in strategic terms. The financial and market gains brought about by the operation of the new pulp production line in Três Lagoas will give us better conditions to look ahead and analyze future opportunities. Options may include organic growth of its historical business (pulp) or the diversification of its product portfolio using innovative ideas and advanced technologies applied to planted forests.

On another front, we took on the great challenge of creating higher value-added products for our customers with the

strategic technological lines of research in which we chose to invest. To meet this challenge, more than ready products, we offer customers joint development agreements for new applications.

In 2017, we made progress on this joint development trail with our lines of research for new businesses and products. Some of these projects may reach maturity and be presented to the company's Board of Directors in the near future for evaluation and possible investment decisions — a decisive step towards expanding Fibria's presence in developing a low-carbon global economy.



FIBRIA'S STRATEGIC PILLARS

OPERATIONAL EXCELLENCE

Seek maximum efficiency with reduced costs in industrial and forestry operations. This includes projects related to mechanized harvests, reduction of the asset base (forests), adoption of global best practices in waste reuse and maintenance of operational stability, as well as reduction of negative externalities generated by the operations.

GROWTH

Growing organically, through consolidations and commercial contracts, and having competitive costs are factors that determine the success of a business operating in an increasingly competitive global market. Therefore, expansion depends on a consolidated forest base and preparation for new businesses.

DIVERSIFICATION

Work to diversify the business and offer solutions that move away from the concept of commodities, whether in the area of pulp, biorefinery, in new business relationship models, or real estate development.

NEW BUSINESSES

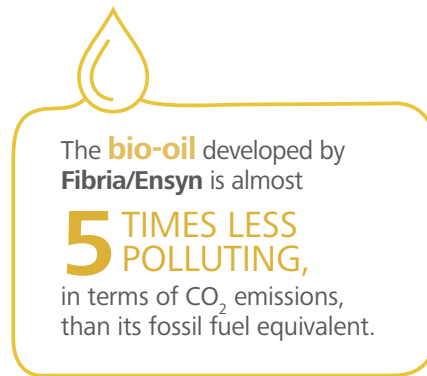
To develop new products and services, Fibria uses its own structure of laboratories and teams of scientists and technicians, and seeks to make partnerships or acquisitions that facilitate access to innovative technologies. Next, learn about some of these lines of research and their advancements in 2017.

NEW PRODUCTS AND APPLICATIONS STUDIED BY FIBRIA:

- Bio-oil
- MicroFibrillated Cellulose (MFC)
- NanoCrystalline Cellulose (NCC)
- Cellulose for biocomposites
- Lignin

BIO-OIL

Bio-oil is liquid wood — vaporized without the presence of oxygen at temperatures above 500 degrees and condensed. It can be refined, like oil, and can replace fossil fuels that are more harmful to the environment. Fibria and the US-based company Ensyn (in which we have a 12.1% interest) are jointly developing a project already in advanced stages to produce and market bio-oil on a commercial scale — a clean and renewable fuel.



In 2017, we performed industrial testing of bio-oil processing at refineries and continued to fine-tune the product.

MICROFIBRILLATED CELLULOSE (MFC)

In 2017, Fibria's pilot plant in Aracruz began operation to produce MicroFibrillated Cellulose (MFC). Throughout the year, Fibria tested, together with customers, new applications for the material. MFC — a product made by refining pulp through mechanical treatment — can be used to manufacture specialty papers, diapers with greater absorption power, cement with reduced setting time, and differentiated cosmetics.



WOOD THAT TURNS INTO CLOTHES

One of the most promising applications of microfibrillated cellulose is the textile industry, in which the product will be used as an input in the production of yarn to make fabrics and clothing. Fibria has been exploring this path: In 2017, Fibria became a shareholder (with an 18% stake) in Spinnova, a startup in Finland that develops extremely innovative technologies in this field.

Research from the startup opens routes for the manufacture of fabrics from wood, with the potential to compete with cotton and viscose (the latter is already made from cellulose), consuming only a fraction of the water and chemicals used in the traditional textile industry.



At the back, Mario Luiz Costa, laboratory research technician, in Aracruz (Espírito Santo state)

Photo: Marcio Schimming

NANOCRYSTALLINE CELLULOSE (NCC)

Fibria also collaborates to develop new products with the Canadian company CelluForce, a global leader in the production of NanoCrystalline Cellulose (NCC) — a material composed of nanocrystals, applied in the following industries: oil and gas, plastics and composites, cosmetics, paints and coatings, among others. With a partnership established since 2016 — when Fibria acquired an 8.3% stake in CelluForce — samples of the material were received in 2017 for joint testing with customers.

PULP IN PLACE OF PLASTICS

Fibria is experimenting with the use of pulp to replace up to 30% of the plastics used to produce composite materials. The most feasible results point to a partial replacement of polyethylene and polypropylene resins. In this line of research, which gained momentum in 2017, Fibria works with partner companies to develop materials and test the technology.

LIGNIN

Lignin is the “glue” that holds together the fibers of the trees — in pulp production, it is waste burned as fuel to produce energy. Fibria researches new products derived from lignin. Among the various applications being studied by Fibria, the most mature is the use of lignin as a resin in the production of wood panels instead of fossil materials. In 2017, industrial tests of this application were carried out in partnership with potential customers.

Fibria has a technology center in Canada — Fibria Innovations — to research applications for lignin. Fibria Innovations is the result of Fibria’s acquisition, in 2015, of a Canadian company specializing in the study of this material.

Aracruz (Espírito Santo state)

Photo: Marcio Schimming

LONG-TERM GOALS

These are the set of commitments that will guide Fibria's operations until 2025. Adopted in 2011, with the support of the Board of Directors and the Sustainability Committee, these goals are based on the company's strategic pillars and priority aspects. Through these commitments, we want to ensure the consolidation of our strategy and the sustainability of our business.

Fibria's long-term goals are not static, they may evolve or include new commitments — an example is the goals adopted in 2016 to reduce water consumption in our operations. The following are the long-term goals and results for 2017.

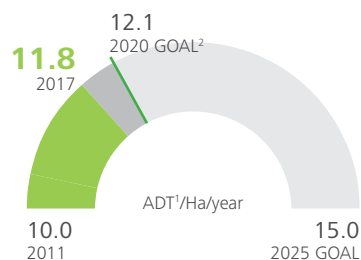
OPTIMIZE THE USE OF NATURAL RESOURCES

SDG 1 2 8 9 12 15

GOAL: Reduce by one third the amount of land needed for pulp production

2017 Result: 11.8 tons of pulp per hectare per year
(potential new clones effectively recommended for commercial plantations)

Fibria is working to increase productivity per hectare of its planted forests by using superior genetic material and improved forestry techniques.



¹ Ton of air-dried pulp. ² Goals are not annual, but rather every five years.

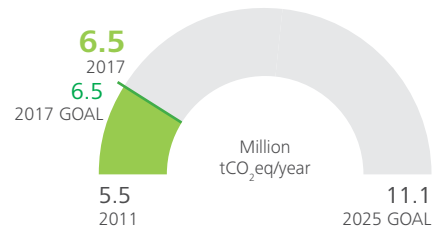
CONTRIBUTE TO MITIGATION OF THE GREENHOUSE EFFECT

SDG 8 9 11 12 13 15

GOAL: Double carbon absorption from the atmosphere*

2017 Result: Net sequestration of approximately 6.5 million tCO₂eq.

By increasing the area of Planted Forests, Conservation Areas and recovery of degraded areas, Fibria seeks to increase net sequestration of carbon.



* Net annual sequestration of carbon from the atmosphere is defined by the difference between total sequestration of planted and native forests and direct and indirect carbon emissions from forestry, industrial, and logistics operations throughout the pulp production cycle, from our nurseries to our customers.

PROTECT BIODIVERSITY

SDG 6 8 9 13 15

GOAL: Promote the environmental restoration of 40,000 hectares of owned areas between 2012 and 2025*

2017 Result: 24,800 hectares recovered between 2012 e 2017

By planting native forest species and stimulating and conducting the natural regeneration of native species, the company protects local biodiversity.



* This goal does not consider Fibria's support to recovery projects in third-party areas, developed through agreements with other entities.

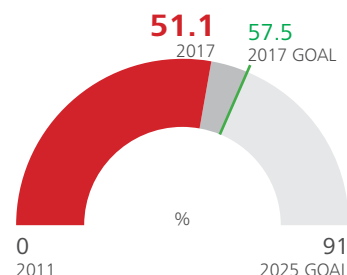
INCREASE ECO-EFFICIENCY

SDG 9 12

GOAL: Reduce by 91% the volume of industrial solid waste disposed of in owned or third-party landfills.

2017 Result: 51.1% reduction in the destination of solid waste to landfills compared with 2011.

Increased eco-efficiency provides numerous benefits, such as reduction in the use of industrial landfills.



STRENGTHEN INTERACTION BETWEEN COMPANY AND SOCIETY

SDG 1 2 10 11 15

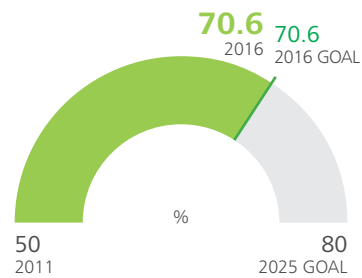
GOAL: Achieve 80% approval from neighboring communities*

Resultado em 2016:

Average approval of 70.6%

(Survey conducted every three years to measure the approval rate, the most recent survey was in 2016.)

The insertion of the community into the company's value chain creates an environment conducive to local development.



* Approval rate measured through surveys conducted every three years.

GOAL: Help communities make self-sustaining 70% of income-generation projects supported by the company

2017 Result:

23.6% of the projects are considered self-sustaining.

The expansion of the Rural Land Development Program (PDRT) model is one of the ways to achieve this goal.



Photo: Marcio Schimming

From left to right, Carlos Eduardo Scardua, lead technician in field research, Rodolfo Araujo Loos, Ecophysiology researcher, and, Almir Rogério da Silva, technician in field research, in Aracruz (Espírito Santo state)

OPTIMIZE WATER MANAGEMENT

SDG    

The objective is divided into forestry, nursery, and industry fronts.

FORESTS

GOAL: Manage water in micro-watersheds in Fibria's forests and disseminate technical knowledge on the subject to our neighbors in critical watersheds

2017 Result:

- Based on physical, social, and water characteristics, three watersheds were selected to be monitored.
- Established a strategic environmental monitoring plan.
- Defined monitoring indicators to evaluate the effect of management on the watersheds in partnership with experts from the Luiz de Queiroz School of Agriculture (Esalq/USP).

Based on the monitoring of water use in the forests, Fibria intends to establish quantitative goals and then mitigate possible conflicts related to overlapping use of water.

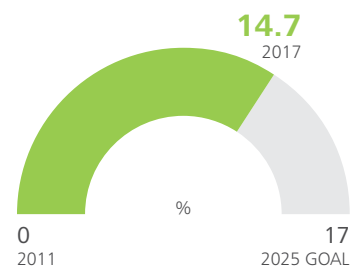
NURSERIES

GOAL: Reduce by 17% the specific consumption of water withdrawal per seedling produced (liters/seedling produced).

2017 Result:

14.7% reduction in water consumption in nurseries per seedling produced. Improvement in 2017 was mainly due to the increase in seedling production.

The benefits of this goal are less water abstraction from natural sources, reduced environmental impacts, and greater efficiency in production.



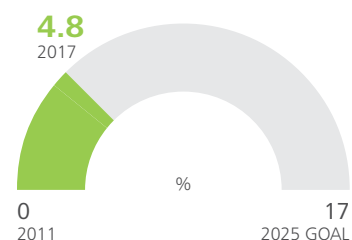
INDUSTRIAL OPERATIONS

GOAL: Reduce by 17% the consumption of water withdrawal per ton of pulp produced (m^3 of water/ton of pulp)

2017 Result:

4.8% reduction in industrial water consumption per ton of pulp produced.

Reduced withdrawal of water from natural sources and smaller volume of effluents and environmental impacts are some of the expected results with the establishment of this goal.



SHORT-TERM GOALS

| 2016 GOAL | RESULTS | 2017 GOAL |
|---|---------------------|---|
| Update and evaluate the current scenario of relations with critical and strategic stakeholders in the states of Espírito Santo and Bahia. Identify, update, and revalidate existing risks and conflicts, aligning internal drivers and reviewing the strategies of the areas of the company involved. | Goal reached | A comprehensive diagnostic of the current situation of stakeholder relations was made, by three consulting firms. Based on the results, four large workshops were carried out with the participation of representatives from the strategic areas of the company. Each workshop covered a different subject (indigenous, quilombolas, MST — Landless Rural Workers Movement —, and employment) and had representatives from each of these communities. They discussed the situation of the relationships, current problems, and defined a position for each of these issues envisioning the future of these complex relationships. Based on the positions, all strategies were reviewed. |
| Start a comprehensive dialogue with the community and government officials about the quilombola land issue in Espírito Santo state. | Goal reached | <p>The work began in 2016. After that, we had to stop for political reasons, and then continued in 2017 and, for the first time, we are talking with CONAQ (National Quilombola Confederation), to jointly find solutions to the quilombola territory issue in the northern region of Espírito Santo state.</p> <p>This dialogue also made it possible for Fibria to approach communities with a history of conflict (20 quilombola communities that in the past did not dialogue with Fibria). We have a project in place in 17 quilombola communities on the territory and, in 2018, we will be working with all 20.</p> |
| Increase multi-use forest programs through agroforestry projects in the states of São Paulo and Mato Grosso do Sul. | Goal reached | We implemented two model systems in the state of São Paulo (Capão Bonito and São José dos Campos) and are now conducting the technical and financial analysis. |
| Begin the process to restore 1,729 hectares. | Goal reached | Process to restore 2,233 hectares initiated. |
| Map ecosystem services associated with the company and propose quantification and/or monetization. | Goal reached | <ul style="list-style-type: none"> • Map ecosystem services relevant to Fibria operations in Brazil • Pilot study of valuation of two relevant externalities |
| Develop the application of our price for carbon in internal projects. | Goal reached | Application of the shadow price of carbon to evaluate the <i>Pentatrem</i> logistics project and the deflector technology that improves the aerodynamics of trucks transporting wood. |

Photo: Marcio Schimming



Fibria's Executive Board. From left to right: Mariangela Bartz (Legal Director), Paulo Silveira (Industrial Director), Aires Galhardo (Director of Operations), Vinicius Nonino (Director of Strategy and New Business), Luiz Fernando Torres Pinto (Director of Human and Organizational Development), Adjarbas Guerra (Director of Governance, Risk and Compliance), Marcelo Castelli (CEO), Malu Pinto e Paiva (Director of Sustainability, Communication and Corporate Relations), Caio Zanardo (Forestry Director), Fernando Bertolucci (Director of Technology and Innovation), Henri Van Keer (Commercial and International Logistics Director), Julio Cesar Cunha (Director of Engineering and Projects), Wellington Giacomini (Director of Logistics, Procurement and IT), and Guilherme Cavalcanti (Director of Finance and Investor Relations).

GOVERNANCE

Fibria's corporate governance is conducted by the CEO, who chairs the Executive Board; by the Chairman of the Board of Directors and eight board members responsible for defining strategic guidelines, approving policies, and setting goals; by the Fiscal Council, in charge of overseeing the administration's actions; and by five Advisory Committees - Statutory Audit; Finance; Innovation; People and Remuneration; and Sustainability.

Fibria always seeks to be based on good governance: so much so that 100% of operations are evaluated in terms of the risks related to corruption and other compliance risks.



Fibria's Board of Directors. From left to right: Carlos Augusto Lira Aguiar, Alexandre Gonçalves Silva, José Luciano Penido, Raul Calfat, João Carvalho de Miranda, Marcos Barbosa Pinto, Paulo Fernando Fleury da Silva e Souza, João Henrique Batista de Souza Schmidt, Ernesto Lozardo

CHANGES IN 2017

Fibria's Board of Directors held elections last year. BNDESPar replaced Board Member Eduardo Rath Fingerl, who remained on the Innovation Committee as an independent member, by the new member Paulo Fernando Fleury da Silva e Souza, who joined the Innovation Committee. The other members of the Board of Directors were reappointed.

Shareholder BNDESPar also appointed two members to the Finance Committee:

full member Ernesto Lozardo and his alternate Leonardo Mandelblatt de Lima Figueiredo.

In 2017, Fibria's Board of Directors convened 12 times. The Board and the advisory Committees also made visits to the company's environmental and social operations and projects, and participated in continuing education programs, with activities that strengthen the company's governance.

NEW TIMES FOR THE SUSTAINABILITY COMMITTEE

In its last meeting of the year, Fibria's Sustainability Committee decided that the time had come to reformulate its composition, in view of the new challenges facing the company.

The decision was the recognition that a cycle is closing in the Committee's activity, marked by the need to address the conflicting social relationships that existed when the company was created, in particular with indigenous communities, quilombolas, and groups fighting for land. In addition, it was necessary to clearly express to the stakeholders Fibria's social and environmental commitments.

We found that these goals were achieved, for the most part. We will continue to work on engaging with communities in an ongoing effort toward open dialogue and mutually beneficial solutions. We still need to move forward on some issues concerning indigenous and quilombola communities, but we are prepared to face other challenges as well.

In this context, the new composition of the Sustainability Committee will focus on topics related to Fibria's future journey, such as innovation, human rights, and diversity.

The reformulated committee will also be responsible for preparing the company for opportunities that arise with the development and application of new technologies from planted forests - an example is the creation of innovative products and materials that foster the low-carbon economy. At the same time, Fibria must remain a benchmark in social investment and environmental asset management strategies.

In this case, it is worth mentioning the discussions carried out by the Committee and Fibria's Technology Center on possible risks in a scenario indicating the increase in temperature on Earth, up to 2°C in the coming years, according to studies by the Intergovernmental Panel on Climate Change (IPCC).



Our Relations

From left to right, Renata Beatriz Mendes Barbosa Monteiro de Campos Mocchetti, Senior Production System analyst; Cristiane Silva, area operator – Fiber Line; and Milton Ricardo Machado, Occupational Safety coordinator, in Três Lagoas (Mato Grosso do Sul state).

Photo: Marcio Schimming



the **use rate** of the professionals who participated in Fibria's Forest Qualification Program in the Três Lagoas region ranged from

87 to 89%

Fibria understands its transformative role in society. And part of this is in the company's relations with its various audiences, among which, the employees. The company has been implementing a series of initiatives aimed at preparing its professionals for a high performance culture.

EMPLOYEE RELATIONS

The Human and Organizational Development (DHO - Desenvolvimento Humano e Organizacional) area had an important role in the development of the best professionals to work at the second line in Três Lagoas, Mato Grosso do Sul state. The company hired people preferably from the local municipality or from nearby regions, which contributed not only to economic growth, but also to the social and human development of the location, by investing in the professional qualification of its members.

HEALTH AND SAFETY

Fibria has managed to reduce the number of accidents in its operations year after year. Since 2011, considering the rate of frequency of reportable accidents, the number was reduced by 49.5% for the total group of approximately 21,000 own professionals and outsourced workers.

Unfortunately, this reduction was not enough to prevent us from avoiding a fatal accident in 2017, which occurred in an emergency logistics operation for the transportation of pulp from Três Lagoas. The destination of this operation, which is not part of our logistics routine, was the port of Santos, and was necessary due to the temporary interruption of railroad activities.

In order to increase safety management, in 2017 we began a safety culture diagnostic using as a guide the “Hearts and Minds” methodology from the Shell Institute to map and assess leadership and operational behavior from an occupational health and safety (OSH) standpoint.

The diagnostic was initiated by the Aracruz industrial unit and extended to Jacaré; the Três Lagoas unit will be evaluated in 2018. The work focuses on qualitative aspects in OHS management and should result in an action plan focused on correcting undesirable behaviors.

Photo: Marcio Schimming



Diogo Belmiro de Paiva, at the wood chip production, in Capão Bonito (São Paulo state)



Seated, Marcos Viana dos Santos, operator of the Recovery Panel and, standing, Humberto Frasson da Silva, operator of the Causticizing Panel, in Aracruz (Espírito Santo state)

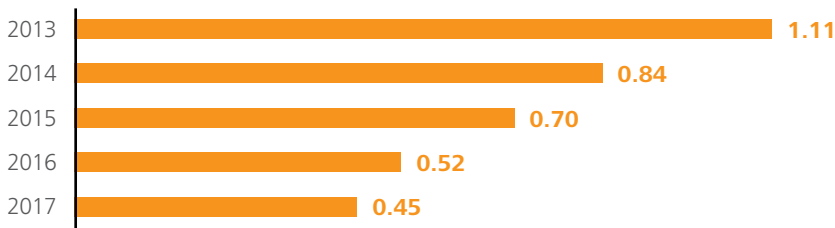
Photo: Marcio Schimming

WORLD RECORD IN SAFETY

In the construction of the new pulp production line in Três Lagoas, the final index reached by the Horizon 2 Project was 6.38 reportable accidents per million man-hours (MHW). This index is lower than the average of the indicator registered in the OSHA-USA benchmark for similar projects in the United States of America, which places Fibria as the best benchmark in safety indicators for projects of this size and characteristic.

Despite this result, the company understands that the safety challenges are still not over, — as long as there is a fatal or crippling accident, we will fall short of what is expected. For this reason, we will continue to invest in our processes and in the awareness of our team regarding the value of safety and therefore, of life, at Três Lagoas and in all our operations, as we comment below.

CONSOLIDATED FOREST — Accidents per million km driven in wood transport





OUTSOURCING

At the end of 2017, just over 5,000 own employees and 13,000 outsourced workers worked at Fibria, hired according to labor legislation by companies operating mainly in the forestry operation, chosen by the company in rigorous selection processes.

In order to overcome the challenges of worker engagement and motivation in work safety matters and other aspects, Fibria makes no distinction between its own employees and outsourced workers. Any accident with our outsourced workers is considered a company accident and handled in the same way in terms of investigation and accountability — even affecting the performance goals of all managers.

Fibria believes that outsourcing is a good alternative when it doesn't result in precarious work and is consistent with the laws of the country. Therefore, labor-intensive suppliers in the company's operations are monitored concerning the diligent fulfillment of their ancillary obligations. Additionally, we maintain ongoing dialogue with the authorities in order to contribute our opinion and experience to this aspect.



In 2017, a total of

512

**FIBRIA
PROFESSIONALS**

(100% of the eligible audience) underwent the annual assessment by the Executive Performance Management Committee.

| DIRECT JOBS | 2015 | 2016 | 2017 |
|------------------------------|---------------|---------------|---------------|
| Own jobs | 3,929 | 4,224 | 5,009 |
| Permanent outsourced workers | 12,809 | 13,654 | 13,335 |
| Total | 16,738 | 17,878 | 18,344 |



Fibria's team of executives at the 2017 Leadership Meeting

Photo: Marcio Schimming

DEVELOPMENT ROUTES

The Development Routes are part of a program that Fibria has had in place over the last two years to prepare people to fill critical positions, with a high impact on the business, for which it is difficult to find qualified candidates on the market. What makes it different from conventional programs is its emphasis on training experiences that streamline readiness of the professionals.

The person chosen to join the program follows an individual development plan that seeks to offer experiences that we deem most important for the best performance in the proposed position. In order to design the training routes,

interviews and in-depth surveys were carried out with managers and employees who have already had or presently hold critical positions and have had the best performance in that position.

In 2017, we worked on putting together Industrial Development Routes, geared toward the company's industrial operations. At the same time, we made progress in implementing the Forest Development Routes, a pioneering program launched in 2016 for employees linked to Fibria's forestry operation. People assessed under the program took steps in their careers and took on new positions in 2017.



Fibria invested

BRL 7.38 million

IN TRAINING AND DEVELOPMENT

in 2017 (including all its operations and units)



Philharmonic Lira Imaculada Conceição. Caravelas (Bahia state)

Photo: Araquém Alcântara

COMMUNITY RELATIONS

Fibria seeks transparent dialogue with its stakeholders and the communities that are affected in some way by its forestry, industrial, and logistics operations. We work to mitigate the possible negative impacts generated by our activities; we assess risks and solutions in order to, whenever possible, take preventive action to avoid problems, and listen carefully to grievances and complaints.

In the same way, we seek to create shared value with the populations that live around our operations through programs and actions toward large-scale

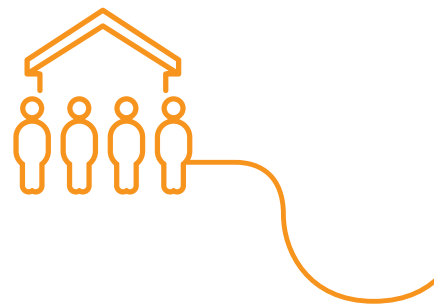
social impact. We believe that the well-being and prosperity of our neighbors is important to coexist without conflict and will contribute to creating a more favorable environment for the company's growth.

In this way, 2017 was a year of achievements. We managed BRL 52.8 million in social investment, allocated according to our social performance strategy in the communities considered impacted by our activities.

Some of our engagement processes and social projects are highlighted next.

CLOSER TO THE QUILOMBOLAS COMMUNITIES

In 2017, we made important progress in the relationship, which we have had for years, with the quilombola communities in the vicinity of our forests in the northern region of Espírito Santo. Eight new communities joined Fibria's programs, bringing the number of quilombola communities that are partners of projects to 17, out of 20 in total. The remaining three communities will receive investments from Fibria in 2018.



THE STIMULUS FROM PDRT

The Rural Land Development Program (PDRT) is one of the most significant projects and with the greatest impact led by Fibria. The program contributes to increasing the income of more than 3,000 families in the states of Bahia, Espírito Santo, Mato Grosso do Sul and São Paulo. Launched in 2012, the PDRT trains family farmers and operates in three fronts: technical assistance to production and stimulus to use low cost technologies, reducing environmental impact; management of associations and networks; and incentive and guidance to gain access to public policies that increase the possibilities for marketing the products. The average increase in income of participants in 2017 was BRL 1,505.00 per month.

Photo: Marcio Schimming



Sergio Antônio Ferreira, PDRT producer, in Três Lagoas (Mato Grosso do Sul state).

FROM CAMPGROUND TO SETTLEMENT

By the end of 2017, project *Assentamentos Sustentáveis* (Sustainable Settlements, in English) — which Fibria has in place with the Landless Rural Workers Movement (MST, in Portuguese) in Southern Bahia — had 320 families that had already transitioned from “campground to settlement.” In other words, they had left the tents where they were camped to settle in houses on the lots where they will live.

Fibria still faces challenge in its relations with the movement in the region of Aracruz (Espírito Santo state). Negotiations are in progress, and 2018 will be a decisive year for us to achieve, with the Aracruz community, the same level of process and relationship as those achieved today in Bahia.

Photo: Araquém Alcântara

Family farmer Vanete Carvalho Pereira Vieira. Aracruz (Espírito Santo state)



INDIGENOUS CULTURE

The relationship with the indigenous populations in the areas where Fibria operates is developed by an interdisciplinary team formed by anthropologists and indigenists. Our goal is to enable a healthy relationship and support the sustainability of indigenous lands that are close to Fibria areas.

In the state of Espírito Santo, Fibria has in place the Tupiniquim and Guarani Sustainability Program (PSTG), serving nearly 760 families with the purpose of conducting integrated and long-term actions that will allow the Tupiniquim and Guarani people to restore the environmental conditions necessary to resume their social and cultural practices, affirm their ethnic identity, and develop sustainable economic activities.

In 2017, this relationship evolved to the signing of a notarized agreement between Fibria and representatives from the 12 indigenous villages, which sets out the roles and responsibilities for both sides. In this document, the indigenous people promise not to block roads or take any type of action that could interrupt or damage Fibria's operations in Aracruz.

In the municipality of Brasilândia (Mato Grosso do Sul state), Fibria has in place the sustainability program called PSO (*Programa de Sustentabilidade Ofaié*) benefitting nearly 30 indigenous families. The Ofaié live on a reserve after their land was flooded by the Porto Primavera dam, in 1998. The action plan of the PSO makes available to the communities resources for appreciation of the culture and handicrafts of the Ofaié village to foster the family subsistence agriculture.



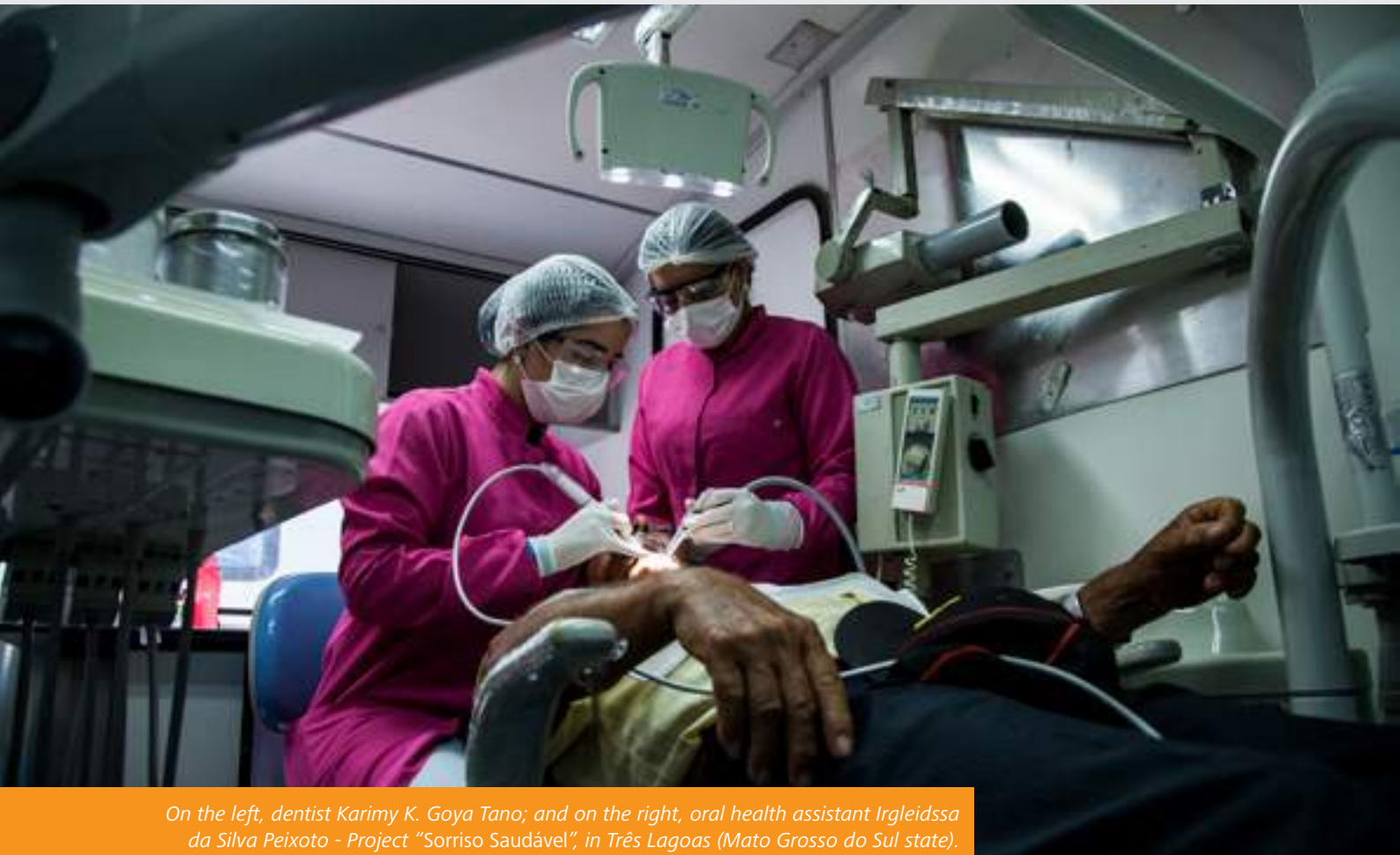
SOCIAL PERFORMANCE

In 2017, we reached the mark of 7,500 families participating in our income generation programs, while expanding their territorial base — in the state of Mato Grosso do Sul, for example, we operate in eight municipalities and serve 100% of the localities we deem as a priority.

In that same state, actions associated with our industrial investment leave important legacies for the communities. This is the case of a Social Credit program concentrated in the municipalities where Fibria operates, which invested BRL 11.7 million in local infrastructure work for the population and in dental care and youth and adult education programs.

The funds invested come from a BNDES financing line linked to the project of the second production line in Três Lagoas.

Photo: Marcio Schimming



On the left, dentist Karimy K. Goya Tano; and on the right, oral health assistant Irgleidssa da Silva Peixoto - Project "Sorriso Saudável", in Três Lagoas (Mato Grosso do Sul state).

AGENTE DO BEM

Another initiative associated with the expansion project in the state of Mato Grosso do Sul that yielded results in 2017 was the *Agente do Bem* (Agent for Good, in English) movement, instated in 2016. The movement brought an innovative approach to the mitigation of child sexual abuse or exploitation in large construction sites. With Fibria's initiative, the city of Três Lagoas mobilized to build a citizenship network to face the risk in a transparent and participatory way, as well as to improve the preparation of the public agents who work in the front line.

After a year and a half, *Agente do Bem* became a movement shared by the whole community, with the intention of contributing to Três Lagoas becoming a model city in protecting children and adolescents from all violence, especially sexual violence.

Fibria and Childhood, a non-governmental organization, which specializes in the topic and is a partner in the operation of the program, developed a strategy emphasizing on **citizenship education**, which sought a positive and welcoming way of approaching this sensitive topic on the construction site.

PUBLIC MANAGEMENT SUPPORT PROGRAM

Through the Public Management Support Program (PAGP — *Programa de Apoio à Gestão Pública*), initiated three years ago, Fibria assisted the municipality in creating the Três Lagoas Sustainable Action Plan, which was adopted by city officials (with a mandate from 2017 to 2020) as a government platform.

THE PAGP IN TRÊS LAGOAS AND BRASILÂNDIA



- 27-month project
- 140,000 people impacted
- 6,500 followers on social networks
- 1,060 people interviewed in Três Lagoas
- 600 people consulted to produce the Três Lagoas plan
- 320 people in training and workshops
- 70 technicians and specialists involved
- 50 institutions involved
- 31 events held

GOVERNMENT, ORGANIZATIONS, AND FORUM RELATIONS

Fibria participates in formulation of public policies and in the discussion of regulatory frameworks that bring legal security to the sustainable development of businesses and society. During this process, the company is concerned with promoting a healthy political-institutional environment, always reinforced by willingness to dialogue and a transparent attitude.

In 2017, we participated as a stakeholder in the construction of the new national biofuel policy, RenovaBio — an important milestone in this process. Issues related to regulating and promoting bioproducts and public policies on bioproducts, in general terms, will be fundamental to transform the current pulp mills into biorefineries, as contemplated in our vision for the future.

Photo: Marcio Schimming



Carina Yoshiko De Sant Anna Felizardo, at the Technology Center in Jacareí (São Paulo state)

CREATING AN INSTITUTIONAL RECORD

In 2017, Fibria initiated the compilation of structured records of the meetings, and of meetings of company representatives with government agents in order to build a history of institutional relationships. This initiative is foreseen in the *Government Agent Relations Guide*, which we launched in 2016, which describes Fibria's standards for conducting relationships with political authorities, in addition to the guidelines established in the company's Code of Conduct and Anti-Corruption Policy.



NATIONAL AND INTERNATIONAL FORUMS

Fibria strengthens its dialogue and partnerships with governments, companies, NGOs, and universities by actively participating in forums and working groups, in Brazil and abroad, which a focus on aspects related to sustainable management of forests.

Below are some examples of the company's commitments and of the dialogues in which the company is involved:

- Annual Inventory of Greenhouse Gases (GHG)
- Brazil Climate, Forests, and Agriculture Coalition
- Environmental Paper Company Index (EPCI)
- Sustainable Development Goals (SDG)
- Global Compact
- Task Force on Climate-related Financial Disclosures (TCFD)

SUPPLIER RELATIONS

In order to integrate long-term supply chain strategy with sustainability principles, Fibria launched in 2017 the Sustainable Procurement Program. The objective is to reach 2020 with a Procurement area recognized by the market and our stakeholders as innovative and responsible for generating economic, social, and environmental value. It is only possible to embark in this path with qualified suppliers creating a value chain that favors sustainability.

Thus, it is necessary that the Program is not limited to a look from inside the company. To design it, in partnership with the Sustainability area, we invited representatives of 11 of Fibria suppliers. Chosen based on social and environmental criteria and their strategic relevance to the business, they participated in the entire process for creating the program.

Photo: Araquém Alcântara

Adeilson Caetano Cardoso, Aldeci Blandino dos Santos, Antonio Blandino and Maxsuel Salustiano Blandino, of the Cooperative of Rural Workers and Farmers of the Quilombola Community of Córrego de São Domingos (Espírito Santo state)





Among the Top 20 Fibria suppliers, considering the volume of business, nearly

80%

have had a relationship with the company for over 20 years.

RELATIONSHIP GUIDE

In 2017, the main deliverable of the Program was to create, along with our suppliers, a Relationship Guide that goes beyond the code of conduct already adopted by the company. The Fibria and Suppliers Relationship Guide, launched mid-year, expresses Fibria's expectations and commitments regarding its supply chain, seeking not only to align practices, but also to identify opportunities to evolve and become more sustainable.

TWO-WAY COMMITMENTS

The Fibria and Suppliers Relationship Guide is based on the belief that a set of best practices such as developing suppliers, ensuring transparency in actions, consolidating values, and fostering joint initiatives — ultimately mobilizes a business strategy to put into practice the creation of shared value with society. The document was created together with suppliers which allows for a two-way approach: in one direction, it spells out Fibria's

expectations about the work and operations of its partners — who must comply with local legislation, adhere to best market practices whenever possible, and work toward engaging those practices in their own chains. In the other direction, the Guide also captures the expectations of the partners toward Fibria, brought by the group of 11 suppliers who participated in its development and others that responded a survey.

For its initiative to make management of procurement more sustainable, Fibria received, in 2017, the ECO Award from Amcham Brazil (American Chamber of Commerce Brazil), for the Sustainability case in the Supply Chain, which details the Sustainable Procurement Program. Other examples covered in the same case are the Prodfor supplier development programs in Espírito Santo state, and of supplier training (PQF) in Mato Grosso do Sul state, and the Sustainability & Compliance Working Group created for the Horizonte 2 project, also in Mato Grosso do Sul state.

Photo: Marcio Schimming



Alessandra Oliveira Barbosa, Laboratory Analysis I technician, in Três Lagoas (Mato Grosso do Sul state).

SUSTAINABILITY & COMPLIANCE WG IN TRÊS LAGOAS

Fibria introduced, on its own initiative, a new element in the Critical Analysis of the (ACP) methodology, used to monitor the progress of project Horizonte 2, in the construction of the new production line in Três Lagoas. A Sustainability & Compliance Working Group included 80 suppliers and representatives of Fibria who were responsible for handling these issues in the project's day-to-day routine and in the quarterly Critical Analysis meetings.

The Working Group mapped risks in three areas — Social Risks, which include labor, operating risks, and impacts on communities; Environmental Risks, including waste disposal, biodiversity, energy, emissions, and water; and Compliance Risks, such as image and reputation, regulatory, integrity, and anti-corruption laws.

CUSTOMER RELATIONS

Attention to Customer Focus is one of Fibria's attributes. In 2017, we advanced in this journey through actions, initiatives, and projects that involved several areas, based on the surveys conducted with our customers at the end of 2016. Seeking Customer Focus implies a different way of working with the companies that buy our products: there is no longer a single point of contact between a Fibria's sales professional and our customer's purchasing employee.

The contacts between members of the two teams multiply and become more comprehensive and diverse; the change becomes qualitative as well as quantitative, and facilitates the development of joint projects that represent value for both companies.

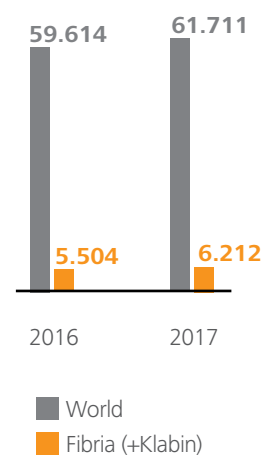
In 2017, we advanced in this direction by creating the Corporate Quality Management, which reports directly to the Industrial Department. In this way, the aspect of quality began to be handled with a higher level of responsibility.

REVOLVING MARKET

The growth in global demand for pulp in 2017 was supported by better macroeconomic conditions in all regions and the good performance of the paper market throughout the year, factors that resulted in low availability of the product on the market and a consistent rise in prices.

This turnaround in the market found Fibria in a more than favorable situation to cater to the growing demand. Fibria's second production line in Três Lagoas (Mato Grosso do Sul state) began to operate ahead of schedule and maintained a learning curve that is much higher than programmed. As a result, it was possible to offer the market larger volumes of production before plan.

MOVING MARKET Pulp sales (in million tons)



Source: PPC and Fibria

Photo: Marcio Schimming

Dilmo Florêncio, controller of port operations, in Aracruz (Espírito Santo state)



EXPORTING PARTNERSHIP



Since May 2016, Fibria has been responsible for selling the pulp produced by Klabin on the global market. The contract between the two companies has a four-year term. In 2016, Fibria sold 478,000 tons of the Klabin product with the Forest Stewardship Council® (FSC®), (FSC-C102372) certification; in 2017, the first full year of the partnership, volume reached 809,000 tons.

THE STRENGTH OF ASIA

In 2017, for the first time the volume sold to Asia surpassed the volume bought by Europe. In the year, the sales volume for the European market was relatively stable and remained around 2 million tons, while Asia — led by the large Chinese market — advanced to 2.3 million tons.

SHAREHOLDER AND INVESTOR RELATIONS

For Fibria, 2017 was a year of major accomplishments. The strong growth in demand led to an uninterrupted sequence of increases in the price of pulp, which reached the end of the year at USD 979 per ton in Europe, according to the reference price for the commodity. For our part, we delivered the second production line of Três Lagoas ahead of schedule, below budget and above the learning curve.

What has this provided in financial terms? Two points can be highlighted:

- Our market valuation has grown stronger: Standard & Poor's (S&P) changed its outlook from negative to stable, eliminating the risk of loss of investment grade; Fitch, which also rates the company's investment grade credit rating, has shifted its outlook from stable to positive. At the end of 2017, Fibria's BBB- rating was confirmed by both credit rating agencies.
- Today we have the lowest cost of funding in the sector and we have carried out the largest investment project in Latin America with significantly leverage lower than expected.

What does this mean for the immediate future? A great increase in the company's financial sustainability, which generates more cash and drives its deleveraging. At the same time, we seek to consolidate our social and environmental sustainability, something that is beginning to be recognized by the market as a set of indicators as important as the economic front to evaluate the future prospects of a project.

GREEN BOND

In January 2017, Fibria issued its first green bonds in the amount of USD 700 million. These bonds are used to finance investments related to environmental sustainability, including maintaining planted forests, conserving native forests, and eco-efficiency projects related to water, renewable energy, and waste.

In September, Fibria received for this offering, the *GlobalCapital Sustainable and Responsible Capital Markets Award*, granted by *GlobalCapital*, one of the leading international publications on capital markets.

Our Production Processes



*In our production chain, and in the research and development networks we created, we always seek **competitive innovation** — one of Fibria's Desired Attributes. We innovate, always based on the planted forest, to open new possibilities for business and products. We also want to differentiate our more traditional merchandise, pulp, and go beyond the concept of commodity.*

RESEARCH AND DEVELOPMENT

We are a forest products company. We have a proven track record of excellence in pulp manufacturing, but this is not enough: we seek to capture the best value from the innovation applied to our planted forests, developing other products. For this purpose, scientific research and the development of new technologies are essential tools.

We have scientific and technological research in Aracruz (Espírito Santo state), Jacareí (São Paulo state), Três Lagoas (Mato Grosso do Sul state) and Burnaby, Canada, as well as an experimental field network covering all our units. We invested 0.57% of the company's net revenue in innovation — in 2017, a total of BRL 67 million was invested in research and innovation projects.



*Paula Borges
Mishima, at
the Technology
Center in Jacareí
(São Paulo state)*

Photo: Marcio Schimming

Photo: Marcio Schimming

Joelma Aparecida dos Santos Damiao, at the Technology Center in Jacareí (São Paulo state)



RESEARCH IS IMPERATIVE

All Fibria units have a Technology Center: we rely on 48 scientists in the company as well as on qualified technical professionals dedicated to research and innovation. At each of the locations, we seek to emphasize specific processes and products, namely:

- **Aracruz** — dedicated to developing pulp and its production process; research on soils, plant nutrition and forest protection, pests and diseases. It also has a laboratory where natural enemies of the organisms that attack eucalyptus are raised.
- **Jacareí** — focused on forest biotechnology, houses the biorefinery laboratory, where Fibria develops lines of research for creating products from planted forests: lignin, bio-oil, microfibrillated cellulose, nanocrystalline cellulose, and biocomposites. It also conducts research on soils, plant nutrition, and forest protection.

Mayara Martins Aparecido, at the Technology Center in Jacareí (São Paulo state)



- **Três Lagoas** — research on forest management and protection, and classical genetic improvement of eucalyptus are conducted here. We can highlight the forest ecophysiology studies, with the largest private network monitoring the effect of climate on the growth of eucalyptus, the cerrado, and pastures.
- **Burnaby (Fibria Innovations)** — a company owned by Fibria, located in Canada, in the Vancouver region. Its laboratory develops innovative products and applications for lignin — one of the components of wood, alongside pulp.

FIBRIA INSIGHT — IN THE FIELD OF THE STARTUPS

In August 2017, we launched our open innovation platform, Fibria Insight (www.fibriainsight.com.br) — a connection with startups, research centers, universities and entrepreneurs from Brazil and the world. Through this platform, we gain access to ideas and innovations that can be developed jointly.

The platform works through challenges and two topics were successfully launched in 2017. The first topic challenged candidates to present innovative uses and applications for microfibrillated cellulose - a differentiated variety of the material, researched by Fibria; the second topic did the same in search of better packaging solutions for the bales of pulp, today held tightly with a metal wire. In all, 46 candidates participated in the challenges. At the end of a process that included immersion in the company of 15 of the candidates, the following projects were chosen to continue, with Fibria, in the

development of the technologies proposed (the challenge foresees the contribution of company resources to the projects, in various modalities of investment):

- **CTNano**, associated with the Federal University of Minas Gerais (UFMG): proposes the use of microfibrillated cellulose in a special paint that conducts electricity, with several potential applications.
- **Nanomix**, also in association with UFMG: from pulp, it proposed a blister paper for pharmaceutical packaging that offers advantages such as a greater protection barrier and cost lower than that of aluminum.
- **Cellugam**, in association with the Federal University of Pelotas: brought a packaging solution in a new format for bales of pulp, which uses nanocellulose as 'glue'.

At the end of 2017 Fibria had a platform of proprietary technology with:



334 patents
*six of which were developed
during that year*



25 cultivars
*(record of plants modified
through classical improvement),
one more than in 2016*

Photo: Marcio Schimming

Forest mosaic in Capão Bonito (São Paulo state)



FOREST MANAGEMENT

Planted forests are the starting point of Fibria's production chain. The wood they produce provides raw material for pulp, fuel for generating electricity and, increasingly, inputs for developing new products and applications originating from forests.

Fibria is involved in the production of wood on 656,000 hectares of planted eucalyptus forests in 261 municipalities in the states of Espírito Santo, Bahia, Mato Grosso do Sul, Minas Gerais, São Paulo, Rio de Janeiro, and Rio Grande do Sul. In these operations, Fibria combines the techniques of modern forest management to a constant willingness to innovate in management, processes, and technology. The following are some innovative forestry technology projects that were implemented or that yielded results in 2017.

AUTOMATED NURSERY

The start of operations of the second production line in Três Lagoas (Mato Grosso do Sul state) in August 2017 represented an increase of almost 2 million tons of pulp per year to our production capacity. In order to cover the new demand for wood, Fibria built an automated seedling nursery in that unit to strengthen production in its forests in the region.

This is an innovative project on a global scale and the first dedicated to eucalyptus seedlings. By applying state-of-the-art automation, the new nursery represents a major advance in technology and production for Fibria's forestry operation — as important as the new Três Lagoas production line for the industrial base.

With robotic operation and new design concepts, the facility can produce up to 43 million seedlings per year and has become the company's largest — greatly exceeds the nurseries in Capão Bonito (São Paulo state) and Helvécia (Bahia state), each producing 30 million seedlings annually.

The positive experience with the nursery in Três Lagoas does not necessarily mean that the company will deploy the same technology in all its seedling production units. In Helvécia, south of the state of Bahia — where Fibria is one of the main employers —, the automation of the nursery would require a workforce with a different profile than the one existing at the location and would reduce the current number of job positions. Fibria understands its transforming role in the community where it operates and will continue working with a business model that allows for different types of operation in its nurseries.

Photo: Marcio Schimming



Automated nursery in Três Lagoas (Mato Grosso do Sul state)



Photo: Marcio Schimming



PLANTED FORESTS AND CLIMATE CHANGE

Climate change has a direct impact on the productivity of Fibria's forests. For this reason, Climate Change is part of the company's strategy, and a number of initiatives such as monitoring, action plans, risk management, budgets, and business plans are undertaken to mitigate impacts on our forestry operations.

BIG DATA IN FORESTS

Fibria innovated in 2017 by applying predictive analytics tools and Big Data to its wood production processes. The purpose of the project was to optimize regrowth, a management regime that uses the natural sprouting of the tree after harvesting to give rise to a new forest. The results suggest that it is possible to achieve a 6.7 to 14.2% increase in forest productivity through changes to selection criteria of the areas and an improved forest management process. It is estimated that, in five years, the innovations should yield a return of nearly BRL 9.4 million.

FORESTRY LOGISTICS

In order to efficiently move all wood necessary for the second mill in Três Lagoas, important investments were made in logistics: the start of operation of the *pentatrem* and the installation of new equipment in the mill's wood unloading yard, described below.

Photo: Cine Prudente



Pentatrem in Três Lagoas (Mato Grosso do Sul state)

- **Pentatrem** — This truck with five hitched trailers is capable of hauling 69% more wood in a single trip than its predecessor, the tritrem (with three trailers). The model contributes to reducing CO₂ emissions (by 20%) and transport operating costs between forests and the mill, and to mitigating the impacts on the region's highways — the *pentatrem* travels on Fibria's internal roads, without interfering in the regular traffic of highways. To this end, the company built a tunnel under highway BR-158, strengthening the sustainability of its local logistics operation. By the end of 2017, a total of 15 *pentatrem* units were already operating in Três Lagoas.
- **Gantry cranes** — Once at the mill, the wood needs to be unloaded and transferred to the chopping lines. In 2017, high capacity machines installed under gantries entered into operation for this purpose (trucks enter a gantry, under the machine that will unload the wood). The new arrangement streamlines unloading and improves the rate of supply to picking lines, with a gain in productivity of up to 45% in the Três Lagoas woodyard. Thus, the mill is guaranteed to work without shutdown or loss of pulp production because of stockout in the wood chipping lines.

WOOD BY SEA

Another important investment in logistics improved supply of wood at the Aracruz unit in the state of Espírito Santo: the installation of large port cranes, imported from Finland at a cost of BRL 54.4 million, at the Barra do Riacho (Espírito Santo state) and Caravelas (Bahia state) Marine Terminals. The cranes — two in each port — load and unload the ocean barges that transport wood by sea from Fibria's forests in Bahia state to Aracruz.

This operation removes heavy truck traffic from local highways: each barge can

haul the same load of wood that would require one hundred *tritem* trucks for transportation or nearly 550 truck trips per month. It is a process that adds benefits to the environment and greater safety on the roads (about 25% of Fibria's wood transport is by sea). With the new cranes, barge loading and unloading time fell from 12 to 6.5 hours, and the volume of wood hauled by sea will increase from 2.3 million to 2.7 million m³ per year, also reducing CO₂ emissions in the operation.

FOREST FIRES

Fire is an ever threatening risk to Fibria's forests, which span over more than one million hectares in seven Brazilian states. In order to reduce response time to fire alarms, in 2017, a total of 50 towers were installed in the units of Três Lagoas (Mato Grosso do Sul state) and Aracruz (Espírito Santo state). In 2018, coverage of the surveillance area will be expanded to the Capão Bonito unit (São Paulo state).



In 2017, there was a

94% reduction

in areas affected by forest fires in the states of Espírito Santo and Bahia, compared with 2015.

CERTIFICATIONS

Fibria complies with all standards and certifications applicable to the forestry industry. They are: NBR ISO 9001, NBR ISO 14001, OHSAS 18001 — implemented at the Santos Port Terminal (T13, T14, T15, and T32) —, Forest Management Principles and Criteria — FSC-STD-01-001 (Forest Stewardship Council®), FSC® international standard.

INDUSTRIAL MANAGEMENT

In 2017, Fibria produced 5.6 million tons of pulp at its three plants in Aracruz (Espírito Santo state), Jacareí (São Paulo state), and Três Lagoas (Mato Grosso do Sul state). This volume also takes into account the Veracel (Bahia state) production of 1.1 million tons, half of which (551,000 tons) belongs to Fibria. Veracel is a joint venture between Fibria and Stora Enso.

In August, the second line of the Três Lagoas unit began operation — an investment of BRL 7.3 billion, making the mill the world's largest pulp mill and increased Fibria's total production capacity from 5.3 million tons/year to 7.25 million tons/year.

Photo: Marcio Schimming



Três Lagoas (Mato Grosso do Sul state)

BETTER THAN EXPECTED

When it entered into operations on August 23, 2017, the second line of Três Lagoas was three weeks ahead of the announced schedule. Since then, it has been meeting all initial

performance forecasts — the so-called learning curve of a new facility — with indices of production, quality, chemical consumption, and energy generation higher than expected.

At the end of 2017, pulp production in the new Três Lagoas mill had already reached

88%
of the **GOAL**

expected to be reached by May 2018.



This initial performance above the curve resulted in a volume produced of

559,000
tons,

36.5% higher than the production estimated for 2017.

BACK ON TRACK

The year 2017 was also marked by the recovery of the stability of the industrial operations at the three Fibria units. This index, which indicates a plant's ability to maintain a steady performance pace without peaks and valleys in production volumes, had dropped. In 2017, a substantial rise was recorded, signaling a return to the levels of operational stability historically maintained by the company.

Photo: Marcio Schimming



Jacaré (São Paulo state)

ENERGY EFFICIENCY AND WASTE

Using less fuel is great for both the company and the planet; generating less waste is in line with Fibria's long-term goal of reducing by 91% the disposal of solid waste in industrial or third-party landfills by 2025. To this end, we are working to reduce our generation of solid waste from 60.7 kg per ton of pulp produced (base year 2011) to only 5 kg per ton in 2025.

One project alone, which began in October 2017 at the Jacaré unit in the state of São Paulo, allows for both reductions: drying biological sludge, a waste stream from the pulp production process, and using the resulting dry sludge as fuel in the unit's biomass boiler for generation of electricity. It is estimated that, each month, the project can convert around 4,200 tons of biological sludge into 800 tons of dry sludge to be burned. The investment is BRL 25 million.

BETWEEN 93% AND 95% OF FIBRIA'S ENERGY MATRIX COMES FROM RENEWABLE NATURAL RESOURCES.

IN TRÊS LAGOAS (MATO GROSSO DO SUL STATE), A SIMILAR STRATEGY HAS A DIFFERENT EXECUTION. NEARLY 2,500 T/MONTH OF THE BIOLOGICAL SLUDGE GENERATED IN THE TREATMENT OF EFFLUENTS FROM THE PRODUCTION LINES ARE ALSO USED AS FUEL IN THE BIOMASS BOILER. HOWEVER, SINCE IT IS A NEXT-GENERATION BOILER, THE BIOLOGICAL SLUDGE DOES NOT NEED TO BE DRIED AND CAN BE BURNED IN ITS ORIGINAL STATE.

Photo: Marcio Schimming

Três Lagoas (Mato Grosso do Sul state)





Pulp in Portocel, Aracruz (Espírito Santo state)

Photo: Marcio Schimming

PULP LOGISTICS

The start of operations of the second line of Três Lagoas in 2017 created major challenges for the operation of Fibria's pulp logistics, which organizes handling, storage, and transportation of the finished product between the mills and the ports of shipment for export. A study concluded that the port of Santos was the best alternative as an outbound port for the pulp from the new line. However, the more than 900 kilometers between Três Lagoas and the port in São Paulo posed a particular challenge, in addition to the impacts

that would be caused in the communities throughout the path.

The solution combines road and railway modes. The pulp from the new mill is loaded onto trucks and transported to the Intermodal Terminal of Aparecida do Taboado, 170 kilometers from Três Lagoas, on the border between Mato Grosso do Sul and São Paulo states. There, it is loaded onto railcars and comes, by wide gauge railroad, to the Port of Santos, from where it is loaded on ships and exported.

NEW PORT TERMINAL

In the port of Santos, Fibria has the Macuco Terminal (T32) to handle its pulp loads. Fully rebuilt by Fibria in two years, the terminal was delivered at the end of 2017 and is already in operation.

TO REINFORCE THE CAPACITY TO TRANSPORT THE LARGER PRODUCTION OF PULP IN THE WORLD, FIVE VESSELS — OF NEARLY 55,000 TONS EACH — WERE CONTRACTED FOR THE EXCLUSIVE USE BY FIBRIA, AND ARE BEING BUILT, WITH DELIVERIES SCHEDULED STARTING IN 2019.



Our Economic Performance

The second production line in Três Lagoas, which began operation in August 2017, produced 435,000 tons of pulp in the fourth quarter of the year. The result contributed to a total production of 1.659 million tons in the fourth quarter of 2017 — an increase of 36% over the fourth quarter of 2016.



The new mill in Três Lagoas (Mato Grosso do Sul state) accounted for

80 MWh

of all surplus energy generated and marketed in the fourth quarter of 2017.

ECONOMIC MANAGEMENT

The year 2017 was good for Fibria, and may be summarized in several points: significant increase in production, record sales, lower costs, and a significant reduction in leverage. Supported by increased production capacity, as a result of the start-up of the second production line in Três Lagoas (Mato Grosso do Sul state), and by a heated global pulp market, these results reinforced our financial soundness, as evidenced by the improved credit conditions and the investment grade assigned to Fibria by two international rating agencies.



Automated nursery in Três Lagoas (Mato Grosso do Sul state)

Photo: Marcio Schimming



Wood yard in Aracruz (Espírito Santo state)

Photo: Marcio Schimming

HIGHLIGHTS OF 2017 RESULTS

- **Production:** Fibria produced 5,642 million tons* of pulp in the year, a growth of 12% over 2016. In order to reach this result, the second mill in Três Lagoas recorded production of 559,000 tons — 17% more than planned for the initial period of operation in 2017, representing a solid measure of the advance in the learning curve of the new line. The operational stability, maintained throughout the year by the other production units, also contributed to this result.

OUR PRODUCTION CASH COST IN 2017 HAD A REDUCTION OF 6% COMPARED WITH THE PREVIOUS YEAR. SOME FACTORS EXPLAIN THIS IMPROVEMENT: A MINOR IMPACT OF SCHEDULED SHUTDOWNS FOR MAINTENANCE; BETTER RESULT OBTAINED IN ENERGY SALES; THE SHORTENING OF THE AVERAGE RADIUS (SMALLER DISTANCE FROM THE FOREST TO THE MILL), AND A REDUCTION IN FIXED COSTS.

**Includes 50% of Veracel's pulp production*

- **Sales:** in 2017, we sold 6.212 million tons of pulp, 13% above the total volume sold in 2016, including the Klabin production sold by Fibria. Sales growth, coupled with higher prices in dollars, resulted in net revenue of BRL 11.739 billion for the year — 22% higher than 2016.

- **EBITDA and net income:** the combination of factors such as increased production and sales, reduced costs, and a favorable price and exchange environment led Fibria's adjusted EBITDA (earnings before interest, taxes, depreciation, and amortization) to reach BRL 4.952 billion, with a margin of 49% (in 2016, the result was BRL 3.742 billion).

The company had a net profit of BRL 1.093 billion in the year (34% below the BRL 1.664 billion obtained in 2016, partly due to the accounting effect of the exchange rate variation); the free cash flow was BRL 2.025 billion. The result allowed management to propose dividends to shareholders of BRL 258 million.

- **Leverage:** the increase in EBITDA in 2017 led to a rapid decline in the ratio between net debt and EBITDA in dollars — that is, the company's financial leverage (the capacity, measured in 12 months, that it has to pay its debts with the generation of operating cash). This indicator dropped from 3.30 times in the last quarter of 2016 to 2.41 times in the last quarter of 2017.

FIBRIA'S POLICY ESTABLISHES THAT, AT THE TIME OF INVESTMENT, THE VALUE OF THE COMPANY'S LEVERAGE INDICATOR MAY REACH A MAXIMUM OF 3.5 TIMES. THUS, THE REDUCTION OF THE INDICATOR TO 2.41 TIMES WHEN THERE ARE STILL DISBURSEMENTS RELATED TO THE SECOND PRODUCTION LINE IN TRÊS LAGOAS IS A DEMONSTRATION OF THE COMPANY'S DISCIPLINE CONCERNING ITS COMMITMENTS.



Fibria ended the year with cash at
BRL 6.968 billion

IN THE FINAL THREE MONTHS OF 2017, FIBRIA SOLD THE LARGEST VOLUME EVER MARKETING IN A QUARTER IN THE COMPANY'S HISTORY: 1.897 MILLION TONS OF PULP, 20% MORE THAN THE SAME PERIOD IN 2016. NET REVENUE IN THE PERIOD, OF BRL 4.047 BILLION, WAS 60% HIGHER THAN IN THE FINAL QUARTER OF 2016.



Photo: Araquém Alcântara

LONGER AND LESS EXPENSIVE DEBT

Following the issue of our first green bond in January 2017, debt securities in the amount of USD 700 million to finance projects to maintain planted forests, conserve protected forests, and restore degraded areas, Fibria carried out a new issue on the global market. This time, conventional securities in the amount of USD 600 million, maturing in seven years and a coupon of 4% per year.

This financial strategy, supported by other operations, such as the first-time issue of Agribusiness Receivables Certificates (CRA — *Certificados de Recebíveis do Agronegócio*), will allow the average term of the company's debt to be extended by one year, maintaining a low average cost. In this way, we will be able to accelerate our deleveraging, supporting a financial soundness that will allow us great flexibility in capital allocation in the near future.

| MAIN FINANCIAL INDICATORS | 2015 | 2016 | 2017 |
|--------------------------------------|--------|--------|--------|
| Net revenue from sales (BRL million) | 10,081 | 9,615 | 11,739 |
| Net income (BRL million) | 357 | 1,664 | 1,093 |
| Assets (BRL million) | 29,434 | 34,440 | 38,693 |
| Net equity (BRL million) | 12,815 | 13,818 | 14,650 |
| EBITDA (BRL million) | 5,337 | 3,742 | 4,952 |
| Net Debt /EBITDA UDM (USD) | 1.78 | 3.30 | 2.41 |
| Pulp production (thousand tons) | 5,185 | 5,021 | 5,642 |
| Pulp sales (thousand tons) | 5,118 | 5,504 | 6,212 |
| Market cap (BRL billion) | 28.7 | 17.7 | 26.5 |
| Production cash cost (BRL/ton) | 618 | 680 | 637 |
| Price of shares — FIBR3 (BRL) | 51.9 | 31.9 | 47.9 |

| VALUE ADDED STATEMENT CONSOLIDATED (IN THOUSAND REAIS) | 2015 | 2016 | 2017 |
|---|--------------------|--------------------|--------------------|
| Revenues | | | |
| Gross sales of products and services (less returns) | 10,281,877 | 9,838,796 | 12,006,228 |
| Write-back (provision) for deterioration of credits receivable | 1,645 | 470 | 325 |
| Revenue associated with the construction of own assets and other | 1,719,194 | 2,689,336 | 3,191,739 |
| | 12,002,716 | 12,528,602 | 15,198,292 |
| Inputs acquired from third parties | | | |
| Cost of products and services sold (includes raw materials) | (4,819,669) | (7,201,273) | (8,449,466) |
| Materials, energy, third-party services, and other | (533,212) | (579,661) | (647,354) |
| | (5,352,881) | (7,780,934) | (9,096,820) |
| Gross value added | 6,649,835 | 4,747,668 | 6,101,472 |
| Withholdings | | | |
| Depreciation, amortization, and depletion | (1,827,097) | (1,922,741) | (2,149,305) |
| Depletion of wood from partnership operations | (65,141) | (60,702) | (55,692) |
| | (1,892,238) | (1,983,443) | (2,204,997) |
| Net value added | 4,757,597 | 2,764,225 | 3,896,475 |
| Value added received in transfer | | | |
| Results of equity accounting | 393 | (751) | 49 |
| Financial revenue and active exchange variations | 1,701,679 | 4,351,159 | 2,249,931 |
| Deferred income tax and social insurance contribution | 1,202,172 | 0 | |
| | 2,904,244 | 4,350,408 | 2,249,980 |
| Total value added for distribution | 7,661,841 | 7,114,633 | 6,146,455 |
| Value added distribution | | | |
| People and payroll charges | 727,641 | 752,912 | 880,530 |
| Direct remuneration | 565,250 | 563,390 | 655,748 |
| Benefits | 133,627 | 156,561 | 185,657 |
| Government Severance Indemnity Fund (FGTS) | 28,764 | 32,961 | 39,125 |
| Taxes, fees and contributions | 1,051,439 | 1,798,405 | 952,455 |
| Federal | 899,655 | 1,634,163 | 750,794 |
| State | 115,740 | 123,394 | 155,073 |
| Municipal | 36,044 | 40,848 | 46,588 |
| Accrued interest, passive exchange variation and leases | 5,525,776 | 2,899,700 | 3,220,126 |
| Dividends | 81,269 | 393,026 | 257,750 |
| Retained profit (loss in the period) | 260,916 | 1,261,822 | 827,515 |
| Interests of noncontrolling shareholders | 14,800 | 8,768 | 8,079 |
| Value added distributed | 7,661,841 | 7,114,633 | 6,146,455 |



PAULO DURVAL BRANCO

is Vice Coordinator of the Center for Sustainability Studies (GVces) of the Getulio Vargas Foundation's School of Business Administration (FGV EAESP), where he leads projects in the areas of strategy and sustainability management, stakeholder engagement, sustainable value chains, innovation and entrepreneurship, internationalization of companies, among others. He is also a founding partner of Ekobé, one of the first Brazilian consultancies specializing in corporate sustainability, where he contributed to the integration of principles and practices of sustainable development into the strategy of several national and multinational organizations, as well as into the value chain of several industry sectors. Paulo, who holds an MBA degree in Business Administration from the Pontifical Catholic University of Rio de Janeiro, is a professor of the Professional Masters in Competitiveness Management, with emphasis on Sustainability and Master in Sustainability Management, both from FGV-EAESP.

A LOOK AT FIBRIA'S 2017 REPORT

By ***Paulo Durval Branco***

To readers, there is no doubt that Fibria's 2017 Report portrays a journey. Not only of the past year and the most recent fiscal periods, but also of the consolidation of a management system that seeks, on a daily basis, to be more and more in tune with the profound transition of our production and consumption methods. This is clear not only in its compliance with the principles of good reporting, such as materiality, clarity, and comparability, but also in how it addresses social and environmental aspects, ranging from compliance with regulations to the strategic choice of business models that embrace the challenges of sustainability as actual opportunities to create value for the company, its stakeholders, and society in general.

Recognized nationally and internationally for its size, strategic outlook, and operational excellence, Fibria has demonstrated a significant ability to use its current commodity-based business platform, which is pulp, not only to consolidate its license to operate, but also to go beyond, creating products and markets for the new economy.

Regarding the license to operate, which is ultimately assigned by the company's stakeholders, in 2017, Fibria carried out several initiatives that caught my attention. These included: i) the start-up of the second production line at the unit in Três Lagoas (Mato Grosso do Sul state), whose project and execution, even with 8,700 employees during the peak of the project, adopted noteworthy practices in managing the impacts that large projects normally cause in the regions where they are implemented; ii) the launch of We are Fibria, which translates into a movement marking the evolution of the company's corporate culture, expressed in an inspiration and a purpose that are both daring and inspiring; iii) the launch of its position statement on Diversity, which is accompanied by a set of actions aimed toward recognizing and valuing differences in gender, race, sexual orientation, and disability; iv) the launch of the Sustainable Procurement Program, which was conceived with the participation of supplier representatives and seeks to contribute to the Company's Procurement area being recognized by the market and stakeholders as an innovative area that induces economic, social, and environmental value in the value chain; and v) the company's first green bond issue, USD 700 million in green bonds, which will be used to finance investments related to clean and renewable energy and to reduce emissions of contaminants and consumption of water, energy, and raw materials.

Perhaps inspired by the idea of creative destruction, a term coined by economist Joseph Schumpeter regarding replacing outdated models with other more innovative arrangements, in its 2017 report, Fibria presents some initiatives that point to new products and markets and deserve to be hailed with enthusiasm. The first initiative refers to developing solutions and products in the field of biotechnology, based on the experience acquired through management and exploitation of planted forests. Navigating among renewable fuels from biomass and revolutionary biomaterials, Fibria's corporate venturing and open innovation actions are undoubtedly paving the way for a portfolio compatible with a low-carbon economy. The second initiative of this nature that I would like to highlight is the pilot project for valuating externalities, which explores one of the knowledge frontiers on sustainability, which is the measurement and valuation of aspects related to natural capital and ecosystem services, core elements for the operation and continuity of a company that is intimately connected to the inventory of natural resource and the flows of nature. Finally, I would like to point out the efforts undertaken, on several national and international multi-stakeholder forums, to create a business-friendly institutional environment aligned with the quest for effectively sustainable development.

Looking ahead, I would like to highlight three elements that I hope and expect

External Readers

to see covered in future reports. One is the greater connection and contextualization of Fibria's performance indicators with respect to the reality of the regions, countries, and societies where it operates. Much like what we have begun to see regarding water resources, in terms of the watersheds where the company has operations. This would undoubtedly further differentiate the interesting Indicators Center that have been part of the company's reports for several years.

Another element I would like to see included is a broader and more detailed account of the portfolio diversification process based on innovations in the field of biotechnology. This would not only inspire other companies, but it may also point the way for a country like Brazil, where biodiversity is a passport to the future. The last element I would like to see is that I believe companies such as Fibria should boldly build new metrics that, in fact, contribute to incorporating natural capital into economic-financial decisions. If for the companies from the old economy this will mean substantial loss of value or even cost them their survival, for those that are creatively destroying themselves, it will certainly mean a transition to an economy that takes into account people and the ability to support the planet.



PAULO NASSAR

Professor at ECA-USP and Managing Director at Aberje

Holder of a PhD and Master's degrees from the School of Communications and Arts of the University of São Paulo (ECA-USP) and Post-Doctor degree from Libera Università di Lingue e Comunicazione (IULM) in Milan, Italy. He is the coordinator of the Novas Narrativas Study Group (GENN ECA-USP) and Professor at the School of Communications and Arts of the University of São Paulo (ECA-USP). Managing Director of Aberje, Associação Brasileira de Comunicação Empresarial (Brazilian Association of Corporate Communications).

“AN HONEST TALE SPEEDS BEST, BEING PLAINLY TOLD.”

William Shakespeare, Richard III, Act IV.

By **Paulo Nassar**

Fibria's 2017 Sustainability Report, which emphasizes shared value and social issues, is written in a straightforward manner and may be summarized in one word: realism.

Why make this distinction?

For three main reasons. Firstly, because it is written in a Socratic style, in the form of questions and answers, thus managing to speak equally of achievements and impasses - emphasizing achievements without minimizing the impasses. It goes beyond the self-congratulatory formula, valuing teamwork and a vision of the future as well as the company's achievements during one of the most difficult years in Brazilian history.

Secondly, because it went beyond reporting profits in order to address social issues, such as fighting sexual exploitation of children and adolescents at those places where the company has its roots. And it was not just that. It forged alliances with the communities in order to address issues of gender, race, and social exclusion, always recognizing difficulties. This way, it gave corporate responsibility a new dimension and range, creating new paradigms.

Finally, it concentrated on the complexity a company that plants forests must face

when caring for the environment. As such, it demonstrated the company's willingness to integrate with communities instead of living in conflict. In other words, it can be said that the Report deals with the sense of corporate reputation of a company in the pulp and paper sector. It demonstrates that, in addition to wishing to be recognized for seeking balance and healthy relationships with communities, it seeks to be unique in terms preserving the environment. And this uniqueness means recognizing that sustainability is everything; it is a process that communicates stability, thereby yielding an honest report where even information on impasses is valued.

It is a modern stability code in tune with how fast information flows. Recognizing difficulties, it values achievements and shared value that is nothing other than the positive influence the company has on society. These are the lines of a broad argument that makes the 2017 Sustainability Report a comprehensive document for communication that shows sustainability as a practical and visible policy from all angles. It aims not only to be transparent, but also to show the willingness to carry out actions. It is evident, when the messages of the Report are decoded, that company and community can operate and evolve together.

Statement

The assurance conducted by Bureau Veritas Certification was carried out for the complete version of the report, published on the website www.fibria.com/r2017. This abridged version contains information from the complete version, but was not itself submitted to specific assurance.

ASSURANCE STATEMENT – BUREAU VERITAS



INTRODUCTION

Bureau Veritas Certification Brazil ('Bureau Veritas') was engaged by FibriaCelulose S.A. ('Fibria') to conduct an independent assessment of its Annual Report (hereinafter referred to as the Report).

This assessment was conducted by a multidisciplinary staff with expertise in non-financial data.

SCOPE OF WORK

The scope of this verification encompassed the Standard and Principles¹ of the Global Reporting Initiative™ GRI for Sustainability Reports, for the period from 1 January to 31 December 2017.

FIBRIA'S AND BUREAU VERITAS RESPONSIBILITIES

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

METHODOLOGY

The Assurance covered the following activities:

1. Interviews with the personnel responsible for material issues and involved in the Report content;
2. Traceability of data published, searching its sources and the reliability of management systems involved;
3. Verification of performance data related to the principles that ensure the quality of the information, pursuant to the GRI Standards;
4. On-site visits to Fibria's Units at Aracruz (Espírito Santo State), Jacareí (São Paulo State), Três Lagoas (Mato Grosso do Sul State) and the Central Administration office located in the city of São Paulo;
5. Analysis of Fibria's stakeholder engagement activities; and
6. Evaluation of the method used to define material issues included in

¹ Materiality, Stakeholder Inclusiveness, Sustainability Context, Completeness, Balance, Comparability, Accuracy, Periodicity, Clarity, and Reliability

the Report, taking into account the sustainability context and the scope of the information published.

The level of verification adopted was Reasonable, according to the requirements of the ISAE 3000 Standard², which were incorporated to the internal assessment protocols of Bureau Veritas.

LIMITATIONS AND EXCLUSIONS

Excluded from the scope of this work was any assessment of information related to:

- Activities outside the defined assessment period;
- Statements of position (expressions of opinion, beliefs, goals, or future intentions) on the part of Fibria;
- Economic and financial information contained in this Report which has been taken from financial statements verified by independent financial auditors;
- Inventory of Greenhouse Gas (GHG) emissions, verified by Bureau Veritas in a different scope of work.

With regard to the verification principles of Accuracy and Reliability of Data, we clarify that our scope was limited to the data related to the material issues as shown in the section "About the Report". The verification process has, given the Reasonable level, some

limitations as to the identification of mistakes and omissions.

TECHNICAL OPINION

- Fibria presents the Report based on 13 material issues defined in a materiality study from 2016. It is our understanding that the themes resulting from the study allow to present the impact of Fibria's activities in a balanced manner.
- Fibria's Report comprehends a complete version in electronic media, and a summarized version in hard copy, which emphasizes the narrative and the performance data associated with the material issues. In addition to that, the Report has an online Indicators Center that contains data and more deepened details of the performance of the company. Both are available on the website that features the Report 2017 (www.fibria.com.br/2017). Additionally, Fibria created infographics that represent the processes of the company.
- It was verified that the presentation of data about the indicator "Significant Investments Agreements and Contracts containing human rights clauses or that underwent human right screening – 412-3" has addressed the contracts of project "Horizonte 2", so that a complete result was obtained for the indicator;
- With respect to the impacts of the forest stewardship in the communities, we evidenced an improvement in information about the measures

² International Standard on Assurance Engagements 3000 – Assurance Engagements other than Audits or Reviews of Historical Financial Information

Statement

that were taken and the methods for monitoring the impacts applied by Fibria. The community engagement process named “Operational Dialogue” was properly disclosed in the Report;

- The Report updates information on the expansion project Horizonte 2, with emphasis on operational and safety performance. We evidenced that operational, environmental and social data were incorporated to Fibria’s routine indicators;
- We evidenced important initiatives regarding pulp and wood transportation, seeking decrease of traditional road transport, in line with the company’s sustainability policy;
- Fibria continues to present the indicators associated with the Long Term Targets (up to 2025), providing the baseline and performance data of 2017;
- The Report provides a satisfactory account of expectations that were generated in the previous Report. The presentation of the achievements against targets published in 2017, enables the reader to analyze the evolution of Fibria in the management of the commitments made;
- We noticed that the recommendations made in our previous Statement were dealt with by Fibria.

RECOMMENDATIONS

Fibria demonstrates in the Report an important growth of the Asian market that, for the first time, exceeded the European and North American market in pulp volume purchased from the company. We recommend Fibria to disclose information regarding the implementation of its sustainability strategy in the Asian market.

CONCLUSION

Based on the Assurance that was performed, the evidence we had access to, and according to the scope of work defined in this statement, in our opinion:

- The data and information disclosed in the Report adhere to the GRI-G4 quality and content principles;
- The data and information disclosed in the Report are accurate and free from material errors;
- The Report provides balanced information regarding Fibria’s economical, social and environmental performance, based on material aspects and identified significant impacts, following the GRI methodology;
- The Report adheres to the quality and content principles of the GRI Standards for Sustainability Reports and meets the criteria of the Comprehensive option.

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 Fibria 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, March 2018.



Alexander Vervuurt
Lead Auditor; Assurance Sustainability Reports (ASR)
Bureau Veritas Certification – Brazil



Aracruz (ES)

Photo: Marcio Schimming

Events subsequent to 2017

FIBRIA AND SUZANO SHAREHOLDER AGREEMENT

On March 15, 2018, Fibria's controlling shareholders — Votorantim S.A. and BNDESPar (BNDES Participações S.A.) — entered into an agreement with Suzano Holding S.A. and with the other controlling shareholders of Suzano Papel e Celulose S.A. to merge Fibria and Suzano by means of a corporate restructuring.

Together, Fibria and Suzano will form the largest Brazilian agribusiness company. This event represents the strengthening of the pulp industry and the forest-based sector in Brazil.

Until the operation is consolidated — which depends on approval from the regulatory agencies — Fibria and Suzano will not undergo any change in the conduct of their activities and will continue to operate independently.

To learn more about the agreement, read the following Material Fact.

MATERIAL FACT

FIBRIA CELULOSE S.A. a publicly held company

CNPJ/MF Nº. 60.643.228/0001-21

NIRE 35.300.022.807 | Código CVM n. 12793

Fibria S.A. ("Fibria" or "Company") (B3: FIBR3 | NYSE: FBR) discloses, in compliance with the provisions of paragraph 4 of article 157 of Law No. 6,404/76, as amended ("Lei das S.A." [Corporations Act]) and of CVM Instruction No. 358, of January 3, 2002, to its shareholders, to the market in general and to other stakeholders that it received from its controlling shareholders Votorantim S.A. and BNDES Participações S.A. — BNDESPAR (jointly, "Fibria's Controlling Shareholders"), the following statement:

"On March 15, 2018, Fibria's Controlling Shareholders, Suzano Holding S.A. and the other controlling shareholders of Suzano Papel e Celulose S.A. (jointly, "Suzano's Controlling Shareholders"), with the consent of Suzano Papel e Celulose S.A. ("Suzano" and, jointly with Fibria, "Companies"), signed a Voting Commitment and Assumption of Obligations, by which Suzano's Controlling Shareholders and Fibria's Controlling Shareholders agreed to exercise their votes to merge the operations and shareholding bases of Suzano and the Company ("Commitment"), by means of a corporate restructuring ("Operation").

The terms and conditions of Operation, briefly described below, will be included in the Record and Justification of Merger of Shares and of Company ("Record"), to

be submitted together with the appraisal reports and other relevant documents to the Boards of Directors of the Companies and signed by their administrations, as well as, opportunely, to voting by the Extraordinary General Meetings of both Companies.

I. CORPORATE RESTRUCTURING AND FINANCIAL BASIS OF THE OPERATION

Pursuant to Commitment, a corporate restructuring of the Companies shall be submitted to the shareholders, resulting in: (a) the ownership, by Suzano, of all shares issued by Fibria; and (b) in the receipt by Fibria's shareholders, for each of the common shares issued by Fibria, of (i) BRL 52.50 (fifty-two reais and fifty cents), adjusted according to the variation of CDI from March 16, 2018 to the date of effective payment, to be made in a single payment on the date of consolidation of Operation ("Cash Portion"), and (ii) 0.4611 (zero point four, six, one, one) common share issued by Suzano, adjusted as mentioned below ("Exchange Ratio"), to be delivered also on the date of consolidation of Operation.

In addition to the adjustment according to the variation of CDI, as indicated above, the Cash Portion will be adjusted based on dividends, interest on shareholders' equity and other proceeds

reported by the Companies, as of the present date, except for Suzano's and Fibria's mandatory minimum dividends already disclosed to the market. The Exchange Ratio will be proportionally adjusted for eventual splits, reverse splits and bonuses of the shares issued by Suzano and Fibria.

Holders of American Depositary Receipts ("ADRs") backed by shares issued by Fibria will be entitled to receive ADRs from Suzano, subject to the same Exchange Ratio. To this end, Suzano will take measures to obtain (i) the registration of Operation (or its exemption, as applicable) at the Securities and Exchange Commission in the United States, and (ii) the listing of Suzano's ADRs in the same listing segment at the New York Stock Exchange in which Fibria's ADRs are currently listed.

Once Operation is consolidated, the shares and the ADRs issued by Fibria will no longer be traded at B3 S.A. — Brasil, Bolsa, Balcão, or at the NYSE, respectively. Under the terms of Commitment, in the event that any restrictions imposed by competition authorities in Brazil and/or abroad become excessively onerous, Suzano shall be entitled not to proceed with Operation, upon payment by Suzano to Fibria of a fine in the amount of BRL 750,000,000.00 (seven hundred and fifty million reais). The fine may be assessed to certain other non-completion conditions of Operation, as expressly provided for in Commitment.

II. CONDITIONS PRECEDENT OF OPERATION

The consolidation of Operation is subject to the fulfillment of usual conditions precedent for this type of operation, including approval from certain competition authorities in Brazil and abroad.

III. EXCLUSIVITY AND PROHIBITION ON TRANSFER OF SHARES

Pursuant to the terms of Commitment, Fibria's Controlling Shareholders may not trade or otherwise enter into agreements with any third party for the purpose of conducting any business equal or similar to Operation or that could affect or prevent the implementation of Operation. Additionally, during the term of Commitment, Suzano's Controlling Shareholders and Fibria's Controlling Shareholders agreed not to sell or otherwise dispose of their shares issued by Suzano or Fibria, as the case may be.

IV. FIBRIA ACCESSION

Within 15 days as of this date, Fibria's Board of Directors shall decide on the accession to Commitment and on its consent to the terms of Operation.

V. ACCESS TO INFORMATION AND DOCUMENTS

Commitment and its attachments will be available to Company's shareholders, as of this date, at its headquarters, at the Company's Investor Relations website (www.fibria.com.br/ir), and at the websites of Comissão de Valores Mobiliários (Brazilian Securities and Exchange Commission) (www.cvm.gov.br) and of B3 S.A. — Brasil, Bolsa, Balcão (www.b3.com.br).

Additional disclosures of information to the market will be made in a timely manner under current legislation, including those required by CVM Instruction No. 565, of June 15, 2015. Finally, the Company informs that Operation will entitle Fibria's dissident shareholders to withdraw. Details on the exercise of the right of withdrawal, including the redemption amount, will be communicated to the market in due time.

Until the date of consolidation of Operation, Companies will not undergo any changes in the conduction of their businesses, and will continue to operate independently.

São Paulo, March 16, 2018.

FIBRIA CELULOSE S.A.
Guilherme Perboyre Cavalcanti
Director of Finance and Investor Relations

Photo: Marcio Schimming



Portocel, Aracruz (Espírito Santo state)

Credits

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Ricardo Teles
Fibria Image Bank

VIDEO

Paulo Baroukh

ENGLISH VERSION

Gotcha! Idiomas

COVER PHOTOS

- Mayara Martins Aparecido, at the Technology Center in Jacareí (São Paulo state) – Photo: Marcio Schimming
- Clarice Da Silva Santos, assistant at the Nursery, in Três Lagoas (Mato Grosso do Sul state) – Photo: Marcio Schimming
- Pulp in Portocel, Aracruz (Espírito Santo state) – Photo: Marcio Schimming
- Valmir Florentino Paulo, participant of the PDRT in Nova Viçosa (Bahia state) – Photo: Araquém Alcântara
- Jefferson Moraes da Cruz, planting seedlings, in Capão Bonito (São Paulo state) – Photo: Marcio Schimming

BACK COVER PHOTO

- Vitor Moraes Galvão Bueno Trigueirinho, environmental analyst at Fibria – Photo: Araquém Alcântara





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