

2016 MANAGEMENT REPORT

MESSAGE FROM THE MANAGEMENT

In 2016, Fibria consolidated its leadership position in the global pulp market. At an extremely challenging time for investment in Brazil, we moved forward with the expansion of our unit in Três Lagoas (MS). The Horizonte 2 Project, as it is known, remains on schedule and below budget, having reached 77% of physical completion and 57% of financial execution at the end of December. During the year, we formalized the contracting of all the project's funding and began drawing down on them. We have a very competitive cost of capital because the market recognizes that we are a sound company, which has adopted a prudent and austere management style since its inception, based on capital discipline, high corporate governance standards, transparency and a focus on sustainability.

Committed to the continuous improvement of our governance practices, we have reviewed all our Corporate Policies, in addition to the Internal Regulations of the Board of Directors, advisory committees and the Executive Board. Among these changes, it is worth noting that, as of 2016, the Company's executives participate in the Advisory Committees only as guests, without voting rights, except in the case of the Innovation Committee. Also, in order to strengthen the governance and risk management structure, we have created the Governance, Risk and Compliance Executive Area, which reports directly to the Chairman of the Board of Directors and the Statutory Auditory Committee on technical matters, and to the CEO on administrative matters.

Throughout 2016, Fibria expanded its innovation efforts, improving the use of its forestry base to create new products. We continue making progress in Research and Development, Intellectual Property Management, Competitive Intelligence and Technology Prospecting. In addition, the acquisition of a stake in CelluForce, an innovative biomaterials company and the world leader in the development and production of cellulose nanocrystals (CNC), has brought potential opportunities for Fibria in this market segment.

From the industrial operation point of view, the Company continued to pursue efficiency gains through the implementation of projects, process improvements and innovation. All this was done while we were still mastering the longer production periods, resulting from the change in the regulatory standard, which extended the maximum period between recovery boiler inspections from 12 to 15 months. It is worth noting the increase in our forestry base, which

reached 1.06 million hectares thanks to base formation in order to supply the new production line in Mato Grosso do Sul. In 2016, the global pulp market was characterized by growing demand and delay in the start-up of new production capacity expected for the year.

Annual net revenue totaled R\$9.62 billion, 5% less than in the previous year, due to the lower average net dollar price, partially offset by a higher sales volume. As a result of the more adverse pulp price scenario and the higher cash cost of goods sold (COGS), EBITDA totaled R\$3.7 billion (margin of 43%, excluding the volumes from the Klabin agreement), 30% down on 2015. We closed the year with net income of R\$1.66 billion and free cash flow of R\$1.89 billion. As the Company recorded a positive net result, the management has proposed the distribution of R\$393 million as a mandatory minimum dividend, which will be submitted for approval at the Annual Shareholders' Meeting scheduled for April.

Fibria closed the year with net debt of US\$3.5 billion, as a result of long-term and low-cost funding raised for the Horizonte 2 Project, in addition to the issuing of agribusiness receivables certificates (CRAs) to further reinforce its already sound cash position. Although 2016 was marked by market uncertainty and a more robust investment cycle, Fibria retained its Investment Grade status, assigned by Standard & Poor's (with a negative outlook) and Fitch (with a stable outlook), attesting to the quality of its credit risk management.

On the social and environmental front, Fibria has maintained its strategy of generating shared wealth from the forest plantations. Our business involves carbon sequestration and the emission of oxygen. Our forests protect and regulate the rainfall cycle, bringing balance to the environment and promoting biodiversity and food production. Fibria therefore offers so many benefits that far outweigh the negative aspects associated with the pulp industry as a whole. Raw materials – mineral, plant or fossil – will always be necessary for the development of products, but plant raw materials are the only ones that have proven to be sustainable over time. Hence, the forest-based industry is part of the solution for the adversities caused by climate change. Rather than minimizing impacts on the surrounding communities, Fibria wants to avoid them altogether, which is why it develops and implements strategies, working together with the communities, for income generation and local development. In 2016, more than 1,000 new families benefited from the Company's social projects, which currently cover over 7,000 families, enjoying a proven increase in income.

An exceptionally positive year for the Company was further underlined by various awards and other recognition. Fibria was once again included in the Dow Jones Sustainability World Index

(DJSI World) and the Dow Jones Sustainability Emerging Markets Index (DJSI Emerging Markets), important sustainability indices of the New York Stock Exchange (NYSE), as well as in the portfolios of other important indices, such as BM&FBovespa's Corporate Sustainability Index (ISE). We were also highlighted in the "Change the World" list of U.S. *Fortune* magazine and recognized as the Best Company in the Pulp and Paper Sector by the *Época Negócios 360º*, *Valor 1000* and *Melhores da IstoÉ Dinheiro* yearbooks. Fibria was also voted company of the year, receiving the title "Champion of the Champions" in the *As Melhores do Agronegócio* (Best of Agribusiness) yearbook, by the *Globo Rural* magazine.

Finally, we would like to thank all those, particularly our employees, clients, shareholders and other investors, partners and suppliers, who have contributed to our excellent results until now, each and every one of whom has played a fundamental role in the history of Fibria's success.

Marcelo Strufaldi Castelli
CEO

José Luciano Penido
Chairman of the Board of Directors

MARKET OVERVIEW

The balance between hardwood pulp supply and demand once again exceeded agents' expectations in 2016. The market was characterized by strong growth in demand for eucalyptus pulp, which increased by 6.8% compared to 2015, according to the PPPC's W20 report, and by delays in the start-up of the new capacity scheduled for the year.

PERFORMANCE ANALYSIS

In 2016, **pulp production** totaled 5.0 million tons, 3% lower than in 2015, due to the retrofit of recovery boiler B at the Aracruz unit (ES) and the slower stabilization curve following the maintenance stoppage, in line with the adaptation of the cycle to 15 months, whose learning curve was completed in 2016.

Pulp sales volume came to 5.5 million tons, 8% more than in 2015. The volume increase was mainly due to the agreement with Klabin, under which we sold 478,000 tons in 2016.

The breakdown of sales by final use was as follows: the Tissue segment accounted for 48% of the 2016 total, followed by Printing and Writing, with 34%, and Specialties, with 18%. Europe

continued to head the revenue rankings, generating 36% of the total, followed by Asia, with 32%, North America, with 22%, and Brazil, with 10%.

Net operating revenue totaled R\$9.6 billion, 5% lower than in 2015, due to the 15% decline in the average net dollar price, partially offset by the 8% increase in sales volume, including the volume from the agreement with Klabin, and the 5% appreciation of the average exchange rate between 2015 and 2016.

The **cost of goods sold (COGS)** totaled R\$7.1 billion, 21% up on 2015, due to higher sales volume, including Klabin's pulp volume. It is worth noting that, despite the increase in COGS, the operation with Klabin has no impact on the Company's EBITDA.

Selling expenses came to R\$481 million, 10% higher than in the previous year, chiefly due to the upturn in sales volume and the 5% average appreciation of the dollar against the real.

Administrative expenses stood at R\$276 million, 4% more than in 2015, mainly as a result of increased spending on salaries and related charges and the adjustment of outsourced service agreements.

In 2016, adjusted EBITDA totaled R\$3.7 billion (margin of 43%, excluding Klabin's volume), 30% lower than in 2015. In general terms, the scenario of declining dollar-denominated pulp prices throughout the year and the increase in cash COGS per ton were the main reasons for this reduction. It is worth noting that the operation with Klabin has no impact on EBITDA.

The **net financial result** was positive by R\$1.6 billion, against a negative R\$3.7 billion in 2015. This variation was mainly due to the impact of the exchange variation on dollar-denominated debt (the dollar depreciated by 17% against the real during the period), since a large part of the Company's debt is pegged to the dollar, given its primary nature as an exporter, and the positive result of the mark-to-market of derivative financial instruments, partially offset by higher interest expenses on loans and financing.

Given all of the above, Fibria reported a 2016 **net income** of R\$1.7 billion, a 366% improvement over 2015. Since the Company recorded this positive net result, the management proposed the distribution of a mandatory minimum dividend of R\$393 million – which will be submitted for approval at the Annual Shareholders' Meeting scheduled for April.

STRATEGY

Fibria continues to maintain a strategy based on three pillars: (i) continuous operational improvement; (ii) disciplined growth in the pulp market; and (iii) the pursuit of complementary opportunities in the value chain.

The continuous operational improvement pillar encompasses initiatives designed to improve operational performance, increase forest productivity and reduce the capital employed in the business.

Regarding the growth pillar, the Horizonte 2 Project is strictly on schedule and within budget, having reached 77% of physical completion and 57% of financial execution in December 2016. During the year, we formalized the contracting of all the project's funding lines and began drawing down on them. Completion of the expansion project will play an important role in helping Fibria's Três Lagoas unit become one of the world's largest pulp production sites. With an annual production capacity of 1.95 million tons of pulp and investments estimated at R\$7.5 billion, the start-up of this industrial line is scheduled for the fourth quarter of 2017. This project will increase Fibria's total pulp production capacity by 37%.

Under the new business pillar, Fibria is always seeking to identify complementary initiatives in the value chain, focusing on maximizing the creation of wealth from its forests, through activities such as bioproducts (bio-oil, lignin and nanocellulose), real estate and other options. One of the highlights of 2016 was investment in the Canadian company CelluForce, with the acquisition of an 8.3% stake in preferred shares, for CAD5.3 million. CelluForce is an innovative advanced biomaterials company and the world leader in the development and production of cellulose nanocrystals (CNC), a biodegradable and renewable technology that can be used in several applications. The strategic partnership agreement between the two companies gives Fibria access to a broad technology platform, with potential opportunities for progress in CNC production and industrial applications in South America in the coming years.

CAPITAL EXPENDITURE

Capex totaled R\$2.0 billion in 2016, excluding the Horizonte 2 expansion project and pulp logistics, which was 5.0% less than the approved capital budget for the year. Including the Horizonte 2 Project and pulp logistics, capex totaled R\$6.2 billion.

The Board of Directors has approved a capital budget of R\$5.2 billion for 2017, R\$3.0 billion of which will be allocated to the Horizonte 2 expansion project, which is to be submitted for approval at the Annual Shareholders' Meeting scheduled for April.

LIABILITY MANAGEMENT

In 2016, Fibria undertook several funding operations, mostly to finance the Horizonte 2 Project. In May 2016, the Company entered into financing agreements with *Fundo de Desenvolvimento do Centro-Oeste* (FDCO) for the amount of R\$831 million, the Export Credit Agency (*Agência de Crédito à Exportação - ECA*) Finnvera, for a dollar amount equivalent to €384 million, and with the BNDES for the amount of R\$2.35 billion. As a result, all the financing lines for the Horizonte 2 Project have been formally contracted and are being disbursed as the expenses are incurred.

The Company carried out three issues of agribusiness receivables certificates (CRAs), totaling R\$3.3 billion, at a total weighted average cost of 97.8% of the CDI rate. With these issues, Fibria has reinforced its strategy of seeking competitive funding sources through transactions that may result in more attractive terms.

Cash and cash equivalents closed December 31, 2016 at R\$4.72 billion, including the mark-to-market of hedge instruments totaling a positive R\$18 million. Excluding the impact on the cash position of the mark-to-market of the hedging, 72% of the cash was allocated to local currency denominated government and fixed-income securities and the rest to short-term investments abroad.

The Company has four unused revolving credit facilities, totaling R\$1.76 billion, three of which in local currency totaling R\$850 million and one in foreign currency totaling US\$280 million. These funds, despite not being utilized, help improve the Company's liquidity. When added to the current cash position of R\$4.72 billion, these lines have resulted in an immediate liquidity position of R\$6.48 billion. As a result, the cash to short-term debt ratio closed 2016 at 5.7x.

The Company ended the year with gross debt of R\$16.15 billion, corresponding to US\$4.96 billion, which represents a 52% year-on-year increase in dollars, due to funding operations for the Horizonte 2 Project. Net debt ended the year at R\$11.44 billion, while the net debt/EBITDA ratio in dollars stood at 3.30x and the total average debt maturity was 51 months.

DIVIDENDS

The Company's bylaws require the distribution of a minimum annual dividend of 25% of net income, adjusted for allocations to the capital reserves, as provided by Brazilian Corporate Law. As the Company recorded a net positive result of R\$1.66 billion in 2016, the management has proposed the distribution of R\$393 million as a mandatory minimum dividend, which will be submitted for approval at the Annual Shareholders' Meeting scheduled for April.

Fibra's dividend policy envisages the possibility of paying extraordinary dividends throughout the year, in accordance with its cash generating capacity, providing its Debt and Liquidity Policies and commitment to investment grade status are respected.

CAPITAL MARKET

Fibra's shares, which are traded in the Novo Mercado listing segment of the BM&FBovespa under the ticker FIBR3, fell by 39% in 2016, closing the year at R\$31.89. On the NYSE, the Company's level III ADRs, traded under the ticker FBR, closed 2016 at US\$9.61, 24% down. The average daily trading volume on the BM&FBovespa and the NYSE was 4.2 million in 2016, 36% up on 2015. The average daily financial volume was US\$33.4 million, 20% lower than in the previous year.

Total shares (common shares)	553,934,646 common shares (ONs)
ADR (American Depositary Receipt)	1 ADR = 1 common share
Market cap on December 31, 2016	R\$17.7 billion US\$5.4 billion

Fibra's shares are included in the main Brazilian stock market indices (Ibovespa, IBRX-50, IBRX-100, IGC, ITAG, ICO2 and ISE), as well as in the Dow Jones Sustainability World Index (DJSI World) and the Dow Jones Sustainability Emerging Markets Index (DJSI Emerging Markets), important sustainability indices of the New York Stock Exchange.

Fibra has maintained close relations with its investors and the market in general through the promotion of important public meetings and events, such as the Investor Tour, held at the Aracruz unit (ES) in September, and Fibria Day, held at the NYSE (USA) in December.

CORPORATE GOVERNANCE

Born in 2009, Fibria completed its first seven-year cycle in 2016. The Company remains committed to the best corporate governance practices and has continuously improved transparency for its stakeholders. Among the initiatives carried out in 2016 to improve its governance, it is worth noting the reviewing of all the Company's corporate policies and the Internal Regulations of the Board of Directors, the advisory committees and the Executive Board.

There were also improvements such as the recommendation of expertise geared to diversity of experience and knowledge in the composition of the Board of Directors.

Fibria's Corporate Governance Policy now includes clauses related to current practices, such as the installation of the *Ad Hoc* Committee for matters regarding Related Parties and the Board of Directors' Crisis Management Committee. All the revisions to corporate policies and internal regulations were approved by the Board of Directors and are available on the Company's Investor Relations website.

In 2016, Fibria also improved and formalized the Board of Directors' Skills Matrix. In addition, in order to strengthen the Company's governance structure, the Board of Directors decided to give Executive Area status to the area responsible for Internal Auditing, Corporate Governance, Risk Management, Compliance and the Ombudsman. As a result, we created the Governance, Risk and Compliance Executive Area, which reports directly to the Chairman of the Board of Directors, providing technical information to the Statutory Auditory Committee whenever necessary, and works with the CEO on administrative matters.

SUSTAINABILITY

The essence of our business is to produce renewable forest-based products while respecting life. We are committed to operating in a sustainable manner, in line with the highest global standards. Fibria is the first link in an extensive value chain that begins in the forest and ends at the final consumers of various types of paper widely used in the education, hygiene and health areas, among others. Operating in global markets where there is growing demand for social and environmental responsibility throughout the production chain, Fibria interacts with its various stakeholders, including several rural communities adjacent to its operations. Focusing on innovation, operational excellence and communication with its stakeholders, Fibria seeks to mitigate its negative impacts and maximize its contribution to society, assuming its role as an agent for change. The Company is devoting its best efforts to adopting sustainable cultivation practices in its forest plantations and constantly pursues greater industrial and logistics ecoefficiency, with an unwavering willingness to share value with all its stakeholders. As a result of these commitments, the Company received important recognition in 2016, such as being included in the "Change the World" list of U.S. *Fortune* magazine and winning the Best Company in the Pulp and Paper Sector award in the *Época Negócios 360°*, *Valor 1000* and *Melhores da IstoÉ Dinheiro* yearbooks. Fibria was selected, for the fifth time, to form part of the portfolio of the Dow Jones Sustainability World Index (DJSI World), of the New York Stock Exchange (NYSE). Fibria was the only company chosen from the Paper and Forest Products sector, among nine

companies competing to be part of the global index. The Company was included in the Dow Jones Sustainability Emerging Markets Index (DJSI Emerging Markets) for the fourth time and was also the only company chosen among the seven that took part in the selection. At the BM&FBovespa, Fibria was once again included in the Corporate Sustainability Index (ISE).

The Company annually publishes the Fibria Report, in accordance with the guidelines (G4 version) of the Global Reporting Initiative (GRI) and the International Integrated Reporting Council (IIRC). The report is filed with the CVM through the IPE system, in the “Sustainability Report” category, and is also available on the Company’s website (www.fibria.com.br).

Fibria’s Position on Human Rights

Published in 2016 in accordance with the Human Rights Principles of the OCDE, the document highlights the Company’s commitment to respecting and supporting universally recognized basic human rights and establishing principles and guidelines to ensure the respect for and protection of these rights, as well as to ensure the implementation of remedial measures should they be breached as a result of its direct or indirect activities, and is applied throughout its production chain.

Materiality

In 2016, Fibria updated its Materiality Matrix, which identifies the most important issues for the Company and society as a whole, taking into account its strategy and the views of its stakeholders. The issues of business expansion, innovation and technology, economic management, supply chain management, human capital management, climate change and focus on the client, as well as the six topics dealt with below, make up the thirteen main items in the Company’s materiality matrix:

Sustainable forest management: Fibria preserves around 34% of its total area (364,000 hectares) through protection, restoration, management and integration with the forest crop base, and also seeks to minimize external pressures and degradation factors that may be affecting these areas. One of the Company’s long-term goals is to promote the environmental restoration of 40,000 hectares of its own areas between 2012 and 2025, and had restored 22,524 hectares by the end of 2016. Biodiversity in Fibria’s forest areas is the subject of studies and monitoring that seek to understand, protect and expand the native fauna and flora species and populations. Fibria has certifications for its quality management, environmental, occupational health and safety and forest management systems. All units are certified by the Forest Stewardship Council (FSC®) and Cerflor/PEFC.

Community relations: In certain specific communities located in underprivileged regions in the north of Espírito Santo and the south of Bahia, there are social conflicts whose origins are often not associated with the Company and which the Company is frequently unable to resolve. Despite the complexity of the challenge, helping to settle these conflicts is one of Fibria's priorities and the Company has been working either directly with the communities or by engaging with other parties that can also contribute to creating solutions, such as the various spheres of government, NGOS and other companies. In fact, there has been notable progress in the resolution of these conflicts in the last five years, with concrete results that have had a positive impact on the social license to operate.

Local and regional development: Rather than minimizing impacts on the surrounding communities, Fibria wants to avoid them altogether, which is why it develops and implements strategies, working together with the communities, for income generation and local development. The company has invested more than R\$150 million in its social development programs since 2009. In 2016, more than 1,000 new families benefited from the Company's social projects, which currently cover over 7,000 families, enjoying a proven increase in income.

Government relations: Fibria believes that, in a democratic society, everyone, including companies, has the right to participate in drawing up public policies and taking part in discussions concerning the regulatory frameworks. The Company therefore seeks to contribute by defending its point of view through direct contact with authorities and politicians and/or by actively participating in the various associations that represent the forestry and pulp and paper sectors, of which it is a member, in order to ensure a stable political and institutional environment and clear and well-designed regulations.

In this context, Fibria is guided by a structured model, with special emphasis on ethics and transparency, underpinned by the clear guidelines established in its Code of Conduct and Anti-Corruption Policy, approved by the Board of Directors.

Transparency and leadership in institutional issues: In the course of its business, the Company maintains relations with a wide range of stakeholders in various economic segments, Brazilian states and other countries. In order to ensure constructive relationships with these stakeholders, it invests in dialog and specific communication channels, such as the Ombudsman, which is open to all stakeholders, guarantees anonymity and receives reports of violations of the

Code of Conduct, and *Fale com a Fibria* (Contact Us), which receives suggestions, requests for information and complaints from communities living in the vicinity of the Company's units.

The Company also voluntarily participates in several forums, associations and working groups, including the Brazilian Business Council for Sustainable Development (CEBDS), SustainAbility's Engaging Stakeholders program, The Forests Dialogue (TFD), the UN's Global Compact, the Pact for the Restoration of the Atlantic Forest and the Brazilian Climate, Forest and Agriculture Coalition.

Management of water resources: Fibria continuously monitors the micro-basins in its operational areas, in order to prevent or minimize any possible adverse effects of its forest management activities on the quantity and quality of the water, and the most recent results of this process indicate no such impacts on the water reserves in these regions. The withdrawing of water for the mills and forest management activities is authorized through licenses and registration, strictly in compliance with the local environmental legislation. Based on the use of the best available water management technologies and practices and the adoption of effective prevention and control procedures, the Company has achieved high levels of water reutilization. All the industrial units are in compliance with international water use and effluent quality standards.

TECHNOLOGICAL INNOVATION

Through continuous investment in research and technological innovation, Fibria seeks a better understanding of the interaction between fibers, industrial processes and products, thereby generating competitive advantages in the pulp market and contributing to the diversification of the Company's businesses. The research and technological innovation undertaken by Fibria's Technology Center are geared towards increasing forest productivity, improving the quality of our forests and developing new products in a sustainable manner. These efforts take place not only inside our laboratories, but also in association with universities, suppliers and research institutes around the world. Given the importance of innovation to the Company's strategy, in 2016, it invested around R\$72 million in this area, including operating expenses and capital expenditure.

Fibria's classic Genetic Improvement Program, designed to achieve the long-term IMACel (air dried tons of pulp per hectare per year) goals established by the organization, made significant progress, confirmed by the average potential of the new clones/clonal compounds of 11.75

adt/ha/year, exceeding expectations for the period 2015-2019, with the additional advantage of lower vulnerability to biotic and abiotic stress resulting from climate change.

The biotechnology program also achieved significant results in 2016, led by the continual increase in our efficiency in the generation of new transgenic events. We have also continued with the research to assess the potential of other biotechnological tools, such as genome editing. The biosafety aspects and regulatory issues related to genetically modified eucalyptus (EucaGM) were the focus of a great deal of attention throughout 2016, with initiatives focused on both internal and external stakeholders.

In 2016, the forest management research area analyzed and recommended new fertilizers, including by-products of our plants, using the “Integrated Fertilization Recommendation System (SIRA)”, developed by Fibria. In recent years, the revision of fertilizer formulas and the optimization, via SIRA, of the amounts of fertilizer applied, have resulted in significant gains in logistics, costs and occupational safety. In addition, new information was generated on alternative crops, in order to assess the potential of these crops as a source of biomass for the diversification of Fibria’s businesses.

In the forest protection area, Fibria has become a forestry sector pioneer in the use of the Big Data/Predictive Analytics approach in order to better understand the physiological disorder of eucalyptus, leading to the implementation of an action plan covering everything from risk zone mapping to the planting of tolerant clones, substantially reducing the risks associated with the physiological disorder of eucalyptus. In 2016, the Technology Center produced and introduced seven million natural enemies in plantations, contributing to the integrated control of pests and diseases. We have developed methods to help classic genetic improvement, in the assessment of our clones’ resistance to diseases, with an emphasis on diseases caused by bacteria, in addition to a management package for areas with critical leafcutter ant infestations at the Três Lagoas unit, which also contributed to retaining the FSC certification of all Fibria units.

With the recent water shortage resulting from extreme weather conditions, forest ecophysiology research is becoming increasingly important, encouraging Fibria to intensify its meteorological monitoring. In 2016, the Company increased its number of meteorological stations from 37 to 57.

In 2016, the Technology Center developed Fibria's integrated forestry plan, in order to ensure the maintenance of water in its areas without compromising the supply of wood in the short, medium and long terms.

In 2016, the Company substantially improved its intellectual property management, competitive intelligence and technology prospecting. Fibria filed three new patent applications. In addition, 26 important new patents were granted and three new eucalyptus cultivars were protected.

We have also improved in the evaluation of less technologically mature processes, which have the potential to be included in the production line in the medium and long terms, with lower input consumption, enhanced energy efficiency and higher final product quality.

Fibria has made impressive progress in the research on lignin, after acquiring the Canadian company Lignol Innovations, renamed Fibria Innovations, which is based in Canada. In 2016, the value of our patent portfolio in this area increased and we moved forward with the development of higher value-added applications for all kinds of lignin. We also began engineering studies for the installation of our first operational-scale production unit.

In addition, we have made significant progress in the development of research and innovation related to the diversification of our bioproduct business. Worthy of note are the pilot nanofibrillated cellulose production unit, which is in the final stage of construction, and the partnership with the Canadian company CelluForce, the leader in the development of nanocrystalline cellulose. The studies for the implementation of the first bio-oil plant in Brazil, in partnership with Ensyn, are still in progress.

SUPPLIERS

Fibria has an extensive and diversified supplier base, ranging from small farmers to large national and multinational corporations. It currently has around 8,000 registered suppliers, whom it seeks to engage in best social and environmental practices, focusing on the responsible use of natural resources and respect for workers' rights.

The Company constantly requires that all its suppliers comply with the prevailing labor and environmental policies and legislation and with Fibria's health and safety criteria, whether it's in the company approval and/or hiring processes or throughout the term of the contracts. Fibria has a Web Portal that optimizes communications with potential suppliers that are in the process

of approval and the performance assessment of strategic suppliers, as well as in the monitoring of their accessory obligations.

Local development in the regions where it operates is another important aspect taken into account by the Company, which prioritizes, whenever possible, the acquisition of products and/or services from local suppliers. Also, in order to help these suppliers improve their business, it sponsors and actively participates in development programs to certify such suppliers in regard to environmental, financial management, tax, labor, quality and occupational health and safety issues. These initiatives include the Integrated Supplier Development and Accreditation Program (PRODFOR) in Espírito Santo state, which was implemented by Fibria in 1998 and is now a national benchmark, having developed more than 650 suppliers, and the Supplier Accreditation Program (*PQF Avançado*) in Mato Grosso do Sul state, set up by Fibria in 2010, which is led by the Company and has more than 100 accredited suppliers. Whenever possible, the Company also participates as an anchor in the rounds of negotiations organized by official supplier promotion and development bodies within its operational areas. These meetings are designed to bring together small suppliers and major supply chain drivers.

As part of the Company's expansion strategy, involving the Horizonte 2 Project, Fibria participated in the Production Chain Densification Program of the Mato Grosso do Sul state government. The Company held two seminars to open its service and product contract lines, which were also attended by major suppliers engaged for the Project, who subcontract products and services in the region, which then become part of the supply chain. The two events were attended by more than 100 suppliers, in the Business Round format, with the support of the local SEBRAE.

In 2016, Fibria established its Supply Chain Sustainability Strategy, with a current diagnosis and the definition and prioritization of strategic action to increase the influence of the Company's social, economic and environmental initiatives on its supply chain. These initiatives, such as training, on-site audits, supplier manual and recognition, will be implemented in 2017 and are included in the remuneration of the Company's executives.

Also in 2016, the On-site Audit Project was consolidated through audits at suppliers' facilities, taking into account fiscal, financial, health/safety, environmental, sustainability, labor and governance factors. This process gives us better insight into the supplier's situation, mitigates possible risks and develops suppliers based on the identification of opportunities and suggestion of improvements in sub-par processes.

PERSONNEL

For Fibria, having engaged employees means having people motivated to strive for excellent results. In order to assess whether this goal is being met, since 2014, Fibria has adopted a new climate survey, using Gallup's Q12 employee engagement methodology.

The latest measurement, conducted in 2016, showed a ratio of 6.1 engaged employees for each disengaged worker, a significant improvement over the 2014 ratio of 3.3 to 1, reflecting the Company's excellence in personnel management. The climate survey is conducted every two years and had a record respondent participation of 94%, against 91% in the 2014 survey, indicating the workers' improved trust in the Company. The favorability rating, which stood at 79% in 2016, was 7 percentage points up on the previous result (72%), another important improvement.

As of January 2017, Fibria began the process of disclosure and breakdown of the results within the Company, allied to the continuous climate management efforts, in which management and teams develop and monitor plans focused on initiatives that affect the Company's results and performance.

In the Horizonte 2 Project, we began implementing the strategy of hiring and training the workers needed for the expansion of the unit in the Três Lagoas region (MS). The project involves building the technical capacity of members of the local community, in partnership with SENAI, through the training and development of operators, mechanics and technicians to support the capacity increase in that unit's industrial and forestry operations. The results obtained until now have been very positive, with more than 3,000 applicants for the 646 vacancies in the forestry operations. On the industrial operations front, 98 people were trained and 65% of them were hired.

Fibria is strongly committed to the health and safety of its employees and outsourced workers in all its operations. Its Occupational Health and Safety system comprises tools and practices selected on the basis of a global benchmark study conducted by the Company in order to help prevent accidents, incidents and occupational diseases. These practices have ensured compliance with the requirements of OHSAS 18001 and the sustainable forest management certifications of CERFLOR and the FSC (Forest Stewardship Council). The Company's progress over the last seven years has led to a reduction in the accident rate, resulting in lost days declining from 2.33 to 0.70 accidents per million man-hours worked, covering Company

employees and outsourced workers (69.9% decline). The rate of reportable accidents (OSHA_USA) fell from 8.26 to 4.06 (50.7% reduction).

Unfortunately, despite all our efforts and progress, because we have a total workforce of around 18,000 (including employees and outsourced workers), there are occasionally fatal accidents. In 2016, there were two cases, one involving an industrial maintenance employee at the Jacareí unit (SP) and another resulting from a road accident involving a driver in the wood logistics area, in Minas Gerais state.

Fibria is devoting its best efforts to continuously improve its practices and relentlessly pursues the goal of eliminating fatal accidents. All health and safety indicators are published every year in our Fibria Report.

RELATIONS WITH THE INDEPENDENT AUDITORS

Pursuant to CVM Instruction No. 381/2003, we hereby declare that, in the fiscal year ended December 31, 2016, we did not engage our independent auditors to carry out any work other than that related to the external audit.

The Company's policy for engaging services, unrelated to the external audit, from our independent auditors is based on internationally accepted principles that preserve their independence, namely that the auditors: (a) shall not audit their own work; (b) shall not perform management activities for their client; and (c) shall not promote their client's interests.

The Company's financial statements for December 31, 2016 were audited by BDO RCS Auditores Independentes SS.