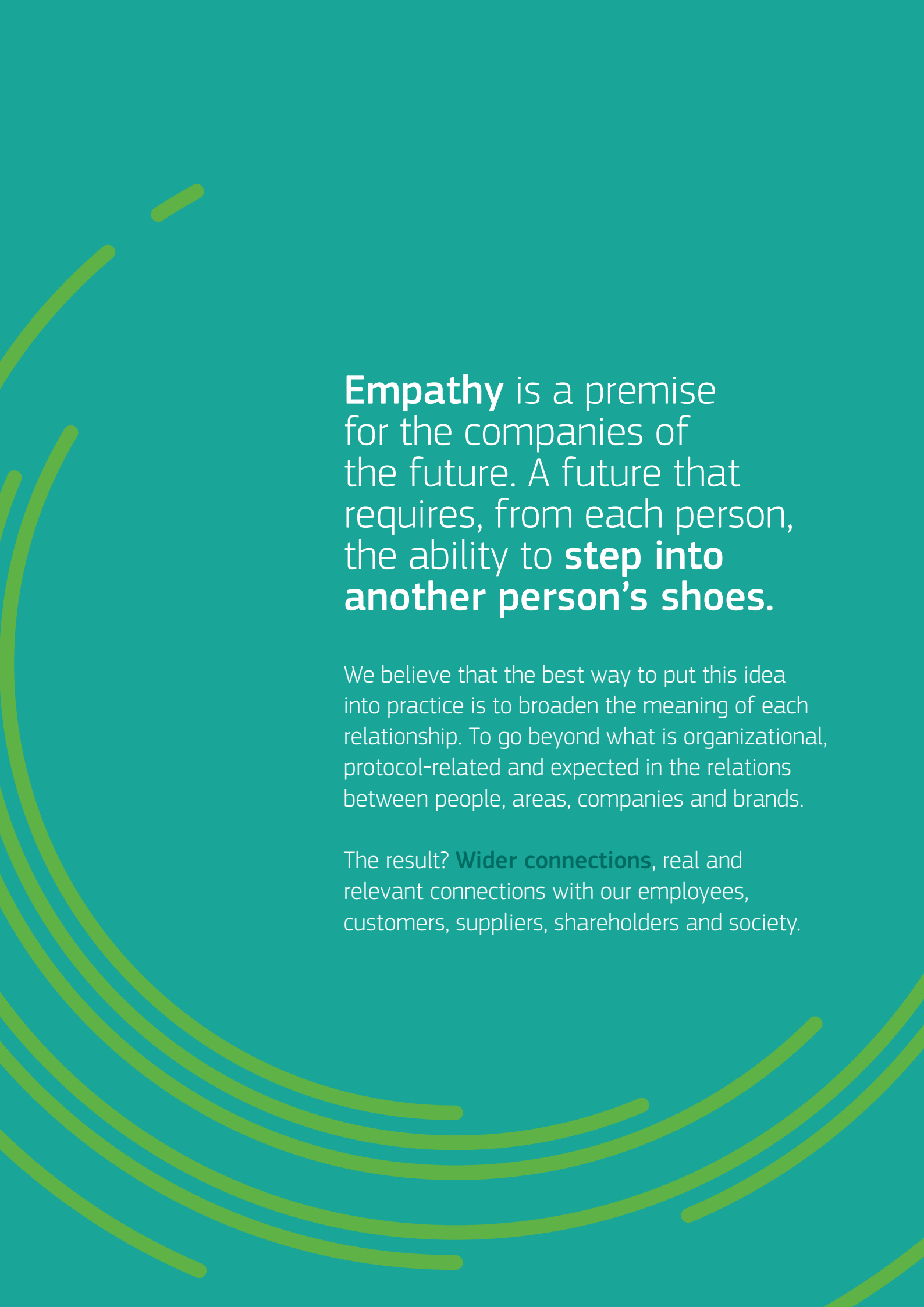




Wider connections



2016 sustainability report

The background is a solid teal color. On the left side, there are several thick, curved green lines that sweep from the top left towards the bottom right, creating a sense of movement and flow. These lines vary in length and curvature, some starting near the top and others further down.

Empathy is a premise for the companies of the future. A future that requires, from each person, the ability to **step into another person's shoes.**

We believe that the best way to put this idea into practice is to broaden the meaning of each relationship. To go beyond what is organizational, protocol-related and expected in the relations between people, areas, companies and brands.

The result? **Wider connections**, real and relevant connections with our employees, customers, suppliers, shareholders and society.



Greater energy

Do more to grow
with Brazil

About our Company and its daily dedication to
growing together with Brazil.

Maxuel Leomax da Silva
Paper Unit MG – Santa Luzia

About us

(G4-5, G4-6, G4-7) We are a Brazilian company founded in June 1941, headquartered in Porto Alegre (RS), publicly listed since 1977.

With integrated processes, from the forests to our end products, we seek excellence in management and the generation of value, with absolute respect for people and the environment.

(G4-9)



(G4-42, G4-56) Our strategic intention was widely discussed during the review process of the Strategic Plan for the 2015-2025 cycle, with the participation of the Executive Board and approval by the Board of Directors.

(G4-56) Mission

Building valuable relationships, seeking the prosperity of customers, the development of people and admirable well-earned profits with a balance between the environment and society.

(G4-56) Vision

To be the best and be among the two largest companies in Brazil in the segments of Paper for Packaging and Corrugated Card for Packaging and among the best companies to work for.

(G4-56) Values

- Focus on results, objectivity, austerity and simplicity;
- Innovation and pioneering;
- Integrity, ethics, courage, transparency and cordiality;
- People both challenged and valued;
- Social and environmental responsibility.



(GRI.G4-1, G4-2, G4-15) **Message from the President**

The year of 2016 was even more challenging and complex than we had imagined it would be. It started with a government that was totally discredited. Public accounts were in worse shape than expected, business confidence indexes were very low, there was a prolonged recession, uncontrolled inflation, sky-high interest rates, scarce credit, a devalued Real, capital market falling and with companies paying a very high price for poor governance and ingrained corruption in Brazilian public structures.

After the impeachment, the assumption of a new government that chose a first-rate economic team and better coordination with the Congress, the hope of a better future quickly came about.

The municipal elections in October reinforced confidence and hope: the people voted for change, austerity and responsibility from their elected authorities. For more private enterprise and less government in people's lives.

As of then, the Real strengthened, the stock market rose again, inflation began to fall, and, more recently, the prime interest rate also initiated a consistent downward trajectory, although not yet reflected in economic growth and an increase in industrial production and consumption.

Beyond this macroeconomic environment, we faced escalating prices of paper trimmings, one of our main raw materials that, coupled with the reduction in the level of activity and profitability of Brazilian industry, greatly hindered the transfer of these costs to the packaging prices. That is, due to a rare situation of factors this year, the trimmings that historically gave stability and resilience to the profitability of the production chain wound up making things even worse. A nearly perfect storm.

Given this scenario, the economic perspective required maximum attention; even so, we did not reach the goals we had set. We focused greatly on cost savings, productivity gains and to preserve cash flow and leverage. With the help of outside consultants, we developed a "zero base budget" through which we reviewed all of the Company's expenses in the light of the value that each generates, as relevant and sustainable, to reduce fixed costs and gain productivity. A similar effort was initiated made in relation to variable costs.

We significantly increased our wood sales during the year in order to partly offset the decline in the profitability of the packaging business and maintain the Company's annual cash generation level.

From the environmental and social perspective, we continued the process to evolve the priority indicators and the maintenance and improvement of programs and projects, as is shown in this Report.

One of the highlights of the year was the Company's strategy for all of its employees, to bring understanding to and engagement of the teams in a lighthearted and creative manner. Another highlight was the leadership and talent training programs, which continued strong and productive in the context of personnel development.

We reaffirm our commitment to the Global Compact and Business Pact for Integrity and Against Corruption, believing that these statements, backed up by attitudes and practices that are consistent with them, help to influence the people and economic agents to prioritize a sound and sustainable business environment.

We're not nostalgic about 2016. Fortunately, there are signs that we are ending a cycle of mistakes and illusions in Brazilian politics, and starting a new cycle of prosperity that will come into being slowly and gradually. Our challenge is to how to speed up this process. Trimming prices resumed a decline towards the historical average. In this context, we ourselves are resuming our project to access the capital markets, to begin a new virtuous cycle of investments focused mainly on competitiveness, and once again experience a growth trajectory with an adequate return on the capital invested.

The year 2017 is promising! We have to learn from the difficulties of the past and understand the trends and changes that will affect us in the future. We're going to review the strategic plan, setting priorities, new challenges and goals for the next cycle, aligning and balancing them with the perceptions of our stakeholders. The arrival of new foreign competitors, idle post-recession capacities and the slower growth this year are difficulties to be overcome and that can be compensated by the exit of less competitive players from the market.

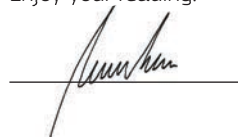
We believe in the potential of Brazilian industry and the potential of Irani as an important link in the productive chains in which it is inserted. Therefore, we are betting on the "wider connections" concept, expanding the meaning of each relationship and enhancing our contribution toward generating value for the entire chain.

The proximity and complicity with customers, suppliers, employees, shareholders and society, tempered with creativity and determination, will certainly help us to overcome the challenges and take advantage of the opportunities that lie ahead.

The best way to predict the future is to create it.

I hope this Report will help you to get to know us better and bring us closer together.

Enjoy your reading!



Péricles Pereira Druck

(G4-24) Stakeholders Map

(G4-25) Our stakeholders understand the audiences we relate to and who may be directly or indirectly impacted by our operations. These impacts, positive or negative, are mapped by the Company and monitored throughout the year, strengthening our valuable relationships.



(Gri.g4-16, G4-34 A G4-55) Corporate Governance

Our governance is based on transparency, accountability, socio-environmental responsibility and innovation, as well as the equal treatment of all our stakeholders.

Segment	• Traditional, listed on BM&FBovespa (São Paulo Stock Exchange) since 1977
Tag along	• (G4-41) 100% for preferred shares
Distribution of dividends	• (G4-41) 25% of adjusted net income and on equal terms between common and preferred shares.
(G4-38) Board of Directors	<ul style="list-style-type: none"> • Five full members elected by the general meeting • Unified two-year term, reelection allowed • 20% are independent members, with shareholder representation (controlling block) • Only one member exercises an executive function
Board of Executive Officers	<ul style="list-style-type: none"> • Three members elected by the Board of Directors • (G4-39) The CEO and the Chairman of the Board do not accumulate the positions • Unified two-year term, reelection allowed
Annual corporate calendar of events	• Annual disclosure since 2011

(G4-41) Our related party transactions are based on market practices and values and on existing business operations. We do not have a formal policy or rule for these transactions and we follow the standards and legislative regulations applicable to each subject. Our Board periodically evaluates the form of management, being recognized and widely disclosed through the Financial Statements (quarterly and annual).

Corporate Structure

Our capital stock as of December 31, 2016 was R\$ 161,894,847.81, divided into 166,720,235 shares, of which 92% were common and 8% preferred shares.

Shareholders	Common shares	%	Preferred shares	%	number of shares	%
Irani Participações S.A.	93,238,181	60.58%	5,375,080	41.96%	98,613,261	59.15%
Habitasul Des. Imobiliários S.A.	25,499,220	16.57%	2,005,160	15.65%	27,504,380	16.50%
Cia Habitasul de Participações	19,888,540	12.92%	1,188,560	9.28%	21,077,100	12.64%
Emp. Riograndense Des. Urb. Ltda	161,520	0.10%	13,860	0.11%	175,380	0.10%
Ciacoi - Administração de Imóveis Ltda	110,626	0.07%	0	0%	110,626	0.07%
Treasury Shares	24,000	0.02%	2,352,100	18.36%	2,376,100	1.43%
Management-owned shares	1,424,344	0.93%	711,060	5.55%	2,135,404	1.28%
Free Float	13,563,544	8.81%	1,164,440	9.09%	14,727,984	8.83%
Total Number of Shares	153,909,975	100%	12,810,260	100%	166,720,235	100%

* common shares (ON) – R\$ 2,38 and preferred shares (PN) – R\$ 2,74

(G4-34, G4-37) General Structure

Our management structure comprises the General Shareholders' Meeting, the Board of Directors with resolute functions and the Board of Executive Officers with representative and executive responsibilities.



*Audit and Risk Management, Communication and Sustainability, Accounting, Controllship, People Development, Office of Project Management, Finance, Process Management, Innovation and Continuous Improvement, Market Intelligence, Legal, Strategic Projects, Quality and Environment, Investor Relations, Institutional Relations, Supplies and Information Technology.

General Shareholders Meeting

By ordinary or extraordinary call, they are held at our headquarters in Porto Alegre, respecting our Bylaws and the Brazilian Corporations Law. The call notices provide the necessary guidelines and procedures for shareholders who wish to be represented. In the meetings, we also make available the management proposal that contains information on the subjects that will be put to the vote.

General Shareholders Meeting	<ul style="list-style-type: none"> • Held annually in the first four months of the year; • Examines, discusses and votes on our financial statements; • Deliberates on the proposed allocation of net Income from the prior year and the distribution of dividends; • Election of the members of the Board of Directors.
Extraordinary Shareholders Meeting	<ul style="list-style-type: none"> • Held whenever necessary, it deliberates on relevant subjects, pursuant to the Bylaws;

(G4-38) Board of Directors

With the attributions foreseen in Article 12 of our Bylaws, the Council discusses, on a monthly basis, such strategic issues as our corporate policies, market relations, investment and business risks, in addition to the monitoring of the results presented in the financial statements.

Chairman
Péricles de Freitas Druck

Vice Chairman
Eurito de Freitas Druck

Outside Board Member
Paulo Sérgio Viana Mallmann

Inside Board Member
Péricles Pereira Druck

Independent Member
Paulo Iserhard



Péricles de Freitas Druck

Businessman, journalist, lawyer, graduated from the Federal University of Rio Grande do Sul, is Chairman of the Board of Directors of the Celulose Irani S.A. In addition, he is Chairman of the Board of Directors and Board of Executive Officers of the Companhia Habitasul de Participações, member of the Board of Irani Participações S.A. (direct controller) and of Habitasul Desenvolvimentos Imobiliários S.A. He is a member of the Board of Koch Metalúrgica S.A., Habitasul Comércio e Representações S.A. and advisor to President of Habitasul Negócios Imobiliários e Administração de Bens S.A. He is the director of Companhia Comercial de Imóveis and Habitasul Empreendimentos Imobiliários. He is a member and chairman of the Advisory Board of Junior Achievement Association (RS) and member of the Board of Directors of the Mercosul Visual Arts Biennial Foundation. Among the honors he has received are "Santa Catarina State Citizen," "Honorary Citizen of Florianópolis," "Citizen of Canela," "Citizen Emeritus of Porto Alegre" and "Grand Officer Medal" Order of Military Merit.



Eurito de Freitas Druck

Business administrator, Vice President and Director of Market Relations of Companhia Habitasul de Participações. He is Director of Habitasul Empreendimentos Imobiliários Ltda and a member of the Board of Directors of Habitasul Desenvolvimentos Imobiliários S.A. He is a member of the Board of Directors of Irani Participações S.A. An executive officer at Companhia Comercial de Imóveis. Is Vice-Chairman of the Board of Directors of Celulose Irani S.A. He also acts as a consultant to companies: Hotel Laje de Pedra S.A., Koch Metalúrgica S.A., Habitasul Comércio e Representações S.A. and Habitasul Florestal S.A. He is Vice Chairman of Habitasul Negócios Imobiliários e Administração de Bens S.A. In addition, is Director of Ciacoi – Administração de Imóveis Ltda.



Péricles Pereira Druck

He has a degree in Agronomy from the Universidade Federal do Rio Grande do Sul and graduated from the Owner/President Management Program at the Harvard Business School. He started in the Habitasul Group in 1995, representing the controlling shareholder on the Board of Directors of Celulose Irani S.A. and, in 1998, became part of the company's management team, going through several areas of responsibility. In the last 12 years he served as a member of the Board of Directors, Managing Director and CEO of Celulose Irani S.A., having been re-elected to these posts since 2005. He is a member of the Board of Directors of Companhia Habitasul de Participações and Koch Metalúrgica S.A. He is also a member of the Board of Directors and Chief Executive Officer of the Forest Habitasul Florestal S.A. subsidiary and director in the HGE – Geração de Energia Sustentável S.A., Iraflor Comércio de Madeiras Ltda and Irani Geração de Energia Sustentável Ltda. subsidiaries.



Paulo Sérgio Viana Mallmann

Lawyer graduated from the Universidade Federal do Rio Grande do Sul law school, with an MBA in Economics and Corporate Law from the Fundação Getúlio Vargas. He also has been certified as a Management Advisor by the Brazilian Institute of Corporate Governance (IBGC). He is Legal Counsel and Credit Management officer for the Habitasul group. He is a partner at the Druck Mallmann Oliveira & Advogados Associados law office and LOF Consultoria Imobiliária real estate company. He is a member of the Board of Directors of Companhia Habitasul de Participações and Celulose Irani S.A. He also acts as Deputy Advisor of the Board of Directors of CIBRASEC – Companhia Brasileira de Securitização.



Paulo Iserhard

A mechanical engineer, since March 2015 he has been Visiting Professor of the Fundação Dom Cabral. From October 2005 to October 2014 he was Vice President responsible for the Corrugated Division of Rigesa Celulose, Papel e Embalagens Ltda., a company responsible for the production and marketing of corrugated paper packaging in Brazil. In the period from November 2008 to October 2012, he was a member of the Board of Directors of MWV Wadco Índia Pvt. Ltd., a company responsible for manufacturing and marketing of corrugated boxes in India. He served as Board member, Vice Chairman and Chairman of the Board of the American School of Campinas, an American-style school from pre-kindergarten through high school, from November 2008 to October 2011. Since 1991, he has been a member of the Industrial Marketing Institute. He is a member of the Young Presidents' Organization (YPO-WPO) since 1997, having occupied positions of Chief Financial Officer and Forum Director of the Porto Alegre chapter.

(G4-16, G4-40, G4-43) All members must have knowledge of economic, environmental and social aspects pursuant to their fields of expertise. Constant participation in outside events, associations and professional entities contributes to their improvement of knowledge on topics related to sustainability.

(G4-41, G4-49, G4-50) Critical concerns are reported to the Board of Directors through the President, also responsible for leading discussions and decisions during the regular meetings.

Board of Executive Officers

Oversees the operations of the company in all acts which are not the responsibility of the General Shareholders Meeting or the Board of Directors, pursuant to Article 14 of our Bylaws. The meetings are held monthly and are live or via videoconference when deemed essential.

(G4-35, G4-36, G4-47) Through projects, budget reviews, prioritization of needs and implementation of controls and organizational changes, each Executive Director and their teams are responsible for implementing the decisions.

CEO
Péricles Pereira Druck



**Administration, Finance and
Investor Relations Officer**
Odivan Carlos Cargnin

**Paper and Packaging Business
Officer**
Sérgio Luiz Cotrim Ribas



Péricles Pereira Druck

He has a degree in Agronomy from the Universidade Federal do Rio Grande do Sul and graduated from the Owner/President Management Program at the Harvard Business School. He started in the Habitasul Group in 1995, representing the controlling shareholder on the Board of Directors of Celulose Irani S.A. and, in 1998, became part of the company's management team, going through several areas of responsibility. In the last 12 years he served as a member of the Board of Directors, Managing Director and CEO of Celulose Irani S.A., having been re-elected to these posts since 2005. He is a member of the Board of Directors of Companhia Habitasul de Participações and Koch Metalúrgica S.A.. He is also a member of the Board of Directors and Chief Executive Officer of the Forest Habitasul Florestal S.A. subsidiary and director in the HGE – Geração de Energia Sustentável S.A., Iraflor Comércio de Madeiras Ltda and Irani Geração de Energia Sustentável Ltda. subsidiaries.



Sérgio Luiz Cotrim Ribas

Business Manager, with a postgraduate degree in business administration from Faculdade Getúlio Vargas (FGV-SP), from the University of São Paulo (USP) and Boston University (USA). Previously, he worked in the areas of strategic management and marketing consulting at Roland Berger Strategy Consultant and marketing management of Banco do Brasil. He has worked in the industry since 2004, when he joined Irani, where has been for 11 years. He served for six years as director of Marketing and Sales at Irani, and in the last five years as director of Paper and Packaging Businesses.



Odivan Carlos Cargnin

Lawyer and accountant, with a degree in Accounting Sciences and Law from UNOESC-Universidade do Oeste de Santa Catarina. He has a Postgraduate degree in Management Accounting, Costs and Controlling. He has worked in the sector since 1995, when he joined Irani Celulose S.A. where has been for 20 years. He began in accounting, was manager of controllership and involved in expansion projects. In the last 11 year he has been the Administration, Finance and Investor Relations officer.

(G4-35, G4-36) Our Corporate Disclosure and Use of Information and Securities policies are available on our [site](#) and are designed to ensure equitable treatment, transparency and immediate dissemination of information to all interested parties without privileging any stakeholder group. Among the subjects are material acts and facts, decisions taken by the controlling shareholder, resolutions of general shareholder meetings or the management bodies and restrictions to the trading of our stock during certain periods.

(G4-44, G4-51, G4-52, G4-53) Compensation of the Board of Directors and the Board of Executive Officers

Each element of compensation fulfills a role in the short-, medium- and long-term. We have established guidelines to be observed as to the remuneration of members of the Board of Directors and the Executive Board seeking to align the interests of management and shareholders, as well as to guide behavior and stimulate short- and long-term visions. Thus, we also encourage the sense of ownership and commitment, attracting, retaining and motivating our managers.

Senior management's remuneration is set annually by the General Shareholders Meeting and provides for fixed compensation and fringe benefits, a quarterly variable and short-term bonus linked to pre-established goals, and long-term variable compensation, the latter through the Upside program and/or statutorily provided for through profit sharing.

The Upside Program is tightly linked to results. So, we ensure coherent compensation without compromising any other investments. Its premises are based on the theoretical value of the stock in the year it was established and in the planned future, assigning each participant remuneration based on the theoretical amount of the shares, with a cash payout on the date of the determination and/or statutorily mandated through profit sharing.

(G4-44) Our Board also participates in the Supera (Overcoming) Program, whose evaluation covers aspects that encompass a broad vision of sustainability within the culture of excellence, with a direct impact on variable compensation. The long-term remuneration, proportional to the valuation of the stock every three years, also takes into account these intangible assets and the economic result.

	2016	2015	2014
Management compensation (excluding mandated social charges)	6,699	7,402	8,227

(G4-41) To access more information about compensation for executives and those responsible for governance, including how this remuneration is linked to our performance in the short-, medium- and long-term, please go to the Investor Relations website, → Financial Information/CVM Files → **Reference Form** (item 13) and on the website of the Brazilian Securities and Exchange Commission (CVM).

(G4-41) What will you find in the Reference Form?

Information related to conflicts of interest, cross-participation in management bodies, cross-ownership with suppliers and other stakeholders, existence of a majority shareholder and disclosure of information about stakeholders. There is also information regarding significant shareholding interests (greater than 5%) down to the individual level, and there is no shareholders' agreement currently in force.

(G4-17) Management of the companies controlled by Irani

The Habitasul Florestal S.A. and HGE – Geração de Energia Sustentável S.A. subsidiaries have separate Boards of Directors, with the former having three and the latter four members. Representatives of the Board of Directors of Irani sit on both Boards.

Elected by the shareholders, members of our Board also participate on the Board of Directors of the Irani Geração de Energia Sustentável Ltda and Iraflor – Comércio de Madeiras Ltda. subsidiaries.

Our communication channels keep the market informed about our activities and results.

- The investor relations [site](#), available in Portuguese and English languages;;
- Direct channel with the Investor Relations Officer and the investor relations team via email ri@irani.com.br;
- Contact Us tool on the IR [website](#);
- E-mail Alerts;
- Disclosure of the Annual Financial Statements and Quarterly Information (ITR);
- General and Extraordinary Shareholders Meetings; and
- Sustainability Report.

For more information, suggestions, questions or recommendations please visit *Investor Relations website*, through the link → **Contact Us.**

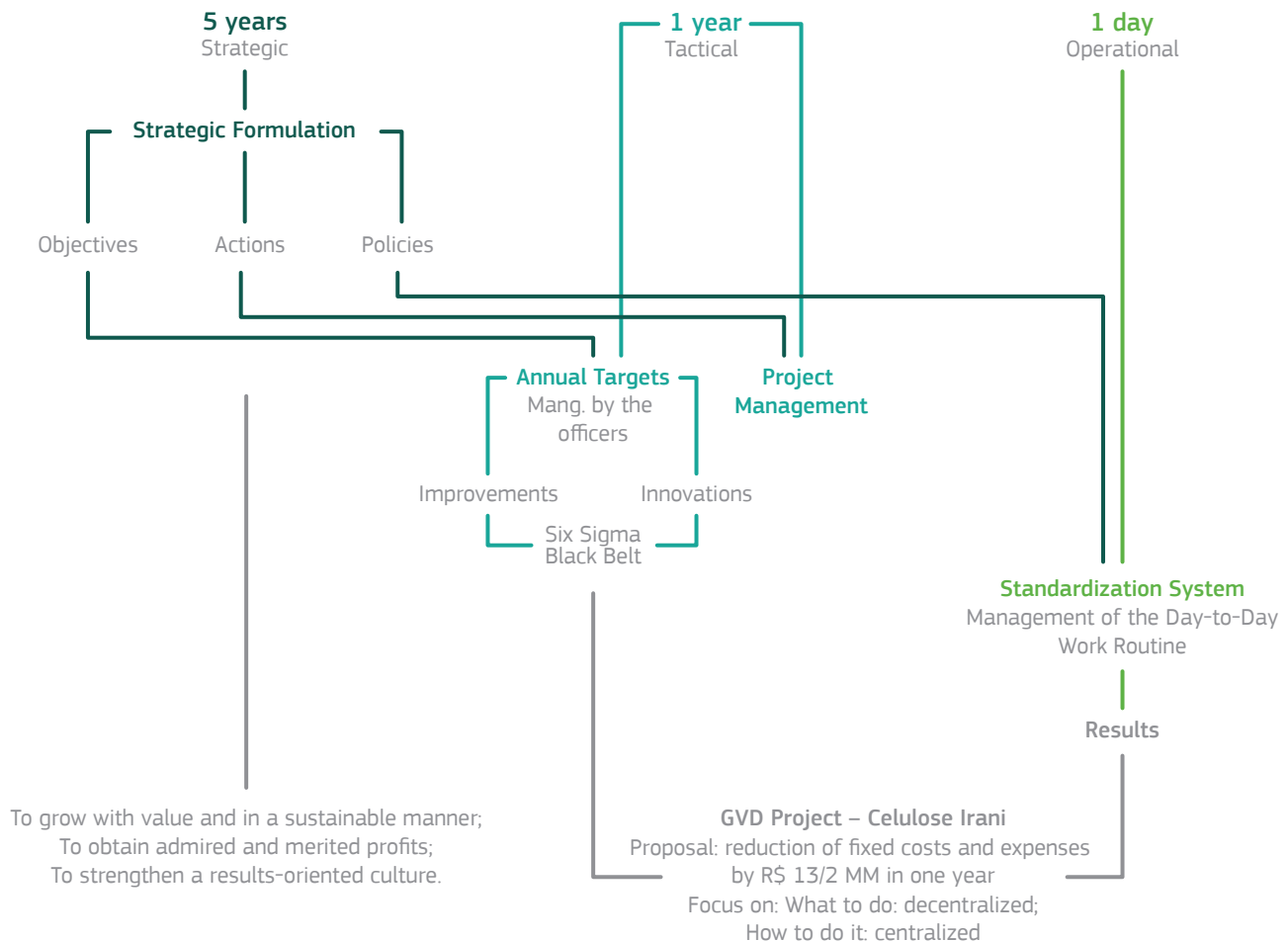
^(G4-37) If you prefer direct contact with our Investor Relations officer, contact is available through the Investor Services → Shareholder services link.



Focus on the Result

The economic crisis in the country, even worsening in 2016, created a challenging scenario for the company.

Aligned with our Focus on the Result, Objectivity, Austerity and Simplicity values, we took advantage of this opportunity to manage our businesses even an even more austere and objective manner. With the support of an outside consulting firm, we delved deeply into our processes, focused on obtaining rapid results by reducing costs, fixed expenditures and variable expenses.



In this diagnosis, we set a goal of reducing fixed expenses by R\$ 13.2 million over the course of the year by leveraging results as decentralized and centralized operating expenses. In addition to the surpassing the targets, we implemented the better management practices that had been put into place, favoring control of processes and involving all employees.

The variable cost control process project was initiated in the second half of 2016 and, in its first phase, included the project planning steps. The control of results obtained will occur in 2017.

2017 Target: reduce our variable costs by R\$ 8 million.

Both projects provided obtaining qualitative gains such as:

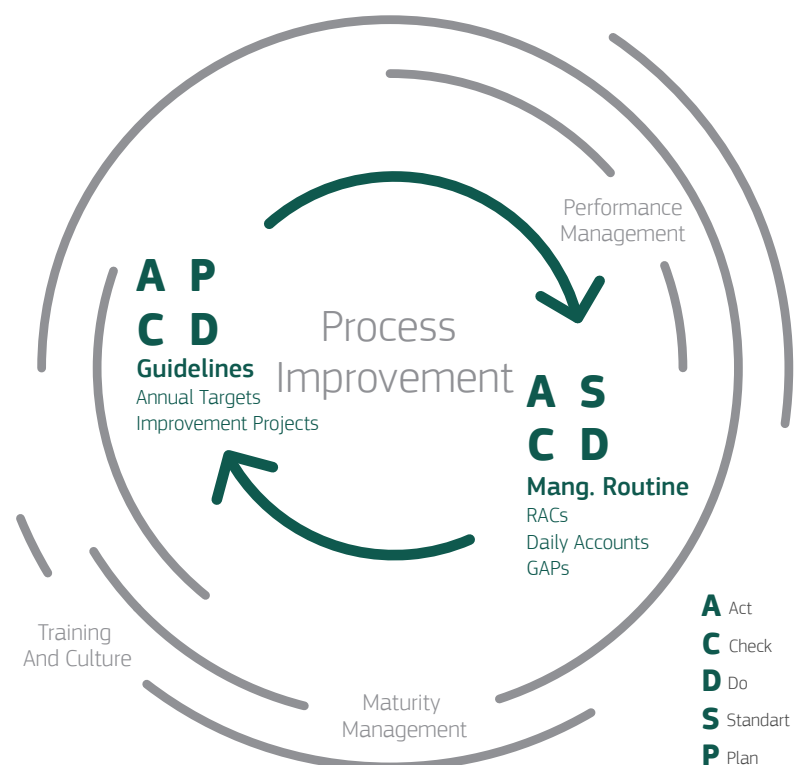
- Training of employees and managers on the method adopted;
- Strengthening the focus on results culture;
- Insertion of the analyses of deviations and monitoring of action plans in each area's work routine;

- Dissemination of good practices, resulting in better integration between units;
- Detailed monitoring of fixed costs and expenses, segmented into packages;
- Evidence of mistaken postings by the matrix management, resulting in the revision of the Accounts Plan;
- Methodology for the construction the Budget, with analytical and best practices tools;
- Implementation of the routines for monitoring monthly results;
- Administrators with better managerial level and knowledge of the PDCA methodology to conduct more robust and structured deviation analyses;
- Trained Continuous Improvement facilitators who are responsible for the dissemination of the method and the process of obtaining and controlling results;
- Management by indicators, with the creation of tools for monitoring the process indicators, assisting in the deviation analyses;
- Corporate overview of spending and holding managers to account, backing up and offering assertive decisions, applying technical knowledge.

We concluded the first phase of this process with a lighter, more dynamic and leaner operating structure.

The pursuit of operational and management excellence led to the creation of the Mais (More) Program, inspired in the Lean Manufacturing philosophy.

The program uses tools to obtain short-term results, such as 5S, daily accounting and Kaizen weeks. Medium-term results are encouraged for projects that use the Six Sigma methodology, as well as projects to reduce costs and that are aligned with the Supera (Surpassing) Program's targets.



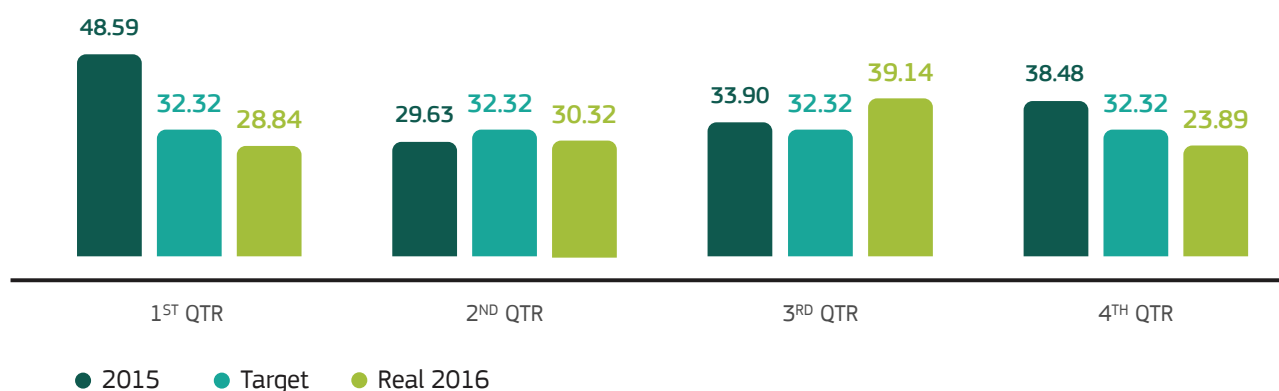
Our Green Belts projects are clear examples of our value added actions, as in the case presented below:

Description of the Problem (D):

During the course of 2015 there was a **high loss of caustic soda in chemical product recovery process**, resulting in a make up of soda in the process of 236 tons per month, thereby significantly increasing purchases of this input at an amount that was 66% above the budgeted cost for the year.

KPI History and Project target (M):

Project Monitoring indicator (kg soda/t pulp)



Negotiated Financial Target (M):

The project target was a 5% reduction of the soda make up by December 2016.



Analysis of causes (A):

13 potential causes were identified and 3 fundamental causes were prioritized

Critical Causes:

1. Low conversion of Na_2CO_3 into NaOH in the recausticizing process.
2. Green Liquor sent the recausticizing process outside the specification limits.

Action Plan(I):

Six actions were proposed for the project

No. of shares:

5 concluded **0** underway **1** late

Ação Principal:

Utilizar tanque de processo como um 4º caustificador, aumentando o tempo de residência do licor branco.

Financial Results Obtained (C):

The project obtained a **financial capture of R\$ 314,413** due to the reduction of the Soda make up.

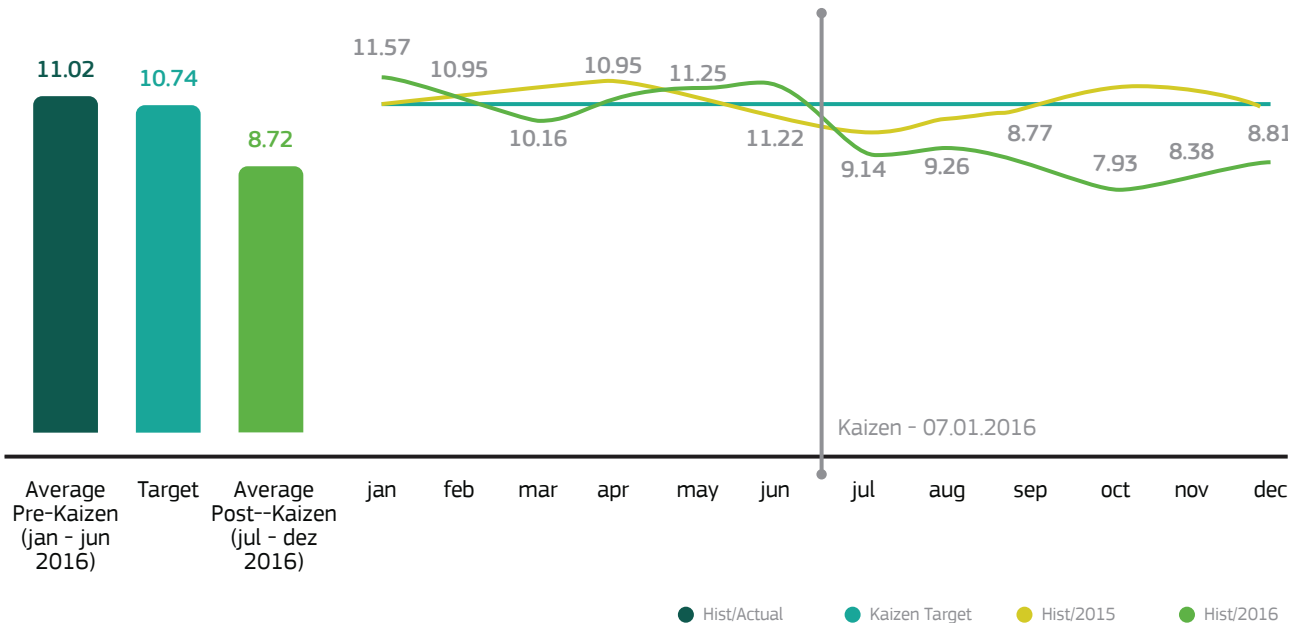


In 2016, for each R\$ 1 invested in Green Belt projects, we obtained a return of R\$ 88.55.

The realization of 22 Kaizen weeks distributed around all our units was evidence of the evolution and maturity of our Lean journey. Some 95.5% of the Kaizen actions were completed as planned.

With the main theme “**loss of tons of fibers per day at the entrance of the Effluent Treatment Station of this unit,**” we conducted an action at the Paper Unit SC – Campina da Alegria whose efforts were focused on mapping loss scenarios, implementation of a new tailings flow, creation of a communication and problem containment plan, support for the reduction of this indicator; the Unit’s overall target in the **Supera Program**, that is, that would interfere in the evaluation of the results of all of the facility’s employees.

Loss of fibers at the entrance to the ETE (t/day)



The Kaizen program pursued improvements in the system for recycling fibers of the Paper Unit SC – Campina da Alegria, understood as the amount of fibers that we cannot reuse within the system. Previously, this loss represented an average of 11.02 metric tons per day until the second half of the year.

After the improvements were implemented, the average loss per day has become 8.72 metric tons, a 2.3-ton difference, with an economic result of about R\$ 354,000.

Our employees engage in initiatives that seek Innovation and/or Continuous Improvement, important topics for the management and competitiveness of our business. In 2016, seeking maximum synergy between these processes, reflecting in speed and effectiveness, we merged the two areas under a single coordinator who reports to the Strategy Department.



In 2016, trimmings, a key input for the production of recycled cardboard, registered an historic price increase. In the second half, the market price had doubled compared to the same period in 2015, directly impacting the cost of end products. The foreign exchange rate variations and inflation also were factors that hurt Irani's results in 2016, visibly noticeable with regard to cash generation.

With high prices and low domestic market demand, our paper units temporarily shut down recycled paper production operations. In these periods, we carried out preventive maintenance at the units, conducted internally by the Maintenance teams.

With few retail sales, demand for boxes dropped and the pressure directly impacted market prices. We are moving firmly to realize the perceived value of our products and services, at a fair price, even though the decision could directly impact our budgeted volumes and earnings results for the year.

We developed the **#VemMeuChapa** (Come on over, my friend) Project in an effort to expand the interface with our corrugated box customers, enhancing their understanding of our processes.



Perspectivas 2016



Engenharia de Embalagens
e Laboratório de Controle
de Qualidade



Controladoria e Fiscal



Foco DO Cliente



Industrial



Sistema de Gestão
da Qualidade



Finanças



Desenvolvimento
de Pessoas e Segurança
do Trabalho



Melhoria Contínua

The Paper business was challenged throughout the year and contributed to the recovery of the Company's margins, taking advantage of the higher dollar as a stimulus for exports and the opening up of new markets, with emphasis on virgin fiber papers. Another highlight was the increase of about 20% in Bagkraft's sales, **firming us up as the main supplier of kraft paper for bags in Brazil.**

Also in 2016, we concluded an operation for the sale of forest assets for about R\$ 50 million to an investment fund that trusted our technical forestry management capacity, maintaining these activities under our responsibility. This transaction contributed to the Company's liquidity and leverage and future expansion plans.

The IT Governance project was implemented to assure even higher levels of security for our data, improvement of user services and adaptation of internal processes to the expected organic growth over the medium-term. Through this project, we want to boost the level of maturity of our processes with standardization, optimization and management performance indicators aligned with the Company's strategic goals.

We Implemented the Kiwiplan Project in the Packaging Unit SP – Indaiatuba and the Packaging Unit SP – Vila Maria, aimed at the extension of this project to the Paper Unit SC – Campina da Alegria in 2017, designed to support our strategic growth in the packaging business.

We are the only company in Brazil running this complete software, with integration ranging from the commercial area through to our shipments.

Our strategy makes clear our reason to exist, where we want to go, what principles lead us down this path and what are the next steps we should take in pursuit of this goal. With a more playful appeal and following the objective to bring our strategic intention to the attention of all employees, in 2016 we implemented the Disseminação da Estratégia Ciclo 2015-2025 (2015-2025 Cycle Strategy Dissemination) project.



This consists of a two-hour training session prepared through a partnership between the Communication and People Development areas, taught by a group comprised of internal facilitators. All employees were invited, organized in mixed classes. The training sessions, with classes of up to 21 employees, were based on the Company's illustrated strategic map, scripted to enhance strategic intent and the development of each individual's outlook (learning and growth, processes, customers and financial) and their goals.

Through dynamic and differentiated activities for each subject area, it was possible to show the Company's actions and projects, or those currently under evaluation, in a manner so that the relationship between them and our strategic objectives became clear to all employees. Such dissemination is a very important tool to ensure that each employee is clear about the importance of his or her job in the overall context of the Company and feels motivated to contribute in the pursuit of the goals.

One of the big gains from the training program was the feeling of empowerment that was clear in every employee, allowing them to feel involved in the search for excellence and as an important part of the effort to fulfill our vision. The strategy was no longer merely a distant subject to be reflected upon during their daily jobs, but rather the employee now felt a fundamental part of an overall objective.



We will be working in 2017 with an even greater commitment toward fulfilling our strategic intention, focused on the preparation of a phase of the growth and profitability of the business. Our role toward this end is to balance our actions so that all stakeholders can be engaged in this process for the evolution of the Company.

Risk Management

^(G4-14) Irani's risk management process' main point of reference consists of the guidelines contained in the ABNT NBR ISO 31000:2009 and the Committee of Sponsoring Organizations of the Treadway Commission - Enterprise Risk Management Framework (COSO-ERM). In practice, it comprises the following stages:



^(G4-45, G4-46, G4-47) The Audit and Risk Management area coordinates the integrated risk management practice, monitoring and supporting the risk managers in validation and regular evaluations as well as internal controls for the business areas and the Board of Executive Officers. The impacts arising from the materialization of risks linked to the business are considered in the definition of the strategy.

Types of impacts considered in the risk assessment:

Type	Impact description
Operational	Production halts
Occupational	Health and safety of the workforce (employees and service providers)
Environmental	Possible damages to the environment with reversibility analysis
Reputation	Compromising the Company's image with stakeholders
Financial	Financial or opportunity losses when making use of financial advantages

(G4-2) We define these impacts as parameters for the qualitative evaluation of our Risk Matrix:

Strategic

Inability to recognize factors related to changes in the political and economic scenario, such as the instability of the world economy. To mitigate this, we periodically prepare a long-term strategic plan evaluating different scenarios, allowing effective responses to the event. Increased competition is also monitored through a market scenario analysis, noting the competitors' ability to grow and the current capacity of the pulp and paper industry in Brazil and the world, for decision-making purposes during the strategic planning stage.

Financial Risks

Failure to evaluate limits and credit awards or in collection processes, permitting the materialization of customer default risk. Actions such as the classification of customers according to the level of risk, blocking of sales for customers with exceeded credit limits or defaults, and the follow-up of pending receipts are mitigation mechanisms used by the Company. Market risks stemming from the inability to respond effectively to unfavorable fluctuations, liquidity of the national currency and changes in monetary policy to foster and regulate the improvement of the country's economy are monitored and define the impact scenarios regarding exchange rate swings and interest rate variations. The risk of not obtaining financial resources at an affordable cost, resulting in financial losses, delays or interruption of strategic projects for the Company, is monitored by mechanisms that ensure the necessary fundraising guarantees.

Compliance Risks

Exposure to inspection agency sanctions due to failure to comply with regulations applicable to the business, both legally mandated and voluntary compliance with the environmental regulations. We have a computerized system for monitoring applicable legal environmental requirements, to monitor the validity periods of environmental licenses granted by the appropriate authorities, among other mechanisms. Our policies aimed at the reuse of solid waste and reduction in the generation of effluents are applied and disseminated.

Operating Risks

Evaluation of the operational conditions regarding capacity and efficiency, continuity of operations, distribution of products under the established conditions and deadlines are process risks that are analyzed. In this regard, we monitor the impacts of lost productivity and damage to assets, among others, by means of controls based on the conditions of the equipment and facilities, assuring continued preventive and predictive maintenance, along with emergency fire drills in the industrial units and forests. Focused on customer relations and attending to their needs, we have set up a careful process to analyze the quality of the end product together with after-sales technical follow-ups. Attention to people, demonstrated by the controls for prevention and guaranteeing the health and safety of employees in their workplace activities, has been improved and is treated as an aspect for constant evaluation.

(G4-2) The Board of Executive Officers and the Chief Executive Officer, who is a member of the Board of Directors, participate in the diagnosis, management and approval of the risk tolerance strategy.

In 2016, our Audit and Risk Management Policy was reviewed and approved by the Board of Executive Officers. We also consolidated the risk management methodology, continuing the strengthening of this culture.

Also in this same year, we put into practice the annual plan of risk-based audit, conducting the analysis of the People Development, Fixed Assets, Purchases and Treasury cycles. For this integrated effort, the risk mitigation controls were tested and, as a result, we issued reports with regard to the level of adequacy of controls and improvement opportunities.



Over the course of 2016, the Audit and Risk Management area monitored the external legal compliance audit processes designed to satisfy the requirements of ISO 14001 certification and that encompass our most significant risks. In 2017, these processes will be incorporated into the annual audit plan, as well as activities related to the Revenues and Occupational Health and Safety cycles, with a view to legal compliance at all Units.

We also began structuring a Crisis Committee - a multidisciplinary group with internal areas and support from the press office - designed to prepare a preventive plan for the management of potential crises. Also in 2017, in order to prepare our managers for crisis situations that may materialize, we plan to establish internal and external communication flows with all our stakeholders and conduct media training exercises.

In 2017, the Auditing and Risk Management area will coordinate, with support from the inland areas, the deployment of Programa de Integridade (Integrity Program) aimed at enhancing compliance practices for prevention, detection and remediation of the harmful acts foreseen in the Law 12.846/2013. In addition to the occurrence of bribery, this legislation is focused on fraud within public sector interfaces. It is our understanding that the practices are applicable to relations with all stakeholders.

(G4-46 e G4-47) The Board of Directors performs risk management inherently as part of the decision-making process. The Board of Executive Officers and the Chief Executive Officer, who is a member of the Board of Directors, participate in the diagnosis, management and approval of the risk tolerance strategy.

Intangible Assets

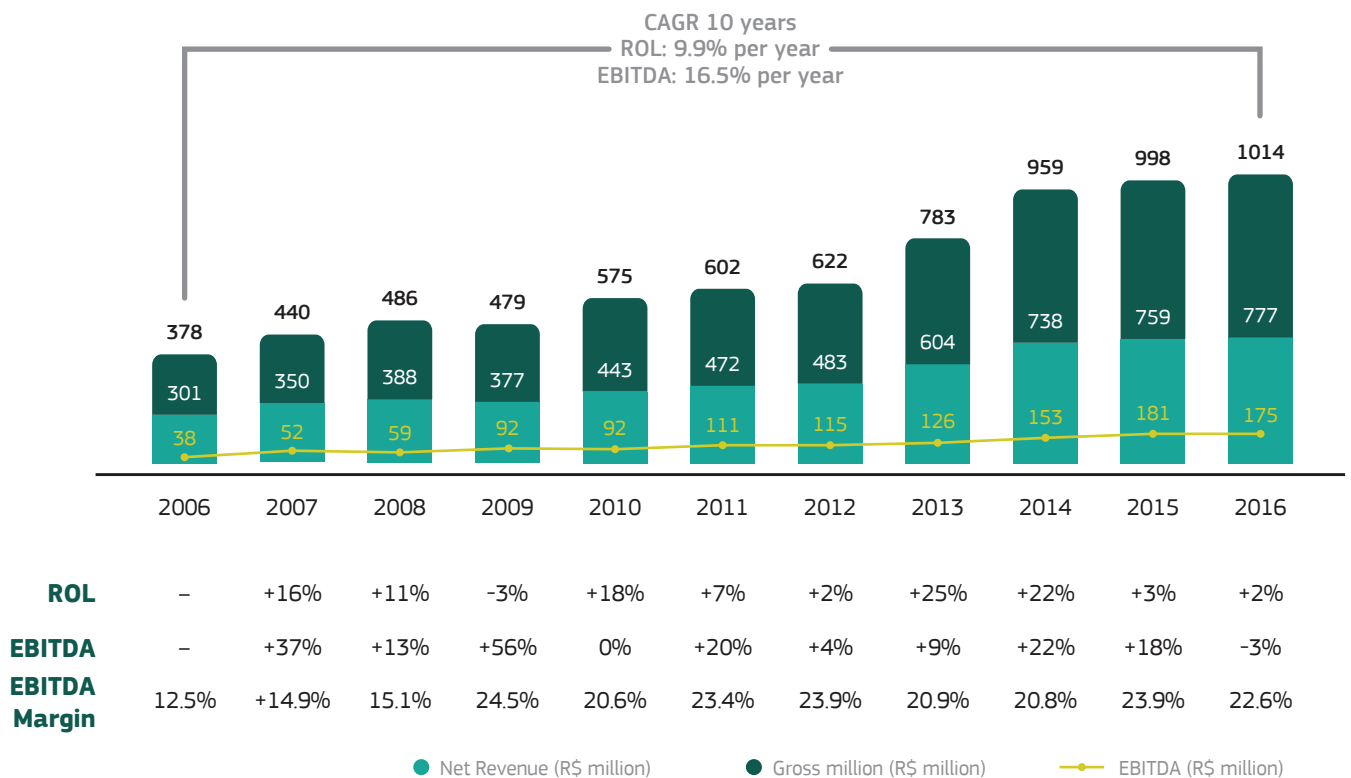
Built over seven decades, our intangible assets are managed by the areas

- Social inclusion and ability to influence the government in Campina da Alegria and surrounding areas
- The ethical stance of the Company, recognized by our values
- The competence of the employees
- A cohesive organizational culture
- Managing for excellence
- Customer satisfaction
- A brand that protects the businesses and generates value
- Transparency in accountability
- Suitable working environment

Economic and Business Performance

The 2016 scenario required even more austerity. The transversality of this issue is evident in our strategic map, in the Learning and Knowledge, Processes and Financial dimensions.

The consolidation of the strategy adopted over the years led to the consistent evolution of our economic indicators. Our net revenue, for example, presents average annual evolution, of 9.9% over the last 10 years, and the average annual growth of the Adjusted EBITDA was 16.5%. In this period, the latter indicator went from R\$ 38 million in 2006, with a 12.5% margin, to R\$ 175 million in 2016, with a 22.6% margin.



**Balance Sheets (Consolidated as at
December 31, in thousands of reais)**

	12.31.2016	12.31.2015
Assets	1,679,951	1,658,591
Current assets	444,287	377,185
Non-current assets	1,235,664	1,281,406
Liabilities and shareholders' equity	1,679,951	1,658,591
Current liabilities	445,377	380,413
Non-current liabilities	789,373	881,550
Net equity	445,201	396,628

**(G4-9) Consolidated income statements for the years ended
December 31 (in thousands of reais)**

	12.31.2016	12.31.2015
Net Sales Revenue	776,795	758,758
Change in fair value of the biological assets	27,394	(6,450)
Cost of Goods Sold	(593,422)	(530,437)
Gross Profit	210,767	221,871
Operating Revenue (Expenses)	(138,833)	(128,336)
Income before financial results and taxes	71,934	93,535
Net financial revenue (expenses)	(107,046)	(92,573)
Operating profit before tax effects	(35,112)	962
Net profit for the year	(10,782)	495

Our annual financial statements including the Explanatory Notes, the Independent Auditors' report and the Management Report are presented in full in our [Investor Relations website](#). Click here to access.

The preparation of these documents respect the Corporations Law and its amendments, and the rules established by the Brazilian Securities and Exchange Commission (CVM).

Disclosure took place on February 24, 2017 in newspapers of wide circulation, in which we published our corporate acts and on the CVM and the BM&FBOVESPA websites.

Main economic-financial indicators

In 2016, according to the Brazilian Corrugated Cardboard Association (ABPO), the unfavorable economic environment influenced a decline in the domestic market corrugated cardboard consumption indicators. This was evidenced by a drop of 2.3% in the total sales of boxes, accessories and corrugated sheets compared to 2015.

Helped by sales to foreign markets, reflecting a more favorable exchange rate, our revenue in 2016 rose 2.4% in comparison to 2015, even in the face of the challenging domestic situation.

Economic and Financial (R\$)	2016	2015	2016/ 2015
Net Operating Revenue	776,795	758,758	2.4%
Domestic Market	635,433	629,967	0.9%
Foreign Market	141,362	128,791	9.8%
Gross Profit (included *)	210,767	221,871	-5.0%
(*) Change in Fair Value of the Biological Assets	27,394	(6,450)	–
Gross Margin	27.1%	29.2%	-2,1p.p.
Operating Income before Taxes and Participations	(35,112)	962	-3749.9%
Operating Margin	-4.5%	0.1%	-4,6p.p.
Net Income	(10,782)	495	-2278.2%
Net Margin	-1.4%	0.1%	-1,5p.p.
Adjusted EBITDA₁	175,314	181,209	-3.3%
Adjusted EBITDA margin	22.6%	23.9%	-1,3p.p.
Net debt (R\$ million)	719.3	777.0	-7.4%
Net Debt/Adjusted EBITDA(x)	4.10	4.29	-4.4%
Net Debt/Adjusted proforma EBITDA(x)	3.40	3.08	10.4%
Operating Data (t)			
Corrugated Cardboard Packaging (CC)			
Production/Sales	180,516	198,375	-9.0%
Paper for Packaging			
Production	275,446	287,247	-4.1%
Sales	88,764	77,469	14.6%
RS Forest and Resins			
Production	11,926	9,970	19.6%
Sales	12,214	9,582	27.5%

* EBITDA (earnings before interest, taxes, depreciation, amortization and depletion) see the chapter in this release.

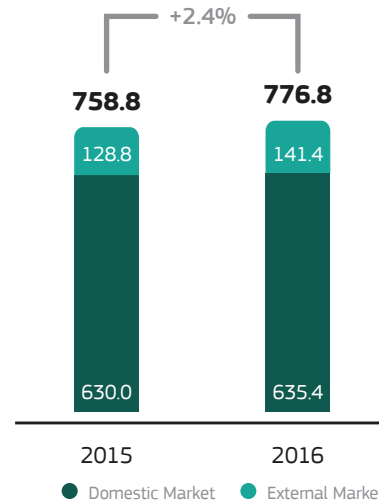
** Excluding from net debt the exchange variation recorded as hedge accounting,

Net Operating Revenue

Our performance in sales to foreign markets contributed to the Net Revenue reaching R\$ 776.8 million in 2016, an increase of 2.4% over 2015.

However, the domestic market remains our main market, representing 82% of sales at the end of 2016.

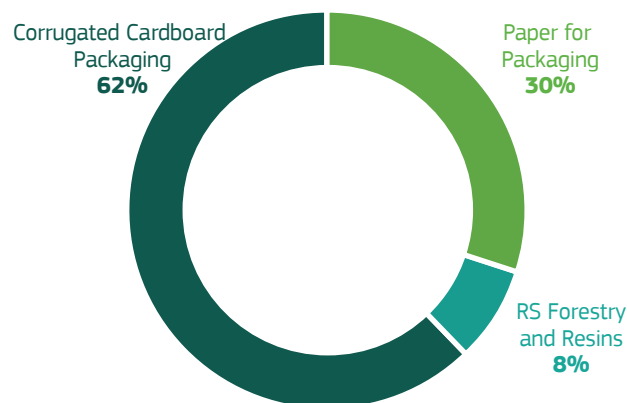
Net Revenue (R\$ million)



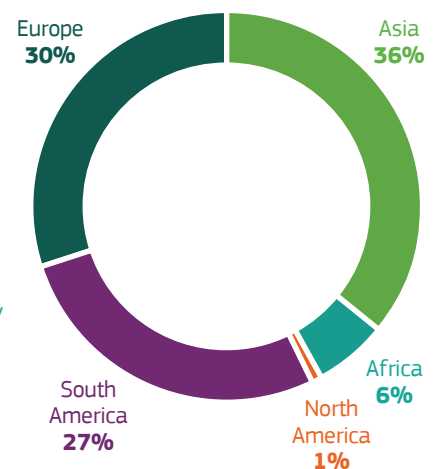
Share per market

	2015	2016
Domestic market	83%	82%
Foreign market	17%	18%

Net Revenue per segment (2016)



Receita Líquida - Mercado externo 2016



Assessment of the Fair Value of the Biological Assets (Forests)

The variance in the assumptions used for evaluation, such as the rising prices of Pine wood in the forests of Santa Catarina and Rio Grande do Sul, the increase in the price of gum resin in the forests of Rio Grande do Sul and the change in the average age of the plantations, influenced the positive variation of the fair value of the biological assets in 2016.

Effects of the variations of the fair value of the biological assets

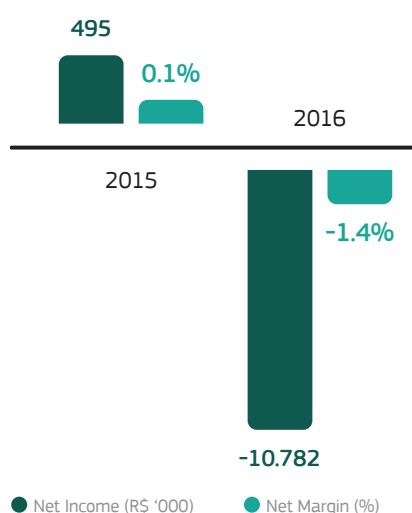
	2016	2015
Change in fair value of the biological assets	27,394	(6,450)
Exhaustion of the fair value of the biological assets	(43,498)	(16,944)

As of 2010, as determined in CPC 29, we have measured the fair value of the biological assets (forests) on a regular basis. The variation of this value and its exhaustion is recognized in the Cost of Goods Sold (COGS) line item.

This new accounting determination make it possible to more precisely evaluate the market value of our forests, more appropriately representing our Financial Statements.

Net Income

Impacted by the lower sales volume of boxes and corrugated cardboard sheets and the increasing costs of raw materials, in particular corrugated box trimmings and, furthermore, the financial results for the period, our net income in 2016 was negative R\$ 10.782 thousand.



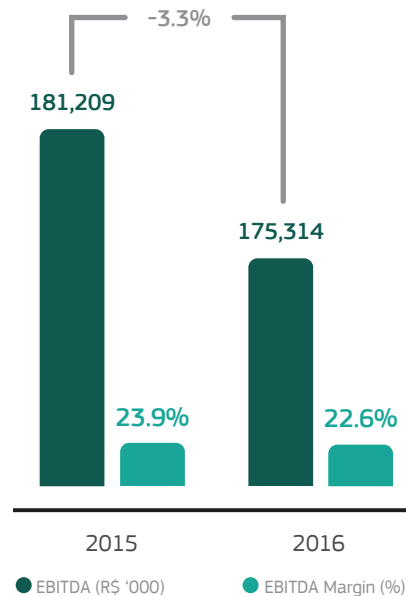
Operating Cash Generation (Adjusted EBITDA)

Consolidated (R\$ '000)	2016	2015	Change 2016/2015
Operating Income before Taxes and Participations	(35,112)	962	-3749.9%
Exhaustion	60,916	20,579	196.0%
Depreciation and Amortization	63,886	59,117	8.1%
Financial Income	107,046	92,573	15.6%
EBITDA	196,736	173,231	13.6%
EBITDA Margin	25.3%	22.8%	2,5p.p.
Adjustments pursuant to Inst. CVM 527/12			
Change in Fair Value of the Biological Assets*	(27,394)	6,450	-524.7%
Administrators' Share	—	55	—
Non-Recurring Events**	5,972	1,473	305.4%
Adjusted EBITDA	175,314	181,209	-3.3%
Adjusted EBITDA Margin	22.6%	23.9%	-1,3p.p.

*Variation in fair value of biological assets, due to not meaning a cash reduction in the period.

**Non-recurring Events: The amount of R\$ 5.972 thousand (2016) refers to expenses incurred with the request to register a public offer, because it is not characterized as recurrent expenditure for the financial year, in the amount of R\$ 3.984 thousand; and the establishment of a social security provision for vacation pay for prior periods due to the change in the tax regimen (INSS re-taxation), because it did not mean an expense in the same period, in the amount of R\$ 1.988 thousand.

The adjusted EBITDA reached R\$ 175.3 million, with a 22.6% margin and 3.3% less than in 2015 in the accrued for the year. This reduction of 1.3 percentage points in the margin was mainly due to the lower sales volume of boxes and corrugated cardboard sheets, the increased costs of raw materials, in particular of the scrap corrugated boxes, and the new social security (INSS) tax burden.



Financial Result

In 2016, our financial result was impacted due to the exchange rate, the increase in interest rates (CDI and TJLP) and the international (LIBOR) rate, plus more expensive funding costs.

In this same year, the exchange rate negatively impacted our results by R\$ 19,461 thousand, explained mainly by the hedge accounting in the result. This result is distributed as follows:

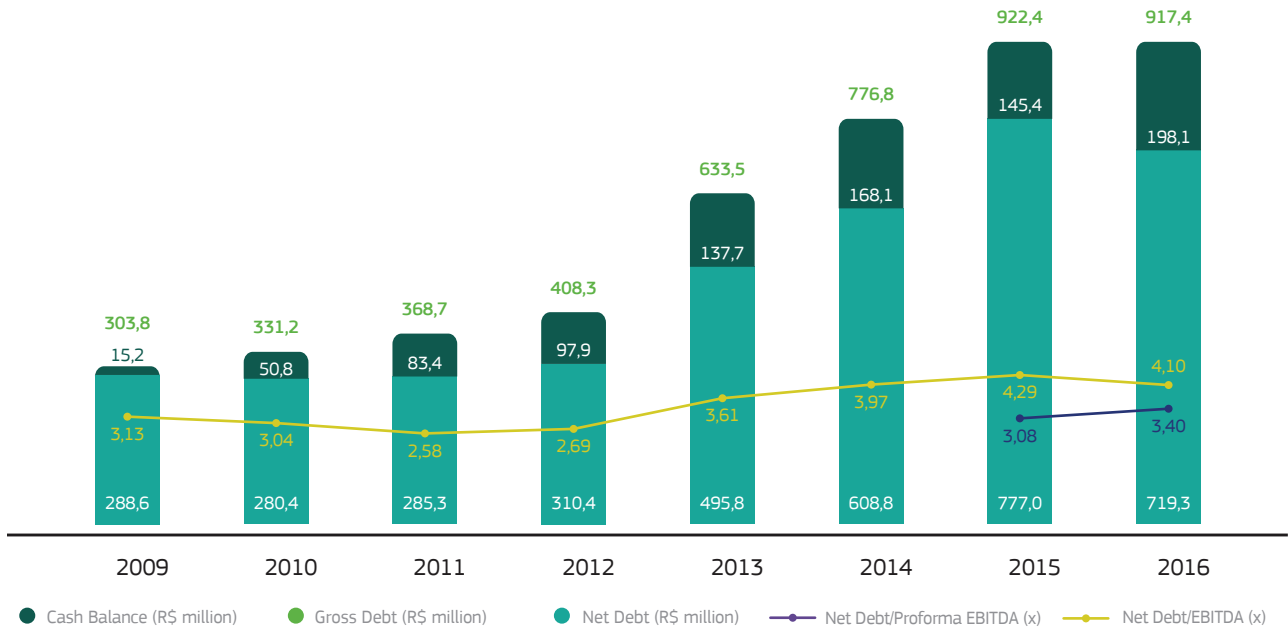
R\$ '000	2016	2015	Change 2016/2015
Financial Revenue	39,932	35,228	13.4%
Financial Expenses	(146,978)	(127,801)	15.0%
Financial Result	(107,046)	(92,573)	15.6%
Net exchange variation:	(19,461)	(17,073)	14.0%
Financial result without foreign exchange variation	(87,585)	(75,500)	16.0%

Net Debt

Totaling R\$ 917.4 million in 2016, 68% of our consolidated gross debt matures in the long-term. The consolidated cash balance totaled R\$ 198.1 million on December 31, 2016, compared to R\$ 145.4 million on December 31, 2015, due primarily to funding in the period and an additional wood sale (forest) in the amount of R\$ 55.5 million in the second quarter of 2016.

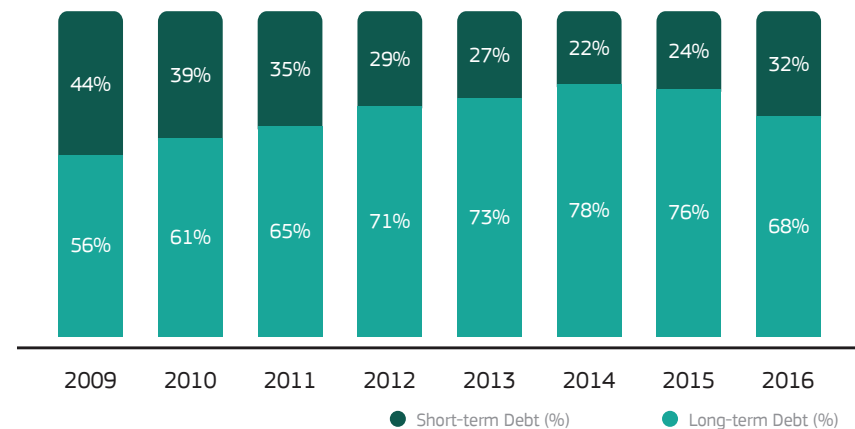
As a result, our consolidated net debt in 2016 was R\$ 719.3 million, compared to R\$ 777.0 million in 2015, leading to a net debt/EBITDA ratio that went from 4.29x at the end of 2015 to 4.10x by the end of 2016. Excluding from net debt the exchange variation recorded as hedge accounting, the net debt/Proforma EBITDA indicator would have been 3.40 at the end of 2016. The variation of this indicator was influenced by the reduction of the dollar exchange rate and the year's EBITDA.

Debt and Net Debt/EBITDA



Target 2017: Maintain the operating leverage (net debt/EBITDA) at less than 4.00x.

Gross Debt Profile



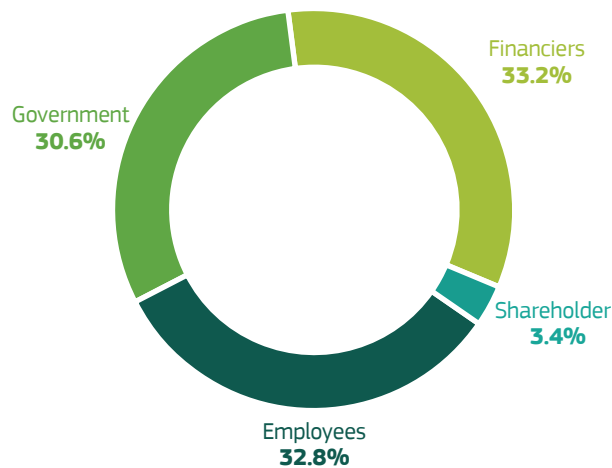
Target 2017: The average maturity of the Company's debt must be at least 30 months.

(G4-EC1) Direct economic value generated and distributed

Demonstrating the values regarding the wealth we generate and its distribution among the parties that contributed to the generation of this wealth as employees, government, financiers and shareholders, our value added demonstration (DVA) is presented as follows:

	12.31.2016	%	12.31.2015	%
1. Revenue	1,099,289		1,015,308	
2. Inputs acquired from third parties	563,601		527,143	
3. 3. Gross added value (1-2)	535,688		488,165	
4. 4. Depreciation, amortization and exhaustion	124,802		79,696	
5. Biological asset fair value variation	(27,394)		6,450	
6. Net added value produced by the entity (3-4-5)	438,280		402,019	
7. Added value received through transfers	39,932		35,228	
8. Total added value to distribute (6+7)	478,212		437,247	
9. Distribution of added value				
9.1) Personnel	156,575	32.75%	155,845	35.64%
9.2) Taxes, fees and contributions	146,387	30.61%	127,011	29.05%
9.3) Remuneration of third-party capital	158,981	33.24%	140,468	32.13%
9.4) Remuneration of own capital	16,269	3.40%	13,923	3.18%

Distribution of Added Value (2016)



Greater vision

Do more for and further our
employees' development

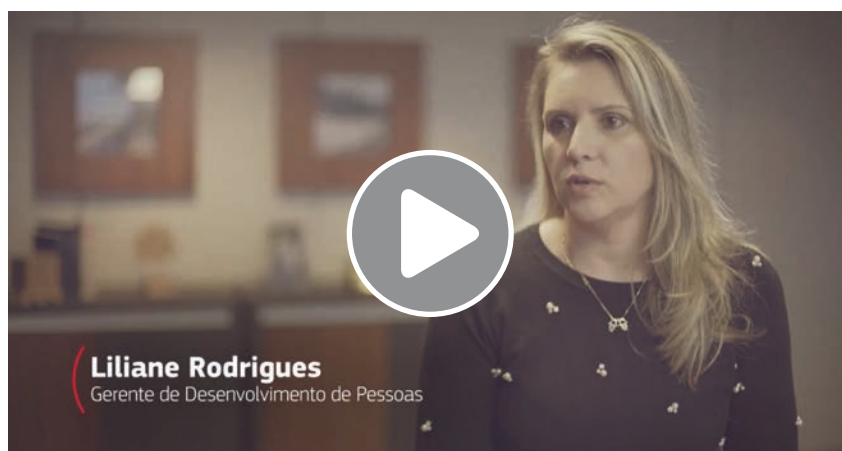
Through a close up view that opens dialogues that help people
advance and maximize their leadership potential.



Rafaela de Lourdes Moreira
and Valter Wagner Verardi
Paper Unit MG - Santa Luzia

(GRI.G4-9, G4-11, DMA) People in first place

^(G4-22) As of this Report, the data segmented per unit will now separate the information from our Santa Catarina and Rio Grande do Sul offices. This new form of presentation is aligned with the way we manage our practices and indicators.

**^(G4-9) Total number of direct employees****^(G4-9) Number of active directs employees vs. those dismissed.**

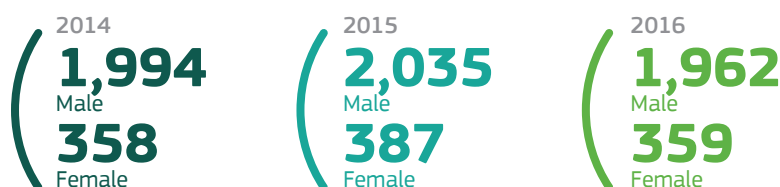
	2014	2015	2016
Active	2,352	2,422	2,321
Dismissed	138	140	151

^(G4-10) Number of employees per business unit

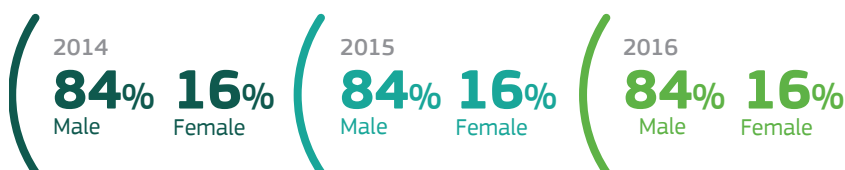
	2014		2015		2016	
	No.	%	No.	%	No.	%
SC Office - Joaçaba	145	5.82%	131	5.11%	114	4.61%
RS Office - Porto Alegre	34	1.37%	42	1.64%	39	1.58%
Paper Unit SC – Campina da Alegria	763	30.64%	749	29.23%	735	29.73%
Paper Unit MG – Santa Luzia	182	7.31%	183	7.14%	163	6.59%
Packaging Unit SC – Campina da Alegria	300	12.05%	316	12.33%	308	12.46%
Packaging Unit SP – Indaiatuba	373	14.98%	374	14.60%	361	14.60%
Packaging Unit SP – Vila Maria	402	16.14%	408	15.93%	390	15.78%
Resin Unit RS - Balneário Pinhal	67	2.69%	72	2.81%	77	3.11%
Habitasul Florestal	209	8.39%	287	11.20%	285	11.53%
Commercial Paper	11	0.44%	--*	--*	--*	--*
IRANI Trading	4	0.16%	--*	--*	--*	--*

*IRANI Trading was incorporated by Irani in 2015, and its employees became part of the Offices team. The employees of the commercial areas allocated in SP started to be considered part of the Packaging Unit SP – Vila Maria as of 2015, due to the fact they began to share the same physical space.

(G4-10) Direct employees by gender



(G4-10) Percentage of employees by gender



(G4-9, G4-10) Employees by business unit and gender

	2014				2015				2016			
	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female
Offices												
SC Office - Joaçaba	60.00%	40.00%	3.70%	2.47%	57.25%	42.75%	3.10%	2.31%	57.89%	42.11%	2.84%	2.07%
RS Office - Porto Alegre	68.00%	32.00%	0.72%	0.34%	60.61%	39.39%	0.83%	0.54%	56.67%	43.33%	0.73%	0.56%
Paper												
Unit SC - Campina da Alegria	91.19%	8.21%	28.53%	2.55%	91.73%	8.27%	27.00%	2.44%	91.29%	8.71%	27.53%	2.63%
Unit MG - Santa Luzia	88.89%	11.11%	6.12%	0.77%	87.88%	12.12%	5.99%	0.83%	89.86%	10.14%	5.73%	0.65%
Packging												
Unit SC - Campina da Alegria	91.17%	18.03%	10.25%	2.25%	85.16%	14.84%	10.90%	1.90%	86.53%	13.47%	11.07%	1.72%
Unit SP - Indaiatuba	91.34%	8.66%	13.90%	1.32%	91.36%	8.64%	13.54%	1.28%	90.43%	9.57%	13.44%	1.42%
Unit SP - Vila Maria	84.91%	15.09%	13.39%	2.38%	82.03%	17.97%	13.01%	2.85%	82.79%	17.21%	13.05%	2.71%
Resin												
Unit RS - Balneário Pinhal	79.63%	20.37%	1.83%	0.47%	81.36%	18.64%	1.98%	0.45%	81.67%	18.33%	2.11%	0.47%
Habitasul Florestal												
	71.57%	28.43%	5.99%	2.38%	69.78%	30.22%	7.72%	3.34%	71.26%	28.74%	8.01%	3.23%
Commercial Paper												
	45.45%	54.55%	0.21%	0.26%	--*	--*	--*	--*	--*	--*	--*	--*
Irani Trading												
	75.00%	25.00%	0.13%	0.04%	--**	--**	--**	--**	--**	--**	--**	--**

● % of the total number of employees in the Unit

● % of the total number of employees in Irani

*The employees of the commercial areas allocated in SP started to be considered part of the Packaging Unit SP - Vila Maria as of 2015, due to the fact they began to share the same physical space.

**IRANI Trading was incorporated by Irani in 2015, and its employees became part of the RS Office - Porto Alegre team.

**Percentage of employees by
time with the company**

	2014	2015	2016
Up to 1 year	17.23%	15.50%	10.23%
Between 1 to 5 years	35.74%	36.89%	37.01%
Between 5 to 10 years	19.80%	20.18%	24.92%
Between 10 to 15 years	12.73%	12.06%	10.96%
Between 15 to 20 years	6.59%	6.67%	7.85%
Between 20 to 25 years	3.33%	4.29%	4.21%
Between 25 to 30 years	2.49%	2.34%	2.63%
More than 30 years	2.09%	2.07%	2.18%

**(G4-10) Total employees covered by type of
employment contract and gender**

Work Contract	2014		2015		2016	
	Male	Female	Male	Female	Male	Female
CLT - Indeterminate	2,085	383	2,120	401	2,050	370
CLT - Apprentices	7	10	17	20	24	24
Statutory	5	0	4	0	4	0
General Total	2,097	393	2,141	421	2,078	394

(G4-10) Hiring regime by gender

	2014		2015		2016	
	Male	Female	Male	Female	Male	Female
Part-time	7	11	14	18	22	20
Full-Time	2,090	382	2,127	403	2,056	374

**(G4-11) Percentage of total active employees covered
by collective bargaining agreements**

	2014	2015	2016
Collective Agreements	99%	98.36%	96.40%
<i>Pro Labore</i>	0%	0.16%	0.16%
Minimum Wage	1%	1.48%	3.44%

**(G4-LA1 a) Total employees and rate of new
hires by age group and gender, in 2016**

	Male	Female
Under 30 years	61%	17%
Between 30 to 50 years	16%	5%
Above 50	2%	0%

(G4-LA1 b) Turnover rate by age group and gender

	Male	Female
Under 30 years	6.4%	4.9%
Between 30 to 50 years	2.8%	3.7%
Above 50	0.6%	0%

(G4-LA1) Turnover Rate broken down by region

	2014	2015	2016
SC Office - Joaçaba	7.10%*	6.07%	5.3%
RS Office - Porto Alegre	7.10%*	6.94%	5.6%
Paper Unit SC – Campina da Alegria	9.50%	9.78%	6.5%
Paper Unit MG – Santa Luzia	10.53%	4.89%	5.5%
Packaging Unit SC – Campina da Alegria	19.23%	13.88%	8.0%
Packaging Unit SP – Indaiatuba	20.30%	12.98%	13.6%
Packaging Unit SP – Vila Maria	13.67%	6.17%	7.2%
Resin Unit RS – Balneário Pinhal	15.50%	5.88%	14.3%
Habitasul Florestal	57.53%	50.51%	21.3%

*Since 2015, we have published the information of the offices separately.

(G4-LA12) Percentage of employees by job category

	2014	2015	2016
Leaders	7%	7%	7%
Administrative	13%	14%	14%
Technical	11%	10%	10%
Operational	69%	69%	69%

(G4-LA12) Percentage of employees by age group

	2014	2015	2016
Up to 30 years	39.16%	34.07%	36.17%
Between 31 to 40 years	31.93%	32.28%	32.08%
Between 41 to 50 years	19.52%	20.69%	19.70%
From 51 to 60 years	7.35%	10.38%	9.67%
More than 60 years	2.05%	2.58%	2.39%

(G4-LA12) Proportion of men and women by job category

	2014		2015		2016	
	Male	Female	Male	Female	Male	Female
Leaders	8%	6%	8%	6%	7%	5%
Administrative	8%	36%	9%	41%	9%	40%
Technical	12%	5%	11%	5%	12%	5%
Operational	72%	53%	72%	49%	73%	50%

Our actions for the development of people are organized into five structuring programs, with initiatives aligned with our mission, vision and values, seeking to create conditions for our employees to develop personally and professionally to the maximum of their potential.

programa gera

GERA (GENERATE) Program: through a process of selection, monitoring and employee orientation, the program is designed to attract, engage and monitor employees the careers of our employees and encourage their development.

Principal activities: Staff selection, Programa Jovem Aprendiz (Young Apprentice Program), internships, the Programa de Inclusão de Pessoas com Deficiência (Inclusion of People with Disabilities Program), integration, monitoring of functions and dismissal processes.

programa cuida

CUIDA (TAKE CARE) Program: An integrated management model for occupational health and safety, to increase the percentage of compliance with existing legislation and reduce workplace accidents. To do so, it covers actions and procedures to involve employees and on the adequacy of the operational processes.

Principal activities: Evaluation of the physical structures of the facilities, quantification of occupational exposure, standardization of SESMT processes, the humanization of processes, corporate campaigns related to the promotion of quality of life and constant training of leadership skills and operational teams.operacionais.

programa motiva

MOTIVA (MOTIVATE) Program: Guided by the survey of Organizational Climate, this program seeks to strengthen the engagement of the people through a set of actions to provide a stimulating and motivating work environment.

Principal activities: Survey of the Organizational Climate, recognition for time of service and motivational actions.

programa supera

SUPERA (SURPASS) Program: to seek to challenge and recognize the development of people through an annual individual performance assessment based on competencies and results.

Principal activities: annual evaluation involved 92% of employees.

programa cresce

CRESCE (GROW) Program: aligned with our strategy, it is based on six basic, and five differential skills, including the training and development of employee.

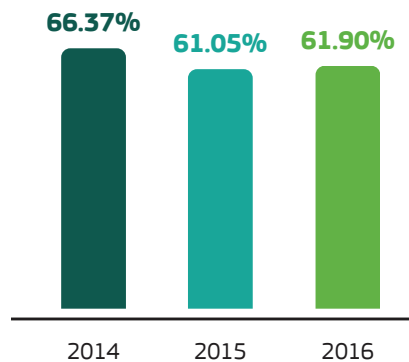
Principal activities: Lead 2020, incentives for formal education, internal training, external and in-company courses, workshops, theater, choir and the Elida de Freitas e Castro Druck Library

(DMA) Gera (Generate) Program

The goal of this program is to ensure that all the people hired adapt and are integrated into our organizational culture, beginning with recruitment processes, through integration, tracking of their development, in the hope that, at the end of our professional relationship, evidence of the growth of both is one of the results.

In selecting new employees, we seek to provide opportunities to those who are already part of our staff through internal recruitment. We prioritize internal hiring to strengthen the engagement and alignment of employees with the company culture, because we believe that people, who are constantly developing, and who are challenged, valued and working happily as part of a team, make all the difference.

Vacancies filled by internal recruitments



The main goal of the **Programa Jovem Aprendiz** (Young Apprentice Program) is the training of young workers for entry into the labor market by means of company activities coordinated with the teaching and guidance of an educational institution. Since 2005, when the program began, we have taken in 380 young apprentices. In 2016, we had 85 apprentices. In the selection processes, we prioritize the nomination of relatives and acquaintances of our employees.

In order to help them develop in their professional careers, we have a functional monitoring group session twice a year and/or whenever requested by the individual manager or by the apprentice.

Functional monitoring consists of talking with young workers about their perceptions, difficulties and anxieties in relation to the activities they perform in their professional relationship. We also work to reinforce the contents in the integration program for company behavior and professional attitude.

At the conclusion of the apprenticeship cycle, we hold a ceremony to end the activity, featuring a lecture with guidance on employability and the evaluation of the program from the perspective of the apprentices.

The **Programa de Estágio** (Trainee Program) is designed to identify, attract and train potential new employees aligned with our values. In 2016, we had 30 trainees with technical training certificates, performing in internships that are compulsory and/or not mandatory in administrative, technical and production areas.

Since the beginning of the program we have hired 15% of our apprentices internally from other areas. Of these, 75% were allocated in the Santa Catarina Units.

These young people are mainly students taking Engineering Courses (Environmental, Chemical, Production, Civil, Mechanical and Electrical), Chemistry, Business Administration, Accounting, Information Technology and Psychology. Among the technical courses, there is a higher incidence of courses in Workplace Safety, Chemistry, Electro Technology and Mechanics.

One of the factors of success are the effective rates for completion of the probationary period that, in 2016, was 33.3%.

In the area of social inclusion whose goal is to promote diversity in the company, and enhance the professional development of people with disabilities, since 2004 we have been developing the Programa Gera Diversidade (Generate Diversity Program) at all our units.

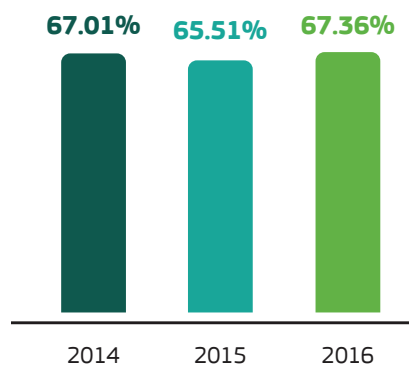
With the principal objective of enhancing the inclusion of this group in the labor force, respecting their limitations and needs for special workplace conditions in our areas, and faithfully complying with the legal provisions.

In 2016, we increased the percentage of employees with disabilities in our workforce by 15.6%.

Among the activities in the inclusion process, we like to point out the work of awareness-raising teams, which take colleagues with disabilities into their areas and prepare and help make the inclusion as comfortable as possible, mindful of the limitations and caring requirements for each individual. In 2016, we conducted 25 awareness-boosting sessions.

Our activities under the Gera Program contribute to the retention of talent in our units.

Permanence of contracted employees in their first year with the Company




(DMA) Cresce (Grow) Program

We believe that the challenges of growth and results can be achieved if our employees feel better prepared.

We use tools like strategic planning, regular performance evaluations, the organizational climate survey and other personnel management indicators assist in staff training and development and provide the inputs for the improvement of the Cresce Program (Grow Program).

Thus our investments in the development of our current and future leaders create conditions for the promotion of an even more stimulating and innovative working environment for our employees.

The professional training of our employees also has a direct impact on the indicators of retention of productivity. That is why we offer formal education scholarships and access to technical training and behavioral courses.

 **Target 2017:** 100% mapping of technical training by position in the Packaging Unit SC - Campina da Alegria.

In 2016, we reduced investment in training and scholarships by R\$ 421,000 in comparison with 2015. We maintained the average number of man-hours of training despite this reduction, by working on a number of training areas through internal programs, developed and taught by our own employees.

Investment in training (R\$ '000)


	2014	2015	2016
Investment in training and development	929	1,021	784
Incentives to education through grants	1,020	1,033	849

(G4-LA9) Average hours of training per employee category

	2014			2015			2016		
	Total workload	Headcount	Average hours of training	Total workload	Headcount	Average hours of training	Total workload	Headcount	Average hours of training
Leader	11,763	184	64	13,199	188	70	13,117	167	79
Administration	103,366	324	32	9,665	370	26	8,965	371	24
Technical Training	7,495	266	28	8,652	259	34	7,455	237	31
Operational	40,610	1.716	24	39,738	1.745	23	35,774	1,727	21
Total	70,235	2.490	28	71,254	2.562	28	65,310	2,502	26

(G4-LA9) Average hours of training per gender

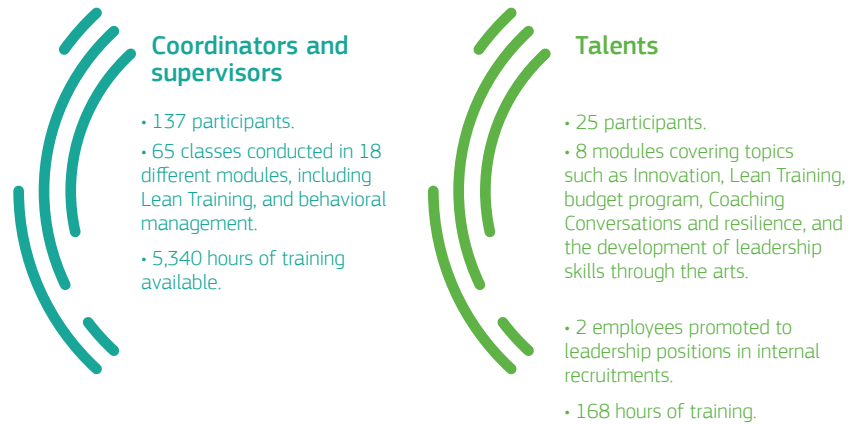
	2014		2015		2016	
	Female	Male	Female	Male	Female	Male
Total workload	58,812	11,423	9,477	61,779	10,684	54,626
Headcount	2,097	393	452	2,174	406	2,096
Average hours of training	28	29	21	28	26	26

 **Target 2017:** To have at least 87% presence of employees in training and development actions provided for in the units' training plans.

Success cases

LIDERA 2020 (LEAD 2020)

Starting in 2013, this initiative has been preparing our leaders in two major areas: development of current leaders (Coordinators and Supervisors) and potential leaders (Talents).



Work with **Coordinators and Supervisors** continued in 2016, with emphasis on the topics of Managing the Organizational Climate and Attitude Coaching in leadership, seeking to strengthen the actions of the leaders in people management practices and the development of communications skills through active listening and productive conversations programs.

Our work with our **Talents** continued to the second stage of experience in the areas. With the support of the immediate supervisors in the analysis of current and future needs, our talents were able to select an area of interest and develop learning practices in the workplace (on the job training), broadening the awareness of our procedures and business.

Resins School

The right preparation for the job is one of the factors that helps to give meaning to work by stimulating the engagement of people. The Resins School is a technical training program in which the new production assistants receive training with a focus on diamond-pattern knurling activity, with the forest as the classroom.

Created in July 2015, the School aims to try to improve operating efficiency and the reduction of personnel turnover in the Resins business area.

Highlights: 552 hours of programming, 78 employees qualified and 16 employees who went for retraining during the period of July 2015 to December 2016, with an increase in productivity per employee and a reduction in turnover.

In 2016, the Resin School received the TOP Ser Humano (Human Being) Award from the ABRH-RS, as one of the best personnel management practices in the state of Rio Grande do Sul.

Training of Responsible Managers

Through training conducted by internal facilitators throughout 2016, we focused on the development of the management teams for thinning, reforestation, resins, resin preparation and collections in the chemical industry, which are active in Resina, Habitasul Florestal and Bojuru.

The training program included courses in management of processes like personnel administration, recruitment and hiring, labor law, management indicators and workplace safety.

The training programs also addressed themes for the behavioral development of participants as Self-Awareness and Introduction to Leadership, Leader Educators, Management of the Organizational Climate, Communication and Feedback, the Challenges of Working as a Team and Preparation for Feedback, and ending with a Team Building exercise. **There were 90 hours of training conducted from January to November 2016.**

These courses help the participants feel valued and supported in order to better exercise leadership.



The Elida de Freitas e Castro Druck Library

To encourage the habit of reading and continuous learning, Irani has two libraries built in honor of the teacher, writer and poet Elida de Freitas e Castro Druck, with one in Porto Alegre and the other in Vargem Bonita. The facilities that do not have a physical Library structure benefit from travelling activities and/or have a small space called the Reading Corner.

Motiva (Motivate) Program

Encouraging shared responsibility between leaders and team members has led to a positive organizational climate. Through a set of actions combined in the Motiva (Motivate) Program, we seek to provide a stimulating and innovative work environment.



The Organizational Climate Survey, carried out every two years in accordance with the methodology of the Great Place to Work® (GPTW) organization, is our principal tool in this program. The GPTW analyzes the practices of organizations and seeks to help them transform their working environments into “best places to work.” Comparing the results of our survey with those of companies that have challenges in the area of personnel similar to ours helped us to identify opportunities for improvement and to recognize our strengths. The result of our survey in 2015 recorded a 70% rate of satisfaction of the employees. We have a challenge in relation to the benchmark of the 70 best companies to work for in 2014, since the favorability index to qualify was 80%.

The results of the survey could be viewed from the perspective of the area and the company, enabling us to prioritize actions for improvement that make sense for the teams. That set conditions so that our leaders could use the climate management process to specifically deal with issues that were more relevant to their direct employees, handling the subject in a more organic and recurrent fashion. In 2016, we continued to listen to the different audiences of leaders and team members, through which we collect the insights on the evolution of the climate in each unit. These impressions are shared with the leaders so they can recalibrate their action plans for their areas.

In 2016, the results of the survey conducted in 2015 put the Paper Unit MG - Santa Luzia on the list of the best companies to work for in the state of Minas Gerais, by the Great Place to Work®.

That same year, we made use of management support groups, which played an important role in the Motiva (Motivate) Program, helping team members and leaders work more closely together in addition to playing a roll in the planning and organization of events and activities to improve the working climate in the units.

Continuing with the purpose of building a great place to work, we approach 2017 with the prospect of another edition of the Organizational Climate Survey, in which our employees can express their opinion. In the same way as occurred in 2015, we will again have the support of the Great Place to Work® Program.

Reinforcing our commitment to the good working climate, we inaugurated, in 2016, a Rest and Recreation Area for the Campina da Alegria units. The site contains 170m2 and is equipped with a game room, a TV room, restrooms, air conditioning and internet for use by employees during breaks.

(DMA) The Cuida (Take Care) Program

We believe that the commitment to fulfill our vision of being one of the best companies in which to work requires a special effort in matters related to occupational health and safety. Therefore, more than simply complying with current legislation, we believe this is a question of the sustainability and continuity of our business. For this reason, our activities on these issues are included in the **program**.

The focus of our strategy is directed towards issues of organizational culture, reducing the number of workplace accidents and occupational diseases, the involvement and engagement of leaders through constant training and the active participation of employees in the search for solutions related to occupational health and safety.

Our Sesmt team plays an active role in the search for joint and suitable solutions for all risks that can be found in our units and acts to improve our structures by quantifying the occupational exposures, and in targeting specific investments in improvements, be it for legal services, or related to improvements that will provide better working conditions or organizational climate.



Evaluation of the physical structure of our facilities

This involves the analysis of risks of plant and equipment and a survey of the needs for changes. In 2015, we approved investments of some R\$ 6 million for this purpose. The first stage of the project began in 2016 focused on this issue. Investments totaled approximately R\$ 2.8 million. This stage is expected to be completed in 2017.

The focus of the Sesmt activity

More than meeting the requirements of the current legislation, we have sought to bring Sesmt and our operational teams even closer together to encourage greater engagement in compliance with the procedures and periodic inspections applicable to our industrial activities. All units are continuously involved in training activities to improve techniques and recycling focused on workplace safety.

(G4-LA5) Employees engaged in health and safety committees

	Paper and Package Units SC – Campina da Alegria	Package SP – Indaiatuba	Package SP – Vila Maria	Paper Unit MG – Santa Luzia	RS Resin – Balneário Pinhal
N° of members of committees on Unit	117	62	55	54	69
Staff members of health and safety committees, per unit	11.23%	17.17%	14.10%	33.12%	19.11%

(G4-LA5) Members of health and safety committees (by function)

	Of the total number of employees	number of positions of leadership	number of operational positions*
EMERGENCY TEAMS	9.90%	0.55%	9.35%
Internal Accident Prevention Committee (CIPA)	3.30%	0.51%	2.79%
Noise and Ergonomics Committee (CIRE)	0.43%	0.12%	0.31%

Note: some employees participate in more than one Committee.

*Functional category

Quantification of occupational exposure

We conduct an ongoing analysis and review of processes and procedures in all our units to ensure compliance with the applicable regulatory standards.

(G4-LA7) The principal risks related to health and safety are mechanical and operational. To mitigate these risks, in addition to the aforementioned investments, we monitor the work to control the risks arising from it. We also participated in the preparation of operational procedures that help us to control these risks, always focused on identifying risks, establishing control mechanisms and empowering people involved in implementing the activities.

In 2015, we designed a medium-term work plan involving the preparation of reports on working conditions and the definition of priority actions and necessary adjustments to our processes. In 2016 we began the execution of that plan in the Paper Unit SC, Packaging Unit SC, Forestry SC, Resin Unit RS and in our Habitasul subsidiary, in which we did not detect any unhealthy working conditions.

This plan will be extended to other units in 2017. The completion of this task will lead us to the revision of the Programa de Prevenção de Riscos Ambientais - PPRA (Environmental Risk Prevention Program) and the Programa de Controle Médico e Saúde Ocupacional - PCMSO (Medical Control and Occupational Health and Safety Program). With careful attention to the risks associated to each activity, the personal protective equipment (PPE) provided to employees and periodic examination that are required, we hope that the review of these programs will bring even greater health and safety to our employees, with

(G4-LA6) **How we measure our evolution in health and safety issues.**

We use indicators that meet the requirements of the Ministry of Labor and Employment (MTE). Our results in 2016 have remained stable. Small variations are impacted by changes in the number of man hours worked (hht).

Injury rate (severity)

What does it mean? Number of days that our employees are absent as a function of the probability of occurrence of occupational accidents for every 1 million hours worked.

How is this calculated? (total days absent x 1,000,000)/man hours worked.

	Offices	Paper Unit SC -Campina da Alegria	Paper Unit MG -Santa Luzia	Packaging Unit SC -Campina da Alegria	Packaging Unit SP- Indaiatuba	Packaging Unit SP-Vila Maria	Resin Unit RS -Balneário Pinhal	Habitasul Forestry	Total
2014	0.00	462.46	130.29	324.50	539.03	2,067.67	133.91	49.40	618.01
2015	0.00	246.44	888.83	47.34	925.51	2,264.53	4.55	163.83	655.99
2016	0.00	313.62	52.91	321.09	631.11	2,210.24	124.98	222.68	603.35

Slight injury frequency rate

What does it mean? Slight injuries that require our employees to seek outpatient care with immediate return to work, without the need for absence, for every 1 million hours worked.

How is this calculated? (the sum of slight injuries x 1 million)/man hours worked.

	Offices	Paper Unit SC -Campina da Alegria	Paper Unit MG -Santa Luzia	Packaging Unit SC -Campina da Alegria	Packaging Unit SP- Indaiatuba	Packaging Unit SP-Vila Maria	Resin Unit RS -Balneário Pinhal	Habitasul Forestry	Total
2014	6.21	56.40	4.83	65.19	64.12	37.59	0.00	0.00	41.90
2015	0.00	40.31	4.78	32.02	29.44	23.66	13.66	12.47	26.11
2016	0.00	37.52	17.64	32.53	22.71	14.59	11.90	12.72	23.85

Frequency rate of occupational illnesses

What does it mean? The probability of occurrence of occupational illnesses for each 1 million hours worked.

How is this calculated? (the sum of occupational illnesses x 1 million)/man hours worked.

	Offices	Paper Unit SC -Campina da Alegria	Paper Unit MG -Santa Luzia	Packaging Unit SC -Campina da Alegria	Packaging Unit SP- Indaiatuba	Packaging Unit SP-Vila Maria	Resin Unit RS -Balneário Pinhal	Habitasul Forestry	Total
2014	0.00	6.53	28.95	0.00	0.00	0.00	0.00	9.42	4.88
2015	0.00	12.67	28.67	1.39	0.00	0.00	0.00	7.12	6.70
2016	0.00	14.07	30.23	19.80	0.00	0.00	0.00	9.54	7.72

Frequency rate of accidents with and without time off from work

What does it mean? Probability of occurrence of accidents with and without time off from work for each 1 million hours worked.

How is this calculated? (the number of accidents with and without time off from work x 1 million)/man hours worked.

In Irani, every workplace accident at work is logged and results in at least one attempt to make process or behavioral corrections.

	Offices	SC -Campina da Alegria	Unit MG -Santa Luzia	Unit SC -Campina da Alegria	Unit SP- Indaiatuba	Unit SP-Vila Maria	RS -Balneário Pinhal	Habitasul Forestry	Total
2014	0.00	14.25	14.48	15.93	22.56	19.90	13.39	4.71	14.81
2015	2.59	8.64	14.34	6.96	27.08	27.96	13.66	30.27	16.49
2016	0.00	10.55	12.60	14.14	21.51	22.45	17.85	33.40	16.66

Number of days lost per work related accident

In 2016, we did not keep track of accidents leading to disability. This indicates that there are no days to log on the benchmark.

How is the calculated? (the sum of days lost through accidents at work + days lost according to the characteristic of the accident, according to guidelines of the MTE).

	Offices	SC -Campina da Alegria	Unit MG -Santa Luzia	Unit SC -Campina da Alegria	Unit SP- Indaiatuba	Unit SP-Vila Maria	RS -Balneário Pinhal	Habitasul Forestry	Total
2014	0	779	358	224	454	1.870	20	21	3.726
2015	0	428	372	34	786	2.106	1	92	3.819
2016	0	535	21	227	528	1969	21	140	3.441

Number of days lost per doctor's note (per capita)

How is the calculated? (Σ days lost through occupational accidents/average of employees in the current year).

	Offices	Paper Unit SC -Campina da Alegria	Paper Unit MG -Santa Luzia	Packaging Unit SC -Campina da Alegria	Packaging Unit SP- Indaiatuba	Packaging Unit SP-Vila Maria	Resin Unit RS -Balneário Pinhal	Habitasul Forestry	Total
2014	2.46	2.44	2.39	4.33	4.54	4.23	1.86	6.62	3.52
2015	2.93	2.88	2.27	3.95	4.06	3.83	2.91	7.24	3.73
2016	1.84	2.54	2.93	4.45	3.48	3.02	3.76	9.40	3.77

Absenteeism

Employees not available, regardless of the reason.

	Offices	Paper Unit SC -Campina da Alegria	Paper Unit MG -Santa Luzia	Packaging Unit SC -Campina da Alegria	Packaging Unit SP- Indaiatuba	Packaging Unit SP-Vila Maria	Resin Unit RS -Balneário Pinhal	Habitasul Forestry	Total
2014	0.69	0.97	1.07	2.28	2.21	1.93	0.92	8.28	1.97
2015	0.80	1.16	0.90	2.40	1.74	1.73	1.27	5.18	1.82
2016	0.14	0.80	0.84	1.70	1.09	0.95	1.01	3.43	1.05

Focused and unified work

(G4-LA8) Our trade union agreements do not address specific topics relating to health and safety, over and above that which is required by law. However, in consonance with the OHSAS 18.001, which defines the minimum requirements for best practices in occupational health and safety management, in 2016 we held training sessions for internal auditors involving employees from the Audit and Risk Management, Quality and Environment and Sesmt teams. With internal audits scheduled for 2017, this activity is a way to prepare for certification in the medium-term.

(G4-LA11) Supera (Surpass) Program

We evaluate the Company's employees based on their skills and results through the Supera (Surpass) Program.

(G4-LA11) Percentage of employees receiving performance evaluation by function

	2015			2016		
	Men	Women	Total	Men	Women	Total
Leaders	6%	1%	7%	6%	1%	7%
Administrative	7%	6%	13%	7%	6%	13%
Technical	9%	1%	10%	10%	1%	11%
Operational	55%	7%	62%	56%	7%	62%
Total	77%	15%	92%	79%	14%	92%

Note: in RS2015, the indices referring to the percentage of employees receiving performance evaluation showed a reversal in the dissemination of the technical and operational categories for men. This report already includes a correction of this information.

The analyses generate Individual Development Plans (IDPs) with indications for capacity-building activities, practices and challenges, aimed at bridging the gaps in potential skills to pursue a current position or promote and challenge the employee for a future position.

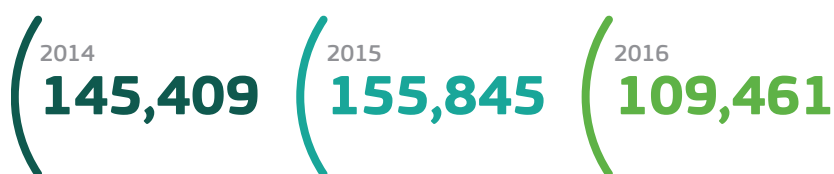
In every new feedback cycle the IDP is revisited and the leader and the employee together work out new activities that allow continuous development.

In the months leading up to this cycle, meetings are held for the preparation of leaders and the led to stimulate reflection, sharing of experiences and lessons learned and to answer any questions on the topic. At these meetings, the importance of feedback where necessary is also reinforced, not just to respond to a formal meeting encouraged by the company.

Remuneration and benefits

(G4-S2) We seek to maintain the internal and external equilibrium in relation to remuneration with the definition of wages compatible with the responsibilities of each position and labor market practices. To do so, we conduct periodic external salary surveys, with the support of external consultants.

In 2016, we continued to reevaluate our structure of positions, in order to maintain our ability to attract, develop and recognize talents in our employees. This process, from revisiting the mission and responsibility of each position, created subsidies for the assessment of our compensation practices, establishing careers and positions that stimulate and provide for the professional growth of our employees, as well as remaining consistent with the alignment of development and the needs of each function and business strategies.

(G4-EC1) Total payroll (in R\$ '000)

(G4-EC5) On December 31, 2016, the average of the lowest remuneration paid was equivalent to 1.31 minimum wage in Brazil at the time. Of our employees, 16.23% are at the entry-level wage.

(G4-LA13) Proportion of wages paid to men and women

	2014		2015		2016	
	Men	Women	Men	Women	Men	Women
Leadership	1	0.80	1	0.78	1	0.76
Administration	1	0.86	1	0.90	1	0.91
Technical	1	0.77	1	0.87	1	0.94
Operational	1	0.79	1	0.75	1	0.79

(G4-S4, G4-S5) Proportionally, the highest-paid individual in Irani receives 37.95 salaries above the average of other employees. The preparation of this figure as total annual remuneration is as follows: basic salary + 13th wage + vacation pay.

(G4-S3) Our profit sharing plan (PPR) is available to all units and considers criteria defined by a responsible committee, elected by the employees, with representatives of the Company, the workplace and the labor union.

(G4-S3) Variable remuneration (R\$ '000)

	2014	2015	2016
Profit Sharing (PPR)	4,061	5,176	4,281
Supera Program	4,985	5,590	6,424

Executive compensation

(G4-S1) The remuneration of our executives is designed to recognize differentiated performance, taking into account his or her proficiency in relation to the challenges of the position. Thus, annually and based on pre-established criteria, every Executive is evaluated considering his or her evolution of vis-à-vis the job position and positioning in the wage table.

(G4-S1) The Upside Program applies to the Executive Board and to the members of the Board of Directors as a form of variable compensation shown in chapter corporate governance.

Our bonus program encourages a sense of ownership and commitment by the executives (Chairman and Vice Chairman of the Board of Directors, the Executive Board and managers) and the company's engineers, rewarding accomplishment and the achievement of the targets related to the Company's economic and individual performances in line with the budget, strategic planning and competition.

Executive bonus payments are made quarterly. Coordinators are paid annual bonuses.

Benefits

(G4-EC1) We offer to our employees and their dependents a benefits package designed to contribute to their well-being and quality of life. Among the benefits offered are medical and dental care, transportation, meals, food allowances, and life insurance.

(G4-EC1) **Annual investment in principal benefits (in R\$ '000)**

	2014	2015	2016
Meals*	10,354	11,926	12,126
Transportation	5,402	6,151	6,724
Life Insurance	200	226	208
Health Insurance Plan	7,179	8,310	8,865
Total	17,550	26,613	27,923

*Note: Meals takes into account employees' meals offered and a basic hamper of foodstuffs.

In addition, we offer:



Pharmaceuticals Agreement

Discount on medicines for all employees and payment via payroll.



School supplies

School kits for all employees who have dependents school phase.



Baby Shower Gifts

Gift for employees on the birth/adoption of children.

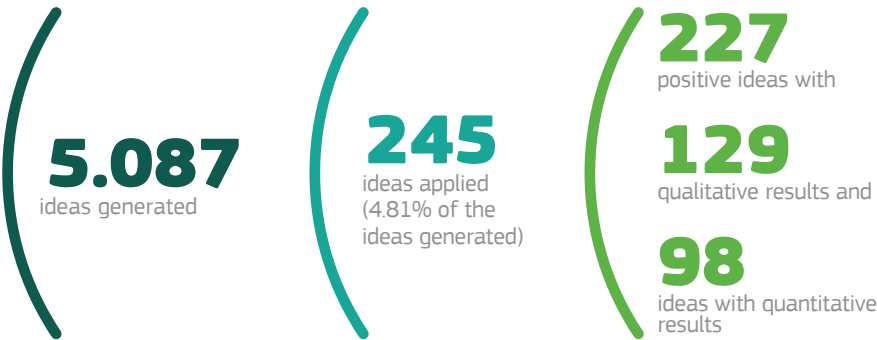
A Culture of Innovation

In 2016, we were focused on the recognition of employees in order to encourage a motivating environment in which people understand that they can contribute all of their creative potential within the context in which they are inserted.

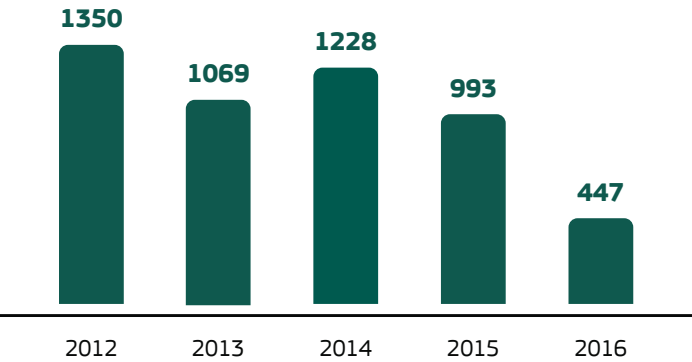
In that same year, a creativity laboratory stood out as a success story. Bringing together key developers from Sales, Production, Maintenance, Strategic Projects and Packaging areas, sales and professional representatives of a partner academic institution, as we sought to develop of a large scale packaging. Advancing according to the settings defined in the lab, the project is still in the customer testing phase with production of the first batch scheduled for 2017.

We are confident that developers can contribute significantly to the improvement of our processes and the capture of results, and that our generation has already achieved considerable success in 2016.

Results reported since the creation of the program.



History of ideas generated



Our culture of recognition is contextualized on the path followed by our employees, from the generation of an idea until its implementation, creating conditions such that its recognition can bring positive results to our processes, aligned with our values and goals.

Employees who stand out in the program of ideas are recognized with domestic and international travel, recognizing the winners in their respective areas of activity and strengthening the relationship between leaders and team members in the search for results. See this video:



Integrity

Integrity, ethics, courage, transparency and cordiality are the principles that guide us in building lasting relationships of value and in the execution of our vision of the future.

^(G4-56) Our code of ethics is a document that describes our values and that guides our decision-making. It brings together the main guidelines in relation to the ethical behavior of all employees with respect to our relationships, the environment and competitor publics.

In 2016, we continued the dissemination of this Code with a focus on our new employees, introducing the approach of the document during the process of integration as a continuous action in all of our units.

^(G4-57) In order to ensure compliance with the code of ethics and values of the company and disseminate its content, our Ethics Committee also assumes the responsibility to asking questions related to this document. With 11 members, the Ethics Committee has three fixed positions held by representatives from the Legal, Personnel Development and the Audit and Risk Management areas and representatives from eight units, nominated by the Executive Board. Respecting the rules of procedure of this Committee, in 2016, seven members of the Committee were rotated.

^(G4-58) Our code, including the channels for contact and the return of responses, is available at our [site](#).

^(G4-57) The responses are received, processed and analyzed by the internal audit area. This investigation follows the ethical guidelines for conduct laid out in Audit Policy and Risk Management and provided for in the Code of Ethics.

Greater interface

Do more to build hand-in-hand with
our customers and suppliers

Our customer value ecosystem: more relationships, higher
relevance, better results.



Djeile Freitas
and José Aparecido Gomes
Packaging Unit SP -
Indaiatuba

Our Businesses

(G4-9) With advanced technological resources, we are prepared to meet the demands of the domestic and international markets, producing Kraft papers corrugated cardboard boxes and sheets and resins, and recyclable products from a renewable forestry base.

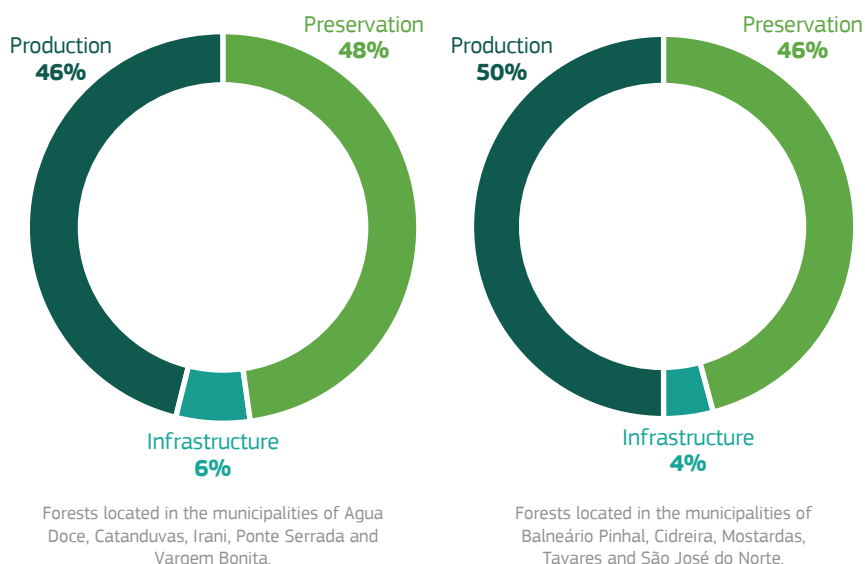
Forestry

Forests are the essence of our businesses. With an FSC® certificate of management since 2008 and environmental permits issued by the competent regulatory agencies, we are guaranteed that operations are appropriate, protecting biodiversity and respecting our workers and the surrounding communities.

Forestry Management



We have 46,200 hectares of land available, of which 64.2% are in the mid-western part of the state of Santa Catarina and 35.8% are in the mid- and northern coastal areas of Rio Grande do Sul. Based on the concept of sustainability, we started our production processes at these locations.



Our current Programa de Parcerias Florestais (Forestry Partners Program) accounts for approximately 20% of our forestry base.

We supply the Paper Unit SC – Campina Da Alegria with *Pinus taeda* and our own energy production is fueled with biomass. In the regional market, we sell reforested wood.

In 2011, we signed a Terms of Conduct Adjustment agreement due to planting exotic species in a permanent preservation area. The creation of a Private Reserve of Natural Property in Vargem Bonita (SC) reinforces our intention to preserve forest areas and biodiversity.

The Resin Unit RS – Balneário Pinhal is supplied with gum-resin for the production of rosin and turpentine. We also serve the local market with sheets and lumber from reforested wood.

In Rio Grande do Sul, we have our own forest areas where we have a forest management program, advancing the harvesting date from 18 to 21 years.



Paper

Certified by ISO 9.001 and by the Forest Stewardship Council® (FSC® C009947) for chain-of-custody, our papers range from 30 to 200g/m² and are suitable for conversion into rigid or flexible packaging. The production line of paper from trimmings serves the corrugated cardboard box and sheet segments. Given national and international requirements, we also offer 100% virgin fiber paper that may come into direct contact with food.

This was an extremely challenging year. We revised the annual budget and, despite the stoppage of Paper Machine 7 at Paper Unit MG – Santa Luzia, and the revision of the mix of paper offered to the market, the Paper business posted our best results in the chain.

Influenced by the high value of the dollar, we increased our supply of paper to the international market by opening new markets. To do this, we increased pulp production, driving up sales of our virgin fiber Paper. With the decline in the packaging market, we took advantage of the opportunities to expand the sale of Papers indicated for conversion.

Principal Clients

Food segments, bags and bags, envelopes and gummed tape

Domestic market

São Paulo, Santa Catarina, Paraná, Minas Gerais, Rio Grande do Sul and Pernambuco.

Foreign market

Germany, Argentina, Saudi Arabia, South Africa, China, United States, Paraguay, Peru, Singapore and Portugal.

Our customer satisfaction is measured by an annual survey using a scale of 1 to 5, 1 being the lowest and 5 the highest. The results help us in the preparation of plans for the improvement of our processes, products and services.

	2014	2015	2016
Domestic market	4.6	4.6	4.6
Foreign market	4.3	4.3	4.3



Packaging

With our commitment to offer packages with lighter weights and higher mechanical strength, our boxes and plates are certified by ISO 9001 and 14001 and by FSC®.



Principal Clients

Boxes, refrigerators, food, chemicals, plastics and drinks.



Domestic market

São Paulo, Santa Catarina, Minas Gerais, Paraná, Rio Grande do Sul, Goiás, Rio de Janeiro, Espírito Santo and Amazonas.

Customer Satisfaction Index of the Packaging business

Domestic market	2014	2015	2016
Packaging Unit SC-Campina da Alegria	4.2	4.3	4.3
Packaging Unit SP-Indaiatuba	4.4	4.5	4.4
Packaging Unit SP-Vila Maria	4.3	4.4	4.3

Resin



We are the first company in this segment to have our forest management program certified by the FSC®.

Also certified by ISO 9001, pitch and turpentine gum resin extracted from *Pinus elliotti* forests recommended for the production of paints, varnishes, adhesives, nail polish, perfumes, and other products.

In 2016, we posted record production of our own resin. Consequently, we increased the volume of gum resin purchased from local suppliers. This means that the region will gradually gain a new understanding of its forest vocation and discover a profitable activity for rural communities on the coast of Rio Grande do Sul and the importance of training and education in providing raw materials at competitive prices.

(G4-8)



Principal Clients

Pitch: producers of printing inks, glues for paper and coating, wax for hair removal, among others.

Turpentine: producers of solvents in paints and varnishes, dyes, waxes, pine oil, camphor, soap, insecticide grease, sealantes, perfumes, and others.



Domestic market

Santa Catarina and Rio Grande do Sul



Foreign market

Germany, Canada, Chile, China, Colombia, Spain, United States, France, Netherlands, India, Japan, Portugal and Turkey.

Resin business customer**Satisfaction Index**

	2014	2015	2016
Domestic market	4.1	4.0	3.7
Foreign market	4.2	4.0	3.8

Supplier performance management

^(G4-12) Building solid and lasting relationships with our suppliers aligned to our mission and with a focus on mutual benefits and the particularities of each product and/or service purchased.

Our chain is composed of five groups of purchases that cover our main suppliers.

		2014			2015			2016		
(G4-12) Purchasing group	Prevailing evaluation criteria	Number of suppliers and origin	Total amount (in R\$ million)	% of total purchases	Number of suppliers and origin	Total amount (in R\$ million)	% of total purchases	Number of suppliers and origin	Total amount (in R\$ million)	% of total purchases
Critical service providers										
Energy	Quality the provision of the service; Waste Management	9 (MG, RO, SC and SP)	16	3%	13 (MG, RJ, RO, SC, and SP)	31	5%	14 (SP, SC, RS, MG and RJ)	36	6%
Services		1,268 (ES, AM, DF, MG, MS, PE, PR, RJ, RS, SC and SP)	49	8%	1,070 (EC, DF, MG, MS, SP, SC, PR, RS, RJ, PE and outdoor)	42	7%	950 (SP, SC, PR, SR, MG, DF, RJ, PE, GO and MT)	46	7%
Critical products and chemicals										
Chemicals and other inputs	Quality: The technical specification of the product; Guarantee of delivery	193 (MG, MS, RN, PR, RJ, RS, SC and SP)	61	10%	157 (MT, MG, PR, RJ, RN, RS, SC and SP)	70	12%	140 (SP, SC, PR, SR, MG and RN)	71	11%
Use and consumption										
Use of materials and supplies	Return of goods	197 (Outside, MG, PB, PR, SC and RS, SP)	29	5%	250 (GO, MG, PR, SC, RS, SP and abroad)	42	7%	1,537 (SP, SC, PR, SR, MG, RJ, EX, MS, ES, EP and GO)	82	13%
Transportation Services / Logistics Shipping										
Logistics	Customer Service shipping scheduling	64 (GO, MG, MS, PR, RJ, RS, SC and SP)	45	8%	1,070 (GO, MG, MS, PR, RS, RJ, SC and SP)	51	9%	58 (SP, SC, PR, RS, RJ, MS and GO)	48	8%
FSC® products and forestry										
Trimmings	Quality: the technical specification of the product; Guarantee of delivery	128 (DF, MG, PR, RJ, RS, SC and SP)	112	19%	(DF, ES, GO, MG, PR, SC, RS, SP and abroad)	104	18%	156 (SP, SC, PR, SR, MG, DF, RJ, MS, ES, BA and GO)	147	23%
Forestry		63 (MG, PR, RS; SC and SP)	42	7%	62 (MG, PR, RS; SC and SP)	48	8%	55 (SP, SC, PR and RS)	34	5%
Resin	Specification service	69 (SP, RS and abroad)	26	5%	145 (RS, SC, SP and abroad)	26	4%	114 (SP, SC, RS and EX)	33	5%
Paper and Pulp	Specification service	32 (MG, PR, RJ, RS, SC and SP)	54	12%	21 (MG, PR, SC, RS, SP and abroad)	27	5%	14 (SP, SC, PR, SR, MG and RJ)	26	4%



In this process, our suppliers are evaluated at intervals and according to different criteria depending on the group of supplies that are being purchased, and upon quality, environmental and commercial criteria. The evaluation process is done by using an Index of Supplier Performance (ISP), which is an extremely important tool for the development of suppliers, the maturation of the commercial partnership in addition to allowing us to prioritize new purchases and contracting relationships.

Since 2010, the Supplier Performance Index (ISP) has contributed to the ongoing development of our suppliers. As an evaluation tool, it fulfills its role measuring issues related to quality of the products and services offered, the effectiveness of communication and business process as a whole. All evaluated suppliers receive the results of verification process by email for the verification of critical points detailed after the global consolidation. In 2016, we evaluated 695 suppliers and, in 2015, 734.

The evolution of this practice is evidenced each period with the re-evaluation of the items evaluated, seeking adjust them to the applicable environmental aspects. In 2015, we initiated a joint study with the Supply and Communication and Sustainability areas for the qualification and evaluation of critical suppliers with the intention that this will be incorporated in the areas Suppliers' Self-Evaluation Questionnaire (QAF) and Supplier Performance Index (IDF) during the purchasing process. In 2016, we reviewed both documents, including the items evaluated, with emphasis on the issue of reverse logistics for performance evaluation.

General Supplier Performance Indices (IDF)

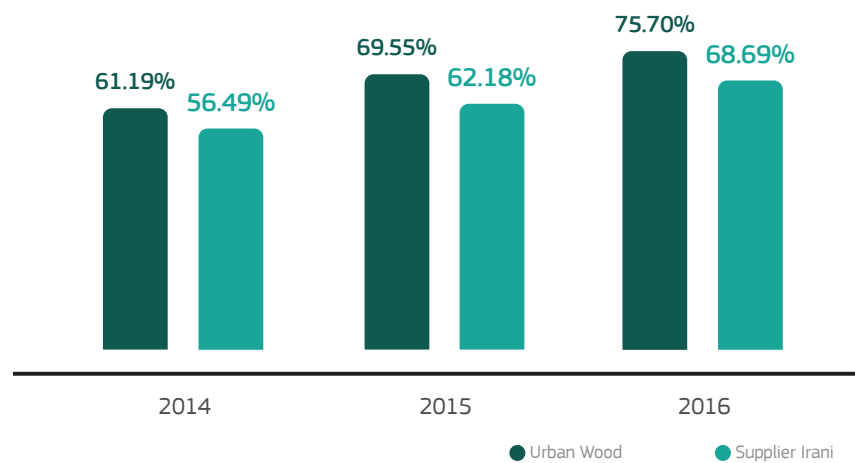


	2014	2015	2016
Critical service providers	90.11	91.44	91.93
Use and consumption materials and external services	86.72	87.96	86.63
Critical products and chemicals	98.89	98.81	94.56
Transportation services/logistics for expedition	95.39	91.29	92.60
FSC® products and forestry	90.08	92.35	92.81

Suppliers must re-register for the qualification process when their registration has expired for more than 36 months, or in cases where they fail to qualify according to the IDF, in compliance with the criteria and requirements applied to each group.

In 2016, we set the target of retaining 80% of the partnership contracts of the urban forest project. **This index was calculated to be 75.70%. Although we did not meet our target, we were able to achieve significant growth compared with the previous years and the highest percentage since we began tracking this indicator, collaborating with Projeto Fornecedor IRANI (IRANI Supplier Project), which surpassed, for the second consecutive year, the annual goal of 60% of suppliers under long-term contracts, registering an index of 68.69%, the equivalent of 1,496 active contracts at the end of 2016.** The vendors retained over the years understand the construction of a stable relationship, while new ones are entered into this context of mutual benefits.

In 2015, the Projeto Floresta Urbana (Urban Forest Project) accounted for 10% of total production (62.18%) and in 2016 it was close to 14%.



2017 Target: Maintain at least 60% of long-term contracts in the IRANI Supplier Project and continue with an index of 80% of suppliers of trimmings with purchases.

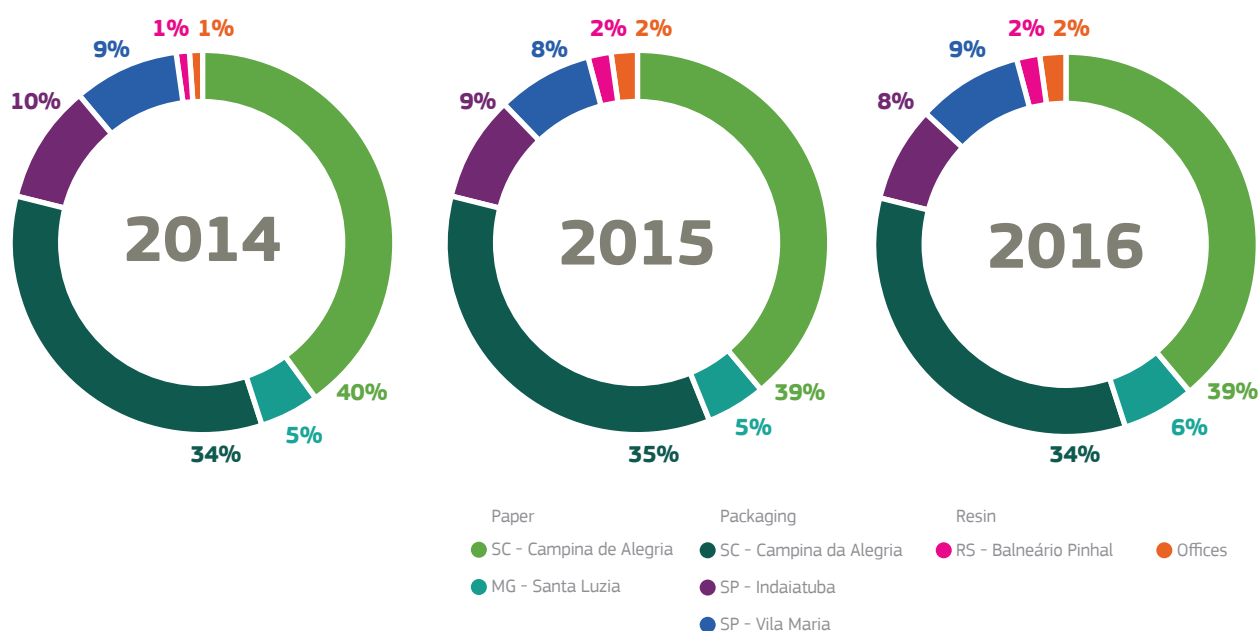
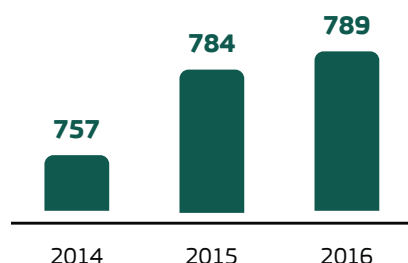
The goal may be revised over the course of 2017, according to the review of the strategic planning review cycle.

In force since 2014, our practice of third party management has mitigated the risks in hiring of services on behalf of a procedure that addresses issues related to internal standards, health and safety, environment and documentation required by law. In 2016, we extended this model and trained the employees in other units in the implementation of this practice that, from 2017, will be fed into our computerized system.

Whenever possible, purchases and service contracts from the surrounding communities of our units are given priority, stimulating local economic development and the building of partnerships with regional providers.

	2014	2015	2016
Total purchases from local suppliers (in R\$ '000)	114,470	127,456	127,615
Percentage over the total number of purchases made by the Company	19.43%	22.15%	20.11%

(G4-10) Consolidated average service providers



*The FSC® certification guarantees that the wood produced or used by the IRANI comes from a managed forest so environmentally correct, socially fair and economically viable, in addition to other controlled sources. Its principles involve topics of legal compliance, land possession and liability of use, indigenous rights and workers, community relations, benefits from the forest, environmental impact, management plan, monitoring, evaluation and maintenance of high conservation value forests.

Socio-environmental risk assessment

In order to ensure the basic guarantee of adherence to our [Wood Purchase Policy](#)* and to the principles of the FSC®, we periodically make a specific assessment of our major forest, paper and wood suppliers with regular visits.

The reduction of labor violations in the supply chain and the creation and development of joint actions in this regard are encouraged.

In our last Report, we assumed the commitment to broaden the scope of our audits of suppliers of chemicals and critical inputs in line with existing practice. Thus, by broadening our interface with this audience, we complied with what we set out to do, visiting 5% of our active suppliers in 2016, taking the opportunity to inspect their physical structures and processes, emphasizing the items required in the qualifying stage of the supplier evaluation questionnaire (QAF), assisting with a self-assessment survey answered by our suppliers, and suggesting improvements to expand our commercial relations.

Broadening the scope of this work, a current practice that is focused on our suppliers of trimmings and chemicals will be extended to the suppliers of gum resin.

All our contracts contain specific clauses regarding social and environmental responsibility and human rights, in addition to the quality specifications of products and services.


Thus, the signed documents are interpreted as self-declarations of compliance with these issues, including the prohibition of slave labor and/or the employment of under-age workers in their operations.

(G4-15) We also reaffirm our commitments to human rights and ethical standards through Global and Corporate agreements that we have signed in favor of integrity and against corruption. Now that the Packaging units are in full compliance with NBR ISO 14,001, we can increase our critical attention with respect to the monitoring and requirement of environmental documentation and relevant to this business.

Our indicators and evaluations are based on the business needs and practices advocated by the Incorporated Management Excellence model (MEG), ISO and FSC® principles. Our risk management and controls of the processes of purchasing, contracts and warehouses follow internally developed methodology.

In 2016, we established our Trimmings Policy in Santa Catarina to strengthen our relationships with suppliers, seeking to guarantee supply and payment, and compensation for productivity and earnings, according to current specifications in the standards of the Brazilian Association of Technical Standards (ABNT). For 2017, our commitment is to extend this policy to the Paper Unit MG – Santa Luzia.

At the same time, we focused our efforts on aligning with the National Solid Waste Policy (PNRS) with focus on trimmings, one of our main raw materials. The lack of an ample supply of trimmings throughout 2016 directly impacted the volume of this material for our production process, registering 3,600 tons, while we had hoped to have 4,000 tons per year.

 **2017 target:** To continue work on the reverse logistics of trimmings, with expectation of return to 4,000 tons in the year.

In addition to trimmings, we provide resources for projects to reverse the logistics involving containers in general, the reuse of pallets, big bags, and the reuse and resale of tubular packaging, in order to improve the efficient use of resources and reduce costs.

In 2016, we sponsored the V Meeting of Resin Producers. This is an important forum for the ongoing development and involvement of regional producers, contributing to our prosperity and encouraging the development of improved forestry techniques, as well as the use of environmental permits and greater productivity, understanding the market dynamics.

Greater attitude

Do more to teach and learn with society

Much more than accountability: a predictive attitude to positively impact the world.



Clarice Lopes Bica
Resin Unit RS - Balneário
Pinhal

Environmental Management

Aligned with appropriate standards, our Environmental Policy reflects our commitment to our stakeholders by conscientiously following the applicable legal requirements for pollution abatement, environmental protection, the reduction of environmental impacts and continuous improvement to optimize our operating performance, conducting these activities according to best environmental management practices.

The certifications we have been awarded reflect the effectiveness of our environmental management system, which is audited both internally and externally.

Unit	FSC®	ISO 14.001	ISO 14.064
Paper SC – Campina da Alegria	✓		✓
Paper MG – Santa Luzia	✓		✓
Packaging SC – Campina da Alegria	✓	✓	✓
Packaging SP – Indaiatuba	✓	✓	✓
Packaging SP – Vila Maria	✓	✓	✓
Resin RS – Balneário Pinhal	✓		✓

Our environmental actions in the Paper and Resin businesses are aimed at preparing for ISO 14.001 certification.

In a brand new initiative, we are the first company in Brazil to be certified for an Inventory of Greenhouse Gas Emissions by NBR ISO 14.064-1:2006 – Part 3.

(G4-EN31) We ended 2016 with an investment of R\$ 6,394,612.99 in environmental projects and activities. The investments that have been made over time, continuous and significant, are designed to mitigate the environmental impacts inherent in our activities.

In addition to investing in technologies, in 2016 we added 719 hours of volunteer activities focused on environmental education, involving 3,493 employees and people in surrounding communities

The inventory of greenhouse gas emissions is intended to check emissions and sources, evaluating the potential of the company in relation to the neutralization of emissions of carbon dioxide (carbon Zero).

Using the Life Cycle Assessment (LCA) methodology for our products, we studied the environmental impact of products made from virgin and recycled fibers. This study has been under way since 2013 and fleshes out the potential of trimmings in reducing the potential environmental impact when compared to the complete disposal of this same material in landfill. The results show the considerable importance of the process of reintegration of these inputs, since the reverse logistics implemented guarantees the return of used paper as required under the National Solid Waste Policy (PNRS).

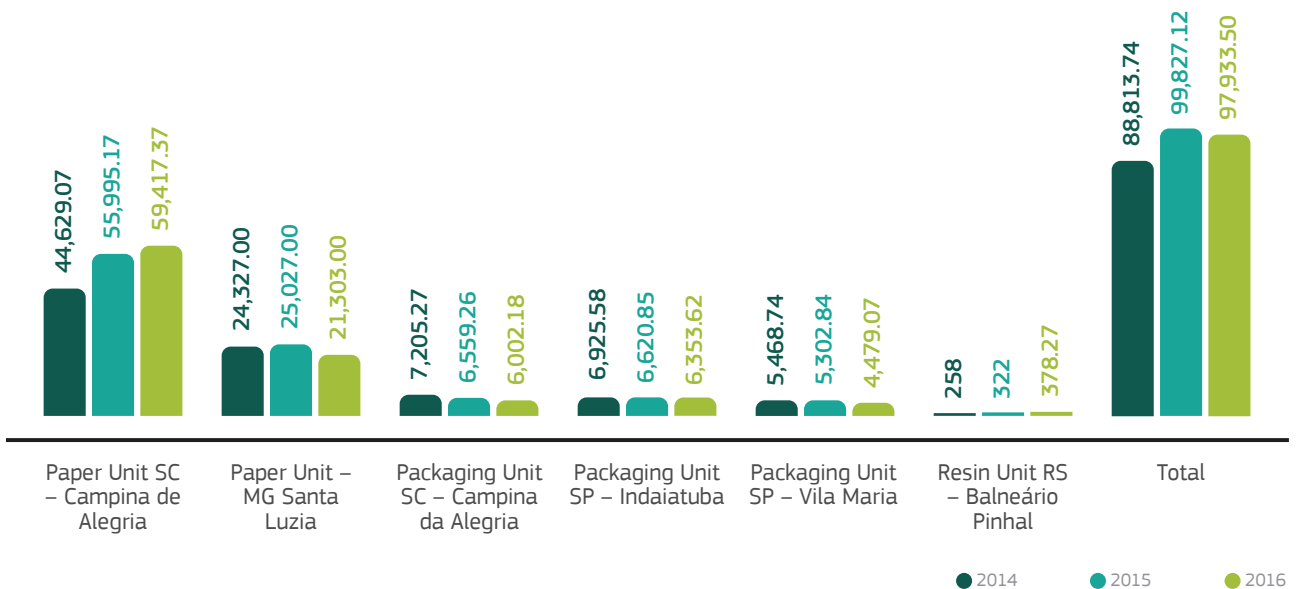
The use of recycled paper, when compared to the production from virgin fiber, is also advantageous, since the reintegration of the trimmings as part of the industrial process minimizes the environmental impact.

Energy Efficiency

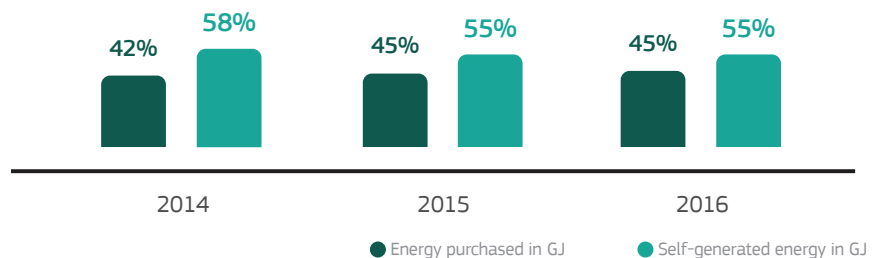
Our search for gains in productivity and competitiveness, with less exposure to the risk of power outages at the units and high energy costs, are guided by our energy self-sufficiency plan.

We are always looking for the best and most appropriate management tools to work on the implementation of measures to combat waste in power generation to final consumption, creating conditions for innovation projects in this area involving more advanced technologies and cost reductions, such as electric motors, replacement of peristaltic pumps by pneumatic pumps, and the replacement of incandescent light fixtures with low-energy lighting, use of translucent tiles to increase natural lighting, as well as the shutdown of equipment in strategic times. Renewable fuels also are preferred over non-renewable sources of energy.

(G4-EN3) Total energy consumption (GJ)



(G4-EN3) Percentage of purchased and self-generated energy



(G4-EN5) Specific energy consumption (MWh) per ton of production

UNITS	Specific/gross output			Specific/net production		
	2014	2015	2016	2014	2015	2016
Paper Unit SC - Campina da Alegria	0.77	0.71	0.75	0.82	0.80	0.79
Paper Unit MG - Santa Luzia	0.39	0.38	0.39	0.41	0.41	0.41
Packaging Unit SC - Campina da Alegria	0.10	0.11	0.10	0.11	0.10	0.10
Packaging Unit SP - Indaiatuba	0.09	0.08	0.08	0.09	0.08	0.09
Packaging Unit SP - Vila Maria	0.08	0.09	0.08	0.09	0.08	0.08
Resin Unit RS - Balneário Pinhal	0.03	0.03	0.03	0.03	0.03	0.03



2017 targets: Keep the standard of specific energy consumption per net ton produced to 0.79MWh at Paper Unit SC -Campina da Alegria.

For other units, in 2017, maintain the following indexes:

- 0.41MWh at Paper Unit MG - Santa Luzia
- 0.10MWh at the Packaging Unit SC - Campina da Alegria
- 0.09MWh at the Packaging Unit SP - Indaiatuba
- 0.08MWh at the Packaging Unit SP - Vila Maria
- 0.03MWh at the Resina RS - Balneário Pinhal

(EN-6) The activities carried out in 2016 focused on reducing energy consumption included the installation of frequency inverters, engine stops, deactivation of obsolete equipment, replacement of incandescent lighting, among other initiatives implemented in the units, taking into account their particularities and potentialities.

Water Resources

Water is an essential resource for companies in the sector and the availability and consumption of water is an issue closely linked to our sustainability strategy. The constant monitoring and the study of alternatives that enable closing circuits and reducing consumption, is required, as well as the preservation of biodiversity, the conservation of springs, fountains and forest management.

The quality water returned by Irani to nature meets the specific frequency of analysis, procedures and parameters used. Groundwater monitoring, for example, is carried out by the collection of groundwater samples, collected in wells, and chemical analyses and assessments of its physical-chemical quality. This is an efficient method for the detection of contaminants.

Thus, we seek to ensure the surrounding communities that their water resources are being protected on the basis of existing legislation.

(G4-EN5) Total water withdrawal by source (m³)

Source	2014	2015	2016
Surface*	4,851,942	4,701,967	4,695,140
Underground**	216,011	179,927	172,487
Concessionaire***	11,879	11,116	9,838
Total	5,079,833	4,893,011	4,352,888


* Capture of river water by the Paper Unit SC and Packaging Unit SC - Campina da Alegria and Paper Unit MG - Santa Luzia

** Ground wells for Paper Unit MG - Santa Luzia, Packaging Units SP - Indaiatuba and Vila Maria and Resin Unit RS - Balneário Pinhal

*** Supply by local water utility to Paper Unit SC and Packaging Unit SC-Campina da Alegria, Packaging Units SF Vila Maria and the Resin Unit RS - Balneário Pinhal

(G4-EN8) Water specific consumption (m³ per ton produced)

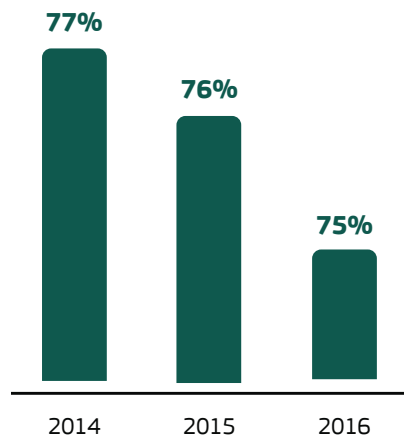
Unit	Specific/gross output			Specific/net production		
	2014	2015	2016	2014	2015	2016
Paper Unit SC - Campina da Alegria	20.17	19.57	19.56	23.28	20.62	20.80
Paper Unit MG - Santa Luzia	2.55	2.33	2.52	2.66	2.40	2.64
Packaging Unit SC - Campina da Alegria	0.23	0.21	0.20	0.24	0.22	0.20
Packaging Unit SP - Indaiatuba	0.33	0.27	0.31	0.35	0.28	0.32
Packaging Unit SP - Vila Maria	0.69	0.57	0.56	0.74	0.57	0.59
Resina RS - Balneário Pinhal	4.00	1.71	2.35	4.00	1.71	2.35

 **2017 target:** to reduce the amount of water consumed per gross ton produced to 19.56 m³ at the Paper Unit SC - Campina da Alegria I Unit. In other units, in 2017, continue with the following indexes:

- 3.31 m³ in the Paper Unit MG - Santa Luzia
- 0.21 m³ in the Packaging Unit SC - Campina da Alegria
- 0.30 m³ in the Packaging Unit SP - Indaiatuba
- 0.60 m³ in the Packaging Unit SP - Vila Maria
- 1.71 m³ in the Resin RS - Balneário Pinhal

(G4-EN10) Percentage of water reused in the SC paper

Unit-Campina da Alegria



Waste

Our processes for transforming of paper trimmings into packaging contributes to the reduction of waste paper and cardboard in urban areas.

In compliance with current legislation, we prioritize our reduction of industrial waste. This premise and the rigorous and constant monitoring of the issue allows analyses focused on reuse and recycling, reducing the volume deposited in licensed landfills and the consequent environmental impact.

Specific procedures for the collection, separation and storage of waste as Class I (dangerous), Class II-A (non-inert) and Class II (inert), as the NBR 10.004/2004 specifies in order to avoid contamination.

The National Solid Waste Policy (Law No. 12.305/10) describes the shared responsibility for the life cycle of products.

To help us to comply with these regulations, we have developed initiatives that meet with all of the provisions, including a project for the reclassification of waste and reduction of volume of hazardous waste destined for landfill.

As members of the Brazilian Tree Industry Association and in partnership with 20 other associations, we participate in a coalition led by the Corporate Commitment for Recycling (CEMPRE) in order to create a sectorial agreement for the implementation of the reverse logistics system of packaging in general. This agreement was signed at the Ministry of the Environment at the end of 2015, ensuring the implementation of the PNRS.

The joint actions of these companies will be focused on a reduction of at least 22% in the disposal of packaging in landfills by 2018. These activities will be evaluated and monitored on a regular basis, with annual performance reported to the Ministry.

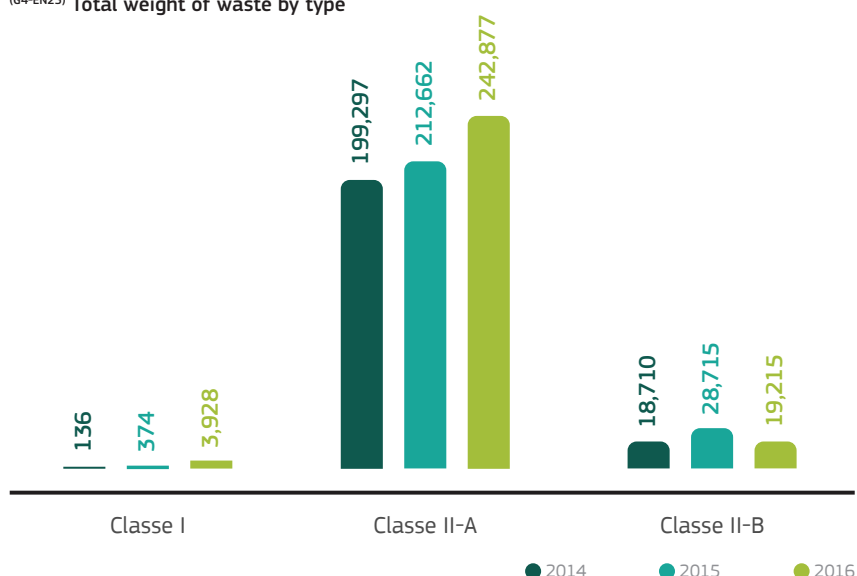


This work allowed us to reduce the disposal of hazardous waste by 42 m³ at the Packaging Unit SC - Campina da Alegria.

(G4-EN23) Total Weight of Waste

Unit	Total		
	2014	2015	2016
Paper Unit SC - Campina da Alegria	184,267	207,887	232,863
Paper Unit MG - Santa Luzia	3,783	3,336	5,486
Packaging Unit SC - Campina da Alegria	9,791	10,185	8,982
Packaging Unit SP - Indaiatuba	9,905	10,316	9,773
Packaging Unit SP - Vila Maria	8,129	8,105	6,272
Resina RS - Balneário Pinhal	2,267	1,923	2,644
Total	218,142	241,752	266,020

(G4-EN23) Total weight of waste by type



(G4-EN23) Specific volume of waste per ton produced

Unidade	Specific/gross output			Specific/net production		
	2014	2015	2016	2014	2015	2016
Paper Unit SC - Campina da Alegria	0.94	0.87	0.98	1.01	0.92	1.04
Paper Unit MG - Santa Luzia	0.05	0.05	0.10	0.06	0.05	0.11
Packaging Unit SC - Campina da Alegria	0.15	0.15	0.15	0.15	0.16	0.15
Packaging Unit SP - Indaiatuba	0.13	0.12	0.13	0.14	0.12	0.13
Packaging Unit SP - Vila Maria	0.12	0.13	0.11	0.13	0.13	0.11
Resin Unit RS- Balneário Pinhal	0.23	0.20	0.22	0.23	0.20	0.22

2017 goal: Maintain the waste sent to landfill at levels of less than 6.17% at the Paper Unit SC - Campina da Alegria:

For other units, in 2017, maintain the following indices:

- 15% at Paper Unit MG - Santa Luzia
- 0.30% at Packaging Unit SC - Campina da Alegria
- 3% at Packaging Unit SP - Indaiatuba
- 5.38% at Packaging Unit SP - Vila Maria
- 80% at Resin RS - Balneário Pinhal

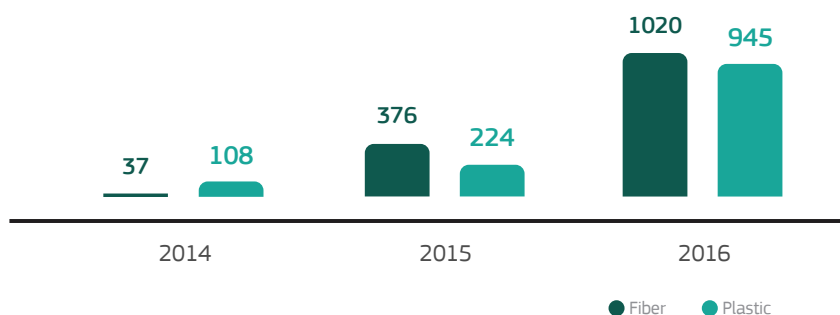
Our mixed plastic trimmings, developed after six years of research at the Paper Unit SC - Campina da Alegria, are already being traded on the market with an indication for the use as a raw material in the footwear, toys, construction, and automotive industries, among others.



The initiative promotes the transformation of a solid waste into a new product in a unique way, from the separation of plastics and fibers and the creation of a new value chain, generating employment and income for society.

The recovery of fibers and reuse in the process enabled a **reduction in costs of R\$ 779,547,280, in 2016. The sale of plastic has already had a financial return of R\$ 13,853.10.**

(G4-EN23) Annual recovery of fiber and plastic (ton)



We entered into a partnership to create an alternative to disposal in a landfill of carbon deriving the burning of biomass in the boiler. Currently, the partner company renders this residue and transforms it into charcoal.

Effluents

To avoid losses due to waste and environmental impact, we are dedicated to the effective management of water use and treatment of effluents. We try to meet the applicable legal obligations and maintain consolidated standards related to this activity, by making use of technological innovations that contribute to the effectiveness of our systems.


The National Water Resources Plan and current legislation are the basis of our system of management. We carry out specific procedures for the treatment of wastewater generated and monitored on the basis of physical, chemical and microbiological parameters, the results of which are sent periodically to the competent environmental bodies.

(G4-EN22) Volume of wastewater generated (m³/year)

Unit	2014	2015	2016
Paper Unit SC - Campina da Alegria	4,481,990	4,498,765	4,478,095
Packaging Unit SC - Campina da Alegria	6,948	11,410	11,145
Packaging Unit SP - Indaiatuba	8,964	10,227	9,466
Packaging Unit SP - Vila Maria	-	-	5,044
Resin Unit RS - Balneário Pinhal	6,831	6,073	7,432
Total	4,504,733	4,526,475	4,511,182

(G4-EN22) Specific volume of effluent
(m³ per ton produced)

Unit	Specific/gross output			Specific/net production		
	2014	2015	2016	2014	2015	2016
Paper Unit SC - Campina da Alegria	18.84	18.91	18.86	19.85	19.93	20.06
Packaging Unit SC - Campina da Alegria	0.10	0.17	0.18	0.11	0.18	0.19
Packaging Unit SP - Indaiatuba	0.10	0.12	0.12	0.11	0.12	0.13
Resin Unit RS - Balneário Pinhal	0.71	0.63	0.62	0.71	0.63	0.62
Packaging Unit SP-Vila Maria	0.00	0.00	0.09	0.00	0.00	0.09

 **2017 target:** to limit the amount of effluents generated per gross ton produced to 18.23 m³ in the Paper Unit SC - Campina da Alegria.

In other units, in 2017, we will maintain in the following indices:

- 0.16 m³ in Packaging Unit SC - Campina da Alegria
- 0.10 m³ in Packaging Unit SP - Indaiatuba
- 0.10 m³ in Packaging Unit SP - Vila Maria
- 0.60 m³ in Resina RS - Balneário Pinhal

Emissions

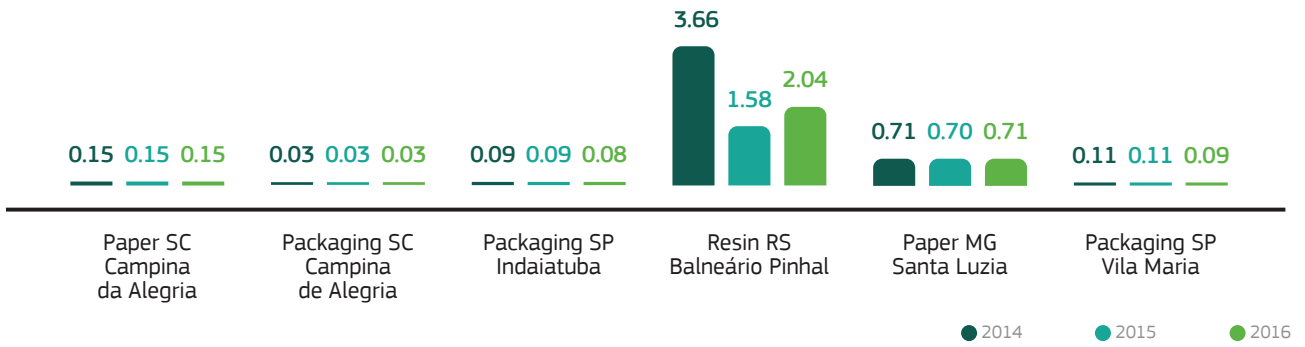
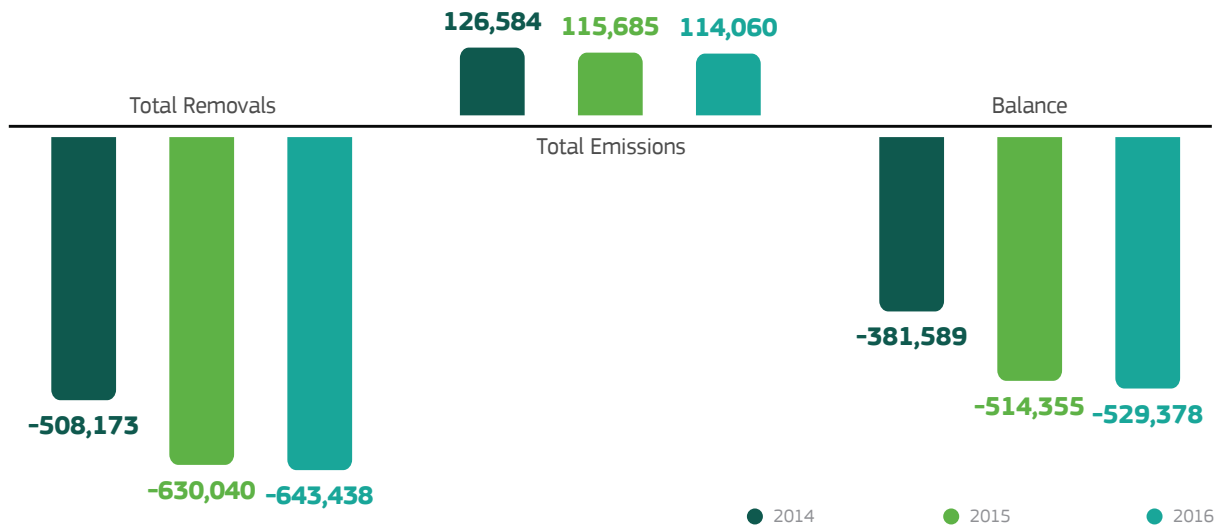
We are certified as a carbon neutral company. This means that we recorded higher absorption of more greenhouse gas emissions from our processes than we emit.

Moreover, we were the first company in Brazil to be certified in an inventory of greenhouse gas (GHG) emissions in accordance with ISO 14064:2006.

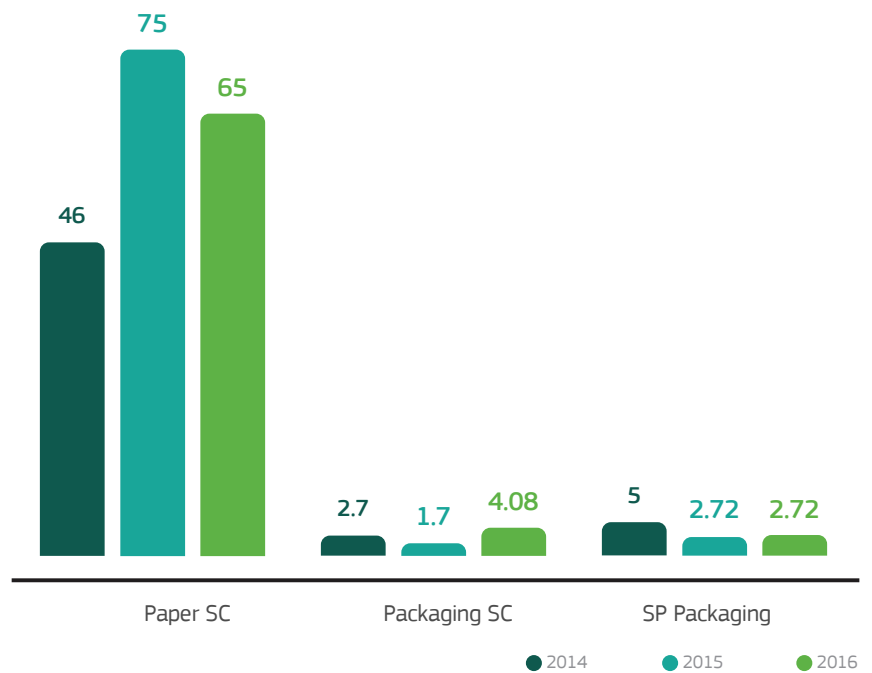
In this process, we included scopes 1, 2 and 3, considered the most important sources of emissions and removal of gases, in accordance with the guidelines of the GHG Protocol and aligned to the National Policy on Climate Change.

(G4-EN15, G4-16, G4-17)

Evolution of emissions (in Mg CO ₂ eq)	2013 Base year	2014	2015	2016
Direct Emissions	72,515	103,383	90,006	87,876
Indirect emissions - Energy	7,279	12,172	12,959	13,723
Indirect emissions - Other sources	11,665	11,029	12,719	12,462
Total	91,458	126,584	115,685	114,061

(G4-EN 18) Tons of CO₂ eq per ton produced, including all emission sources

(G4-EN 19) Tons of CO₂eq


(G4-EN 20) Emissions of ozone-layer depleting substances



Supplies and materials recycling

Monitoring the consumption of raw materials and inputs in the process contributes to the management of risks linked to this issue, since they impact directly on our operating costs.

The recycling of scrap that we turned into packaging paper minimizes the amount of use of virgin raw materials, providing economic and social gains from the generation of jobs and income to suppliers and the reduction of the volume of waste disposed in urban areas or sent to landfills.

Consistent with the National Solid Waste Policy (Law 12.305 — 8/2/2010), we practice and encourage recycling with reverse logistics, including at our industrial units. The waste from our packaging plant is reprocessed by the Paper Unit SC – Campina da Alegria and Paper Unit MG – Santa Luzia. Our initiative enables the collection and return of solid waste for recycling in the production process or to make other environmentally appropriate alternatives.

The project to reuse pallets continued in 2016. Of the 270,000 units used in the Packaging Unit SC – Campina da Alegria, 73% were used pallets and acquired in the market enabling re-use and representing the economy of more than R\$ 756,000.

(G4-EN1) Volume of renewable and non-renewable materials (tons)

	Renewable	Non-Renewable
Paper Unit SC – Campina da Alegria	657,032.97	11,938.91
Paper Unit MG – Santa Luzia	67,091.53	1,061.81
Packaging Unit SC – Campina da Alegria	61,322.97	657.18
Packaging Unit SP – Indaiatuba	79,085.24	560.86
Packaging Unit SP – Vila Maria	60,278.67	311.84
Resin Unit RS – Balneário Pinhal	14,853.48	N.A
Total	939,664.86	14,530.60

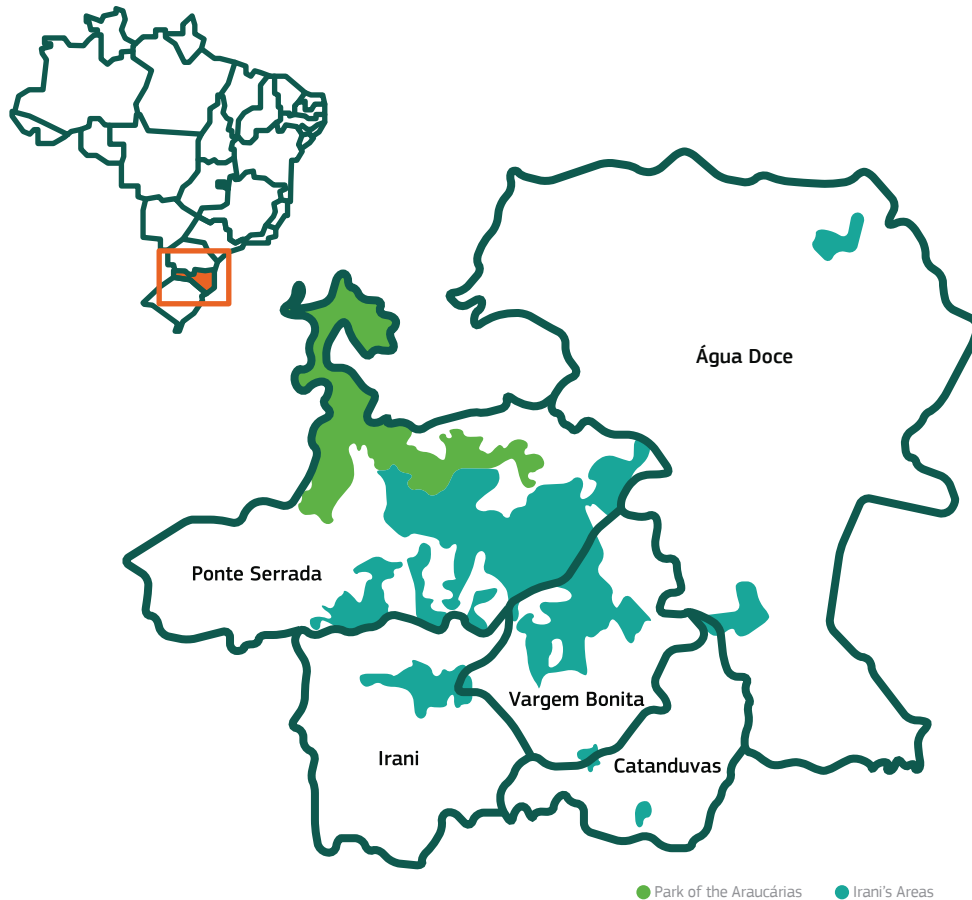
Specific material consumption
per ton produced

Unit	Specific/gross output			Specific/net production		
	2014	2015	2016	2014	2015	2016
Paper Unit SC – Campina da Alegria	2.71	2.70	2.82	2.90	2.85	3.00
Paper Unit MG – Santa Luzia	1.12	1.13	1.25	1.17	1.17	1.31
Packaging Unit SC – Campina da Alegria	1.02	1.02	1.02	1.06	1.06	1.06
Packaging Unit SP – Indaiatuba	1.09	1.03	1.04	1.16	1.06	1.09
Packaging Unit SP – Vila Maria	1.10	1.09	1.02	1.18	1.08	1.07
Resina RS – Balneário Pinhal	1.28	1.25	1.25	1.28	1.25	1.25

Biodiversity

(DMA) We have an intimate relationship with resources such as water, soil and air. So maintaining an appropriate balance in this interaction is a strategy for the sustainability of the business.

Map of forest areas in Santa Catarina



In Santa Catarina we hold about 47.6% of native forest for conservation purposes and the proposal to establish a 285 hectares Reserva Particular do Patrimônio Natural - RPPN (Private Natural Heritage Reserve). Named for Prof. Yara C. Nicoletti, one of the leading educators of Vila Campina da Alegria, the area will be dedicated to environmental education and scientific research.

In the Reserve there is an important ecological trail that is relevant because of the presence of water, riparian forest, endangered plant and wildlife species and local wildlife.

Target 2017: To carry out at least six guided tours for elementary and junior high schools in the region.

Part of our lands are located within or adjacent to the Araucárias National Park (ParNa), a conservation unit created by federal government decree in 2005. Company representatives serve on its advisory board, providing technical support for decision making.

(G4-EN12) We have specialized teams to consider the impacts of our forest and industrial activities, and are responsible for tracking operational improvements that involve monitoring, assessment, environmental impacts risk control and mitigation, geospatial computational tools for the control of Permanent Preservation Areas (PPAs) and legal reserves.

As one of our objectives is to assess the significance of forests to society and to develop joint activities for their proper preservation, we held public consultations with surrounding communities. The final cycle of these was carried out in 2015. We are considering carrying out a new round in 2017.

In the state of Santa Catarina, we have two forest regions, each of over 3,000 hectares, which are considered High Conservation Value Areas (HCVAs). Protection measures and monitoring efforts carried out for these areas are different from others, and both have been duly certified by the Forest Stewardship Council (FSC)®.

Protection and Monitoring Measures

HCVAs	Campina da Alegria	Irani
Environmental Education	x	
Property Surveillance (monitoring with iButton® devices)	x	x
Mammalian Fauna Survey	x	x
Avifauna Survey	x	x
Herpetofauna Survey	x	x
Flora Survey	x	x
Invasive Alien Species Control	x	
Firebreak Maintenance	x	x
Erosion Control on Roadways	x	x
Initiative to Create Private Conservation Area	x	
Environmental Impact Assessment	x	x

The flora and fauna of protected areas and those intended for conservation are frequently monitored. Through this practice, we have identified species that are endemic, endangered, and some that can only develop in areas that are in a good state of conservation, which fortifies the relevance of our conservation strategy.

Cataloged species that appear on the endangered list of the Ministry of the Environment (MMA)

Order	Species	Popular name(s)	Conservation profile
Primates	<i>Alouatta guariba clamitans</i>	Southern brown howler monkey	VU (BR), CR (SC)
Carnivora	<i>Leopardus pardalis</i>	Ocelot/Dwarf leopard	VU (BR), EN (SC)
Carnivora	<i>Puma concolor</i>	Cougar/Puma/Mountain lion	VU (BR, SC)
Carnivora	<i>Puma yagouaroundi</i>	Eyra cat/Jaguarundi	VU (BR)
Artiodactyla	<i>Mazama americana</i>	Eyra cat/Jaguarundi	EN (SC)
Artiodactyla	<i>Pecari tajacu</i>	Collared peccary/Musk hog	VU (SC)
Artiodactyla	<i>Tayassu pecari</i>	White-lipped peccary	VU (BR), CR (SC)
Rodentia	<i>Cuniculus paca</i>	Lowland or spotted paca	VU (SC)

* Red List of Threatened Species. Version 2016-3 – (IUCN);

** MMA Ordinance No. 443 of December 17, 2014. CR - Critically endangered; NT - Near Threatened; EN - Endangered; VU - Vulnerable

Order	Species	Popular name(s)	Conservation profile
Primates	<i>Alouatta guariba clamitans</i>	Southern brown howler monkey	VU (BR), CR (SC)
Carnivora	<i>Leopardus pardalis</i>	Ocelot/Dwarf leopard	VU (BR), EN (SC)
Carnivora	<i>Puma concolor</i>	Cougar/Puma/Mountain lion	VU (BR, SC)
Carnivora	<i>Puma yagouaroundi</i>	Eyra cat/Jaguarundi	VU (BR)
Artiodactyla	<i>Mazama americana</i>	Red brocket (deer)	EN (SC)
Artiodactyla	<i>Pecari tajacu</i>	Collared peccary/Musk	VU (SC)
Artiodactyla	<i>Tayassu pecari</i>	White-lipped peccary	VU (BR), CR (SC)
Rodentia	<i>Cuniculus paca</i>	Lowland or spotted paca	VU (SC)

* MMA Ordinance No. 444 of December 17, 2014.

** State Environmental Council (CONSEMA) Resolution No. 002 of December 6, 2011. VU - Vulnerable; CR - Critically endangered; EN - Endangered

Scientific Name	Popular Name	Conservation Profile
<i>Tinamus solitarius</i>	Solitary tinamou	** VU
<i>Triclaria malachitacea</i>	Blue-bellied or purple-bellied parrot	** VU
<i>Pyroderus scutatus</i>	Red-ruffed fruitcrow	** EN
<i>Sporophila melanogaster</i>	Black-bellied seedeater	** VU, ** VU

* MMA Ordinance No. 444 of December 17, 2014.

** State Environmental Council (CONSEMA) Resolution No. 002 of December 6, 2011. VU - Vulnerable; EN - Endangered

	Scientific Name	Popular Name(s)
Extremely demanding regarding environmental quality	<i>Leucopternis polionotus</i>	Mantled hawk
	<i>Sarcoramphus papa</i>	King vulture
	<i>Pionopsitta pileata</i>	Pileated or red-capped parrot
Dependent on specific microhabitats	<i>Chamaeza ruficauda</i>	Rufous-tailed or Brazilian anthrush
	<i>Sporophila melanogaster</i>	Black-bellied seedeater
	<i>Hylopezus nattereri</i>	Speckle-breasted antpitta
	<i>Cyanoloxia moesta</i>	Blackish-blue seedeater

Contamination of soil and water erosion, the presence of garbage, fauna trampling and degradation of PPAs are potential negative impacts on the environment. To mitigate them, we carry out continuous monitoring, assessments, and corrective activities when necessary.

Low environmental impact techniques are applied to alien species dispersion control in protected areas, which includes recurrence monitoring.

The security of our forests and surrounding area in Santa Catarina is assured through guaranteed safeguards, established by agreement with the Environmental Military Police, which curb hunting, fishing, and illegal plant extractions. Areas where there is a greater volume of registered cases of this nature are monitored by an internal team, which also carries out frequent, observable patrols.

The Company supports a project led by the Brazilian Agricultural Research Corporation (EMBRAPA) to study the habitat and activities of wild boars in the forest areas of Santa Catarina to mitigate the adverse impacts caused by the presence of these animals.

Surrounding Communities

For the definition of surrounding communities, we base the calculation on the total number of employees residing in the municipality over the total number of employees residing in the state where the municipality is located.

Our relationship with **surrounding communities** is a very important issue in the management of our business, as this is where our social license to operate originates.

We consider surrounding communities to be those localities where most of our employees live and which are directly impacted by our production activities and decision making.

(G4-S01) To analyze and understand the needs and expectations of surrounding communities, and to strengthen established relationships, we establish criteria to classify these as localities deserving of timely or priority attention.

	Priority Attention	Timely Attention
Santa Catarina	Irani, Ponte Serrada, Vargem Bonita, and Joaçaba	Catanduvas, Concórdia, and Herval d'Oeste
São Paulo	Indaiatuba, Salto, Guarulhos and, São Paulo (limited to the area surrounding Vila Maria)	Itaquaquecetuba
Rio Grande do Sul	Porto Alegre, Balneário Pinhal, and Cidreira	São José do Norte
Minas Gerais	Santa Luzia	None

(G4-S02) The community of Vila Campina da Alegria and the nearby industrial areas in Vargem Bonita have the greatest interactions with the Company. This is due to the Company's over seven-decades-long history in the region and its contributions to the generation of employment and income, tax collection, and stimulating local development.

Therefore, we have a department that specifically focuses on the interests and upkeep of the Vila, as the properties there are Company-owned and then leased to residents who are directly or indirectly linked to us.

(G4-S01) Joint projects are developed and specific resources allocated through a withholding tax on services (ISS), which is approved and authorized by the city of Vargem Bonita, Santa Catarina, and is passed on directly to the Campina da Alegria Residents Association (AMOCA) for the elaboration of activities of interest to this community.

	2014	2015	2016
ISS withholding tax in Vargem Bonita (in R\$ '000)	417	382	360
Percentage of the total ISS withheld in the municipality	1.91%	1.78%	1.55%
Amount transferred to AMOCA (in in R\$ '000)	73	56	63

Our social investments are also guided by the results of the Company's relations with surrounding communities, particularly those designated for priority attention. Accordingly, we assess their needs and our capability to establish partnerships aimed at offering opportunities for mutual development.

(G4-S01) In 2016, we continued to support a number of social projects in the based in surrounding communities, including:

Sports centers (in partnership with the Associação Joaçabense de Voleibol (Joaçabense Volleyball Association): Stimulating citizenship through sports practice, this initiative involves schoolchildren residing in Joaçaba, Vargem Bonita, and Campina da Alegria. In 2016, an average of 300 students were served by this program.



Associação Broto do Galho (Budding Branch Association): Production center for the creation of utilitarian and decorative pieces made from industrial waste generated by the Paper and Packaging Units SC - Campina da Alegria, which helps to generate extra income for association members.



Partnership with Junior Achievement in the states of Rio Grande do Sul, Santa Catarina, São Paulo, and Minas Gerais: This initiative focuses on practical education in economics and business, encourages corporate volunteerism, and helps to bring the Company closer to young people in local communities. In 2016, there were 662 schoolchildren who took part in partnership activities.



Programa Atleta do Futuro (Athlete of the Future Program): In partnership with Social Service for Industry (SESI), this initiative develops citizenship through the sports practice and exposure to related issues, such as respect and teamwork. This program benefits an average of approximately 1,300 young people in Indaiatuba, São Paulo and 46 in Santa Luzia, Minas Gerais.



Outstanding Student Project: This initiative recognizes the top five students from Campina da Alegria's Galeazzo Paganelli Elementary School in Vargem Bonita, Santa Catarina, and offers them exclusive mentoring and monthly scholarships.



Volunteer opportunities involved 7.89% of Company staffers.

(G4-S01) Social Investments (in R\$ '000)

	2014	2015	2016
Direct Investment	362	284	199
Rouanet Law	53	100	0
Cultural Action Program	-	135	98
One-off Donations	89	23	28
Total	504	542	325







In other surrounding area localities, unit leaders and managers from the departments of Communications and Sustainability work together in the conduct of local topics of interest.

(G4-16) Company leaders take part in ongoing communications with government leaders and social interest organizations by serving on advisory councils, boards and/or by contributing to projects and activities undertaken by the following entities:

- Agência Nacional de Energia Elétrica - ANEEL (National Electric Energy Agency)
- Associação de Pais e Amigos dos Excepcionais - APAE (Association of Parents and Friends of Exceptional Children) of Joaçaba and Vargem Bonita (SC)
- Associação Brasileira das Companhias Abertas - ABRASCA (Brazilian Association of Publicly Traded Companies)
- Associação Brasileira de Papelão Ondulado - ABPO (Brazilian Corrugated Cardboard Association)
- Associação Brasileira Técnica de Celulose e Papel - ABTCP (Brazilian Technical Pulp and Paper Association)
- Associação Catarinense das Empresas Florestais - ACR (Santa Catarina Association of Forestry Companies)
- Associação Comercial e Industrial do Oeste Catarinense - ACIOC (Western Santa Catarina Association of Commerce and Industry)
- Associação dos Dirigentes de Vendas de Santa Catarina - ADVB (Santa Catarina Association of Sales Directors)
- Associação dos Resinadores do Brasil - ARESB (Resin Workers Association of Brazil)
- Associação Empresarial de Santa Luzia - AESL (Business Association of Santa Luzia)
- Associação Gaúcha de Empresas Florestais - AGEFLOR (Rio Grande do Sul Association of Forestry Companies)
- Associação Qualidade RS/PGQP (Rio Grande do Sul Quality and Productivity Association)
- BM&FBOVESPA (São Paulo Stock Exchange)
- Centro das Indústrias do Rio Grande do Sul - CIERGS (Rio Grande do Sul Center for Industry)
- Comissão de Valores Mobiliários - CVM (Securities and Exchange Commission of Brazil)
- Conselho Regional de Biologia - CRBIO (Regional Council on Biology)

- Conselho Regional de Contabilidade de Santa Catarina - CRC-SC (Santa Catarina Regional Accountancy Council)
- Conselho Regional de Engenharia e Agronomia de Santa Catarina - CREA-SC (Santa Catarina Regional Engineering and Agronomy Council)
- Conselho Regional de Engenharia e Agronomia do Rio Grande do Sul CREA-RS (Rio Grande do Sul Regional Council on Engineering and Agronomy)
- Federação das Associações Comerciais e de Serviços do Rio Grande do Sul - Federasul (Rio Grande do Sul Trade and Services Associations Federation)
- Federação das Indústrias do Estado de Santa Catarina - FIESC (Federation of Industries of the State of Santa Catarina)
- Fundação do Meio Ambiente de Santa Catarina - FATMA (Environmental Foundation of Santa Catarina)
- Fundação Centro Tecnológico de Produção Industrial - Cetepi (Industrial Production Technology Center Foundation)
- Indústria Brasileira de Árvores - Ibá (Brazilian Tree Industry)
- Instituto Brasileiro de Avaliações e Perícias de Engenharia - IBAPE (Brazilian Institute of Engineering Appraisals and Opinions)
- Instituto Brasileiro de Relações com Investidores – IBRI (Brazilian Investor Relations Institute)
- Lide Sul/Integra Eventos Ltda - ME
- Movimento Catarinense pela Excelência – Excelência SC (Santa Catarina Movement for Excellence)
- Ordem dos Advogados do Brasil de Santa Catarina - OAB-SC (Order of Attorneys of Brazil of Santa Catarina)
- Sindicato das Indústrias de Marcenarias, serrarias, carpintarias e tanoarias de Caxias do Sul - Sindimadeira RS (Association of Cabinetmakers, Sawmills, Carpentry Shops and Cooperages of Caxias do Sul)
- Sindicato da Indústria do Papelão do Estado de São Paulo - Sinpesp Cardboard Industry Association of the State of São Paulo ()
- Sindicato das Indústrias de Celulose e Papel de Santa Catarina - Sinpesc (Pulp and Paper Industries Association of Santa Catarina)
- Sindicato das Indústrias de Celulose, Papel e Papelão do Estado de Minas Gerais - Sinpapel Pulp, Paper and Cardboard Industries Association of the State of Minas Gerais)
- Sindicato das Indústrias de Papel, Papelão e Cortiça do Rio Grande do Sul - Sinpasul (Paper, Cardboard and Cork Industries Association of Rio Grande do Sul)
- Sindicato dos Trabalhadores da Indústria de Papel e Papelão em Santa Luzia - Sintipel (Paper and Cardboard Industry Workers Union of Santa Luzia)
- Sindicato dos Trabalhadores nas Indústrias de Papel, Papelão e Cortiça de São Paulo, ABCDM, Osasco, Taboão da Serra e Região - Sintrapel (Paper, Cardboard and Cork Industries Workers Union of São Paulo, ABCDM (Santo André, São Bernardo do Campo, São Caetano do Sul, Diadema, and Mauá), Osasco, Taboão da Serra, and the Region)
- Sindicato dos Trabalhadores nas Indústrias de Artefatos de Papel Papelão Cortiça em Joaçaba e Região (SITIAPAPEL)
- Young Presidents' Organization (YPO)

(GRI.G4-2) Evolution of the commitments

Suppliers 	2016 Target Retain at least 60% of long-term contracts in the IRANI Supplier Project and continue to maintain within the 80% range with ongoing suppliers of wood chips. <hr/> Status Partially achieved	Our Growth IRANI Supplier 2016: 68.79% 2015: 62.18% 2014: 56.49% Urban Forest 2016: 75.70% 2015: 69.55% 2014: 61.19%
Energy 	2016 Target Maintain the standard of 0.79 MWh for specific energy consumption per net metric ton produced at the Paper Unit SC – Campina da Alegria. <hr/> Status Achieved	Our Growth 2016: 0.79 MWh 2015: 0.80 MWh 2014: 0.82 MWh
Waste 	2016 Target Maintain the threshold for waste produced by the Paper Unit SC – Campina da Alegria, which is sent to landfill, at below 8%. <hr/> Status Achieved	Our Growth 2016: 6.17% 2015: 9.85% 2014: 11.05%
Effluents 	2016 Target Limit the amount of wastewater generated per gross metric ton produced by the Paper Unit SC – Campina da Alegria to 18.88 m ³ . <hr/> Status Achieved	Our Growth 2016: 18.19 m ³ 2015: 19.93 m ³ 2014: 20.37 m ³
Biodiversity 	2016 Target Conduct at least 5 guided tours of the ecological trail in the Prof. Yara C. Nicoletti Natural Heritage Private Reserve for elementary and junior high schools in the region. <hr/> Status Achieved	Our Growth 2016: 5 tours
Training & Development 	2016 Target Fully complete technical capacity mapping of all positions at the Paper and Packaging Units SC – Campina da Alegria and prepare training plans for each unit. <hr/> Status Partially achieved	Our Growth Fully achieved at the Paper Unit SC. In view of the complexity of the task and lessons learned along the way in mapping the Paper Unit SC, we decided to begin the Packing Unit SC process in 2017. Training plans were carried out in 100% of the units.

Commitments 2017

	2017 Target
Economic performance of the business	<p>Reduce our variable costs by R\$ 8 million.</p> <p>Maintain operating leverage (net debt/EBITDA) at less than 4.00 times.</p> <p>The Company's average debt maturity must be, at least, 30 months.</p>
Water	At the Paper Unit SC – Campina da Alegria, reduce the amount of water consumed per gross metric ton produced to 19.56 m ³ .
Waste	Maintain the threshold for waste produced by the Paper Unit SC – Campina da Alegria, which is sent to landfill, at below 6.17%.
Effluents	Limit the amount of wastewater generated per gross metric ton produced by the Paper Unit SC – Campina da Alegria to 18.23 m ³ .
Energy	Maintain the standard of 0.79 MWh for specific energy consumption per net metric ton produced at the Paper Unit SC – Campina da Alegria.
Suppliers	<p>Retain at least 60% of long-term contracts in the IRANI Supplier Project and continue to maintain within the 80% range with ongoing suppliers of wood chips.</p> <p>As regards wood chips, continue the reverse logistics initiative, with an anticipated return of 4,000 tons for the year.</p>
Biodiversity impact and protection	Conduct at least six guided tours for elementary and junior high schools in the region.

In consideration of its relevance and impact on the Company's results, our environmental commitments are focused on the Paper Unit SC – Campina da Alegria. The other units strive to attain goals that are in keeping with their characteristics and peculiarities.

(G4-19, G4-28, G4-31 e G4-32) About the Report

For the preparation of our report, we adopted the comprehensive level, fourth generation Global Reporting Initiative (GRI) indicators and drew inspiration from the integrated reporting guidelines of the International Integrated Reporting Council (IIRC).

(G4-17, G4-28) In it, we present January through December 2016 Company results and management challenges as regards relevant sustainability issues for our firm, which takes into consideration all business units of Celulose Irani S.A., as well as its subsidiaries Habitasul Florestal SA, Geração de Energia Sustentável Ltda. (HGE), Irani Geração de Energia Sustentável Ltda. (IGE) and Iraflor Comércio de Madeiras Ltda.

(G4-18) Subject matter was selected following a study conducted in 2014, which followed a review of the Company's 2015-2025 Strategic Plan. **These guide us to an understanding of our impacts inside and outside of our operations, and the direction our efforts must take to increase the range of positive impacts and mitigate the negative ones.**

(G4-18) The relevant issues identification process was supported by external consultants who analyzed secondary sources and benchmarks in the sector, consultations with seven representatives of external stakeholders (suppliers, shareholders, customers, governments, and civil society), and the convening of a panel consisting of 25 leaders within the Company. The prioritization of issues contributed to the strength of our strategic map. This process will be re-evaluated during every strategic planning review period, with the next one being scheduled for 2017.

(G4-18) In 2016, we conducted interviews with members of the Executive Board as a means of capturing their perceptions of the contents of the last published report and their expectations for the current publication, as well as reinforcing and validating the issues that guide our content, and seeking opportunities for improvement.



(G4-19, G4-20, G4-21)

Very Relevant	Forest	Suppliers	Our Units	Customers	Society
Sustainability Governance and Management					
Social-environmental risk assessment of suppliers					
Economic performance and the businesses					
Energy efficiency					
Impact and protection of biodiversity					
Water Resources					
Relevant					
Training and development					
Waste					
Effluents					
Emissions					
Innovation and R&D					
Inputs and the recycling of materials					
Product quality					
Relationship with surrounding communities					
Health and safety at work					

Economic

Social

Environmental

(G4-18, G4-48) The information in this report was compiled by the functional areas, reviewed internally, and approved by the Executive Board.

(G4-33) Conecta Consultores was responsible for the independent verification of non-financial information and the issuance of a letter of assurance. To verify the consistency and integrity of our operations, we are independently audited, a process which includes the issuance of quarterly and annual independent auditors' reports. The financial statements, which are consolidated in accordance with International Financial Reporting Standards (IFRS) and practices adopted in Brazil, are audited by PwC.

(G4-32) If you have questions or suggestions, please contact us by e-mail: faleconosco@irani.com.br.

(G4-32) GRI Index

General Standard Disclosures

Indicator	Description	Learn More
Strategy And Analysis		
G4-1	Provide a statement from the most senior decision-maker of the organization about the relevance of sustainability to the organization and the organization's strategy for addressing sustainability.	Greater energy (Pg. 5)
G4-2	Provide a description of key impacts, risks, and opportunities.	Greater attitude (Pg. 5, 23, 24 e 83)
Organizational Profile		
G4-3	Report the name of the organization.	Celulose Irani S.A.
G4-4	Report the primary brands, products, and services.	Greater interface
G4-5	Report the location of the organization's headquarters.	RS Office – Porto Alegre Rua General João Manoel, 157, 9º andar, Porto Alegre – CEP: 90010-030
G4-6	Report the number of countries where the organization operates and names of countries where either the organization has significant operations or that are specifically relevant to the sustainability topics covered in the report.	Greater energy
G4-7	Report the nature of ownership and legal form.	Greater energy
G4-8	Report the markets served.	Greater interface
G4-9	Report the scale of the organization, including: o Total number of employees o Total number of operations o net sales (for private sector organizations) or net revenues (for public sector organizations) o Total capitalization broken down in terms of debt and equity (for private sector organizations) o Quantity of products or services provided	Information related to this indicator may be found in this report in the following sections: o Greater energy o Greater vision
G4-10	a. Report the total number of employees by employment contract and gender. b. Report the total number of permanent employees by employment type and gender. c. Report the total workforce by employees and supervised workers and by gender. d. Report the total workforce by region and gender. e. Report whether a substantial portion of the organization's work is performed by workers who are legally recognized as self-employed, or by individuals other than employees or supervised workers, including employees and supervised employees of contractors. f. Report any significant variations in employment numbers (such as seasonal variations in employment in the tourism or agricultural industries).	Greater vision

Indicator	Description	Learn More
G4-11	Report the percentage of total employees covered by collective bargaining agreements.	Greater vision
G4-12	Describe the organization's supply chain.	Greater interface
G4-13	Report any significant changes during the reporting period regarding the organization's size, structure, ownership, or its supply chain.	There were no significant changes in relation to these matters during 2016.
G4-14	Report whether and how the precautionary approach or principle is addressed by the organization.	Greater energy
G4-15	List externally developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes or which it endorses.	Greater energy
G4-16	List memberships of associations (such as industry associations) and national or international advocacy organizations in which the organization: <ul style="list-style-type: none"> o Holds a position on the governance body o Participates in projects or committees o Provides substantive funding beyond routine membership dues o Views membership as strategic 	Greater attitude
Identified Material Aspects and Boundaries		
G4-17	a. List all entities included in the organization's consolidated financial statements or equivalent documents. b. Report whether any entity included in the organization's consolidated financial statements or equivalent documents is not covered by the report.	Greater attitude
G4-18	a. Explain the process for defining the report content and the Aspect Boundaries. b. Explain how the organization has implemented the Reporting Principles for Defining Report Content.	Greater attitude
G4-19	List all the material Aspects identified in the process for defining report content.	Greater attitude
G4-20	For each material Aspect, report the Aspect Boundary within the organization.	Greater attitude
G4-21	For each material Aspect, report the Aspect Boundary outside the organization.	Greater attitude
G4-22	Report the effect of any restatements of information provided in previous reports, and the reasons for such restatements.	Not applicable
G4-23	Report significant changes from previous reporting periods in the Scope and Aspect Boundaries.	As of this report, data related to human resource management will be segmented by unit, with separate information regarding our offices in the states of Santa Catarina and Rio Grande do Sul being presented. This new form of presentation is in keeping with the way we are managing our practices and indicators.

Indicator	Description	Learn More
Stakeholder Engagement		
G4-24	Provide a list of stakeholder groups engaged by the organization.	Greater energy
G4-25	Report the basis for identification and selection of stakeholders with whom to engage.	Greater attitude
G4-26	Report the organization's approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group, and an indication of whether any of the engagement was undertaken specifically as part of the report preparation process.	Our approach to this indicator is included throughout the description of the way we manage each material aspect.
G4-27	Report key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting. Report the stakeholder groups that raised each of the key topics and concerns.	Our leaders are responsible for managing the main topics and concerns of its direct stakeholders.
REPORT PROFILE		
G4-28	Reporting period (such as fiscal or calendar year) for information provided.	Greater attitude
G4-29	Date of most recent previous report (if any).	The previous report was released in March 2016.
G4-30	Reporting cycle (such as annual, biennial).	Annual
G4-31	Provide the contact point for questions regarding the report or its contents.	Greater attitude
G4-32	Report the 'in accordance' option the organization has chosen.	Greater attitude
G4-33	a. Report the organization's policy and current practice with regard to seeking external assurance for the report. b. If not included in the assurance report accompanying the sustainability report, report the scope and basis of any external assurance provided. c. Report the relationship between the organization and the assurance providers. d. Report whether the highest governance body or senior executives are involved in seeking assurance for the organization's sustainability report.	Greater attitude
Governance		
G4-34	Report the governance structure of the organization, including committees of the highest governance body. Identify any committees responsible for decision-making on economic, environmental and social impacts.	Currently, the Company does not have an Audit Committee or Board of Directors advisory committee.
G4-35	Report the process for delegating authority for economic, environmental and social topics from the highest governance body to senior executives and other employees.	Greater energy
G4-36	Report whether the organization has appointed an executive-level position or positions with responsibility for economic, environmental and social topics, and whether post holders report directly to the highest governance body.	Greater energy

Indicator	Description	Learn More
G4-37	Report processes for consultation between stakeholders and the highest governance body on economic, environmental and social topics. If consultation is delegated, describe to whom and any feedback processes to the highest governance body. If consultation is delegated, describe to whom and any feedback processes to the highest governance body.	Greater energy
G4-38	Report the composition of the highest governance body and its committees.	Neither women, nor representatives of minorities serve on the Board of Directors.
G4-39	Report whether the Chair of the highest governance body is also an executive officer (and, if so, his or her function within the organization's management and the reasons for this arrangement).	The Chairman of the Board of Directors does not serve on our Executive Board.
G4-40	Report the selection process and appointment to the highest governance body and its committees, as well as the criteria used to select and appoint the members of the highest governance body.	Greater energy
G4-41	Report processes for the highest governance body to ensure conflicts of interest are avoided and managed. Report whether conflicts of interest are disclosed to stakeholders.	Greater energy
G4-42	Report the highest governance body's and senior executives' roles in the development, approval, and updating of the organization's purpose, value or mission statements, strategies, policies, and goals related to economic, environmental and social impacts.	Greater energy
G4-43	Report the measures taken to develop and enhance the highest governance body's collective knowledge of economic, environmental and social topics.	Greater energy
G4-44	<p>a. Report the processes for evaluation of the highest governance body's performance with respect to governance of economic, environmental and social topics. Report whether such evaluation is independent or not, and its frequency. Report whether such evaluation is a self-assessment.</p> <p>b. Report actions taken in response to evaluation of the highest governance body's performance with respect to governance of economic, environmental and social topics, including, as a minimum, changes in membership and organizational practice.</p>	We do not have a structured, self-evaluative process to evaluate the highest governance body's performance with regards to the governance of these topics.
G4-45	<p>a. Report the highest governance body's role in the identification and management of economic, environmental and social impacts, risks, and opportunities. Include the highest governance body's role in the implementation of due diligence processes.</p> <p>b. Report whether stakeholder consultation is used to support the highest governance body's identification and management of economic, environmental and social impacts, risks, and opportunities.</p>	Greater energy

Indicator	Description	Learn More
G4-46	Report the highest governance body's role in reviewing the effectiveness of the organization's risk management processes for economic, environmental and social topics.	Greater energy
G4-47	Report the frequency of the highest governance body's review of economic, environmental and social impacts, risks, and opportunities.	Greater energy
G4-48	Report the highest committee or position that formally reviews and approves the organization's sustainability report and ensures that all material Aspects are covered.	Greater energy
G4-49	Report the process for communicating critical concerns to the highest governance body.	Greater energy
G4-50	Report the nature and total number of critical concerns that were communicated to the highest governance body and the mechanism(s) used to address and resolve them.	Greater energy
G4-51	a. Report the remuneration policies for the highest governance body and senior executives. b. Report how performance criteria in the remuneration policy relate to the highest governance body's and senior executives' economic, environmental and social objectives.	There is no formal survey of the nature of the number of critical concerns brought before the Board of Directors.
G4-52	Report the process for determining remuneration. Report whether remuneration consultants are involved in determining remuneration and whether they are independent of management. Report any other relationships which the remuneration consultants have with the organization.	Greater vision
G4-53	Report how stakeholders' views are sought and taken into account regarding remuneration, including the results of votes on remuneration policies and proposals, if applicable.	Greater vision
G4-54	Report the ratio of the annual total compensation for the organization's highest-paid individual in each country of significant operations to the median annual total compensation for all employees (excluding the highest-paid individual) in the same country.	Greater vision
G4-55	Report the ratio of percentage increase in annual total compensation for the organization's highest-paid individual in each country of significant operations to the median percentage increase in annual total compensation for all employees (excluding the highest-paid individual) in the same country.	Information unavailable.
Ethics and Integrity		
G4-56	Describe the organization's values, principles, standards and norms of behavior such as codes of conduct and codes of ethics.	Greater energy
G4-57	Report the internal and external mechanisms for seeking advice on ethical and lawful behavior, and matters related to organizational integrity, such as helplines or advice lines.	Greater vision
G4-58	Report the internal and external mechanisms for reporting concerns about unethical or unlawful behavior, and matters related to organizational integrity, such as escalation through line management, whistleblowing mechanisms or hotlines.	Greater vision

Standard content specific

Indicator	Description	Learn more
Material Aspect: Economic Performance		
DMA	Management approach.	Greater energy
G4-EC1	Direct economic value generated and distributed.	Greater energy
G4-EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change.	Greater energy
G4-EC3	Coverage of the organization's defined benefit plan obligations.	Greater energy
G4-EC4	Financial assistance received from government.	Subsidies: R\$ 2.158 thousand through the postponed payment of the Brazilian ICMS tax (Santa Catarina Business Development Program-PRODEC). The value is calculated in relation to the rate of charges subsidized by the state of Santa Catarina. Grants for Investments: R\$ 7.463 thousand subvention related to planned investments in the states of Santa Catarina and Minas Gerais, in the form of presumed ICMS credit.
Material Aspect: Materials		
DMA	Management approach.	Greater attitude
G4-EN1	Materials used by weight or volume.	Greater attitude
G4-EN2	Percentage of materials used that are recycled input materials.	Greater attitude
Material Aspect: Energy		
DMA	Management approach.	Greater attitude
G4-EN3	Energy consumption within the organization.	Greater attitude
G4-EN4	Energy consumption outside of the organization.	Greater attitude
G4-EN5	Energy intensity.	Greater attitude
G4-EN6	Reduction of energy consumption.	Greater attitude
G4-EN7	Reductions in energy requirements of products and services.	Greater attitude
Material Aspect: Water		
DMA	Management approach	Greater attitude
G4-EN8	Total water withdrawal by source.	Greater attitude
G4-EN9	Water sources significantly affected by withdrawal of water.	Greater attitude
G4-EN10	Percentage and total volume of water recycled and reused.	Greater attitude
Material Aspect: Biodiversity		
DMA	Management approach.	Greater attitude
G4-EN11	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.	Greater attitude

Indicator	Description	Learn More
G4-EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas.	Greater attitude
G4-EN13	Habitats protected or restored.	Greater attitude
G4-EN14	Total number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk.	Greater attitude
Material Aspect: Emissions		
DMA	Management approach	Greater attitude
G4-EN15	Direct greenhouse gas (GHG) emissions (Scope 1).	Greater attitude
G4-EN16	Energy indirect greenhouse gas (GHG) emissions (Scope 2).	Greater attitude
G4-EN17	Other indirect greenhouse gas (GHG) emissions (Scope 3).	Greater attitude
G4-EN18	Greenhouse gas (GHG) emissions intensity.	Greater attitude
G4-EN19	Reduction of greenhouse gas (GHG) emissions.	Greater attitude
G4-EN20	Emissions of ozone-depleting substances (ODS).	Greater attitude
G4-EN21	NOx, SOx, and other significant air emissions.	Greater attitude
Material Aspect: Effluents and Waste		
DMA	Management approach	Greater attitude
G4-EN22	Total water discharge by quality and destination.	Greater attitude
G4-EN23	Total weight of waste by type and disposal method.	Greater attitude
G4-EN24	Total number and volume of significant spills.	There were no significant spills in the period.
G4-EN25	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention (2) Annex I, II, III, and VIII, and percentage of transported waste shipped internationally.	Greater attitude
G4-EN26	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the organization's discharges of water and runoff.	Greater attitude
Material Aspect: Supplier Environmental Assessment		
DMA	Management approach	Greater interface
G4-EN32	Percentage of new suppliers that were screened using environmental criteria.	Greater interface
G4-EN33	Significant actual and potential negative environmental impacts in the supply chain and actions taken.	Greater interface
Material Aspect: Supplier Human Rights Assessment		
DMA	Management approach	Greater attitude
G4-HR10	Percentage of new suppliers that were screened using human rights criteria.	Greater attitude
G4-HR11	Significant actual and potential negative human rights impacts in the supply chain and actions taken.	Greater attitude

Indicator	Description	Learn More
Material Aspect: Occupational Health and Safety		
DMA	Management approach	Greater vision
G4-LA5	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs.	Greater vision
G4-LA6	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender.	Greater vision
G4-LA7	Workers with high incidence or high risk of diseases related to their occupation.	Greater vision
G4-LA8	Health and safety topics covered in formal agreements with trade unions.	Greater vision
Material Aspect: Training and Education		
DMA	Management approach	Greater vision
G4-LA9	Average hours of training per year per employee by gender, and by employee category.	Greater vision
G4-LA10	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.	Greater vision
G4-LA11	Percentage of employees receiving regular performance and career development reviews, by gender and by employee category.	Greater vision
Material Aspect: Supplier Assessment for Labor Practices		
DMA	Management approach	Greater interface
G4-LA12	Percentage of new suppliers that were screened using labor practices criteria.	Greater interface
G4-LA13	Significant actual and potential negative impacts for labor practices in the supply chain and actions taken.	Greater interface
Material Aspect: Customer Health and Safety		
DMA	Management approach	Greater energy
G4-PR1	Percentage of significant product and service categories for which health and safety impacts are assessed for improvement.	Greater energy
G4-PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services during their life cycle, by type of outcomes.	Greater energy
Material Aspect: Local Communities		
DMA	Management approach	Greater attitude
G4-SO1	Percentage of operations with implemented local community engagement, impact assessments, and development programs.	Greater attitude
G4-SO2	Operations with significant actual or potential negative impacts on local communities.	Greater attitude

Indicator	Description	Learn More
Material Aspect: Supplier Assessment for Impacts on Society		
DMA	Management approach	Greater interface
G4-S09	Percentage of new suppliers that were screened using criteria for impacts on society.	Greater interface
G4-S010	Significant actual and potential negative impacts on society in the supply chain and actions taken.	Greater interface

GUARANTEE STATEMENT

1. Responsibilities

IRANI is responsible for all the content of the 2016 report and the content definition, collection and information dissemination processes.

Connecta Consultores is responsible for checking the contents of the report, pursuant with the methodology and scope described in this statement, and is not responsible for any investment decisions or those of any other nature based in this guarantee statement.

2. Independence

Connecta Consultores hereby declares that did not render consulting services and does not have other commercial ties with IRANI. The conclusions set out in this statement are impartial.

3. Scope and Limits

The verifications covered the content of the Annual Report for the period January 1, 2016 to December 31, 2016, providing a moderate level of assurance. The verification process is intended to present stakeholders with an independent opinion on the compliance of the reporting process with the AA1000AS 2008 principles.

The financial and greenhouse gas (GHG) emission information was not the target of our work. These data sets were verified by other independent companies.

4. Methodology

The third-party verification process of the IRANI Annual Report of 2016 was led by Connecta Consultores, observing its own methodology, based on the principles of AA1000AS 2008. References used were: GRI-G4 Guidelines and the IIRC structure for Integrated Reporting.

The methodological approach included:

- Analysis of the stakeholder engagement process;
- Analysis of materiality and report content defining process;
- Analysis of alignment with the strategic commitments to sustainable development;
- Analysis of the documentary evidence collection processes, consolidation of the information and management systems to confirm the consistency of reported information, with a sample base.

5. Conclusions regarding the AA1000AS 2008 Principles

Inclusion

IRANI strived constantly to integrate the expectations of its priority stakeholders into the definition of its sustainability strategies. The programs and actions presented in this sustainability report were oriented by efforts to define the topics of highest importance to the stakeholders, directly or indirectly, based on the materiality definition processes already realized.

The company is undergoing a process to review its strategic planning and, therefore, the identification of the challenges for a new round of advances in its sustainability management. In this process, it is of utmost importance that IRANI seek to formally include its priority stakeholders in the identification of impacts, risks and opportunities that exist for this new strategic direction the company will take.

The inclusion of the stakeholders must also be stimulated in a local perspective, based on an approach encompassing the social and environmental risks to the operations, with the structuring and/or dissemination of the channels for receiving complaints and grievances.

Materiality

For the reporting process, the company has been basing its decisions on consultations with stakeholders and the definition of the materiality of the processes carried out in previous years, along with an in-house validation conducted with the organization's management. The report's content is focused on the materiality result, as per the GRI-G4 guidelines.

In line with the principle of inclusion, the process of defining materiality should be integrated into the new company's planning cycle, as of the inclusion of the stakeholders' expectations. In recent years, a number of themes have emerged or seen their importance expanded on the national scene and, together, new challenges and opportunities open up for IRANI. Although generally already integrated into its reporting process, it is important to understand the impact on operations of topics such as: national solid waste policy, rational and efficient use of water, new labor laws in relation to outsourcing, environmental risks in the supply chain, accidents with impact on the surrounding community, as well as corruption.

Responsiveness

In its sustainability report, IRANI presents policies and programs related to its internal and external social and environmental impacts that are in accordance with the materiality of the sustainability issues.

It is possible to check up on the advancement in balance of corporate practices on all of the company's units in terms of environmental, human development, health and safety and system aspects involving the company's Code of Ethics, as well as higher regularity in its health and safety indicators.

In addition to the review of the strategic planning process, which could introduce new direction and sustainability practices into the company in the coming years, it is important that the organization pursue advancing its definition of clear commitments and targets in its main themes and existing challenges and, above all, encompassing all its units. The alignment of corporate practices between units on a topic-by-topic basis, such as health and safety, environment and surrounding areas are challenges facing the company. Opportunities have been identified for the establishment of a uniform internal culture in relation to these themes.

From the point of view of the sustainability governance structure, it is important to strengthen the monitoring mechanisms in relation to key challenges in sustainability amongst managers and company leaders, facilitating the decision-making process and ensuring the alignment of practices with the established commitments.

São Paulo, March 29, 2017

Marcelo Bertini Aversa

Conecta Consultores Ltda.

CREDITS

Chairman of the Board of Directors

Péricles de Freitas Druck

Chief Executive Officer

Péricles Pereira Druck

Administration, Finance and Investor Relations Officer

Odivan Carlos Cargnin

Paper and Packaging Businesses Officer

Sérgio Luiz Cotrim Ribas

General Coordination

Irani Communication Team

Content review

Evandro Zabott

Fabiano Alves de Oliveira

Leandro Farina

Liliane Rodrigues

Mircon Roberto Becker

Content consolidation

Irani Communication Team

Independent verification

Conecta Consultores

Graphic project

Ana Couto Branding

Photos

Agência Luz

Fabiano Panizzi

Mário Águas

Disclosure

Abril/2017

Distribution

Shareholders, customers, communities, suppliers, government and other stakeholders