

Sustainability Report 2012



Celulose Irani S.A.

Values

The differential in this year's Sustainability Report is the division of chapters guided by the IRANI values. This division will allow you to see that these values are practiced by the Company and are indicators for the adopted management approach. These are expressed in the attitudes and relationships with its *stakeholders* and are cultivated in the business processes, products and services.

INNOVATION AND A PIONEERING SPIRIT

We cultivate innovation and a pioneering spirit in business, processes, products and services.

SOCIAL AND ENVIRONMENTAL RESPONSIBILITY

We are promoting and multiplying agents of economic, social, environmental, community and personal development.

INTEGRITY, ETHICS, COURAGE, TRANSPARENCY AND CORDIALITY

We are upright, ethical, courageous, friendly and transparent in all our attitudes and relationships.

VALUING PEOPLE

We believe that people in permanent development, are happy and working as a team makes all the difference

FOCUS ON RESULTS

We seek with determination, superior and sustainable results. Objectivity, simplicity, austerity and action in the Focus on the Customer are our way to achieve excellence.





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Message from The President

WE SEEK WITH DETERMINATION, ECONOMIC, ENVIRONMENTAL, AND SUPERIOR SOCIAL PERFORMANCE AND CONTINUOUS EVOLUTION, ALSO SEEKING TO BALANCE THE VISION OF SHORT AND LONG TERM.

It's been nine years that we are dedicated to organizing and sharing with our *stakeholders* our actions and results in the key areas of performance of Celulose Irani SA

The annual reports (two "social reports" and seven "sustainability reports") have been a powerful tool for monitoring and management for the team and it has provided transparency to these developments, their missteps and difficulties. The 2012 Report show the continuation of our journey during this past year, seeking to further improve the way we communicate and engage all stakeholders.

The scenario in 2012, despite starting with certain degree of optimism, was marked once again by the global economic slowdown, played out by the European crisis and the reduced levels of growth in China. In Brazil, growth was also well below the forecast, and the companies were even more exposed to the challenge of competitiveness. The decline in interest rates, the devaluation of the Real, the exemption from payroll and the reducing the cost of electricity brought new variables that will help local industry in the short term, but mainly it makes clear the urgency and bring a degree of hope that the government in fact faces, the real reforms, that are so necessary to change the level of competitiveness of the country. Greater efficiency in public spending, simplifying and reducing taxes, political reform, recovery of investments with the infrastructure are fundamental to enable sustainable growth in Brazil over the coming years, without falling into the inflation trap.

IRANI faced up well to this enormous challenge of competitiveness in 2012. We maintained our EBITDA margin above 23%, reaching a record annual EBITDA of R\$ 115.4 million; we evolved in the large majority of environmental indicators, highlighting the increase in energy efficiency, reduction in the loss of fibers and the reduction in water consumption, as well as evolving in social indicators, especially indicators relating to the development of people.

From the strategic point of view, the year was marked by the initiative of preparing an IPO to fund and accelerate our growth plan, that we named Project IRANI 2020 and to offer a greater liquidity to the shares of the company. The poor scenario in the 2012 financial market, postponed obtaining these funds in the capital market, but all efforts and steps in this direction have left us better prepared for this new growth cycle. During the year, I formally took over as President of the Company, with a mission to further strengthen the sustainability culture and occupy an increasingly prominent position in the packaging paper and corrugated packaging sector. It is worth highlighting the other advances in governance, such as the Board of

Directors that is now leaner and more participatory and has an independent advisor, the detailed organic investment projects that are based on a market perception of our ability to grow and lead a consolidation process of the sector in Brazil.

From the middle of last year, we organized ourselves, with the support of the controllers, to be active in the emerging process of the consolidation of the sector, investing in prospected opportunities, actions whose results are starting to be harvested in 2013, for example, the lease that we signed for the industrial plant – Indústria de Papel e Embalagens São Roberto S.A. in Minas Gerais and the contract for the strategic and operational restructuring of that company, acquired by our parent company, Companhia Comercial de Imóveis, at the end of last year. Only this lease will add a 28% growth in production capacity of packaging paper, which represents a firm step towards our vision.

It is also important to note that the sale of the subsidiary Meu Móvel de Madeira, (My Wooden Furniture), trying to realize the value generated by the creation of this business in the recent past and focus our energy and resources on the packaging paper, corrugated packaging, resin and derivatives business.

The Kyoto Protocol, weakened by the strong European and world crisis which diverted the focus and the priority of nations for economic and social dimensions, was finally renovated. The prices of carbon credits fell dramatically, reducing the economic impact of our CDM projects, but not reducing our belief and dedication to the subject. It is worth noting that our first CDM, the Cogeneration project, reached the milestone of 1 million tons of CO₂ eq not being issued into the atmosphere, generating the respective Kyoto Protocol credits.

Internally, the themes of Innovation, Risk Management, Project Management and Organizational Climate had a special focus and representative advances. We were happy with the outcome of our organizational climate biennial survey, as it was established that we achieved 75% employee satisfaction, improving by 10 percentage points from the previous survey.

In 2012, we again consulted and engaged our *stakeholders* on sustainability issues and we did this through six “panels” specialized by interest group with a very expressive stake and with a greater depth. Thus, we were able to review priorities and add new challenges expressed in the materiality matrix of the report.

Challenges abound, and they are the real driving force of human development. A key is the “realization of new talents”, to support our growth in the context of a booming labor market. The “IRANI 2020” project is our objective today to grow even more with value, and the path goes through cost competitiveness, safety and quality of products and services, the efficient use of resources, and to grasp opportunities. An IPO, acquisitions and organic investments are all part of this journey and will have the team’s focus in the coming years.

Finally, in 2013, the goals are renewed for all indicators, new indicators are added to the management, new challenges arise, new priorities are established, and our belief in sustainability is strengthened even more. It is expressed in our mission and vision and has helped us a lot as a team.

Good reading and a good 2013 for us all!

Pericles Pereira Druck
CEO of IRANI



About This Report

The Company self declares itself with the level of application **level A +**, which is confirmed in the Assurance Statement provided by BSD Consulting and included at the end of this report. The financial statements are consolidated in accordance with International Financial Reporting Standards (IFRS) issued by the *International Accounting Standards Board* (IASB) and in accordance with accounting practices adopted in Brazil.

In the scope of this publication are the business units belonging to the Celulose Irani SA in the states of Santa Catarina, São Paulo and Rio Grande do Sul and its subsidiaries Meu Móvel de Madeira Comércio de Móveis e Decorações Ltda., Irani Trading S.A., Habita-

sul Florestal S.A, HGE – Geração de Energia Sustentável Ltda & Iraflor Comércio de Madeiras Ltda.

IRANI always publishes its Sustainability Report in the first half of each year. The data collection process occurred during the year 2012 and the beginning of 2013.

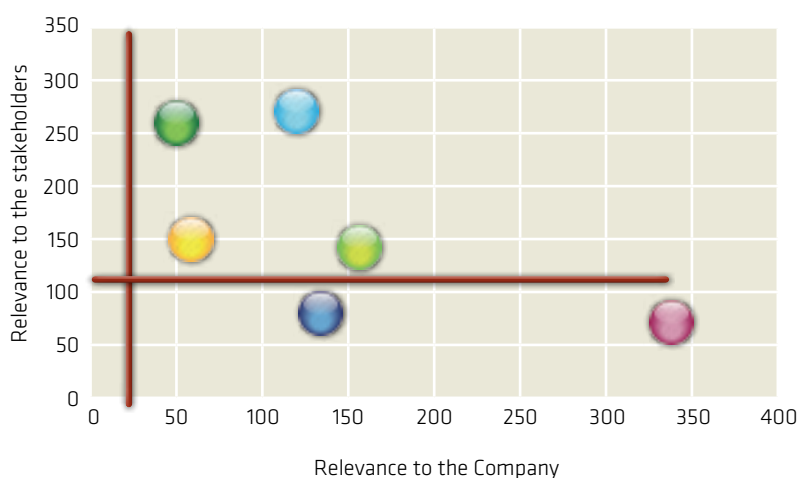
THE IRANI SUSTAINABILITY
REPORT 2012 IS ALIGNED
WITH THE *GLOBAL
REPORTING INITIATIVE* (GRI)
IN ITS VERSION G3.1

LEVEL OF APPLICATION OF THIS REPORT

		C	C+	B	B+	A	A+
CONTEÚDO DO RELATÓRIO	G3 Profile	RESULT	WITH EXTERNAL VERIFICATION		WITH EXTERNAL VERIFICATION	The following items were answered: 1.1, 1.2 2.1 a 2.10 3.1 a 3.10, 3.12 a 3.13 4.1 a 4.5, 4.13 a 4.17	WITH EXTERNAL VERIFICATION
	Information on the G3 Management Approach	RESULT				Management Approach is disclosed for each indicator category	
	G3 performance indicators & performance indicators of the Sector Supplement	RESULT				Each key indicator from G3 was answered with due regard to the Principle of Materiality, reporting on the indicator or explaining the reason for the omission	

Materiality







In 2012, IRANI updated its materiality matrix to guide the content of this report and to identify priority topics for its strategic management. Another round of consultations was carried out with *stakeholders* by conducting six panels of dialog with these stakeholders, with the support of external consultants. The definition of the stakeholders occurred through internal analysis of which groups that impact the Company more and those that are most impacted by it.



There were three in the surrounding communities, held in the localities of Campina da Alegria (SC), Balneário Pinhal (RS) and Indaiatuba (SP), one with employees, held in Campina da Alegria (SC), one with suppliers, held in Indaiatuba (SP) and one with customers also in Indaiatuba (SP). More than 200 people took part in these panels. During the events, activities were carried out to survey and prioritize the issues relevant to each member of the public that took part. The result served to form the vertical axis of the materiality matrix that is shown at the side. The horizontal axis was formed with contributions from the workforce, with the validation of the executive board.



GO TO <http://www.irani.com.br/pt/info/relacoes-de-valor#gestao-648> AND WATCH THE VIDEO THAT SHOWS THE MEETINGS THAT IRANI PROMOTED WITH EMPLOYEES, COMMUNITY, GOVERNMENT AND SOCIETY, SUPPLIERS AND CUSTOMERS.

Aspects	related	GRI Indicator	Páginas
 Market presence	<ul style="list-style-type: none"> • Incentives in Campina da Alegria; • Hiring local labor; • Hiring of local suppliers; • Knowledge of the structure and organization of suppliers; • Numbers of internal and external recruitment 	EC6 and EC7	33, 58, 73, 87 and 88
 Indirect economic impacts	<ul style="list-style-type: none"> • Investments in environmental projects; • Encouraging local businesses; • Beautification of Campina da Alegria; • Partnerships with technical schools and colleges regarding technological innovation; • Increased geographic coverage for the actions. 	EC8 and EC9	27, 31, 34, 39, 40 and 61
 Training and education	<ul style="list-style-type: none"> • Training and development; • Career Plan; • Education for sustainability. 	LA10 and LA12	66, 67, 69 and 82
 Unfair competition	<ul style="list-style-type: none"> • Good practices of competition; • Well-defined rules for negotiations. 	S07	13
 Labeling products and services	<ul style="list-style-type: none"> • Reduction of costs seeking innovative packaging. 	PR5	57 and 72
 Emissions, waste water and waste	<ul style="list-style-type: none"> • Tons of compost material; • Odor; • Protection of springs; • Wastewater; • Recycling; • Carbon Credits. 	EN16, EN21, EN22 and EN25	36, 42, 45, 47, 55 and 57

Engagement

IRANI pays special attention to its *stakeholders*, with whom it maintains relationships based on values such as ethics, integrity, transparency, warmth, simplicity and value people. Over the years, the Company endeavors to build strong partnerships, establish communication channels and build relationships of mutual trust in order to recognize the demands.



Resinas Unit -
Balneário Pinhal (RS)

Evolution of commitments

In the Sustainability Report 2011 several commitments were made for 2012. Check the *status* of each one of them. **60% of the targets were achieved.**



GRI APPEARANCE	GOAL FOR 2012:	STATUS	LEARN MORE
Corporate Governance	Re-draft the Corporate Governance Policy and evolve in the governance structure.		Evolution of the corporate governance structure with the reform of the Bylaws and the restructuring of the Executive Board and the Board of Directors. The Corporate Governance Policy will not be formalized once the main points were covered by the reformulation of the Statute and the restructuring that occurred.
Business	Conduct study on Life Cycle Analysis of Paper and Packaging.		Ongoing study scheduled for completion in March 2013.
	Increase the offer of logistics solutions for Meu Móvel de Madeira customers so they have the opportunity to donate their used furniture, offering to at least 40% of customers partnerships that already exists with the Salvation Army in Sao Paulo and Rio de Janeiro.		40% target achieved, but without increasing the supply of services.
Solid Waste	Maintain a fiber loss less than or equal to 14.25 tons/day for the WWTP.		Rate of 12.42 t/day achieved
	Send to the landfill a percentage of waste less than 10%.		9.12% of waste material sent to the landfill.
Materials	Maintain the percentage of recycled material to at least 23%.		Recycled percentage of 22%. The mix of paper produced in the year was higher for paper based on cellulose and lower for chip based paper.
Energy	Keep the specific energy consumption at 0.77 MWh/net ton produced in the Paper Mill.		Reduced the specific energy consumption to 0.75 MWh/net ton produced
Water	Reduce the amount of water used to 26 m ³ per gross ton produced.		Reduced to 25.87 m ³ /gross ton
	Percentage of water reused, at least 70%.		72% of water reused
Wastewater	Reduce the amount of waste produced to 22.7 m ³ per gross ton produced.		Reduced to 21.19 m ³ /gross ton
Air	Reduce 34,000 tons of CO ₂ eq.		A reduction of 37,792 thousand tons of CO ₂ eq.
	Take part again in the MelhorAr Award and get 75% of approvals.		The organizers of the award chose not to carry out a 2012 edition.
Value relationships – employees	Reduce to 18 the total number of lost time accidents.		24 work related accidents were recorded.
	Obtain a maximum level of turnover of 22% per year.		17.14% was reached
Value relationships – suppliers	Maintain 60% of the suppliers with long-term contracts (IRANI Supplier Project) and maintain 80% of the suppliers of wooden chips with stable purchases (Urban Forest Project).		IRANI Project Supplier: 52.67% Urban Forest Project: 72.41%

Innovation and Pioneering Spirit



WE CULTIVATE INNOVATION AND A
PIONEERING SPIRIT IN BUSINESS,
PROCESSES, PRODUCTS AND SERVICES.

The Company

Cellulose Irani has been in the market for 72 years. The Company is available in three Brazilian states, it produces packaging paper, boxes and corrugated sheets and resins. Throughout its history, IRANI incorporated into its practice the concept of sustainability, ensuring high quality products. Its products come from a renewable forest-base, 100% recyclable, with absolute respect for people and the environment. The production is integrated from the forests to the final products.

Irani Trading SA is the controller of IRANI Companies: Habitasul Forestry SA and HGE – Geração de Energia Sustentável Ltda (in a pre-operational phase) in Porto Alegre (RS) and Iraflor Comércio de Madeira Ltda. in Vargem Bonita (SC).

In 2012, the sale of the subsidiary Meu Móvel de Madeira – Comércio de Móveis e Decorações Ltda., with its headquarters in Rio Negrinho (SC) was approved by the Board of Directors. The operations of this subsidiary represented, in 2012, less than 3% of the consolidated net revenue of the Company and its disposal will not impact the financial indicators of the Company.



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Pinus seedling:
the beginning
of the IRANI
integrated
process

FSC® CERTIFICATION

FSC certification ensures that timber produced or used by the Company comes from a forest that is managed in an environmentally responsible, socially beneficial and economically viable way, besides other controlled sources.

Forest Management Certification: valid only for forests and recognizes that the forestry production meets FSC standards. IRANI has this certification for its own forests in Santa Catarina.

Chain of Custody Certification: ensures that the product is manufactured using raw material from certified and controlled forests. Units Paper, Packaging SC and Packaging SP have this certification.



Go to <http://www.irani.com.br/en/info/awards-and-recognition/ano/2012>
AND SEE THE AWARDS AND RECOGNITIONS RECEIVED BY IRANI IN 2012.

Unfair competition

In trade relations, place into practice its values, respecting customers, suppliers and competitors. In the performance of marketing, defends ethics and free competition, not allowing illegal actions and corruption in the operations. There were no record of fines for the violation of the laws regulating the market, including unfair competition and anti-trust practices.

Corporate Governance

Administration

The administration is conducted by the Board of Directors, who have deliberative functions, and the Executive Board, with executive and representative functions. For the companies Habitasul Forestry SA and Irani Trading SA, controlled by IRANI, there are separate boards of directors, each composed of three members who are also part of the Board of Directors of Celulose Irani SA

In 2012, the Company evolved in the corporate governance structure with the Bylaws and the restructuring of the Board of Directors and Executive Board. However, the Corporate Governance Policy will not be formalized once the main points were covered by the reform of the Bylaws and the restructuring occurred.

With respect to the variable remuneration of the Executive Board, 20% of this remuneration refers to an individual assessment of skills that encompasses many items that capture a broad view of sustainability, including environmental and social aspects. In addition, the directors also receive a long-term compensation proportional to the valuation of the shares of the Company every three years, also capturing these intangibles and economic results.

	2010	2011	2012
Nº of members of the Board of Directors	7	7	5
Non-executive IRANI Board Members	5	5	4

Note: A non-executive Director does not exercise a management function in the Company.

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INFORMATION REGARDING EXECUTIVE REMUNERATION AND THOSE RESPONSIBLE FOR THE GOVERNANCE AND HOW THAT COMPENSATION IS RELATED TO PERFORMANCE IN THE SHORT, MEDIUM AND LONG TERM ARE DISCLOSED IN THE RELATIONSHIP WITH THE INVESTORS FORM, AVAILABLE ON THE INVESTOR RELATIONS SITE <http://www.irani.com.br/en/ri/info/cvm-files>, AT THE BRAZILIAN SECURITIES COMMISSION/CVM ARCHIVES SITE.

On December 31, 2012, the Company's capital stock, subscribed and paid, was R\$ 103,976,491.19, made up of 162.090.000 shares, of which, 92% (149.279.740) are common shares entitled to vote and 8% (12,810,260) are preferred shares, without voting rights.



EXCLUSIVE
ON-LINE
CONTENT

In April 2012, the Chairman of the Board no longer held the position of Executive Chairman, the then CEO, Pericles Pereira Druck, was elected President of IRANI. The Chief Executive Officer went to advise the Executive Board, reporting to the Board on matters of great importance. Similarly, Paulo Rabello de Castro joined the Board of Directors of the Company, acting as an Independent Councilor. This enhancement regarding the management demonstrates the constant search for adherence to best corporate governance practices.



IRANI Commercial team

Corporate Policies on the Disclosure and Use of Information and the Trading of Securities has been revised and updated, and approved by the Board of Directors and disclosed in accordance with the current legislation. Both policies seek to ensure fairness, transparency and the immediate dissemination of information to all interested parties without any privileges to any public. They cover issues such as disclosure of decisions of the controlling shareholder, resolutions of the General Assembly or the Board of Directors and the restrictions on trading with the Company's securities during certain periods, among other issues considered relevant.

The structure of Corporate Governance encompasses the General Meeting of Shareholders, the Board of Directors and the Executive Board to act in unison in the pursuit of results and sustainability in business.

The Board of Directors shall meet monthly, by fixing attention on strategic issues of the Company such as: business risks, market relations, corporate policies, investments and monitoring the results reflected in the Financial Statements Report. All the powers of the Board of Directors are in Article 12 of the Bylaws of the Company. Among them, there is the management inspection of the directors, allowing Board members to examine, at any time, Company books and papers, requesting information on contracts and any other acts. The mandate of the Board member is two years, reelection being permitted.

The current Board of Directors will complete the current management term in April 2015 and is composed as follows:

- **Pericles de Freitas Druck** – President;
- **Eurito de Freitas Druck** – Vice President;
- **Paulo Sérgio Viana Mallmann** – Counselor;
- **Pericles Pereira Druck** – Counselor.
- **Paulo Rabello de Castro** – Independent Counselor

The Executive Officers shall meet, ordinarily, in person every month, and by video-conference, when necessary, and it is in their competence the practice all acts necessary for the regular operation of the Company, that is not the competence of the General Assembly or Board of Directors, in accordance with the powers contained in Article 14 of the Bylaws of the Company. The term of office of the directors is two years, reelection being permitted.

The Board, which will complete the current administration in May 2015, is composed of the following members:

- **Pericles Pereira Druck** – Chief Executive Officer;
- **Odivan Carlos Carginin** – Director of Administration, Finance and Investor Relations;
- **Sérgio Luiz Ribas Cotrim** – Director of Paper and Packaging Business;
- **Túlio Cesar Reis Gomes** – Director of Forest Business

The expenses with management fees, without payroll taxes totaled R\$ 6,954 thousand in the fiscal year of 2012 (R\$ 4,815 thousand in 2011). The aggregate remuneration of the directors was approved by the Ordinary and Extraordinary General Meetings dated April 19, 2012 and May 25, 2012 to a maximum of R\$ 16,6 thousand.



IRANI ADOPTS CORPORATE GOVERNANCE GUIDED BY ITS VALUES AND COMMITTED TO THE BEST PRACTICES IN THE RELATIONSHIP WITH SHAREHOLDERS AND OTHER *STAKEHOLDERS*.

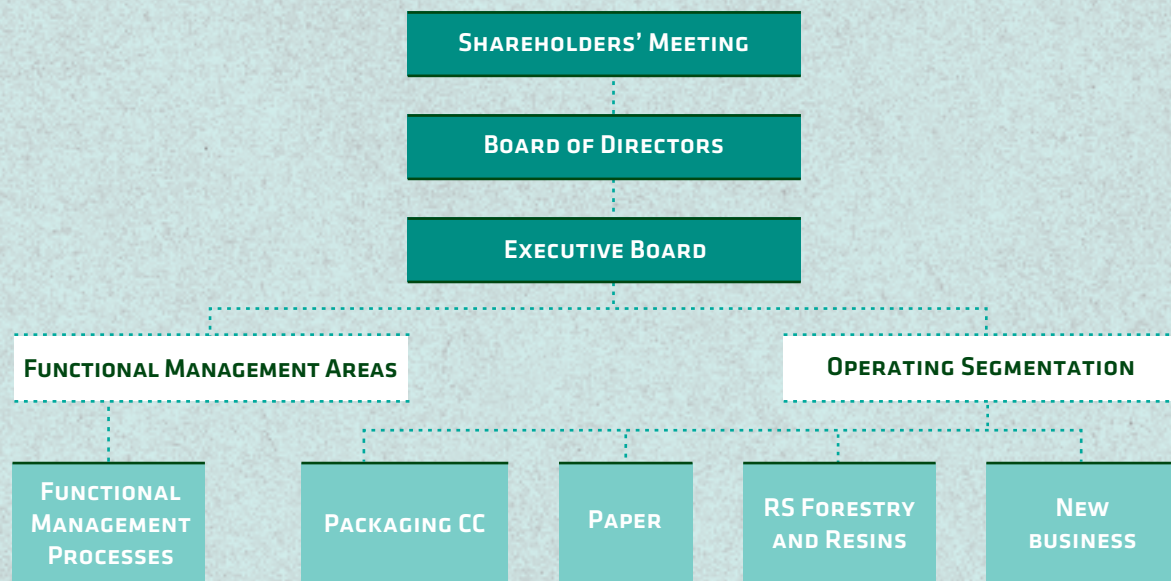


To check the consistency and integrity of its operations, the Company retains Independent Auditors who are responsible for issuing *The Independent Auditors' Report*, quarterly and annually.



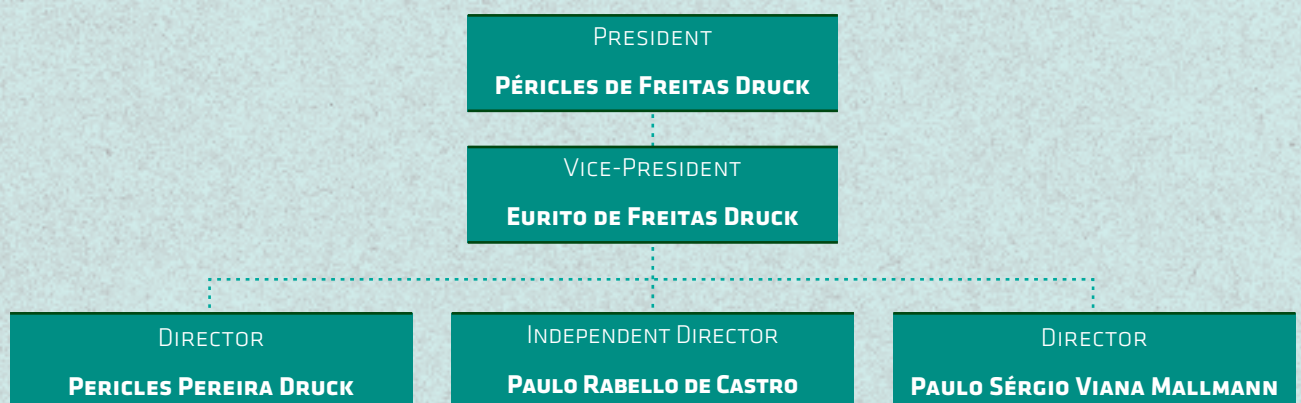
TO SEND SUGGESTIONS, QUESTIONS, RECOMMENDATIONS, OR REQUEST MORE INFORMATION VISIT THE INVESTOR RELATIONS SITE http://www.irani.com.br/en/fale_conosco, CONTACT US LINK. IF YOU PREFER TO SPEAK DIRECTLY WITH THE DIRECTOR OF INVESTOR RELATIONS HIS E-MAIL IS AVAILABLE IN THE LINK INVESTOR SHAREHOLDER SERVICES <http://www.irani.com.br/en/ri/info/service-for-shareholders>.

General Structure



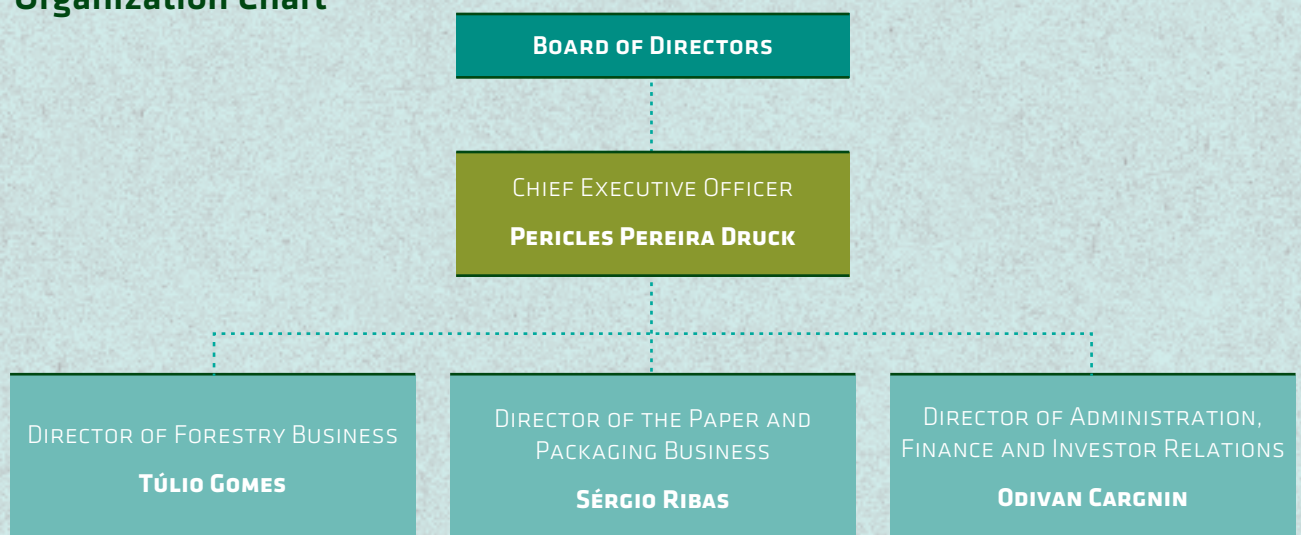
Finances, Accounting, IT, Procurement, Personnel Development, Marketing, Accounting, Market Intelligence, Innovation, Legal, Management for Excellence, Strategic Projects, EGP, Risk Management, Continuous Improvement, Investors Relations and Sustainability.

Organization Chart Board of Directors



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Organization Chart



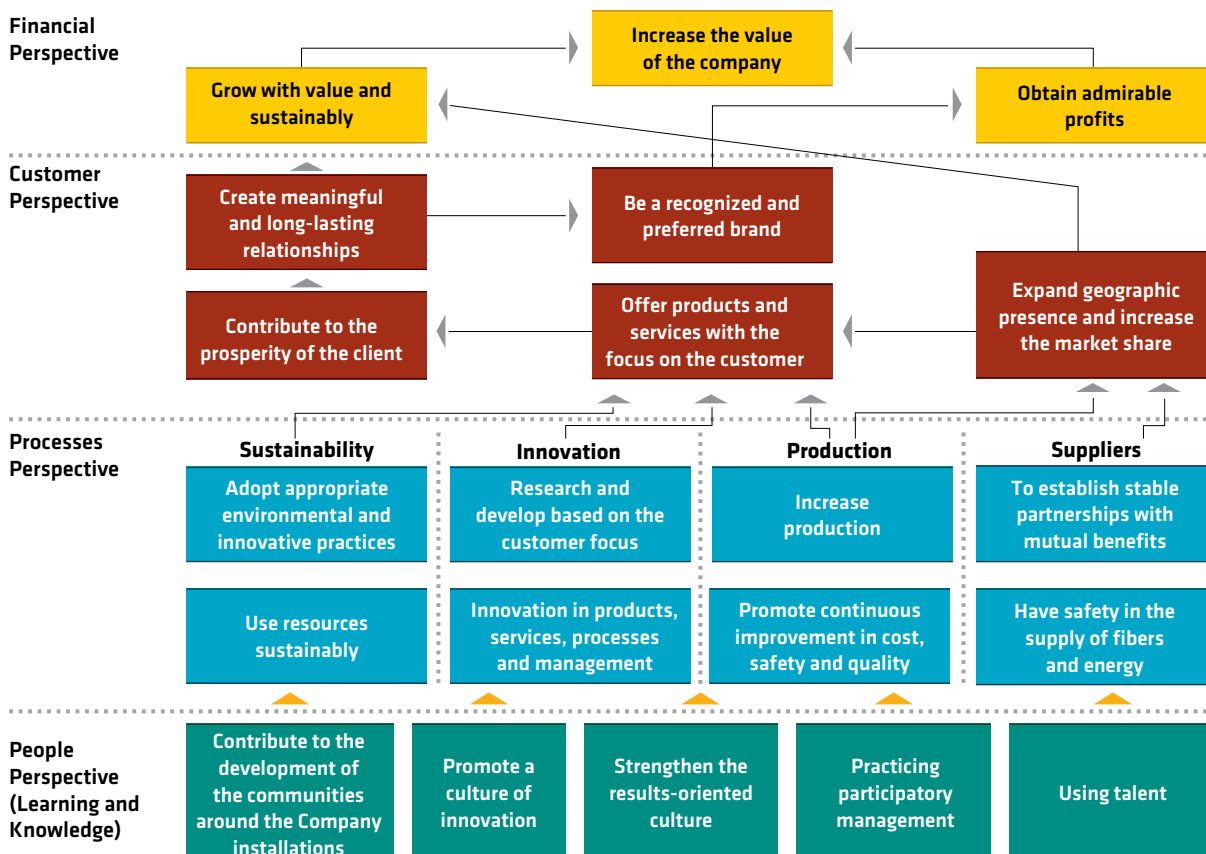
Management Approach

In its management, the Company adopts the *Lean Manufacturing* concept. Supported in the the PDCA cycle, *kaizen* actions are promoted in order to solve chronic problems that impact on the Company's strategy, aiming to build agile processes, with a low production cost and maximum quality. The biggest challenge is to promote cultural improvement aimed at the constant improvement of the Company, assisting in the deployment of daily improvement strategies, promoted by the employees themselves. People are at the center of all activities, which demands a challenging environment that promotes and constant training and development.

In 2012, the focus remained on the Model of Excellence in Management® (MEG), from the National Quality Foundation. New management practices were structured and implemented with the objective of strengthening the Company with a reference model for continuous improvement in the pursuit of the best practices, ensuring better results and a commitment to sustainability.

2012, saw the continuity to communication, implementation and monitoring of the strategy. Studies were completed for the Business Plan called "Project IRANI 2020," which includes the entire production chain, from the forest to the production of corrugated packaging. Technical studies for plants, global and national market research and potential niches, creation of investment scenarios for organic expansion and/or acquisitions in the coming years were carried out.

STRATEGIC PLANNING | CYCLE 2012-2016





Research and development is one of the ways IRANI uses for innovation

Innovation Management

IRANI believes that the path to differentiation is innovation. Continually pursues four types of innovation: the manufacturing process, product, business model and the management model. In 2012, Innovation Management was created, responsible for the Innovation Center and Corporate Research and Development.

The actions of the Innovation Center are developed through the IRANI Inova Program, structured to follow the Company's growth plan. The Center relies on the participation of employees, scientific and technological institutions, suppliers and customers. It covers initiatives such as the Ideas for Value Program (Programa Ideias de Valor), Innovation Enablers (Facilitadores da Inovação) and the Innovative Planet (Planeta Inovador) newsletter, dealing with topics related to the management of ideas, to competitive intelligence, to intellectual property, to the culture of innovation, to open innovation and project management.

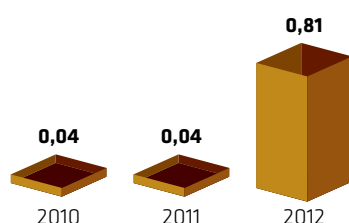
*Ideias
de Valor*

1,350
valuable ideas
were noted in 2012

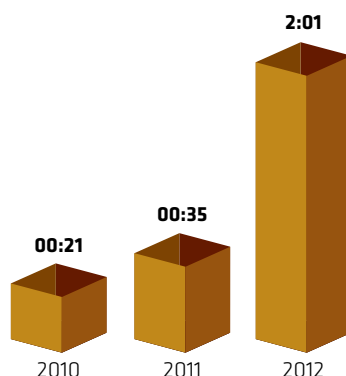
In 2012, it worked with the spreading the culture of innovation through the generation of ideas and training of employees on this issue. For 2013, the scope of the initiatives will be expanded in order to encourage open innovation.



GROWTH IN THE NUMBER OF IDEAS PER EMPLOYEE



NUMBER OF TRAINING HOURS IN INNOVATION (PER EMPLOYEE)



The **Value of Ideas Program** is responsible for managing ideas inside and outside IRANI. It is applied continuously, in addition to encouraging creators to foster innovation through their knowledge, improving financial and/or operational results for the Company, it seeks to recognize the efforts and reward them for it.

The **Innovation Facilitators** training program was launched in 2012 with a group of 97 employees who participated in training on issues related to innovation management. 21 meetings have been held, totaling more than 300 hours of training. These employees will be responsible for spreading innovation in IRANI.

Planeta Inovador is a Newsletter aimed at the Company leadership for the purpose of competitive intelligence work. In it, topics are published related to the management of innovation and the biggest and best technological innovations, newly launched or in the research and development stage. In 2012 there were 7 editions and 76 subjects published.

The Research and Corporate Development activities are developed through medium and long term surveys, in partnership with scientific and technological institutions. With topics aligned with the IRANI strategy and the corporate growth plan, the research focuses throughout the production chain, from the seeds to the corrugated packaging.

In 2012, we highlight the partnership that was started with the Federal University of Santa Catarina (UFSC) for the future construction of a research laboratory focused on surface applications in the Paper Mill and packaging areas. It is expected to achieve an increase of resistance, reducing moisture absorption and obtaining of new properties. This partnership model will grow gradually extending to other universities.

The research staff consists of three direct employees with master's degrees and doctoral degrees that focus exclusively on strategic research. The area also has the support of indirect researchers, through scholarships, for research projects aligned to strategic topics. IRANI has partnerships with over 100 universities nationwide.

THE PRODUCTS ARE
DESIGNED TO OFFER
INNOVATIVE AND
CUSTOMIZED SOLUTIONS
TO THE MARKET

CHALLENGE

2013:

proceed in a concrete and objective way for open innovation, obtaining partners for the development of innovative projects.

Sustainability Committee

The committee is made up of, currently, seven employees, representatives of various units. The main projects in 2012 were the completion of six *stakeholder* panels, creating shared value with the various stakeholders involved and interested in the Company business, the internal awareness campaigns for the rational use of natural resources, for the reuse of food and the conscious vote, preceding municipal elections, and the dissemination of the concept of sustainability for employees.

The mission of this committee is to promote everyday attitudes and innovative ways to build an economically viable company, that is environmentally sound and socially just, seeking high standards of governance based on transparency and ethics before the various stakeholders.

In 2013, the committee will reinforce the sustainability concept with partners from the value chain, especially customers and suppliers.





Celulose Irani is a company
that is mainly forest based

Code of Ethics

IRANI's activities, covering all industrial units, offices and subsidiaries, are permeated by the Code of Ethics which document values and commitments, aiming at a correct and transparent business operation with all interacting public.

The Ethics Committee was reformulated and a review of the Code of Ethics was began that will be completed in 2013. Training on this update, including issues such as human rights, corruption and conflicts of interest will be held throughout the year.

In order to maintain ethics and good conduct, developed through its business relationships with customers, partners and suppliers, IRANI condemns certain behavior on the part of their employees and administrators that may conflict with the values of the Company. Its Code of Ethics specifies the attitudes that characterize these conflicts of interest and are divided into: private interests, security of information and intellectual property, assets and Company resources security, trading in the Company's shares, giveaways, gifts, favors and other amenities, donations and sponsorships and professional secrecy.

The Ethical commitments assumed publicly with all stakeholders, the clear position on conflicts of interest, the role of the Ethics Committee, the monitoring of compliance and adherence to the principles adopted and the adhesion to the Pact for Integrity and Against Corruption and the Global Compact reflects the IRANI decisions to deepen the experience of its Mission and its Values.



THE CODE OF ETHICS, INCLUDING THE MEANS OF
COMMUNICATION AVAILABLE TO MAKE A MANIFESTATION,
IS AVAILABLE TO ALL INTERESTED PARTIES ON THE WEBSITE
<http://www.irani.com.br/en/info/code-of-ethics>.

Risk Management

In 2012, the practice of risk management and internal controls was adopted, identifying corporate risks and classifying them according to strategic, operational, financial and compliance perspectives. In this year, corporate risk assessment in IRANI was carried out, considering the frequency, the different types of impact and the various aspects of management.

Social-environmental risks are considered in the evaluation. The following subcategories describe the Company's concern with these aspects:

- **Social Responsibility** > absence or mismanagement of socially responsible activities;
- **Natural Events** > disasters caused by natural events, adverse weather conditions and global warming;
- **Environmental Management** > failure or lack of monitoring procedures likely risk to the environment and the community; and
- **Environment** > environmental practices that are not adequately treated or in violation of the laws in force.

The Climatic Change topic was assessed by Risk Management, but was not considered as a risk factor by the diagnosis of risks conducted in 2012.

Ethical issues are considered by the methodology, as well as the corruption issue considered as a risk factor.

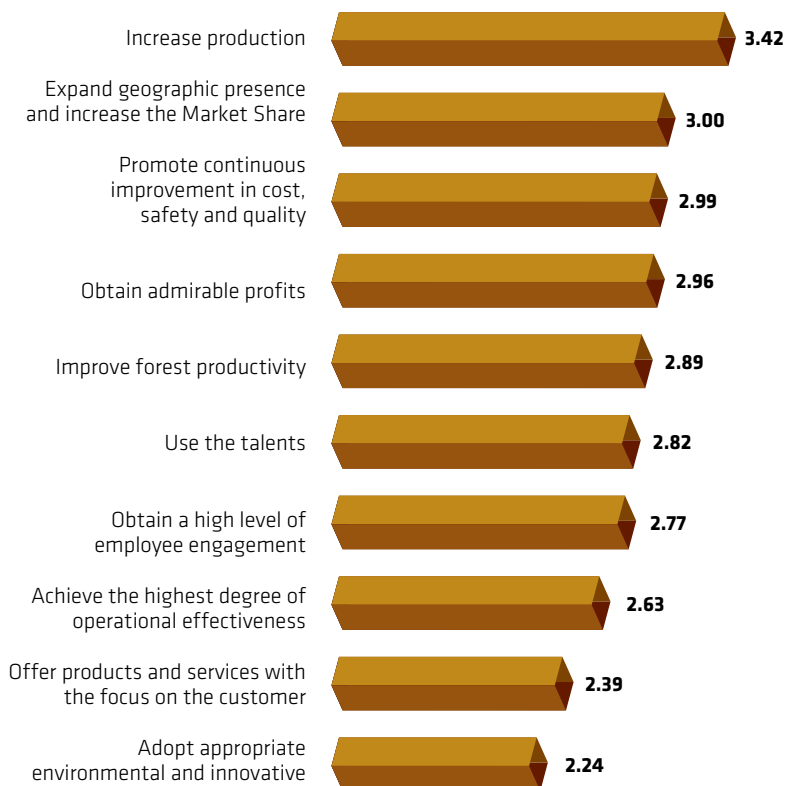
CLASSIFICATION OF CORPORATE RISKS

ESTRATÉGICO		OPERATIONAL		COMPLIANCE	
Corporate Governance:	<ul style="list-style-type: none"> Social responsibility 	Environment:	<ul style="list-style-type: none"> Natural events Environmental Management 	Ethics and conduct:	<ul style="list-style-type: none"> Internal fraud
Market dynamics:	<ul style="list-style-type: none"> Competition Market demand Macroeconomic factors Substitute Products 	Logistics:	<ul style="list-style-type: none"> Product Transport 	Internal:	<ul style="list-style-type: none"> Information Security
Strategic initiatives:	<ul style="list-style-type: none"> Implementation Monitoring 	Product:	<ul style="list-style-type: none"> Product Quality 	Regulatory:	<ul style="list-style-type: none"> Concessions and permits Environment
Related parties:	<ul style="list-style-type: none"> Customers 	Human Resources:	<ul style="list-style-type: none"> Development & Training Attraction/Retention 	Legal:	<ul style="list-style-type: none"> Contracts Work Relationships (employee and trade union) Tax
Research and Development:	<ul style="list-style-type: none"> Innovation Long Term Planning 	Asset Security:	<ul style="list-style-type: none"> Fixed Assets Other tangible items 	FINANCIAL	
Planning and Resource Allocation:	<ul style="list-style-type: none"> Organizational Structure Strategic Planning Operational Planning 	Supplies:	<ul style="list-style-type: none"> Supply Inventory Quality of supplies 		
		Technology and Information Security:	<ul style="list-style-type: none"> Availability and Continuity Infrastructure IT Obsolescence 		
		Sales:	<ul style="list-style-type: none"> Customer Relations 		
		Health and Safety:	<ul style="list-style-type: none"> Occupational Health 		
				Credit/Liquidity and Investments	<ul style="list-style-type: none"> Credit and collections
				Capital Structure:	<ul style="list-style-type: none"> Debt
				Market:	<ul style="list-style-type: none"> Foreign currency (exchange) Interest Rate

From the analysis carried out for risk management it was possible to identify the main challenges and opportunities of the Company and to identify the main risks linked to strategic objectives, as shown in sequence. Each process mapped the results are presented to the Executive Board. For 2013 the challenge has been to intensify this practice of involving the Executive Board, finalize the mapping of all processes, review the corporate risk in adherence to the strategic plan, develop leadership for risk management and internal controls, implement risk management policy adhering to Corporate Governance processes, manage opportunities for improvement and recommendations to be implemented by the areas and achieve greater efficiency and effectiveness of the Company's processes.

RISK MANAGEMENT PROVIDES IRANI WITH A SYSTEMIC RISK OVERVIEW IN THE PROCESSES AND TO SUPPORT THE STRATEGIC DECISIONS

24



Note: On a scale of 1 to 5, with 1 being the one with the lowest frequency and impact and 5 with the highest impact and frequency.

Intangible assets

Throughout its history of over 70 years, IRANI recognizes the importance of its intangible assets as essential to create shared value and to strengthen its market position, aligned with business strategies.

In 2012, it adopted a specific methodology for identifying their main intangible assets, in addition to analyzing the practices adopted to protect them and develop them.

Corporate Policies

IRANI has a set of defined policies, aiming to align the culture and conduct, as well as the improvement of its management practices.



VISIT <http://www.irani.com.br/en/info/corporate-policies>
AND GET TO KNOW THE CORPORATE POLICIES.

Business

Its business is marked by a commitment to sustainability and ethical and transparent relationships. It acts in a different way in the market, constantly seeking solutions in weight reductions and the area in its projects, the reduction of raw materials in manufacturing and process optimization.

Its products are biodegradable and recyclable, designed to provide customized and innovative solutions to market.

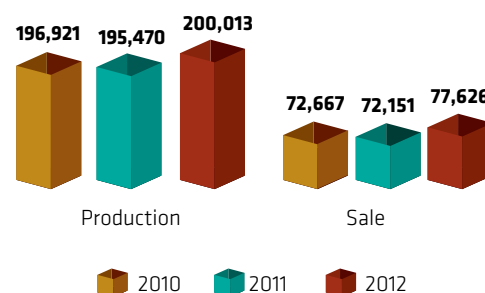
Paper

It manufactures kraft paper from 30 to 200 g/m² in the FineKraft, FlashKraft, FlatKraft, FlexiKraft and FancyKraft lines. It uses unbleached and bleached virgin fiber and provides brown kraft papers with a choice of weights in white and other colors.

The plant is located in Vargem Bonita (SC) and has the FSC Chain of Custody certification which allows the manufacture of its products with the FSC seal, as it uses certified and controlled raw materials in its manufacturing process.

According to the Brazilian Association of Pulp and Paper (BRACEL-PA), the *market share* in 2012, considering the production of packaging paper, was 3.91%.

PRODUCTION AND TOTAL SALES OF PAPER (IN TONS)



Note: Part of the paper production is responsible for the supply of industrial packaging plants to be transformed into sheets and cartons.

The main customers are independent converters and cater for the bakery, coal, sugar segments, seeds with the manufacture of bags and large retailers with the manufacture of bags. The envelopes, adhesive tape segments and papers for special applications such as plotter for clothing and paint masking are also catered for with specific lines of paper.

Indicated as being suitable for direct contact with food, the papers are produced with 100% virgin fiber and meet the requirements of ISEGA, RoHS Directive and Ordinance no. 177/99 of Anvisa. It also produces recycled paper derived from chippings.



IRANI Paper:
biodegradable
and recyclable

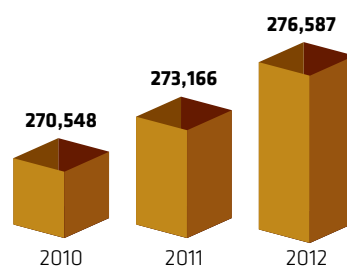


Packing

The Company manufactures sheets and corrugated packaging, using various weights of paper. The Company also produces the *Hard System* that allows the packaging of large size and offers a high mechanical strength.

It has two plants for manufacturing corrugated cardboard products in the cities of Vargem Bonita (SC) and Indaiatuba (SP). The packaging is certified by the FSC Chain of Custody, ensuring that the whole process used certified and controlled raw materials. There is monitoring from the forest to the marketed product, in accordance with the requirements of this certification.

THE GROWTH OF PACKAGING SALES (THOUSAND M²)



IRANI packaging is aimed primarily at the food market, including meat, oils and fats, dairy products, *fast food*, pasta and biscuits. It also sells to the beverage, plastics, rubber, textiles, leather, footwear, clothing, pharmaceuticals, perfumery and chemical industries. It also has a market share in the sheets that are sold to independent converters.

According to the Brazilian Association of Pulp and Paper (BRACELPA), in 2012 the *market share*, measured in square meters of corrugated board, remained at 4.38%.

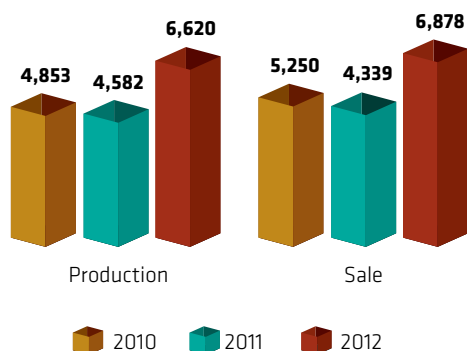
26

Resins

From the resin extracted from the *Pinus species* IRANI produces, rosin and turpentine, products used in the preparation of varnishes, paints, soaps, glue, adhesives, insulating materials, explosives, chewing gums, waxes and others. Both are intended, mainly, for foreign markets such as Europe, North America, South America and Asia.

The unit is located in Balneário Pinhal in Rio Grande do Sul, with a daily production capacity of 50 tons of rosin and 15 tons of turpentine.

TOTAL PRODUCTION AND SALES OF ROSIN AND TURPENTINE (IN TONS)




Resins Unit- production of Rosin and Turpentine

Forestry

The main objectives of the forestry business are to sell wood in the regional market and supply the production lines of the industrial units in Santa Catarina and Rio Grande do Sul

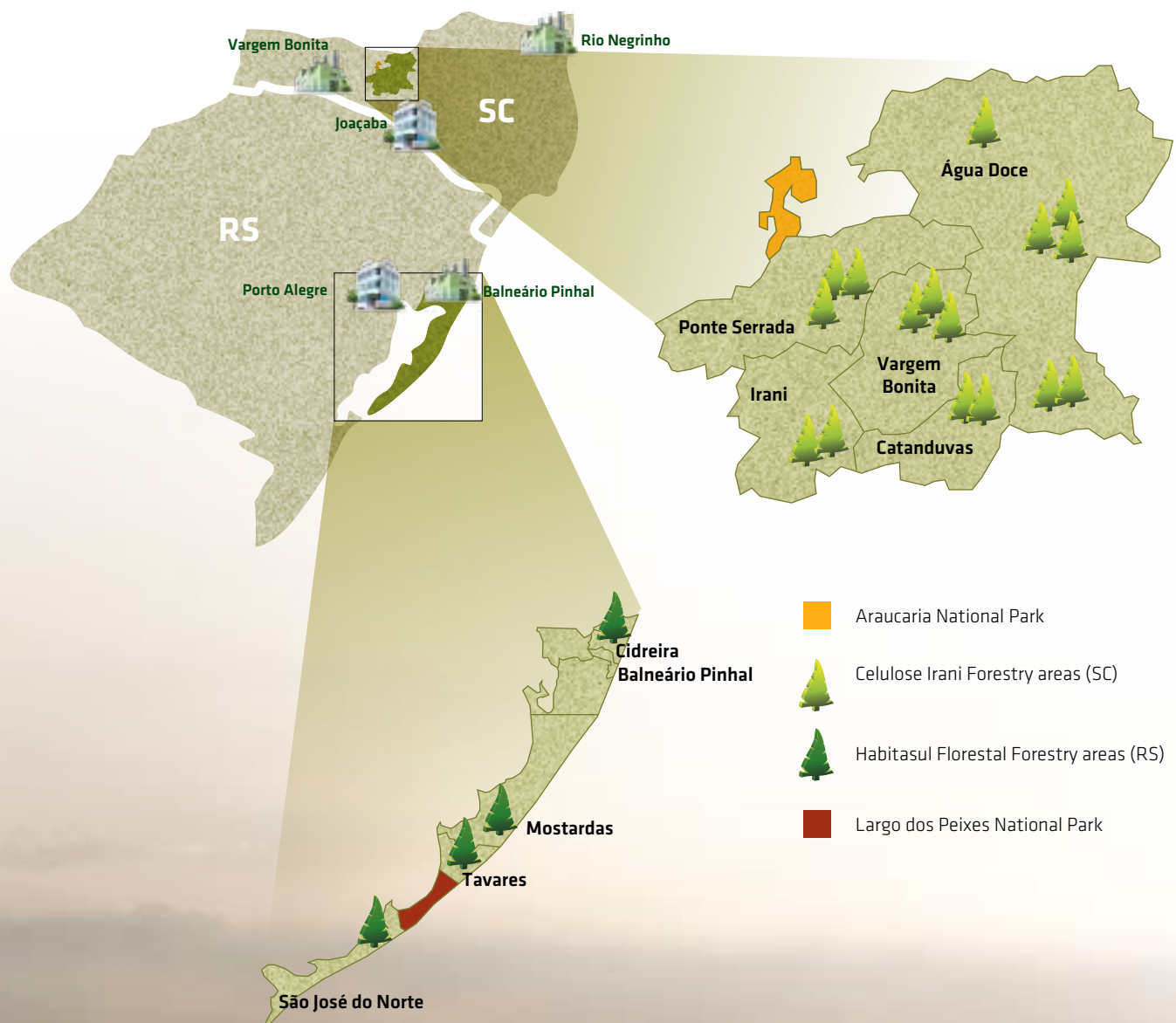
Besides ensuring renewable raw material for the manufacture of its products, the management of planted forests assists in the preservation of native forests and the maintenance of local biodiversity.

The Forestry operations located in western Santa Catarina are located in areas covered by the Atlantic Forest biome. Among the forestry compositions existing in this biome, the Araucaria moist forests is predominant. In Rio Grande do Sul, these operations are located near the coast, in areas characterized by the formation of dunes and salt marshes.



Forests that are
managed in accordance
with best practices

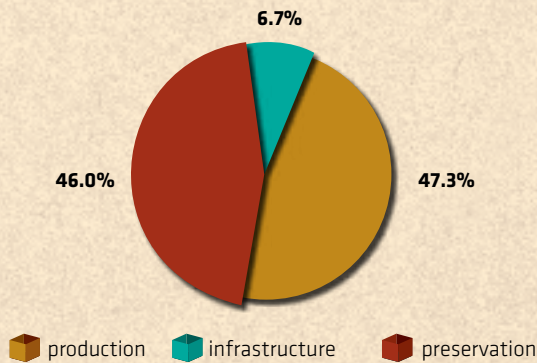
IRANI FORESTRY AREAS



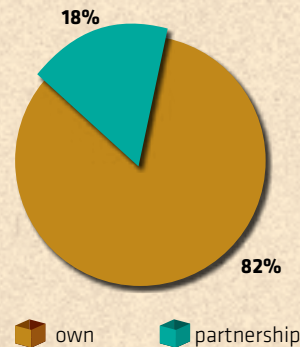
Santa Catarina Forestry areas

The Company's own forestry areas comprise a total of 29,781 hectares, distributed across five municipal areas.

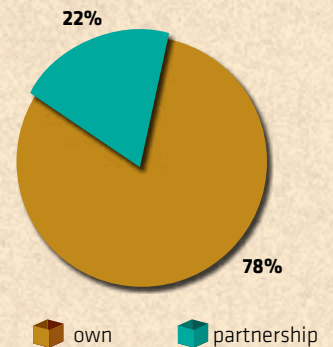
LAND USE IN SANTA CATARINA



PINUS SPP.



EUCALYPTUS SPP.



In 2012, an aerial survey of the areas was carried out to obtain high-resolution images which were georeferenced and orthorectified. These images, besides being updated, ensure a better accuracy in the results obtained of the digitizing processes of the land use.

The Forests or the company's managed units, in Santa Catarina, have been certified by the FSC since 2008. This ensures that 60% to 70% of all wood used in pulp production is certified. The other woods used are considered to be controlled source and undergo an assessment regarding the attendance of the wood purchasing policy, origin and environmental requirements.

Part of their property is adjacent to or is partially inside the Araucárias National Park, a federal conservation unit that was created in 2005. IRANI is part of the Advisory Board of the location and helped with the preparation of its Management Plan.

The Forestry Partnerships Program is an alternative for generating income for the surrounding communities. The partnerships that were initiated were maintained and new contracts were not signed. All partners were visited, with the goal of having their forest management activities assessed.

All IRANI forestry areas are mapped. In 2013, a project will be started for monitoring the drainage basins that are part of the coverage areas, in order to monitor water quality.

2013

GOAL

Resume the search for new partners with the provision of planting 700 ha. in SC.

Fire Protection

To control and fight fires, IRANI has a Forest Fire Brigade, composed of nine fire-fighters, a truck to support and fire fighting equipment. As a prevention and fire fighting strategy, in 2012, acquired a watchtower in the forest allowing for a larger view of the Company's areas and bordering areas. There is also a partnership with the Volunteer Fire Department of the city of Irani (SC), through a cooperation agreement that ensures financial support in instances of in fire fighting, in training and in the lectures.

Since 2003, two processes have been underway in the Federal Court relating to events that occurred more than a decade ago: a civil action and a criminal action. Both declared the occurrence of alleged environmental damage and have had the First Degree sentences handed down. The decision of the criminal action has already been disclosed in a previous Sustainability Report, in the civil action, there was the determination that the companies; Celulose Irani SA and Indústria de Madeiras Faqueadas Ipumirim S.A. recover the damage perpetrated in the degraded area by submitting Recovery Plan of Degraded Areas (PRAD). The Company will appeal against this decision to obtain the revocation of the process without any penalty, as at that time, it obtained the necessary environmental permits to remove from its properties a few trees that had fallen due to storms, which are common in the region. The removal of trees, were indeed was carried out by another company, had no economic objective, as the amounts involved were not and are not representative in the company's sales. Importantly, recent studies have indicated that the area where the fallen trees were removed is an example of conservation, in a forest having a high environmental richness.

IRANI and its subsidiary Iraflor Comércio de Madeiras Ltda. signed in 2011, a Terms for the Adjustment of Conduct (TAC) because of the planting of exotic species in permanent preservation areas. Companies assumed the committed to realize the recovery of these areas, the environmental suitability of forest partnerships and the creation of a Private Natural Heritage Reserve (PRNP).

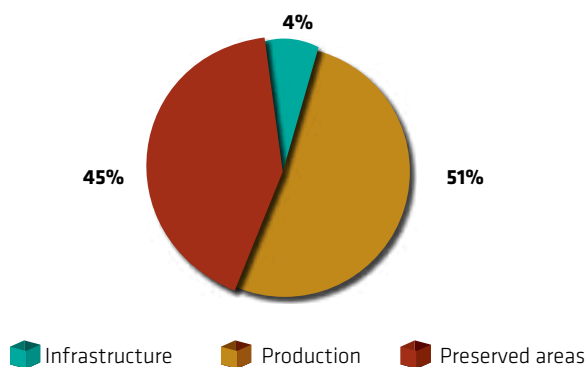
The creation of the PRNP was filed in 2012. There are 285 hectares of preserved native forest, located in Vargem Bonita (SC), in the Campina da Alegria Farm. This space will be dedicated to environmental education and fauna and flora studies. In the areas covered by the TAC, will have implemented in 2013, restoration projects with flora enrichment techniques, seeking the restoration of conservation areas in accordance with environmental regulations. The obligations assumed by the TAC have been fulfilled within the time limits set out in that document.

Forestry areas in Rio Grande do Sul

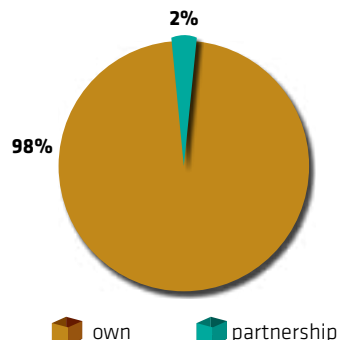
Distributed in five municipalities, the forestry areas in Rio Grande do Sul totaling 16,608 hectares, 16,341 hectares of own areas and 267 leased. The areas destined for production are interspersed with areas of conservation, defined as Permanent Preservation Areas (APP) and native vegetation.

The process of defining the legal reserve areas and the environmental agency protocol were completed in April 2012. The areas were defined, and the process analysis is waiting approval by the State Department of Forests and Protected Areas (DEFAP).

LAND USE IN RIO GRANDE DO SUL



PINUS SPP.



Note: in Rio Grande do Sul, the planting of Eucalyptus spp. is carried out in the Company's own areas.



THE **PUBLIC SUMMARY OF THE FOREST STEWARDSHIP PLAN** CONTAINS INFORMATION ABOUT THE ACTIVITIES OF THE IRANI FOREST AND IS AVAILABLE AT THE LINK <http://www.irani.com.br/en/info/forest>.

Iraflor

Founded in 2011, Iraflor Comércio de Madeiras Ltda. conducts operations management and the marketing of woods and forests for the parent Celulose Irani SA and also for the market.

Habitasul Florestal

Company controlled by IRANI engaged in harvesting, processing and marketing of wood in general, only in Rio Grande do Sul, while still providing *fresh* resins for the IRANI Resins Unit.

HGE - Geração de Energia Sustentável Ltda.(Sustainable Power Generation Ltda)

Established in 2010, this Company is not yet in operation, but has two development projects which together have an installed capacity of 138.60 MW. In 2012, the Company acquired the Pinhal Wind Farm project in Palmares do Sul (RS).

- The Cidreira Complex, located in the municipality of Cidreira (RS) has an installed capacity of 67.2 MW. This project has its preliminary license suspended because of a Preliminary Injunction and a civil action is in progress. We intend to perform an agreement to facilitate the undertaking.
- The Cidreira-Pinhal Complex, located in the municipalities of Cidreira and Balneário Pinhal (RS), has an installed capacity of 71.4 MW. Project under consideration for the issue of a preliminary license by the state environmental agency (FEPAM) since December 2011.
- Pinhal Wind Farm, located in the city of Palmares do Sul (SC), has an installed capacity of 22.0 MW. This project has an installation license and the other requirements that are necessary.

In 2013, it is expected to overcome the difficulties of environmental licensing of projects and Cidreira Complexo and the Cidreira-Pinhal Complexo so that in the coming years, the projects come into operation. However, for the Pinhal Wind-farm project, it is expected to have an equity partner for the park to come into operation.

IRANI Trading S.A.

Exports, on its own behalf or that of third parties, goods, products, commodities and real estate activities. Its main customer is IRANI.

Major markets served

Paper

FOREIGN MARKETS

South America (Argentina, Paraguay, Chile, Uruguay, Colombia, Peru, Bolivia, Venezuela), Africa (South Africa, Nigeria, Ghana and Sudan), Europe (Belgium, Germany, Netherlands and Turkey), Middle East (Egypt, Saudi Arabia, Bahrain, UAE, Lebanon, Pakistan and Syria) and Asia (Malaysia, South Korea, Hong Kong, Taiwan, Singapore and Indonesia).

DOMESTIC MARKETS

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

Packaging

DOMESTIC MARKETS

Distrito Federal, Goiás, Mato Grosso, Mato Grosso do Sul, Minas Gerais, Paraná, Rio Grande do Sul, Santa Catarina and São Paulo.

Resins

FOREIGN MARKETS

Chile, United States, Canada, Germany, Netherlands, Portugal, Spain, France, India and Japan

DOMESTIC MARKETS

Rio Grande do Sul, Santa Catarina, Bahia and Ceará.



VISIT <http://www.irani.com.br/en/info/external-initiatives>
AND DISCOVER THE COMMITMENTS TO THE EXTERNAL INITIATIVES.



Social and Environmental Responsibility



WE ARE PROMOTING AGENTS AND MULTIPLIERS OF
FINANCIAL, SOCIAL, ENVIRONMENTAL, COMMUNITY
AND PERSONAL DEVELOPMENT.

Communities

The surrounding communities are defined as municipalities where employees reside and they are subject to live with some kind of impact, positive or negative, as a result of the Company's activities.

Present for over 70 years in Santa Catarina, the Company has a great influence in the region and is perceived as a competent company, generating employment and income for the surrounding municipalities with environmental responsibility.

Communication with communities occurs through representatives of the Company in these locations. In Campina da Alegria, this is done through the management area of the Village, The Open Talk Newspaper and sporadic meetings with members of the Board of the Association of Campina da Alegria Residents (AMOCA) and with the locals. These communication tools are available to the community. The Open Talk Newspaper in 2012, become even more interactive materials suggested by the community, including social and environmental issues.

Investments in social projects

2010	R\$ 223,603.88
2011	R\$ 199,601.49
2012	R\$ 202,534.62

The social investments are focused on these communities in initiatives that contribute to the reduction of social inequalities and the development of children and youths in the areas of citizenship, sport, culture, education and environmental preservation.

The relationship with the surrounding communities in the vicinity of industrial plants in São Paulo and Rio Grande do Sul has been strengthened and is a challenge for 2013.

In 2012, the methodology for identification of social aspects and impacts that the IRANI operations cause the surroundings was reformulated. This methodology was implemented in industrial and forestry units and the corporate office.

**Broto do Galho
Products:
sustainability
and innovation**

Besides external research with communities, the internal analysis of potential impacts and the development of action plans to mitigate them was incorporated. This new methodology assists in defining the relevance of social issues, as well as the alignment of the practices of the Company to the expectations of the communities, guiding decisions and the implementation of projects and continued investments. This is a preventive measure, especially in operations that are most likely to cause any significant negative impact.

Search to invest in social programs and projects developed by solid institutions with which we can build long lasting partnerships. Among the partnerships include: The Sesi Program Atleta do Futuro, Broto do Galho and the support and donations to local institutions.

BROTO DO GALHO REUNITES
CRAFTSMEN IN THE
COMMUNITY CAMPINA
DA ALEGRIA IN VARGEM
BONITA, IN THE MID-WEST
OF SANTA CATARINA
THAT ASSOCIATIVELY
MANUFACTURES
HANDMADE WORKS FROM
INDUSTRIAL WASTE

Broto do Galho Project

Four years ago, the Broto do Galho was born as a way to generate productive jobs and extra income to artisans residents in Campina da Alegria in Vargem Bonita (SC), through the development of handicrafts made from industrial waste. Throughout the year, the artisans participated in training and industrial events. In 2012, there was a change of the softstarters to another property in Campina da Alegria, that was larger and more suitable for the production of handicrafts. Similarly, the highlights are the partnerships with *e-commerce* portals for selling Broto do Galho products.

LEARN MORE ABOUT THE BROTO DO GALHO:



www.brotodogalho.com.br



www.facebook.com.br/brotodogalho



brotodogalho@brotodogalho.com.br



Broto do Galho Products:
produced by craftsmen in
the community surrounding
Celulose Irani



IRANI encourages sports and citizenship training in children and young people

SESI Athlete of the Future Program (PAF)

Conducted in partnership with SESI, it is focused on children and young between 6-15 years participating in various sports activities implemented as its own methodology of the program and are addressed as cross-cutting issues relating to health, education, entrepreneurship and sustainability. The PAF centers in the localities of Campina da Alegria in Vargem Bonita (SC), Irani (SC) and Ponte Serrada (SC) are supported. In 2012, this partnership was extended to Indaiatuba (SP) and, in 2013, will start in Balneário Pinhal (RS), always with the support of local governments.

Participants of the PAF in Campina da Alegria (SC)

AVERAGE ANNUAL NUMBER OF CHILDREN AND YOUTHS PARTICIPATING IN THE PAF IN 2012





SOCIAL PROJECTS SUPPORTED BY IRANI

PROJECT	DESCRIPTION	AMOUNT INVESTED IN 2012 (IN REAIS)											
Abrigo do Coração (Shelter for the Heart)	Monthly financial support to help maintain the activities of the Shelter installed in Joaçaba (SC), which has the objective to shelter people free of charge, who are receiving medical treatment and their companions.	6,000.00											
ÁGUIAS (EAGLES) – Association of Physically Disabled Persons – Águias of Concordia	The independence and resilience are the main objectives of the development of adapted sports activities developed by these associations.	12,000.00											
ARAD – Regional Association of Disabled Athletes in the Midwest Region of Santa Catarina													
AJOV – Volleyball Association Joaçabense	Development of initiation cores core to the volleyball practice with girls between 8 and 12 years in Joaçaba (SC).	9,000.00											
Broto do Galho	Training of a group of artisans in the basics of management and recycling of industrial waste for processing into handcrafted decorations and utilities.	2,760.92											
Open Conversation Journal	Communication channel that circulates monthly in Campina da Alegria in Vargem Bonita (SC), in which matters are disclosed relating to the location and the Company.	9,258.00											
Junior Achievement	Partnership in the states of Santa Catarina, São Paulo and Rio Grande do Sul to stimulate corporate volunteering, spreading issues related to sustainability and entrepreneurial spirit in young people of school age.	48,000.00											
	<table> <tr> <td>No. of volunteers in</td><td>Number of volunteer hours in</td><td>No. of participating students in</td></tr> <tr> <td>2010: 18</td><td>2010: 183</td><td>2010: 366</td></tr> <tr> <td>2011: 17</td><td>2011: 230</td><td>2011: 435</td></tr> <tr> <td>2012: 31</td><td>2012: 284</td><td>2012: 859</td></tr> </table>		No. of volunteers in	Number of volunteer hours in	No. of participating students in	2010: 18	2010: 183	2010: 366	2011: 17	2011: 230	2011: 435	2012: 31	2012: 284
No. of volunteers in	Number of volunteer hours in	No. of participating students in											
2010: 18	2010: 183	2010: 366											
2011: 17	2011: 230	2011: 435											
2012: 31	2012: 284	2012: 859											
SESI Athlete of the Future Program (FAP)	A partnership with Sesi in the states of Santa Catarina and São Paulo, with the goal of developing citizenship through sports and addressing common themes with children 6-15 years.	89,355.00											
Young Apprentice Program	The initiation and professional development are the main objectives of this program. In 2012, 33 young people aged between 17 and 18 years, attending high school or completed, were part of the framework for apprentices in the units of Santa Catarina, São Paulo and Rio Grande do Sul Priority is given to filling vacancies for apprentices for the children and families of employees. In 2013, the group of apprentices increased to 35 young people.	14,750.70											
Environmental Guards	Training of 27 young people between 12 and 14 years as multipliers and environmental advocates. This was held in Campina da Alegria (SC) and had as partners; Environmental Police from Concordia (SC), Galeazzo Paganelli School and the Vargem Bonita Town Hall (SC).	11,410.00											
Total		R\$ 202,534.62											



Specific initiatives supported by IRANI

Support for APAE Joaçaba (SC)

In 2012, the Friends of Exceptional Children (APAE) in Joaçaba held the 7th Barbecued Pig party. 10 employees were mobilized who devoted approximately 98 volunteer hours to this initiative. The institution is a regional reference for people with disabilities and operates the Festival in order to raise funds for the maintenance of the institution. IRANI donated funds and materials for the event which made a profit of R\$ 36,800.00

Christmas campaigns

Encourages its employees to become involved in the National Santa Claus Post Office Campaign. In 2012, the letters brought to the premises of the Company were from the municipalities of Joaçaba, Concórdia, Ponte Serrada e Vargem Bonita, located in the surrounding industrial units in Santa Catarina. Altogether, 99% were sponsored by employees.

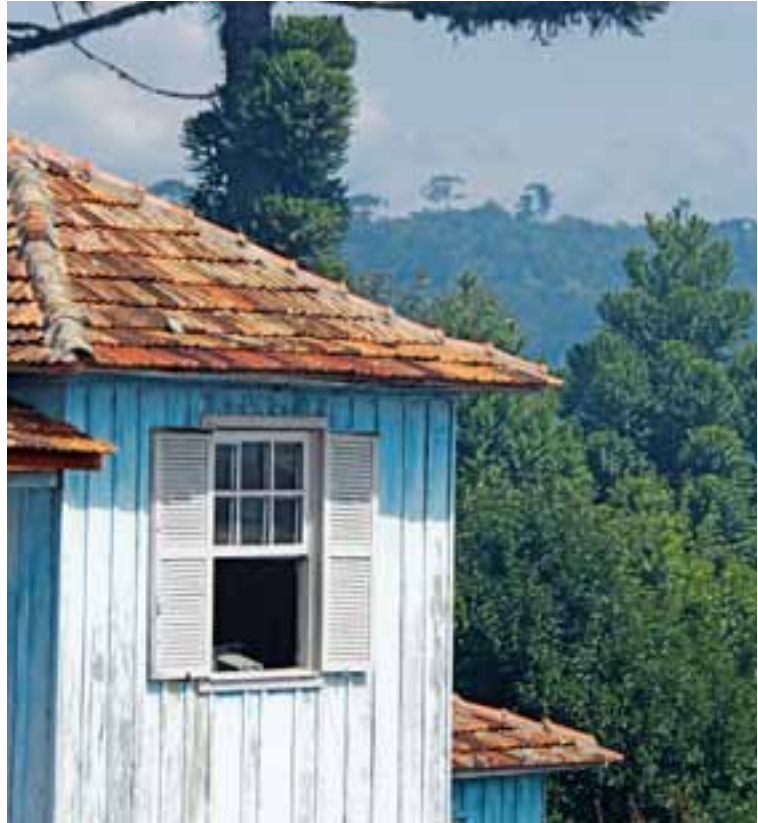
Solidarity campaigns

Two solidarity campaign were internally developed in the Vargem Bonita Units the Office of Management and Finances. The first worked on the collection of warm clothing and blankets, which resulted in the distribution of 1,880 items to the residents of the surrounding communities, while the second campaign focused on the collection and distribution of 217 toys for Christmas for children in these communities.



Donations in general

Based on the Social Responsibility Policy, make donations in their communities around the factory. In 2012, the total value was R\$ 25,958.94. In 2011, this value was R\$ 10,350.00.



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Revitalization Project for Campina da Alegria

This community is located in the vicinity of industrial plants in Santa Catarina and is comprised of properties owned by Irani Trading SA, a company controlled by Irani.

In 2012, a *software program* for managing rental property was implemented.

IRANI interfaces with the local government to promote initiatives that promote the well-being of residents, such as socio-cultural events and viability of the works cited above. This support promotes a historical review for the community and encourages integration actions and cultural development.

Apart from residences and commercial establishments, there are also other buildings used for the provision of services to the community, owned by institutions that are installed there.

This revitalization project aims to promote improvements in the infrastructure of the community and provide welfare to its residents. The planning of works and inspections are the responsibility of IRANI while the works are carried out by service providers. Whenever possible, the hiring of services and purchase of materials from establishments it prioritized from the surrounding communities.

In 2012, investment in construction was R \$ 1,556,036.18, being 13 renovations of buildings and four new buildings. These new projects include the construction of a catchment system and the reuse of rain-water.

2013 GOAL

Register of all residents of Campina da Alegria with the goal of obtaining the demographic profile.

2013 GOAL

Deliver nine new properties in Campina da Alegria.



An important sanitation project was carried out in 2012. The system installed makes use of an anaerobic filter with UV lamps, increasing the degree of treatment of the sewage. The substitution of the water duct that belongs to the Companhia Catarinense de Água e Saneamento (Casan) was carried out, responsible for the water supply to the community. The new structure is more resilient and responsive to current standards.

The program “Renewing Campina: IRANI and your family doing it together” was launched in 2012 as an initiative to promote improvements in the community with the painting of real estate through a partnership between the residents and the Company. The IRANI engineering area evaluated the properties registered in the program and quantified the necessary materials that were acquired by the Company and delivered to the family, responsible for doing the painting within an agreed time scale between the parties. The closure is given in the form of a small get together party with the family. Before the official launch of the program, 10 families had already sealed a similar partnership with IRANI. By January 2013, three family groups were officially included.

Throughout the year, various common use spaces in Campina da Alegria were revitalized with the help of partners such as the Association of Residents of Campina da Alegria (AMOCA), Association of Parents and Teachers from the Basic School Galeazzo Paganelli, Military Police and the City of Vargem Bonita. These actions were only possible by the optimization of human and material resources available and often, through the volunteer work of community members.

The central plaza received the installation of new benches and garbage cans, gardening projects and the playground was renovated. As a preventive action to reduce traffic accidents, crosswalks were marked around this space and traffic signs installed at specific points around the village.

The IRANI Club Irani was also recovered and has adequate space for holding events, sports and socio-cultural events in its facilities, where today theater and choir workshops are held. In a space attached to the club, the *FitnessCampina* gym was opened and is available to the community.



A large clean-up campaign was carried out in Campina da Alegria. Churches, the town square, cemetery, football field, around the sports and recreation complex and vacant lots were cleaned and had the grass cut. Altogether, more than 46 tons of debris were removed with the aid of machines provided by IRANI. Moreover, approximately 50,000 m² of grass was cut, the equivalent of about 10 football fields.

In early 2013, the program “Family Garden was launched: cultivate health at home”, with the aim of stimulating the quality of life for residents of Campina da Alegria. This program provided seeds given by the Secretary of State for Rural Development and Agriculture of Santa Catarina, encouraging household consumption of these foods grown in the garden.

In 2012, the village bakeries started using bread bags with paper produced by IRANI. This initiative was made possible through a partnership between the commercial area of the Company and Casa Sol, which together have donated more than 50,000 bread bags to these establishments.

Throughout the year, training opportunities were offered to the community. The artisans of the Broto do Galho and traders in the Vila could participate in courses taught by Brazilian Service of Support for Micro and Small Enterprises (Sebrae) which dealt with topics such as marketing and sales techniques.

Through discussions between IRANI, The School of Basic Education Galeazzo Paganelli, the Education Management in Joaçaba and SENAI with the relevant bodies, 35 young high school students were awarded the course of Electrical Engineering. From these young people, 28 belong to the community of Campina da Alegria and seven are from the city of Irani (SC), which provides transportation and encourages the training of these young people. The course is part of the National Program for Access to Technical Education and Employment (Pronatec) and is performed in before/after school hours on the premises of the School.



Broto do Galho Artisan


In 2012, the amount of R\$ 430,755.52 was transferred to the City of Vargem Bonita (SC) relating to the Tax on Services (ISS). This amount represented 2.75% of the total collected by the municipality. In 2011, the amount transferred represented 2.35% of the total collected by the municipality.

In 2002 a complementary law was passed in the municipality of Vargem Bonita (SC) in which the responsibility was transferred to IRANI to withhold the payment of 3% from payments to its providers in cases of ISS payments. Of this percentage, IRANI destined 2.5% to the municipality and 0.5% to AMOCA as a way to encourage the development of the Campina da Alegria community.

In 2012, this contribution totaled R\$ 82,603.16. The funds were used for different actions in the village such as the acquisition of equipment and renovation of CampinaFitness gym, community participation in sports tournaments, plus adjustments in the area of the cemetery and equipment for the provision of free *wireless internet* in the central square.

In 2012 Irani allocated, R\$ 111,371.41 for cultural projects through incentive laws.

Law of incentive	Location	Value
Rouanet Law	Porto Alegre (RS)	R\$ 100,000.00
Cultural Action Program SP (PROAC)	Indaiatuba (SP)	R \$ 11,371.41



Araucaria: one of the most beautiful trees, typical of southern Brazil

Environment

The environmentally responsible production is an IRANI commitment. Seeks to ensure that its activities are consistent with the applicable environmental legislation. Adopts various measures in order to minimize the environmental impacts caused by their activities. In 2012, the main project implemented was the Life Cycle Analysis (LCA) of the Fine Kraft 35gr paper and corrugated packaging. Still in progress, this project will identify in more detail the impacts generated by the manufacture of this product throughout its production chain. In early 2013, an audit will be conducted in order to verify and validate the results obtained in 2012.

Targets linked to environmental indicators of reduction in the generation of waste water were extended to all employees, in 2012, they achieved a significant result.

The process of adapting to the implementation of ISO 14001 began in the industrial units in Santa Catarina and São Paulo. The intensification of quality control of the ground and water resources is highlighted, realized through the implementation of monitoring wells, the drilling of the ground and the adequacy of existing containments. At the SP Unit Packaging, was also held in 2012, the external pre-audit with the aim of identifying potential weaknesses and plans for corrective and preventive action, considering the certification.

The Clean Development Mechanism (CDM) projects were kept. The Cogeneration CDM is in the revalidation process at the United Nations (UN).

The sustainability actions promoted by the Company have resulted in several recognitions, these are available for consultation on the link <http://www.irani.com.br/pt/info/premios-e-reconhecimentos>

Solid Waste

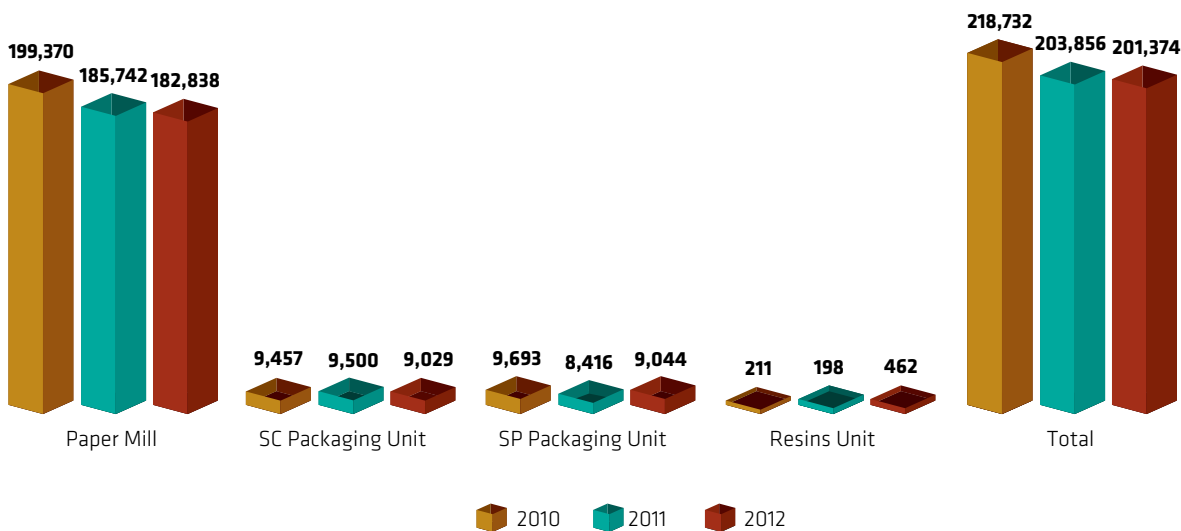
With the implementation of trimmings waste recycling plant, it was possible to contribute to the reduction in waste disposal in landfills, increasing the lifetime the landfill.



FOR MORE INFORMATION ABOUT THE TRIMMINGS WASTE RECYCLING PLANT, VISIT <http://www.irani.com.br/pt/info/gestao-ambiental>

With the improvements made to the equipment and the team's commitment to achieving the targets set for the period, we observed an average increase in the production of moist plastic, on average 21 t /month and a fiber recovery of 10 t / month. In 2012, we produced 257.31 tons of moist plastic and we recovered 121.41 t of fiber.

TOTAL WASTE GENERATED PER UNIT

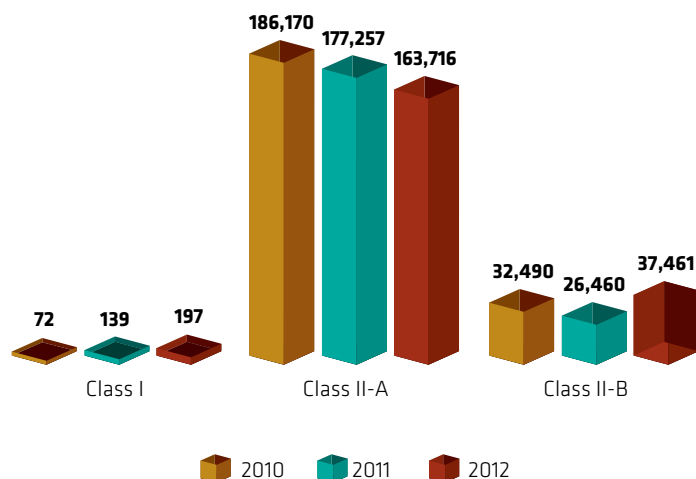


Note: the increase in waste SP Packaging Unit was due to the excess wood from the new carton machines and wooden pallets that transported the starch that was purchased.

We can cite as examples of Class I waste: lamps, waste oil and ambulance room waste. In Class IIA, are included waste pine and eucalyptus bark, calcium carbonate, among others. The Class IIB waste includes glass, metal and others.

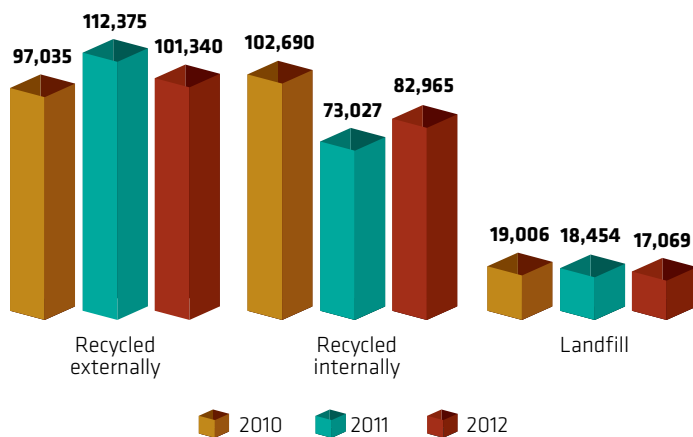
Through the Solid Waste Management Program, it is possible to maintain specific procedures that guide, appropriately, the storage of different types of waste, in order to avoid possible contamination of natural resources. In 2012, 9.10% were destined for an industrial landfill that has an environmental license for Class II waste.

TOTAL WEIGHT OF WASTE GENERATED BY TYPE



In 2012, in partnership with the Brazilian Association of Pulp and Paper (BRACELPA), Institute CEMPRE (Business Commitment for Recycling) and other associations, IRANI participated in a project for developing sectoral agreement in response to the request from the Ministry of Environment (MMA) to meet the recycling targets and the National Policy on Solid Waste (PNRS). The document was handed over to MMA in late 2012.

TOTAL WEIGHT OF WASTE BY DISPOSAL METHOD

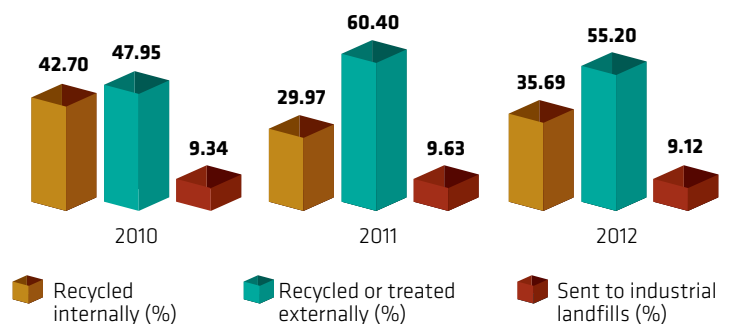


THE COMMITMENT TO
SUSTAINABILITY GUIDES
ALL IRANI ACTIONS

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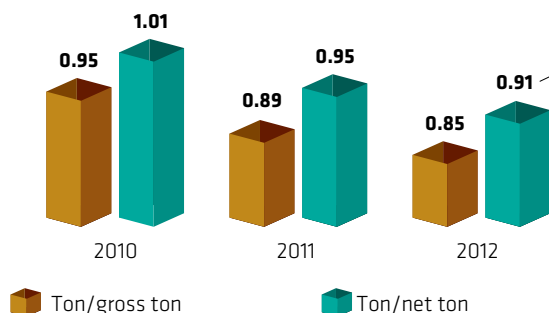
2013 GOAL
Maintain the
waste sent to the
landfill below 11%.

PERCENTAGE OF WASTE BY DISPOSAL METHOD - PAPER MILL





SPECIFIC GENERATION OF WASTE - PAPER MILL

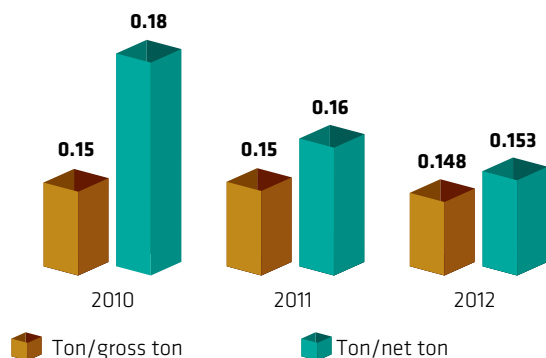


Specific waste per gross ton 3.75% less than in 2011

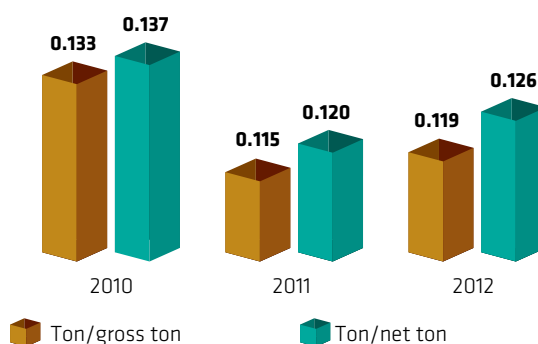
Specific waste per net ton 3.82% less than 2011

Note: Gross production is the total production of machines, net production it is the production from the process yield, less gross production losses.

SPECIFIC GENERATION OF WASTE - SC PACKAGING UNIT



SPECIFIC GENERATION OF WASTE - SP PACKAGING UNIT



All hazardous waste generated in 2012 were transported and treated by specialized companies, that were trained and environmentally appropriate. These contractors have environmental permits for transportation, as well as for the treatment to meet the requirements of the environmental agency.

Hazardous waste (tons)			
Unit	Waste generated and treated		
	2010	2011	2012
Paper	8.41	17.43	115.27
SC Packaging	63.00	121.00	121.30
SP Packaging	0.57	1.00	1,12
Total	71.98	139.43	237,69

Note: The industrial process at the Resins Unit does not generate hazardous waste, the increase in the Paper Mill waste was due to the reform BrobyOven overhaul, generating a large amount of contaminated construction waste.

Materials

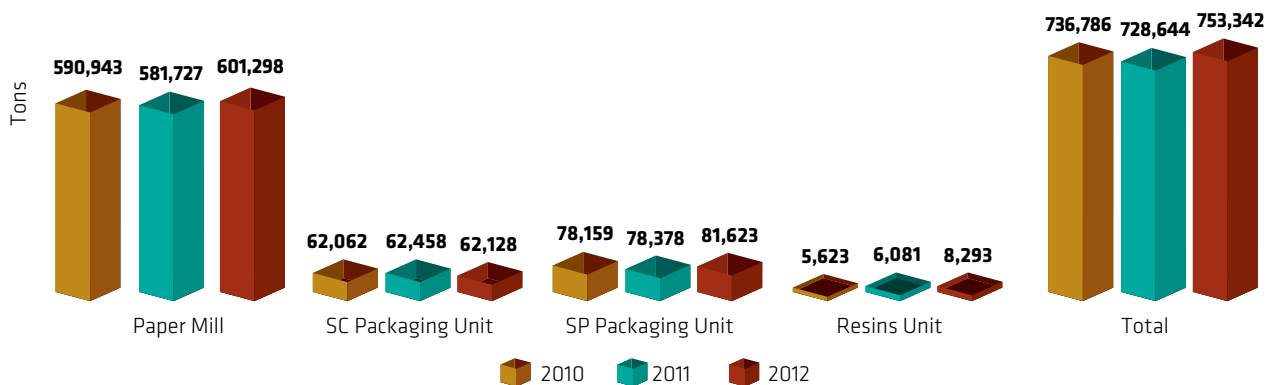
In the production process, a lot of recycled paper (chips) is used. This action enables the generation of economic and social benefits through the generation of employment and income for wastepaper wholesalers and cooperatives, and environmentalists, as the reuse ensures a reduction in the disposal of paper in the landfill, aligned with the National Policy on Solid Waste (Law 12.305 of 08/02/2010).

Material consumption in 2012 was equivalent to 753,342 tons, represented by inputs and raw materials such as wood, chippings, paint, glue, soda, borax, paper, wax and resins. Consumption during this period was greater than the previous year due to increased production of the Paper Mill, SP Packaging and Resins.

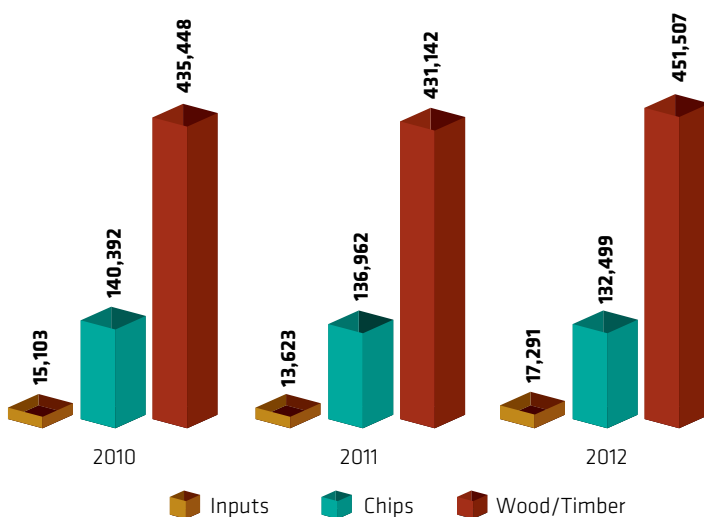


Shavings/chips: raw material for the production of packaging paper

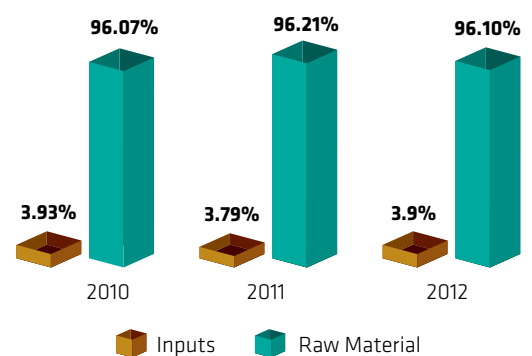
MATERIALS USED IN PRODUCTION



MATERIALS - PAPER MILL

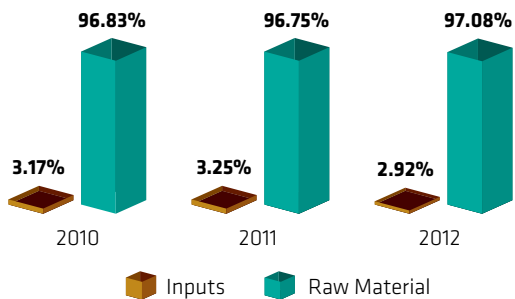


PERCENTAGE OF RAW MATERIAL AND INPUTS - SC PACK UNIT

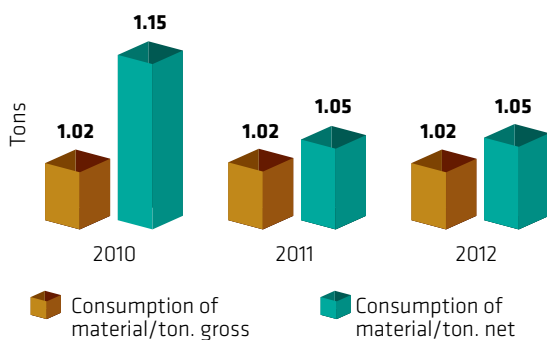




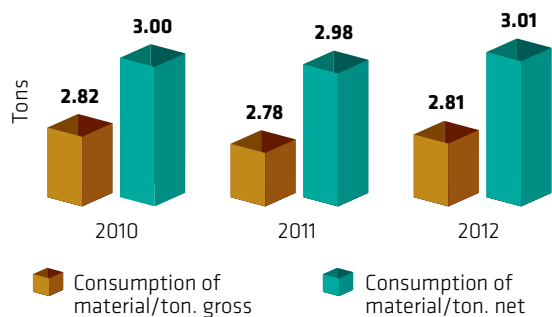
PERCENTAGE OF RAW MATERIAL AND INPUTS - SP PACK UNIT



SPECIFIC QUANTITIES OF MATERIALS - PAPER MILL



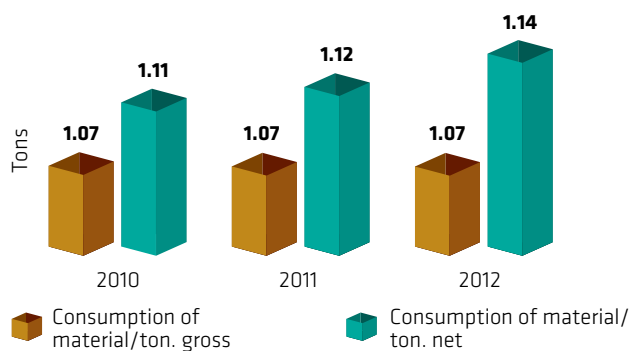
SPECIFIC QUANTITIES OF MATERIALS - SC PACK UNIT



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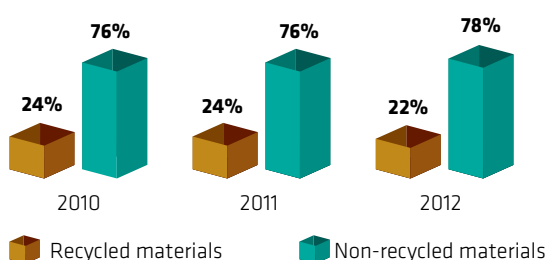
The SP Packaging Unit showed increased specific amount of materials due to the use of soda, borax and beeswax which were not accounted for in previous years.

SPECIFIC AMOUNT OF MATERIALS - SP PACKAGING UNIT

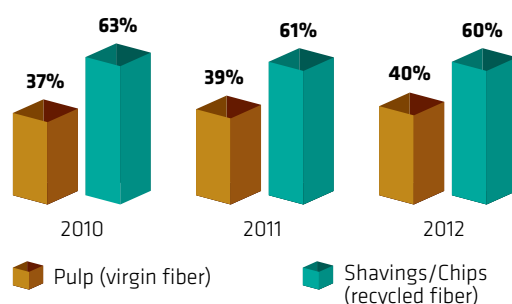


The goal of maintaining the percentage of recycled material at 23%, in 2012, was not achieved. The *mix* of paper produced was greater for cellulose-based paper than for chip based paper.

THE PERCENTAGE OF RECYCLED MATERIALS IN RELATION TO THE TOTAL CHIPS USED IN THE PAPER MILL



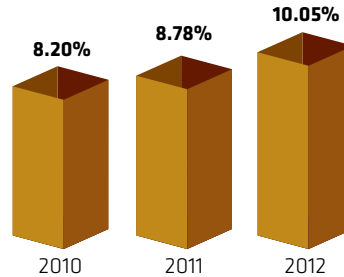
PERCENTAGE OF RECYCLED MATERIALS - PAPER MILL





The chips generated in the SC Packaging and SP Packaging Units are reprocessed by the Paper Mill and used in the manufacture of new papers. This practice is carried out only between IRANI units because the process enables product traceability. When the chips are purchased in the market, there is no evidence that can prove their origin.

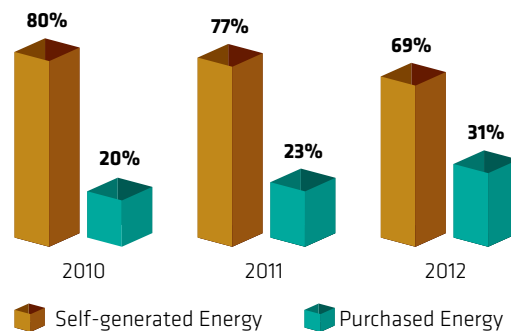
PERCENTAGE OF CHIPS RECOVERED FROM THE SC AND SP PACKAGING UNITS BY THE PAPER MILL.



Energy

The self-production supplied 69% of the energy demand of the Paper Mill in 2012. The energy was generated by the Company's three hydroelectric power plants located around the manufacturing plant and a thermoelectric power plant that runs on biomass.

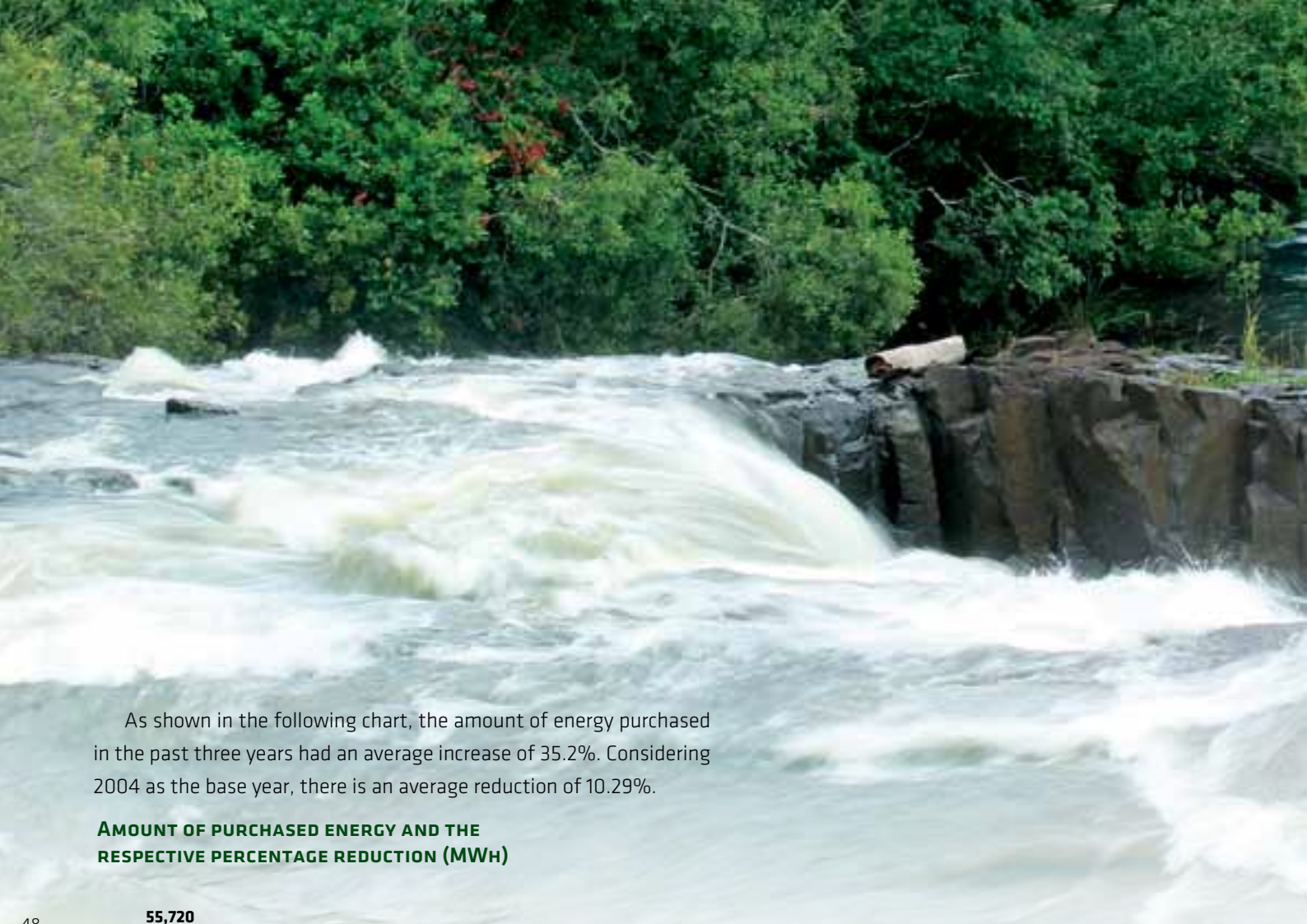
PERCENTAGE OF SELF-GENERATED AND PURCHASED ENERGY AT THE PAPER MILL



Note: the increase in the percentage of energy purchased occurred due to low rainfall levels and, consequently, reduced the generation of hydro-power.

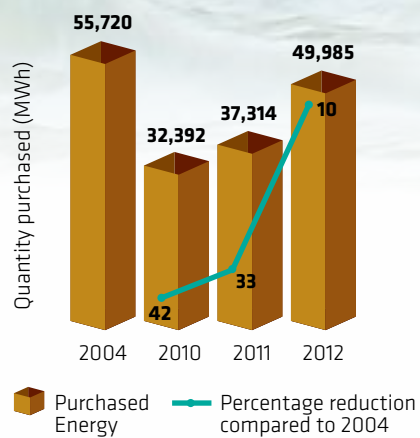
Control room of the Co-generation Plant





As shown in the following chart, the amount of energy purchased in the past three years had an average increase of 35.2%. Considering 2004 as the base year, there is an average reduction of 10.29%.

AMOUNT OF PURCHASED ENERGY AND THE RESPECTIVE PERCENTAGE REDUCTION (MWh)



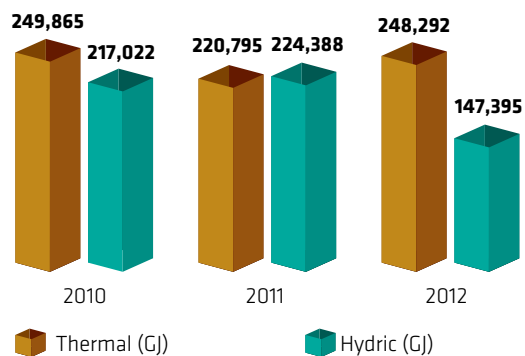
RESPECT FOR THE ENVIRONMENT:
A PRACTICE THAT PERMEATES
ALL IRANI PROCESS.

The reduction in hydro-power generation in 2012 occurred as a result of low rainfall.



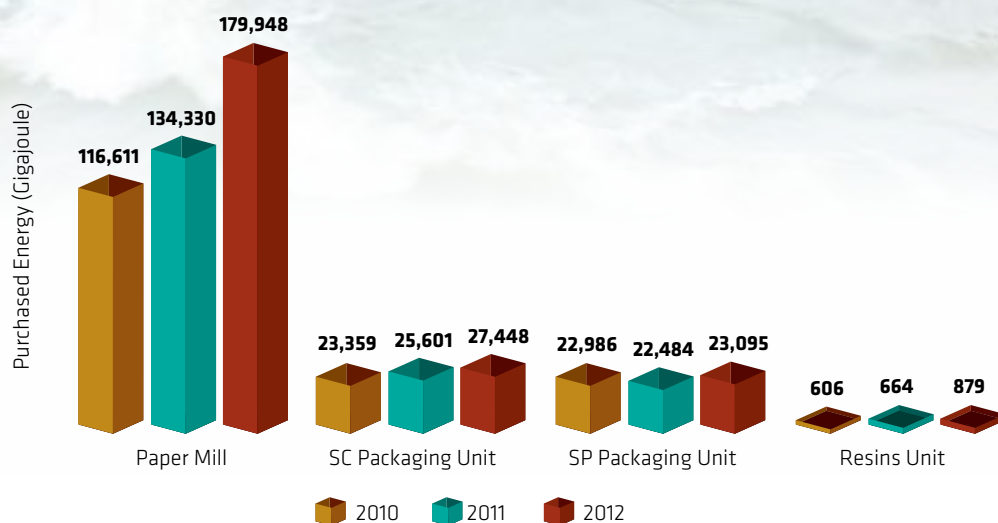
Flor do Mato Plant: In 2012, the hydroelectric power station was responsible for 10.80% of the energy consumed by IRANI

THERMAL POWER AND HYDRO-POWER GENERATED IN THE PAPER MILL

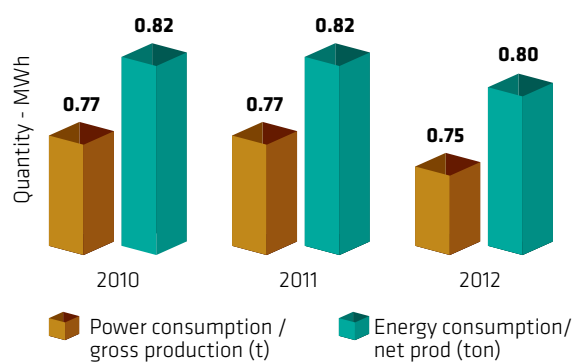


Note: hydro-power and thermal energy is generated and used by the Paper Mill. Whereas, in the SC Packaging Unit uses steam from the Paper Mill thermoelectric unit.

ENERGY PURCHASED FROM 2010 TO 2012



SPECIFIC CONSUMPTION OF ELECTRIC POWER IN THE PAPER MILL

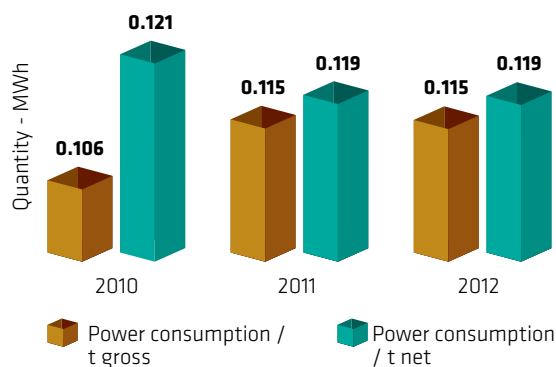


2013 GOAL

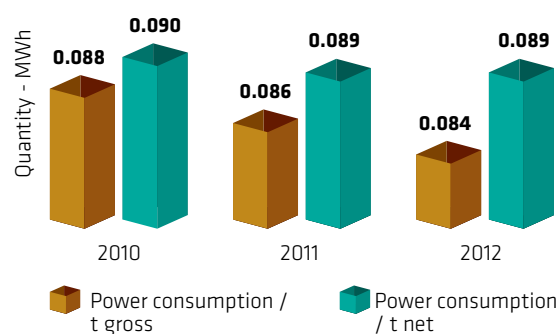
Maintain the specific energy consumption at **0.80 MWh /net ton** produced at the Paper Mill.



SPECIFIC CONSUMPTION OF ELECTRIC ENERGY - SC PACKAGING UNIT



SPECIFIC CONSUMPTION OF ELECTRIC ENERGY - SP PACKAGING UNIT



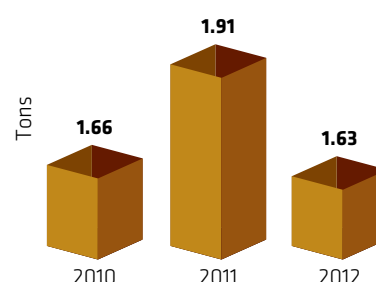
Note: Because of a change in the formula for calculating this indicator, consumption for the year 2011 is smaller than the result reported in the previous Sustainability Report.

For the production of thermal energy, forest residues, from the Company and from suppliers in the region are used as the main sources of fuel. Thermal energy is supplied to the Paper Mill and SC Packaging unit. This uses BPF oil as fuel in the boiler during maintenance to the biomass boiler in the Paper mill, failing to generate steam for SC Packaging unit. The SP Packaging unit produces thermal energy via a natural gas boiler.

Consumption of biomass to generate energy - Paper Mill			
Period	Consumption of Biomass (t)	Energy generated from biomass (GJ)	Specific Biomass (t)/Energy Generated (GJ)
2004 (base year)	319,072	51,354	6.21
2010	415,876	249,865	1.66
2011	422,207	220,795	1.91
2012	403,827	248,292	1.63

In the Paper Mill, to start the boilers running on biomass, light BPF oil is used as an auxiliary fuel.

THE SPECIFIC CONSUMPTION OF BIOMASS/ENERGY GENERATED (GJ)

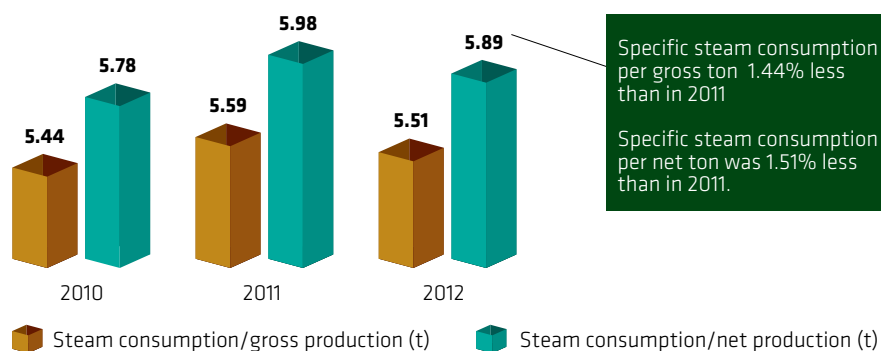


Non-renewable resources used to generate energy	2010		2011		2012	
	Quantity	GJ	Quantity	GJ	Quantity	GJ
Natural Gas (m³) - SP Packaging unit	1,463,183	57,078,756	1,481,760.54	57,803,479	1,955,353.92	76,278,356
BPF oil (tons) - SC Packaging unit	89	3,600	71.09	2,872	90.3	3,648

Note: Source of the calculation for converting tons in GJ (for BPF oil): IPCC 2006.

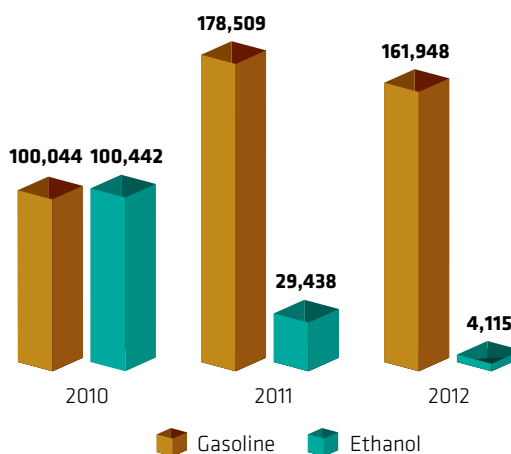
In 2012, work began on the calculating the amount motors that can be switched off during an interval without interfering in the production of paper. The possibility to shutdown 43 motors were identified, allowing for economies of thermal and electrical energy in the Paper Mill. This work will continue in 2013.

SPECIFIC STEAM CONSUMPTION - PAPER MILL



In 2012, with the use of videoconferencing and air travel, it was possible to reduce the number of road trips of employees and, consequently, reduce the fuel consumption of the Paper Mill, SC Packaging, SP Packaging and Resins units.

FUEL CONSUMPTION (L)



Logistics Management

As a way to improve the logistics process, reducing the number of trucks on the roads, the cost of freight and GHG emissions, the project Logistic Cockpit was implemented in 2010 in the packaging business. With the support of *software*, responsible for routing and load arrangement, it is possible to expedite deliveries and ensure greater safety and improve the analytical process of the Expedition.

Through this project, the SC Packaging Unit reduced 252 freights and increased the average loading of vehicles by 2.80% in 2012. This resulted in a reduction of 76.08 tons of GHG. In the SP Packaging Unit 130 freights were reduced, and the average loading of vehicles has increased by 1.38%.

Water

The management of water resources used adopts a set of actions aimed at ensuring a responsible use of natural resources without harming the environment, contributing to its preservation.

The main social and environmental benefits is to ensure communities and employees that the rivers, springs and streams in the areas around IRANI are protected under existing laws. Maintain permanent preservation areas, as well as ensure that the waste water is released under appropriate conditions is critical to the Company.

Through the use of closed circuits in productive areas, IRANI seeks to reuse water and generate less waste. This also favors the achievement of desired outcomes with indicators linked to profit sharing program.

A set of actions carried out in 2013 for the reuse of water in the production process of the Paper Mill made it possible to reduce the amount of wastewater sent to the Wastewater Treatment Plant (WWTP). These actions also contribute to reducing the fiber loss.



ACTIONS THAT CONTRIBUTED TO THE REDUCTION OF FIBER LOSS:

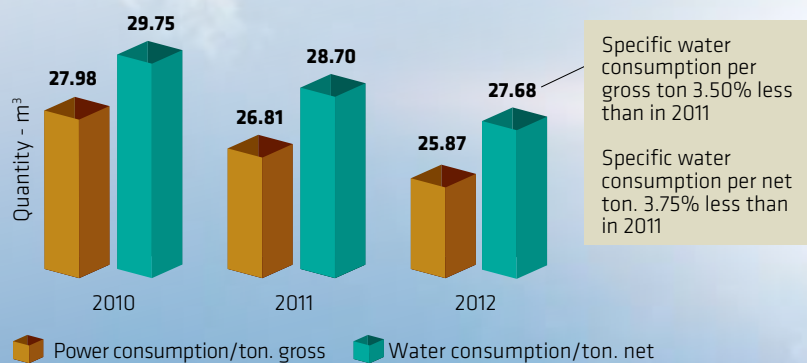
- routine inspections at main points of fiber loss in order to control, in a timely manner, possible significant losses of fibers originating from the process;
- communication between the production and sewage treatment areas, in order to monitor the daily fiber loss trends and the flow of waste water; this allows that immediate action can be carried out to reduce the computed indices;
- installation of pipework in the reject of the 3rd stage of Paper Machine IV, enabling the closing the circuit during the production of white paper;
- installation of pipework to divert the accepted from the static sieve to the fiber recovery system;
- substitution of fresh water for clarified water in several points, mainly for sanitizing the environments.

Total water draw off by source (m ³)							
Unit	Source	Consumo de água					
		2010		2011		2012	
		Total	Percentage	Total	Percentage	Total	Percentage
Paper	Surface - River	5,829,241	99.49%	5,597,552	99.77%	5,525,973	99.81%
	Casan	29,636	0.51%	12,701	0.23%	10,732	0.19%
SC Packaging	Surface - River	8,675	55.53%	9,381	60.59%	11,815.82	70.18%
	Casan	6,946	44.47%	6,101	39.41%	5,020.65	29.82%
SP Packaging	Artesian well	35,817	100%	29,172	100%	27,365.90	100%
Furniture	Artesian well	Unregistered					
	Samae	998					
Resins	Artesian well					45,763	
	Corsan					788	
Total		5,911,312		5,654,907		5,627,458	

Note: the Furniture Unit was deactivated, and the consumption in the Resins unit was measured from 2012.

1.3% reduction in water draw off

SPECIFIC WATER CONSUMPTION – PAPER MILL

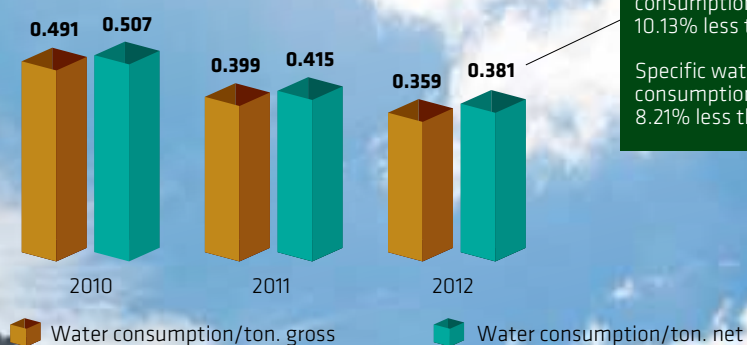


2013 GOAL

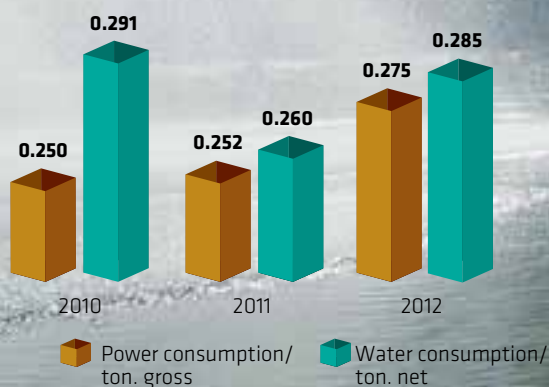
Reduce to 25 m³ the amount of water per gross ton produced at the Paper Mill.

EXCLUSIVE
ON-LINE
CONTENT

SPECIFIC WATER CONSUMPTION – SP PACKAGING UNIT



SPECIFIC WATER CONSUMPTION – SC PACKAGING UNIT



The water used in the production process returns clean back to the river when it was obtained from

Note: in previous years, there was no flow meter of water entering SC Packaging, a calculation was carried out to estimate the amount of water consumed. In 2012, this meter was installed to demonstrate the actual volume consumed.

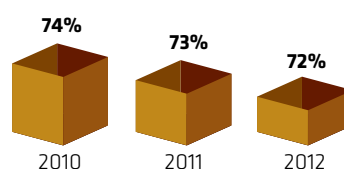
Through projects carried out in the Paper Mill, it was possible to implement the reuse of water in some processes. Technologies were adopted that allowed keeping water in a closed circuit.

	Equipment	Quantity of recirculated water		
		m ³ /h	m ³ /month	m ³ /year
2012	WWTP HPB	300.00	216,000.00	2,592,000.00
	TG1	450.00	324,000.00	3,790,573.20
	TG2	450.00	324,000.00	1,385,712.36
	TG3	250.00	180,000.00	2,108,086.20
	Towers	500.00	360,000.00	4,320,000.00
	Total	1,950.00	1,404,000.00	14,196,371.76

TO ENSURE THAT THE
EFFLUENT IS RETURNED IN
THE APPROPRIATE CONDITIONS
IS CRITICAL TO IRANI

2013 GOAL
Maintain the
percentage of
reused water
at least 70%.

PERCENTAGE OF REUSED WATER - PAPER MILL



Water sources that are significantly affected by water draw-off

Paper Mill

The uptake of water from surface sources comes from two locations, both located in the Rio Chapecó drainage basin, in Santa Catarina belonging to the Uruguay Basin. A draw off point corresponds to a 5.75 hectares reservoir located in Ribeirão da Anta, one of the tributaries of Rio do Mato, where the most important draw off point is located.

SC Packaging Unit

The surface sources water uptake comes from the Riacho da Anta, belonging to the Uruguay Basin.

SP Packaging Unit

The uptake of water comes from wells in the industrial plant.

Resins

In the Resins Unit, the uptake comes from wells.





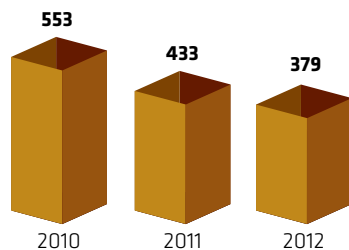
Wastewater Treatment Plant: strict control and management of water resources

Wastewater

In 2012, the deactivation of an aeration pond allowed for greater efficiency. The implementation of the plastic and fiber recycling plant enabled the recovery of approximately 121.1 tons of fiber/year, that were destined to go to the landfills. This contributed to the lower fiber loss and higher efficiency of the waste water treatment system.

Volume of waste water produced (m ³ /year)			
Unit	2010	2011	2012
Paper Mill	5,160,957	4,761,352	4,497,216
SC Packaging	4,505	4,628.50	13,034
SP Packaging	11,616	9,654.90	10,844.40
Resins	1,829	2,001.20	3,670.50
Total	5,178,908	4,777,637	4,524,764

LOSS OF FIBER (MONTHLY AVERAGE)



Reduction of 5.29% in the volume of effluent

Value for IRANI

Economy of R\$ 17,350.40 for the year 2011 to 2012 by means of actions to reduce fiber

Value for the environment

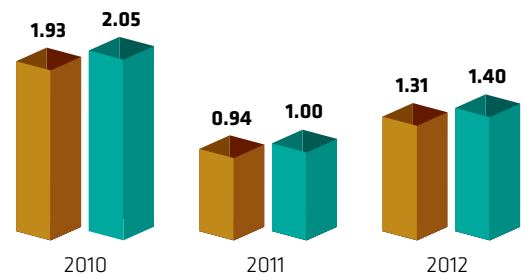
Reduction of 54.22 tons of fiber intended for ETE, improving equipment efficiency.

Maintain tight control of the waste water and have procedures for managing water resources that determine the analysis to be performed, and the frequency and parameters and applicable laws.

It has two wastewater treatment systems where the waste, after going through an anaerobic filter and septic tank, is routed to the aerobic treatment in the Waste Water Treatment Plant (WWTP) in the Paper Mill.

The BOD parameter (Biochemical Oxygen Demand) is used as an indicator of performance of the wastewater treatment plant in the Paper Mill.

BOD IN THE FINAL WASTE WATER

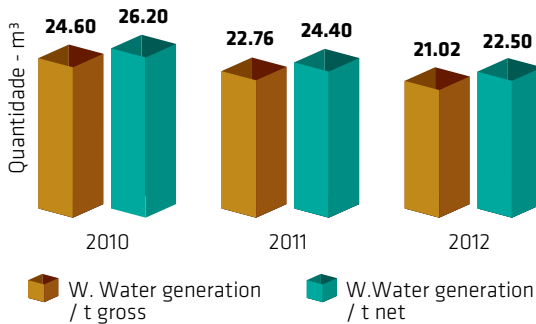


BOD (kg)/Gross ton of Paper

BOD (kg)/Net Ton of Paper

Note: the increase in BOD is due to the reduction in sludge extraction.

SPECIFIC VOLUME OF EFFLUENT – PAPER MILL



Specific effluent per gross ton
7.64% less than in 2011

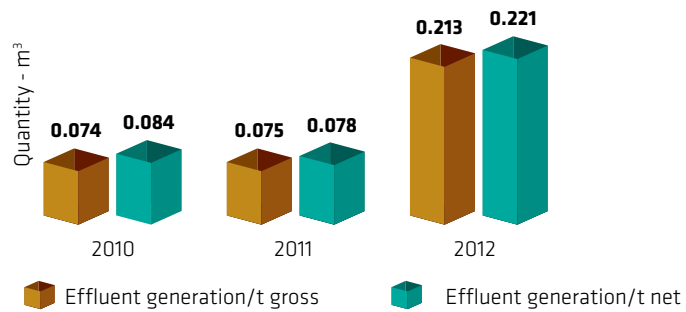
Specific effluent per ton net
7.71% less than in 2011.

2013 GOAL

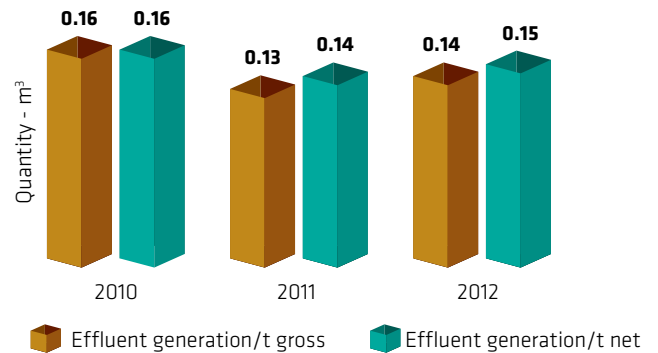
Reduce the amount of waste water to 20.5 m³ per gross ton produced.

Until 2011, monitoring the amount of waste water generated only covered industrial equipment. In 2012, an increase of flow in the SC Packaging Unit was seen because IRANI began to also monitor the sanitary waste water. The alteration in this follow-up methodology included an estimate, calculated from the last three months of the year, representing approximately 70% of the water consumed. This percentage was replicated for all months in 2012. In 2013, IRANI implemented a flow-meter that will make the monitoring of the total waste water more precise.

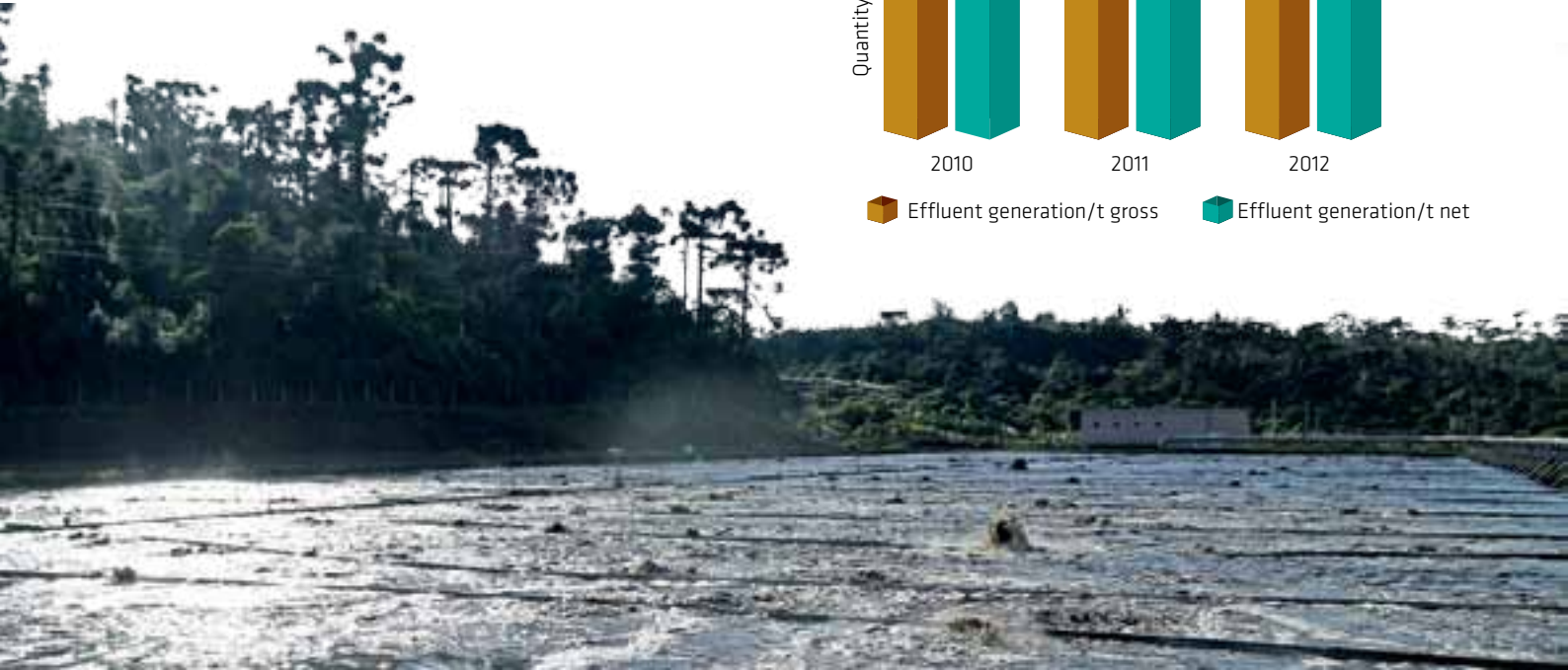
SPECIFIC VOLUME OF EFFLUENT - SC PACKAGING UNIT



SPECIFIC VOLUME OF EFFLUENT SP PACKAGING UNIT



**Aeration Pond -
Wastewater Treatment
Plant, Paper Mill,
Vargem Bonita (SC).**





Emissions

The outflow points in the production units are periodically monitored by the Air Emissions Monitoring Program, establishing a systematic analysis of the frequency and parameters for monitoring emissions from stationary sources, air quality, for the preparation of of Greenhouse Gas Inventory(GHG), the vehicle inspections and monitoring odors.

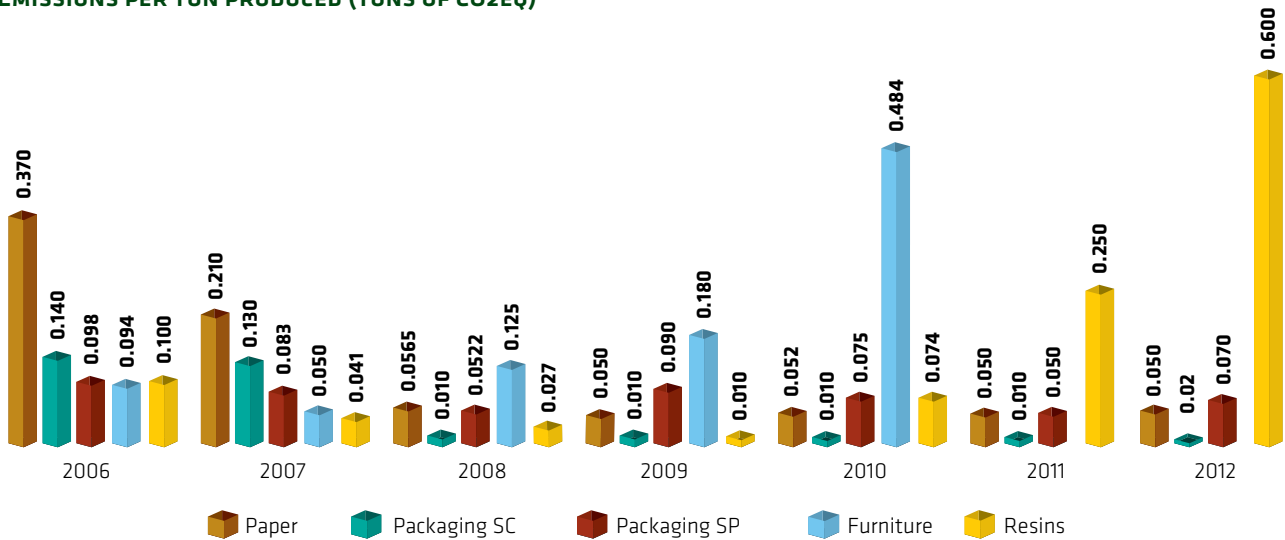
The trees contribute to reducing the greenhouse gas effect by removing CO₂ from the atmosphere

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EMISSIONS BY CATEGORY

Categories of Emissions	Growth of the emissions – Mg CO ₂ eq							
	2006	2007	2008	2009	2010	2011	2012	%2006 a 2012
Direct Emissions	71,850	42,557	8,441	10,846	10,823	13,003	17,454	-75,41%
Indirect emissions – Energy	1,188	1,013	2,480	1,400	2,432	1,520	738	-37,91%
Indirect emissions – Other sources	4,647	5,741	5,945	6,927	9,315	10,414	9,910	124,66%
Total	77,685	49,311	16,866	19,173	22,570	24,937	28,102	-62,87%

EMISSIONS PER TON PRODUCED (TONS OF CO₂EQ)



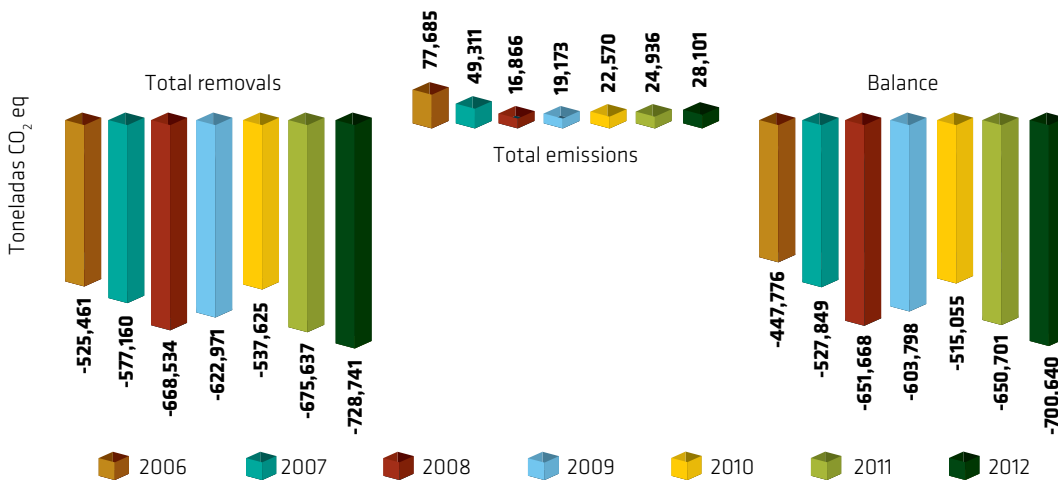
The increase in emissions in the Company was largely caused by low volume in the hydroelectric power stations and the consequent increase in thermoelectric power stations use. There was also an increase in the production of Resins which contributed to the increase in chemical oxygen demand (COD) in the wastewater treatment. According to the calculation of the GHG's inventory, the greater the output of COD a higher the emissions will be.

Over the past nine years, IRANI implemented a series of actions to reduce GHG emissions. Among these actions, the two main projects were: the CDM Cogeneration Plant, which has reduced emissions from 135,299 tons to 77,685 tons, from 2004 to 2006; and the CDM project – Modernization of the Wastewater Treatment Plant, which reduced from 77,685 tons to 16,866 tons, from 2006 to 2008. The emissions increased to 28,847 tons in 2012, for the following reasons:

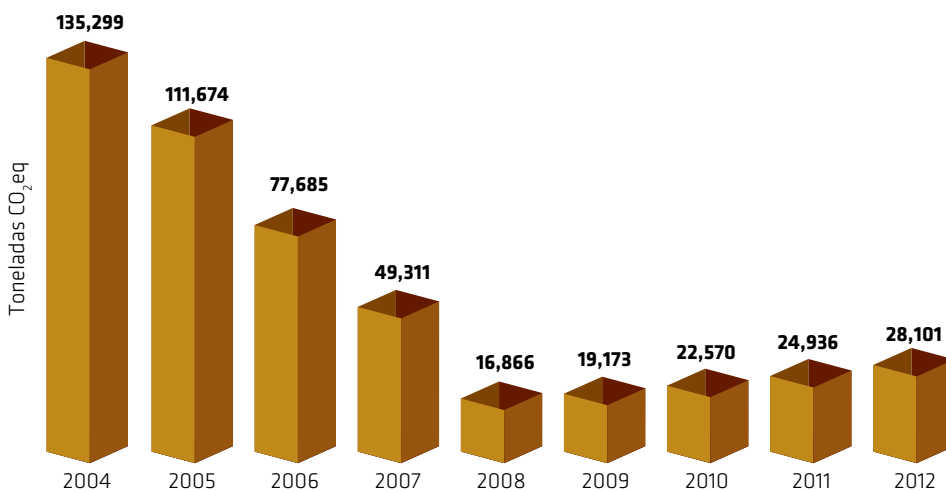
- increase in emission factors of the Power Grid, due to the increased use of thermoelectric power stations by the Federal Government;
- continuous disposal of solid waste in landfills;
- increased production in the Unit Resins, and
- increase in the accounting of indirect emissions from other sources (Scope 3).

* GRID: made up from various forms of energy generation e.g. wind, solar, hydro, thermonuclear, thermoelectric from coal, etc.

TOTAL EMISSIONS (IN TONS OF CO₂EQ)

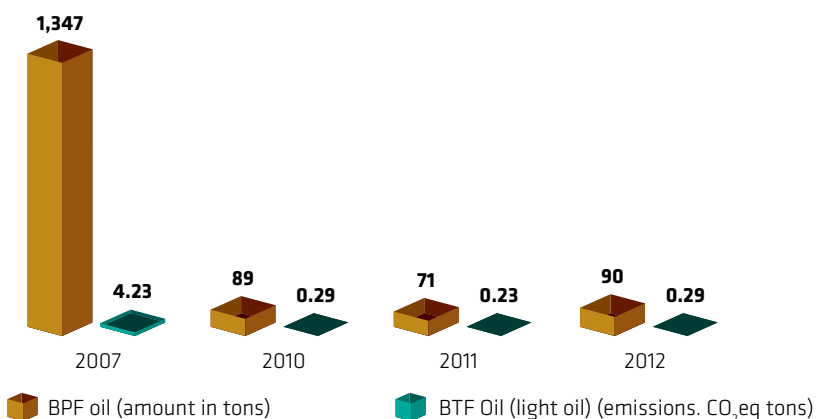


EVOLUTION OF GHG REDUCTIONS (TONS OF CO₂EQ)

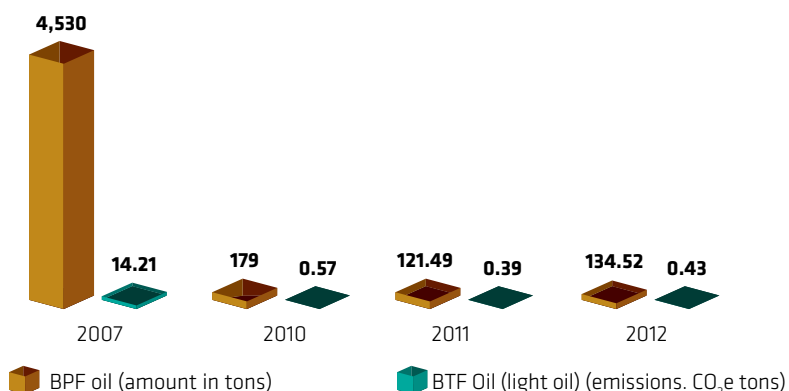




BPF OIL CONSUMPTION AND EMISSIONS – SC PACKAGING UNIT



BPF OIL CONSUMPTION AND EMISSIONS - PAPER MILL



Over the years, there has been a reduction in BPF oil consumption in the Paper Mill and SC Packaging unit. With the implementation of Cogeneration Boiler, it was possible to deactivate five firewood and BPF boilers at the Paper Mill and a BTF oil boiler at the SC Unit Packaging.

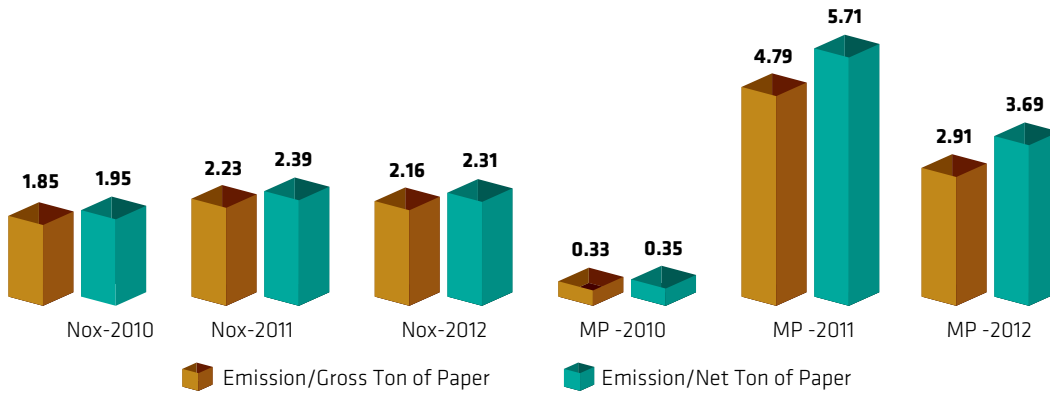
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INDIRECT EMISSIONS – OTHER SOURCES

Activity	Substance	Mg CO ₂ eq 2011	Mg CO ₂ eq 2012
1 – Transport of supplies; Harvest; Forestry	Diesel	7,072	6,906
2 – Chain saws, brush cutter	Gasoline	139	100
3 – Chainsaws	2 Stroke Oil	97	60
4 – Employee Transport (Paper)	Diesel	640	608
5 – Waste Transport	Diesel	238	225
6 – Transportation of supplies; Harvest, Forestry, Agricultural Machinery RS	Diesel	1,132	1,000
7 – Employee Transport (SP_Pack)	Diesel	116	113
8 – Taxi Travel – ADMs/Paper	Gasoline	86	68
9 – Support Transportation + Chain saw (RS Forestry)	Gasoline	123	72
10 – Motosserras (Florestal RS)	2 Stroke Oil	19	26
11 – Support Vehicles	Ethanol	0	0
12 – Road Transport/Van (Bus Line)	Diesel	261	151
13 – Employee Transportation – Air Transport (National and International)	Kerosene	237	259
14 – Private Landfills	Waste	53	28
15 – Transport of employees – RS Forestry	Diesel	200	253
Total		10,414	9,868

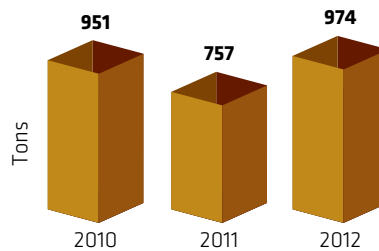
Emissions of Nitrogen Oxides (NOx) and Particulate Matter (PM) from the boilers of the Paper Mill.

ATMOSPHERIC EMISSIONS FROM STATIONARY SOURCES - PAPER MILL



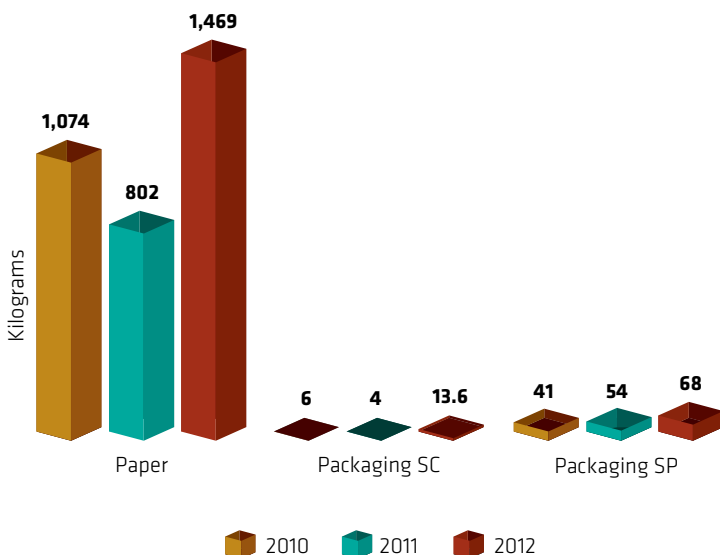
IRANI's challenge is to reduce the emissions from stationary equipment in accordance with CONAMA No. 436 dated December 2011 with a deadline of 2016.

GHG EMISSIONS FROM EMPLOYEE TRANSPORTATION



Note: increase in the year of 2012, due to the monitoring of this indicator was extended to the Unit Resins.

EMISSIONS OF SUBSTANCES THAT DESTROY THE OZONE LAYER



The increase in the consumption of R-22 in the Paper Mill, SC Packaging and SP Packaging units occurred because of new air-conditioning equipment acquired in the year.

Clean Development Mechanism (CDM) Projects.

Cogeneration Plant

Registered in the United Nations (UN) as "Irani Biomass Electricity Generation Project". Approved in 2006 and available on the site <http://cdm.unfccc.int/Projects/DB/DNVCUK1146170596.51/view>. Between 2005 and 2012, the Certified Emission Reductions obtained totaled 1,111,861 tons of CO₂eq.

Until September 2012, while the project lasted as registered in the UN, the certified emission reductions obtained totaled 1,062,208 tons of CO₂eq, which enabled a financial return of R\$11.8 million from the sale of carbon credits.



FOR MORE INFORMATION VISIT

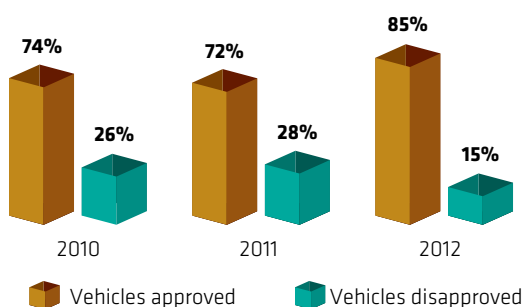
<http://www.irani.com.br/pt/info/carbono-neutro>.

Environmental Clean-Up Program

A partnership with the National Confederation of Transport (CNT), the Federation of Cargo and Logistics Transport Company's in the State of Santa Catarina (Fetranscsc), Union of Cargo Transportation Companies in the West and Midwest of Santa Catarina (Setcom) and Union of Cargo Transport Company's from Catanduvas and Region (Setccar). This is carried out in the Vargem Bonita (SC) units and aims to monitor and control the rate of black smoke emitted by diesel vehicles, mitigating the environmental impacts of the service of transporting products.

All internal and outsourced fleet of vehicles were incorporated into the program. The measurements are taken monthly by a specialist technician.

VEHICLES APPROVED IN THE VEHICLE INSPECTION



2013 GOAL

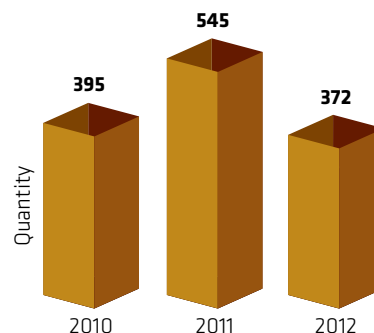
Reduce 34,000 tons of CO₂eq/year only for the Waste water Treatment Plant project.

Modernization of Wastewater Treatment Plant

This is registered in the UN as "Irani Wastewater Methane Avoidance Project". It was approved in 2008 and is available at: <http://cdm.unfccc.int/Projects/DB/DN-VUK1194334826.24/view>.

Between 2005 and 2012, the Certified Emission Reductions obtained totaled 213,607 tons of CO₂eq. The financial return was made possible by R\$5.7 million from the sale of carbon credits.

MEASUREMENTS TAKEN



Note: in 2012, the number of measurements was lower than expected due to the absence of the technician responsible for the Clean-Up Program between May to August.

2013 GOAL

To obtain, at least 75% of approvals.



Pampas fox
(*Lycalopex gymnocercus*)

INITIATIVES TO MITIGATE THE ENVIRONMENTAL IMPACTS OF PRODUCTS AND SERVICES

- Reduction in the consumption of wood pallets by replacing them with corrugated cardboard pallets, of a recyclable source.
- Development of tamper proof corrugated packaging that does not require the use of adhesives, staples and/or glue to seal it.
- Under development, plugs for paper rolls, produced from recycled plastic from the chips, waste from the production process.



Monitoring the flora in Santa Catarina

IRANI develops and supports research with the aim of improving the knowledge about the local flora and fauna and planted forests. The results of these studies help in the improvement of practices and management methods, as well as the identification and definition of environmental indicators.

The Survey data on flora, that was carried out until 2011 by Irani in Santa Catarina, revealed the presence of 125 species of tree flora. Of these, five are on the endangered species list of the Ministry of Environment (Instruction # 6 dated 09/24/2008). The species are: *Araucaria angustifolia* (Araucaria), *Ocotea porous* (Imbuia), *Dicksonia sellowiana* (Xaxim), *Butia eryospata* (Butia) and *Quilaja brasiliensis*. In 2012, there was no update of this study.

Biodiversity

Production of native seedlings

About 17 thousand native seedlings were produced . Of these, more than 3,000 were Araucaria and Imbuia, endangered species. Throughout the year, we donated more than 8,000 seedlings to the general public and for reclamation areas. Currently, the nursery has 32,000 native seedlings of several species. The IRANI Seedling Nursery of has capacity for 6 million seedlings. In 2012, 2.5 million *Pinus* spp. and 500,000 *Eucalyptus* spp seedlings were produced.



In 2012, a new methodology was implemented to control the regeneration of forestry invasive species. This procedure aims to control and suppress individual *Pinus* spp. and *Eucalyptus* spp. that are outside the areas of the commercial forest.

A survey was carried out to assess the successional stages of native vegetation in the IRANI forests. According to the study, there are 11,656.37 ha of vegetation in the middle to advanced stage, 446.55 ha are in early stages, 1403.68 ha of wetland and 274.5 ha of APP to be recovered as the Conduct Adjustment Declaration (TAC) signed by IRANI and Iraflor.

The replanting of approximately 139 native seedlings was carried out in Permanent Preservation Areas (APP) of the Anta Stream, near the industrial areas of Campina da Alegria (SC). This enabled the re-vegetation of 15.22 ha, 7.28 ha of the Riacho da Anta APP and 7.94 ha in compensation areas by planting 14,000 seedlings of 16 native species to the region.



Monitoring of flora in Rio Grande do Sul

In 2008, a study on the environmental effects of the management of *Pinus elliottii* in Rio Grande do Sul was initiated through a partnership with the Federal University of Rio Grande do Sul (UFRGS). The objective of this research is to evaluate aspects of the management of this species as distribution potential, allelopathic potential, carbon sequestration in resin forests and surveys of the species associated with *Pinus* forests. It is expected that the study will be finalized in 2014.

In 2012, a project was developed by the Center for Biotechnology at the Federal University of Rio Grande do Sul (UFRGS) in order to evaluate new pastes for inducing the production of resin *Pinus*. The concept is to replace the use of active imported components, that are expensive with cheaper adjuvants. For this, we seek to achieve the full manifestation of the resin duct potential already planted forests through the development of a new enhancer paste, from the selection of a suitable adjuvant responsible to be used on a large-scale.

Monitoring the fauna in Santa Catarina

Some projects are developed with the aim of verifying the behavior and dynamics of wildlife in the coverage areas in Santa Catarina.

The study of "The capuchin monkey (*Sapajus nigritus*, *Cebidae*, *Mammalia*) and commercial plantations of *Pinus* spp.: the problem, its causes and management proposals", done by a partnership between Embrapa Forestry and Dieter Liebsch, was continued in 2012.

The Caipora Cooperative for the Conservation and Protection of Natural Resources, the Federal University of Rio de Janeiro and Salvador Carlos finalized in 2012, the study for a doctoral thesis entitled "Ecology of the wild boar (*Sus scrofa*) introduced in Santa Catarina: interaction with native musk hogs and the Conservation of the Araucaria Forest ". The results of this study made it possible to verify the extent of the invasion of the species, overlapping native species of pigs, and the frequency of species and management methodology for containment of wild boar population. Studies on the species in the region continue. IRANI in partnership with CIDASC, EMBRAPA, EPAGRI and the Araucaria National Park are the supporters.

In 2012, no new fauna study was conducted . Until 2011, 162 bird species were identified in the field, and of these, at least five have a relevant interest from the conservationists point of view: *Tinamus solitarius*; *Pionopsitta pileata* (Red-capped Parrot); *Sporophila melanogaster* (Black-bellied Seedeater); *Sarcoramphus Papa* (King Vulture) and *Hylopezus nattereri* (Streak-chested Antpitta), because its bio-indicators of environmental quality or because it presents a population decline in part of their distributions, 45 of mammals, and, of the species recorded, three are cited as vulnerable on the list of Brazilian fauna threatened with extinction, namely: *Puma concolor* (cougar); *Leopardus pardalis* (ocelot) and *Leopardus spp.*, and 33 amphibians.

Monitoring the flora in Rio Grande do Sul

The fauna monitoring in Rio Grande do Sul has occurred quarterly, since 2011, and aims to gather and analyze information on wildlife, formed by mammals, birds, reptiles and amphibians. Special attention is given to the species considered sensitive, rare and endangered species, identifying the impacts of forestry activities in these communities, supporting, thus, the development of mitigation and compensatory measures.

In 2012, IRANI completed one year of monitoring, covering the four seasons. The results obtained point to the occurrence of representatives of the various animal groups, to a greater or lesser frequency, especially for high diversity in the population of birds, recognized as the best bioindicators of terrestrial ecosystems, especially forests.

In forest sites located in drainage basin of the Tramandaí River 28 species of birds belonging to 21 families were identified, with a predominance of species in the families *Columbidae* and *Cucullidae*. In the group of mammals, two species were identified, one native, the South American fox (*Pseudalopex gymnocercus*), and the other invasive, the European hare (*Lepus* sp.) Four species of amphibians and four reptiles were also identified.

Monitoring data in forests located in the East Coast Drainage Basin, allowed to the researchers to evidence the presence of 53

species of birds belonging to 28 families. The most representative families were *Anatidae*, *Ardeidae*, *Falconidae*, *Hirundinidae*, *Sternidae* and *Tyrannidae*. In the group of amphibians, 14 species were identified, with the most representative being the *Hylidae* family. In the reptiles group, 14 species were identified, with the families *Chelidae* and *Liolemidae* being the most abundant. Furthermore, 12 species of mammals were identified, of which, two (*Liolaemus occipitalis* and *Ctenomys flamarioni*) are cited as endangered at regional, national and world levels. The species of mammals belong to five species and 10 families. The the richest specie was the Carnivora.

The monitoring of the ichthyo fauna was continued in the influence area of the São Luiz Small Hydropower reservoir, Cristo Rei and Flor do Mato reservoir in Ponte Serrada (SC), in accordance with the authorization from the Environment Foundation (FATMA) of Santa Catarina.

Results of Fish sampling in Reservoirs of Small Hydropower (SHP) – 2012

SHP Reservoir	Number of families	Number of species	Number of Copies
São Luiz	5	9	600
Cristo Rei	6	11	369
Flor do Mato	5	9	517



VISIT THE IRANI WEBSITE <http://www.irani.com.br/en/info/environmental-management> FOR MORE INFORMATION.

Impacts and mitigation measures on biodiversity

Planted forests of *Pinus* spp. and *Eucalyptus* spp. are the basis of forest management for the production of wood and resin, considering the growth potential of these species and respecting current legislation regarding protected areas. To perform preventive and mitigating

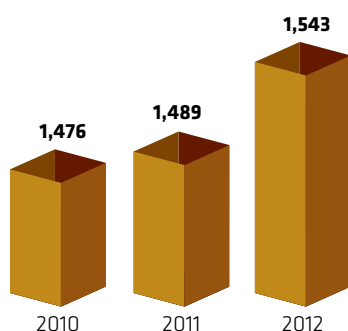
actions of the potential impacts of its activities, committed to the conservation of biodiversity in the regions where it operates, in accordance with the following table.

Principal impacts on biodiversity	Mitigation measures
Extensive monoculture with exotic species	Preservation of native vegetation and existing natural areas (SC/RS); Reforestation Partnerships (SC/RS); Studies of flora and fauna in protected areas (SC); Restoration of degraded areas (SC); Protected areas forming corridors (SC); Production, distribution and planting of native seedlings (SC); Use of high productivity species (SC/RS);
Use of easily dispersible species (<i>Pinus</i> spp.)	Control of dispersion in non-commercial area (SC/RS);
Planting of <i>Pinus</i> spp. in APP	Signing of a TAC (Conduct Adjustment Declaration) in December 2011 – Recovery Project of Degraded Areas in Santa Catarina;

Environmental Education

1543 hours of employees time was available for Environmental Education projects. In these activities, 3,709 people were involved (employees, students, vendors, customers, community).

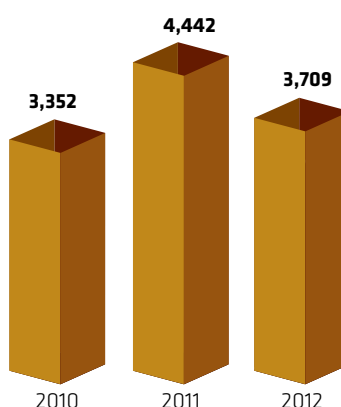
HOURS AVAILABLE FOR ENVIRONMENTAL EDUCATION



Total investments in environmental protection

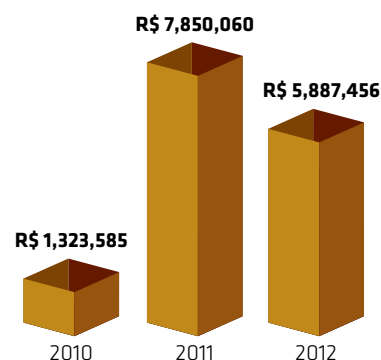
Environmental actions represented an investment of R\$ 5,887,456.46. Most of this, R\$ 1,129,793.73, was applied to the final disposal of solid waste arising from the production process.

PEOPLE INVOLVED IN ENVIRONMENTAL EDUCATION



Note: due to the change in the formula for calculating the number of people involved in environmental education in 2011 the number reported is less than in the previous Sustainability Report.

ENVIRONMENTAL INVESTMENTS




MORE INFORMATION ABOUT THE ENVIRONMENTAL EDUCATION PROGRAM ARE POSTED ON THE IRANI WEBSITE. CHECK <http://www.irani.com.br/en/info/environmental-management> AND CHECK!

Integrity, Ethics, Courage, Transparency and Cordiality



WE ARE UPRIGHT, ETHICAL, COURAGEOUS,
FRIENDLY AND TRANSPARENT IN ALL OUR
ATTITUDES AND RELATIONSHIPS.

Shareholders

 IRANI is a Public company with shares listed under codes RANI3 (Common) and RANI4 (Preferred) belonging to the traditional segment of BM&FBOVESPA.

In December 2012, the percentage of shares outstanding (*free float*) was 9%, and the controlling shareholders held 88% of the total capital of the company.



IRANI Executive Board

Shareholding Structure - 12/31/2012						
Shareholders	Common Shares	Percentage	Preferential Shares	Percentage	Total Shares	Percentage
Controllers	134,478,440	90.08%	8,582,660	67.00%	143,061,100	88.26%
Treasury shares	1,338,040	0.90%	2,626,100	20.50%	3,964,140	2.45%
Shares of directors	312,320	0.21%	437,060	3.41%	749,380	0.46%
Shares in Circulation	13,150,940	8.81%	1,164,440	9.09%	14,315,380	8.83%
Total shares	149,279,740	100%	12,810,260	100%	162,090,000	100%

Channels of communication

In order to keep the market informed about its activities and results, IRANI offers shareholders, investors and professionals of the capital markets an Investor Relations *website* (www.irani.com.br/ri), in Portuguese, English and Spanish.

- The Dialog with shareholders and potential investors also occurs through the following channels:
- E-mail of the Investor Relations Director, ri@irani.com.br;
- Contact Us Tool on the IR *website*;
- E-mail Alert;
- Disclosure of Annual Financial Statements and Quarterly Information (ITR);
- Ordinary and Extraordinary General Meetings, and
- Sustainability Report.

Distribution of dividends

Ensures, under the law, as a minimum mandatory, the dividend payment of 25% of adjusted net income.

The Annual General Meeting held on April 29, 2013 approved the distribution of dividends for the fiscal year 2012, amounting to R\$ 9,789 thousand, corresponding to R\$ 0.0619 per common and preferred share. Income tax will not impact on these values.

In August 2012 and February 2013, there were two distributions of interim dividends from the Profit Reserve existing on the balance sheet prepared on December 31, 2011, totaling R\$ 28,533 thousand, equivalent to R\$ 0.09 per common and preferred shares in each of the distributions.

Customers

Seeks to disseminate their values and knowledge, reinforcing the concept of Customer Focus. Maintains a transparent trade policy, with clear rules for negotiations.

Training has been carried out by the IRANI technical team in various clients. The SP Packaging Unit gave 13 training courses, SC Packaging nine, and Paper Mill six. The initiative is a way to strengthen the partnership and it becomes a unique forum for the exchange of information, assistance and search for joint solutions.



"We have worked together for about 35 years, and the history of Riopel has lasted for nearly half a century. There always existed a great deal of reciprocity between IRANI and Riopel Embalagem. There has been a brilliant partnership that has lasted for 35 years."

ISMAEL NONATO,
DIRECTOR OF RIOPEL EMBALAGEM

**Products and solutions
offered to meet
customer needs**



"IRANI can do and understand things that sometimes we can not understand. They usually anticipate their own customer demands, help, form a partnership in this direction, and the two, both the supplier and the customer end up winning."

EVANDRO DE BONA,
COMMERCIAL DIRECTOR AT BONAPEL



All IRANI products undergo strict quality control

In 2012, the Value Sharing project was implemented, this is a partnership between the Commercial and Sustainability areas. The main goal is to provide clients projects and sustainability initiatives that are developed, engaging them in this commitment and contributing to the sustainability of their businesses. The challenge is to create and foster a competitive advantage for customers who increasingly value sustainability and consider this as a differential purchase. The Company understands that sustainability can also be a business opportunity in that customers value the social and environmental practices, certifications and sustainability report as a commitment to transparency.

One of the clients who participated in this project was Tirol, based in Treze Tílias (SC). After the visit, they felt encouraged to develop their own Sustainability Report and assumed the challenge for 2013.

Product Development

Provides a structure for the development of projects for clients from various sectors in which it operates. In the paper business, efforts are directed to the development of inputs, raw materials and new lines of Kraft and recycled paper. In the Packaging business, the focus is the development of packaging for different refrigerated segments, food, fruit, metal mechanical, chemical and others.

"We have a very iconic item in this partnership, the support for our drinks which was developed by IRANI as a single model in the 120 countries where the company operates, so it is a genuine Brazilian product."

NIVALDO LIMA,
SUPPLY CHAIN MANAGER
AT MC DONALD'S

The projects are developed with the Focus on the Customer and they prioritize projects that reduce costs and seek performance improvements, seeking innovative packaging. They are covered in every step of the process, from the seed to the Paper and packaging finished products. For many customers, adjustments were made in the packaging that have provided gains and improvement in the processes and production.

"We have a product that is the "Tuscan sausage" it is a frozen product that is important for us because it is our flagship. It is our largest selling product. IRANI developed a pack and optimized the thermal efficiency during the freezing process and reduced the cost for the product that we had before. This provided us with a result in all aspects of quality and mainly with a cost reduction. But an important fact is the technical team along with the Frimesa team have sought and developed alternative solutions that satisfy us in terms of quality and cost."

ELIAS JOSÉ ZYDEK,
EXECUTIVE DIRECTOR OF FRIMESA

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In 2012, the 1st Research and Development *Workshop* was held, focused on the areas of the Company that carry out R & D projects. The goal was to integrate and mobilize professionals, study goals, indicators and project actions to intensify these activities.

Cooler Box and My Fellow Ice

Multi-functional cardboard packaging to transport and cool drinks. The *Cooler Box* is directed to beverage manufacturers and eliminates the need to use heat shrinkable material. Directed to the points of sale, *My Fellow Ice* is a cheaper and environmentally friendly product that replaces EPS or plastic coolers. In 2012, both were recognized by the *Embanews Magazine*.



The production process starts with the development of projects for the Research and Development area, which assesses the needs and requests of customers, as well as the consumer market trends and strategies IRANI. With the approval of the project by the client, the finished products are delivered together with technical reports that contain relevant information on the product specification, closely following the technical specifications and procedures of ISO 9001 (2008).

The paper and the packaged supplied to the food industry are identified as products that can interfere with food security, that is why the impacts on the health and safety of clients from concept development to its disposal after use, are assessed. They are also aligned to the requirements of ISEGA and RoHS Directive and comply with the ANVISA Ordinance #177/99. Also guaranteed by Good Manufacturing Practices are the *FineKraft*, *FlashKraft*, *FlatKraft*, *FlexiKraft* Pardo and White lines.

The reports of the suitability to this ANVISA Ordinance regarding the total and specific metals migration, optical brighteners and the dye, and the content of polychlorinated biphenyls and halophenols were renovated in 2012.



Customer Satisfaction Survey

Held annually, the Customer Satisfaction Survey considers factors such as: customer identification with the Company's values, influence of sustainable actions in the purchase decision, contribution to the customer's business, product quality and service, indicate IRANI to other companies by the client and the client's perception by means of a word that summarizes, in his conception, the relationship with IRANI.

THE CUSTOMERS' SATISFACTION SURVEY
IS AN IMPORTANT TOOL TO UNDERSTAND
CUSTOMERS' PERCEPTIONS IN RELATION
TO THE COMPANY



Paper Customers

Customers surveyed
114

Total answers
63
(28 Full
35 Summarized)

Packaging Customers

Customers surveyed
286

Total answers
130
(44 Full
86 Summarized)

AVERAGE SATISFACTION INDEX

(Scores 1-5, from (1) "Strongly Disagree" to (5) "Strongly Agree")

	Paper	Packaging SP	Packaging SC
2010	4.3	4.2	3.9
2011	4.35	4.2	4.1
2012	4.4	4.2	4.1

Scores 1-5, from (1) "Strongly Disagree" to (5) "Strongly Agree"

Evaluated Items	Paper			SP Packaging			SC Packaging		
	2010	2011	2012	2010	2011	2012	2010	2011	2012
Influence of sustainable initiatives on the customer's buying decision	4.2	4.3	4.3	4	3.9	3.9	4	3.7	4.0
Contribution to the customers business	4.35	4.3	4.4	4.2	4.1	4.1	4.4	4.1	4.3
Quality of products	4.6	4.6	4.75	4.4	4.4	4.3	4.3	4.2	4.2
Quality of services	4.15	4.35	4.4	4.1	4.2	4.3	3.9	4.1	4.1
If the client indicates IRANI to other companies	4.45	4.5	4.4	4.5	4.3	4.4	4.4	4.6	4.6
If the delivery time is better than that of its competitors	-	4.0	4.2	-	4.0	4.0	-	3.6	3.6
If the Company provides a differential service in relation to its competitors	-	4.1	4.2	-	4.0	3.9	-	3.8	3.7
If the cost-benefit of shopping with IRANI is the best on the market	-	4.1	4.2	-	3.3	3.5	-	3.4	3.4

* Essa questão foi incluída na pesquisa a partir de 2011.

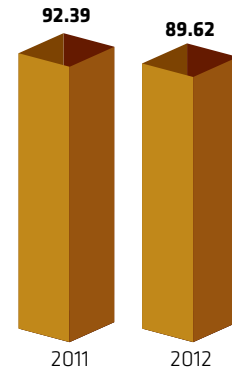
Suppliers

Sustainability in the supply chain

IRANI has specific procedures that comprise the practice of identification, qualification and evaluation of contracted providers. It seeks to identify and prioritize suppliers to develop sustainable practices.

The quality of products and services, as well as the effectiveness of business process and communications providers, is determined through an evaluation that results in the providers performance index (IDF). Suppliers are evaluated periodically and different criteria are used according to the specific purchasing group to which they belong, and this assessment generates an absolute value between 0-100 points firmly in the IDF, with annual closing. The frequency of evaluation varies by buying group which are divided into five categories: provision of critical services, consumable materials and consumption and external critical services, critical products and chemicals, transport service and logistics for dispatch and FSC and forestry products. The IDF is used to strengthen partnerships and ensure the continuity of business relationships, beside informing suppliers about their performance in the supplies and services performed, as well as to provide the means to those who are below the minimum score, so they can develop actions through an Action Plan.

GROWTH OF THE PERFORMANCE INDEX SCORE OF SUPPLIERS (IDF)



IRANI ENDEAVORS TO IDENTIFY AND BOOST RELATIONSHIPS WITH SUPPLIER CUSTOMERS TO DEVELOP SUSTAINABLE PRACTICES.

Aiming to encourage good practices of transparency and further engage suppliers in the sustainability theme, IRANI adopted the GRI initiative "Report or Explain". In this practice, one may question the suppliers about the publication of sustainability reports. If the supplier does not publish this, a justification is required and also an invitation to participate in *workshops* will be sent that will be held on the subject in 2013, by the GRI.

Responsible for the development of local business partnerships, Irani seeks to increase the percentage of purchases of products from the localities around its business units. In 2012, the total value of purchases with local suppliers was R\$ 58,001,810.88, representing **16.74%** of the total purchases made by the Company, and **3%** higher than the purchases of local suppliers in the previous year, which totaled R\$ 54,063,036.32. In 2010, this represented 14.51% of the total purchased.



SHOPPING WITH SUPPLIERS IN THE SURROUNDING COMMUNITIES.

Municipality	2010	2011	2012
Balneário Pinhal (RS)	691,565.73	821,307.23	128,363.25
Catanduvas (SC)	2,452,227.44	2,877,177.98	2,397,260.72
Cidreira (RS)*	-	-	361,781.76
Concordia (SC)	3,176,348.08	4,209,350.00	4,941,349.44
Herval d'Oeste (SC)*	-	-	253,655.85
Indaial (SC)	1,991,281.19	1,538,743.75	963,667.16
Irani (SC)	17,052,084.37	17,768,630.69	17,529,532.55
Joaçaba (SC)	6,766,643.77	7,402,221.60	8,210,107.44
Luzerna (SC)*	-	-	661,818.93
Ponte Serrada (SC)	7,032,331.48	10,148,331.65	10,983,462.93
Rio Negrinho (SC)	1,437,831.48	139,824.87	48,433.91
Santana de Parnaíba (SP)**	1,874,401.87	1,179,420.78	-
Salto (SP)*	-	-	307,622.30
Sao Bento do Sul (SC)	4,152,223.04	540,265.30	257,599.78
São José do Norte (RS)*	-	-	2,470,071.51
Vargem Bonita (SC)	6,854,200.83	7,437,762.47	8,487,083.35
Total	53,481,139.28	54,063,036.32	58,001,810.88

Notes: * monitoring of purchases at these locations began in 2012.
Operations ** in this city were closed, and the community ceased to be regarded as being in the surroundings of IRANI.

"What pleases us is that the values proposed by IRANI are very similar to the values we have in our company."

VILMAR SASSE,
HERGEN S/A.

The **1st** Meeting of Resin Producers was held in Balneário Pinhal (RS). Owners of *pinus* forests, resin producers, leaders and IRANI employees got together. This allowed them to reaffirm the commitment to these public and disclose the intention to broaden partnerships.

In 2012, in Santa Catarina, the 1st Meeting of IRANI Reforestation Partners was. This brought together employees and partners in order to discuss the current situation of the forestry program and foster partnerships in the region where the Company operates. In 2013, IRANI will seek to maintain this initiative to keep nearer to its partners.

In 2012, the 3rd Technological Week brought together suppliers, partners, customers, students and employees, promoting the exchange of experiences and the generation of 46 ideas. With the theme "Innovation in the Supply Chain" suppliers presented new product technologies and processes. The event brought together more than 160 people.

In Campina da Alegria (SC) the Integration *Workshop* of Suppliers was held. The integration aligned with issues related to safety, occupational health, the environment and the legal documentation, corporate policy enabled the Company to spread corporate policies of the Company.

The principal means of communication with suppliers, are the Sustainability Report, the institutional *site* and the tool "Contact Us" that is available on the IRANI portal for On-line quotes and direct contact with negotiating team.

Adequate remuneration according to the legislation, as well as food, transportation and life insurance are offered to outsourced workers. All forms of child or slave labor are repelled. IRANI performs periodic inspections of the companies that cater for the activities related to forestry operations. A risk assessment of suppliers of wood and paper is made, in line with the standards of FSC certification. There is also a verification program which includes wood suppliers, which occurs through audits, to investigate compliance with the Timber Procurement Policy and FSC principles, including aspects related to human rights.



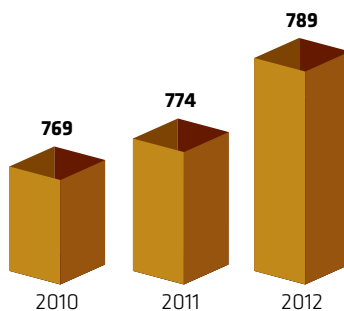
The practice of consulting the “black list” of the Ministry of Labor and Employment (MTE), which is carried out at the time of registration was extended to all suppliers. The verification and maintenance of this information is effected according to release of the updated list on the MTE *site*.

Periodic meetings with contractors in the forestry areas are held, in order to provide *feedback* regarding the provision of the service in their own areas. Matters of common interest are also addressed in the improvement in the development of activities are discussed. There is also the dissemination of legal environmental information related to health and safety at work.

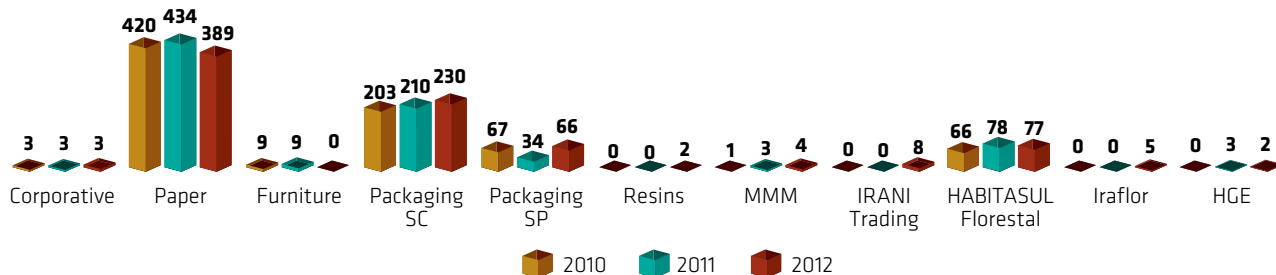
The contracts with suppliers and service providers have, since 2009, included a clause relating to human rights, service quality and the environment.



NUMBER OF SERVICE PROVIDERS



NUMBER OF SERVICE PROVIDERS (PER BUSINESS UNIT)



The IRANI Supplier Project ended 2012 with long-term contracts signed with 52.67% of its suppliers. Despite not reaching the 60% target set for the period, there was an increase compared to the results presented in the last quarter of 2011, which was 40.70%. This is justified because of the difficulties encountered in the market in the first half of the year and, consequently, reducing the contractual purchasing volumes of some important items for the composition of this indicator.

The Urban Forest Project also did not achieved the target set at 80%, ending the year with 72.41% of chip vendors with purchases stable. However, they also showed growth, if the result is compared to the last quarter of 2011, which recorded a rate of 61.76%. The reduced availability of chips in Rio Grande do Sul during the year caused IRANI to reduce the quantities drawn from existing contracts with some suppliers, with their consent, to ensure the economic balance of this raw material.

2013^{GOAL}

IRANI Supplier Project, retain 60% of the suppliers with long-term signed contracts in the Urban Forest Project, retain 80% of the suppliers of chips with stable purchases.

Governments and Society

The generation of employment and income is one of the indirect economic impacts of the presence of IRANI in the surrounding areas of its units. Leaders maintain relationships with representatives of municipal, state and federal governments in order to encourage the use of public funds in infrastructure and welfare in the regions where it operates. It pro-actively supports and develops programs and social involvement.

In 2012, there was continuity in the movement carried out by IRANI and Junior Achievement of Santa Catarina with the Municipal Educational Secretary of Joaçaba (SC) for the training of teachers, seeking the implementation of the program Our Planet, Our Home in schools. Representatives of the Management of Education working in state schools were also engaged and developed the application of the program Attitude for the Planet in the schools in Joaçaba Herval d'Oeste (SC).

Pro-actively, IRANI supports and develops actions and social involvement



The development of the nuclei of the SESI program; Athlete of the Future supported by IRANI the municipalities of Irani (SC), Vargem Bonita (SC) and Ponte Serrada (SC) and the core from Balneário Pinhal (RS) have support from local governments that are responsible for providing the venue where the activities are performed.

In 2012, as part of efforts to strengthen engagement with stakeholders, IRANI held three *stakeholder* panels with Communities, Government and Society in Campina da Alegria (SC), Balneário Pinhal (RS) and Indaiatuba (SP). Customers and suppliers were also consulted through panels. The demands from these groups were discussed internally supported in developing the materiality ma-

trix (see chapter *About the Report*) and they will serve as *inputs* for the strategic planning of the Company.

Through their leadership, IRANI will participate with business entities and class associations representing the industry and strategic to their business. The main bodies and associations involved are Brazilian Association of Pulp and Paper (Bracelpa), Brazilian



Association of Corrugated Board (ABPO), Gaucho Association of Forestry Companies (AGEFLOR), Santa Catarina Association of Reforestation (ACR), Junior Achievement Association, Association of Pulp and Paper Industries in Santa Catarina (Sinpesc) Cardboard Industry Union in Sao Paulo (Sinpesp), Union of Manufacturers of Pulp, Paper, Cardboard and Cork in Rio Grande do Sul (Sinpasul) and the Commercial Association of Porto Alegre and Commercial and Industrial Association of Western Santa Catarina (ACIOC).

IRANI also participates in discussions of regional concern regarding the environment and business environment, such as Forestry Dialogs, Advisory Board of the Araucarias

National Park, Drainage Basin Committee of the Rio Irani/Chapecó, Chip (Wooden Chips) Committee and the Industrial Waste Committee coordinated by Sinpesc, which is a group of pulp and paper companies formed to discuss the proposal for the creation of the new Conama Law relating to atmospheric emissions in the industry for existing sources, approved in December 2011.

**Campina da Alegria
Community -
Vargem Bonita - SC**

IRANI SUPPORTS HEALTH,
WELLNESS, CULTURE AND
LEISURE ACTIONS FOR THE
COMMUNITY OF CAMPINA
DA ALEGRIA (SC).

Valuing People



WE BELIEVE THAT PEOPLE IN PERMANENT
DEVELOPMENT, HAPPY AND WORKING
TOGETHER MAKES ALL THE DIFFERENCE

Employees

IRANI believes that a company is formed mainly by people and by investing heavily in their development, it is possible to achieve excellence. Creates conditions for the employees to perform to their full potential, developing professionally and personally. Programs, projects and activities are built that assist in this process and offer adequate working conditions, providing the opportunity for development and establishing a positive work environment.

CRESCCE (GROWTH) Program

This aims to qualify and prepare employees for the challenges of the Company, promoting or assisting training, external or *in company* courses and events related to the work. It focuses on the realization of actions for the technical improvement and behavior of people through the development of 10 competencies that are divided into basic skills (Quality Culture, Leadership, Communication, Planning, Organization and Control, Focus on Results) and the distinguishing topics (Customer Focus, Entrepreneurship, Creativity and Innovation - R & D, Technology, and Building Relationships).

In 2012, a review of the skills assessed by the Program was performed, aligning them to the new Strategic Plan. This review will be applied in 2013.



IRANI provides conditions for employees to perform at their full potential

INVESTMENT IN TRAINING (IN R\$)

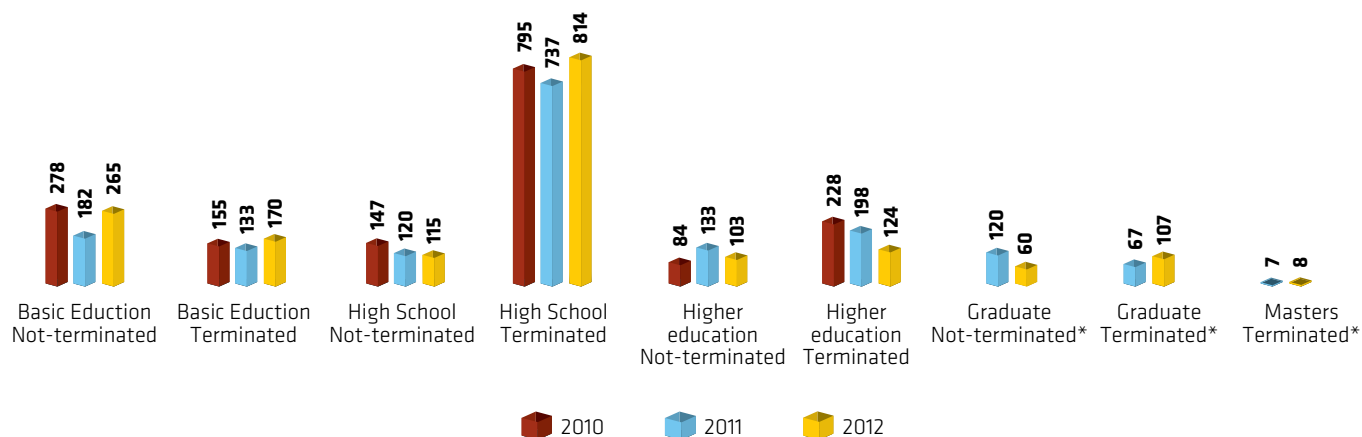
	2010	2011	2012
Training and Development	761,144.73	1,786,599.55	1,759,331.00
Educational incentives through subsidies	303,433.27	646,305.37	848,124.05

Investment in Training and Development 2% lower than in 2011 is justified by the increase of training conducted internally.

AVERAGE HOURS OF TRAINING PER EMPLOYEE CATEGORY

Category		Total hours			Number of employees			Average hours of training		
Leadership		2010	2011	2012	2010	2011	2012	2010	2011	2012
	Executive Board	473	612	768	6	6	5	79	102	154
	Management	1,602	2,112	4,215	21	27	33	76	78	128
	Supervisors	4,758	5,000	6,322	134	141	126	36	35	50
Administrative		5,964	5,607	5,987	191	212	246	31	26	24
Technical		3,483	4,286	5,352	190	198	207	18	22	26
Operational		25,728	26,845	28,341	1,145	1,138	1,149	22	24	25
Total		42,008	44,462	50,985	1,687	1,722	1,766	25	26	29

SCHOOLING



Note: in 2011, monitoring the levels of post-graduate and masters was started.





THE NUMBER OF EMPLOYEES RECEIVING EDUCATIONAL INCENTIVES.

Unit	MBA/Graduate			Under-Graduation			Technical			Languages		
	2010	2011	2012	2010	2011	2012	2010	2011	2012	2010	2011	2012
Corporative	31	27	40	19	17	15	0	1	0	18	22	24
Paper Mill	9	54	42	35	50	56	27	93	61	7	4	11
SC Packaging	1	19	14	16	19	18	1	68	43	4	3	6
SP Packaging	23	15	12	11	34	36	0	3	1	1	10	14
Resins	1	0	1	5	2	3	3	1	0	0	0	8
Furniture	0	0	0	0	0	0	0	0	0	0	0	0
Trading	0	0	0	3	4	3	0	0	0	2	3	4
MMM	0	2	2	1	4	2	0	0	3	2	1	1
TOTAL	65	117	111	90	130	133	31	166	108	34	43	68

Altogether
139 employees

*were trained in technical courses, and
graduate qualifications were held in company*

In 2012, the technical courses in Pulp and Paper, Mechanical and Electrical course and qualification in Industrial Maintenance were finalized. *In Company Courses* were developed between a partnership with IRANI, School of Basic Education Galeazzo Paganelli and SENAI/SC units in Campina da Alegria (SC).

Likewise, in partnership with Senai / SC, in 2012, the Technical Course in Electrical Engineering in the School Galeazzo Paganelli in Campina da Alegria (SC) was started, based on the National Access Program for Technical Education and Employment (Pronatec). The participants are employees, their children and residents from the surrounding communities.

The Graduate Senu Lato course in Pulp and Paper held *in company* by an agreement signed with the Federal University of Viçosa (MG), will be completed in 2013 and is projected to train 23 employees.

**IRANI believes that
teamwork is essential
to the development
of people and the
company**





**Elida de Freitas e Castro Druck Library,
in Porto Alegre**

To reinforce that employees share knowledge, from 2012 those who participate in external training undertake to pass on their acquired knowledge. In addition, employees who received grants provide a copy of their of course completion work in The Elida de Freitas e Castro Druck Library in Campina da Alegria (SC).

The works conducted internally were intensified in 2012. Preparatory and refresher courses were held and addressed the applicable regulatory standards.

The Cine Popcorn sessions in the Paper Mill and SC Packaging unit were continued, seeking the integration of employees and the discussion about skills. The experiential work, complementing the technical skill, aim to develop emotional intelligence, apart from knowledge, skills and attitudes related to the competence of the GROW Program. 392 employees were involved. Was also carried out, internally, and open air training course (TEAL) called The IRANI Eco-integration Project, focusing on teamwork with employees from the Packaging SC unit .

In addition, there was, in 2012, saw the closure of the current and potential Leadership development cycle of the Academy of Leaders. The planning a new concept of program will begin, starting in 2013.

This is a specific job, in order to enhance the development of the full exercise of leadership is carried out in partnership with a consultant, psychologist, using a methodological approach based on the principles of overcoming and reflected action, from a cultural change.

The educational actions developed through theater workshops and singing were continued in 2012. The groups are composed of employees and their families, partners and service providers, as well as people from the surrounding communities.

2013 GOAL

**Achieve 94% of
compliance of the
expectations in the
evaluations to the
reaction to the trainings
conducted by internal staff.**

Elida de Freitas and Castro Druck Library

In 2012, the Elida de Freitas e Castro Druck Library continued its activities, expanded its collection to 4,300 titles and made 1,998 book-loans. The Library, in Campina da Alegria (SC), is the result of a partnership with SESI/SC. Several actions were carried out in this space, such as training and thematic meetings, in addition to the constant use of the media center by employees, for research and studies. Also, in 2012, an action was performed in the mobile library at the Packaging Unit SP.

That same year, a project was implemented called Open your Drawers that encourages employees to donate books to the library with the aim of sharing knowledge.

MOTIVATE Program

To provide a stimulating and motivating organizational climate is the main objective of this program. IRANI believes that this stimulus assists in creating the identity of the employees with the company and the shared responsibility for its growth.



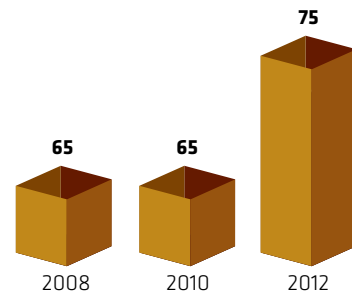
Held every two years, the Organizational Climate Survey is the main tool of this program. In 2012, a specialized company conducted the research in all units and subsidiaries. The return rate of questionnaires was 84%, while the 2010 cycle was 63%.



The return rate of the satisfaction survey in 2012 was 84%

IRANI OFFERS ADEQUATE WORKING CONDITIONS AND PROVIDES DEVELOPMENT OPPORTUNITIES, ESTABLISHING A MORE PLEASANT WORK ENVIRONMENT.

GROWTH OF THE RESULTS OF THE ORGANIZATIONAL CLIMATE SURVEY (AVERAGE IN %)



As a result, we determined the rate of employee satisfaction was 75%, 10 percentage points higher than the last survey cycle.

From the diagnosis from this Research, a *workshop* with the leaders was held for the preparation of action plans for the identified improvement opportunities and will be implemented in 2013.

To support the realization of this program Groups to Support Climate Management were created, responsible for assisting the leadership in organizing events, and raise specific demands of employees and develop actions aimed at integrating people and streamline actions focused on improving the organizational climate. In 2012, three new groups were created, one in the Resins Unit, one in the Administration and Finance Office and one in the Main Office in Porto Alegre. The work of the groups of the other units were continued.



By investing heavily in the development of people it is possible to achieve excellence

SUPERA Program

Annually, all employees receive a performance report based on the results obtained in the program which is structured to the management culture and individual performance and the *feedback*. This aims mainly at the development of people and stimulates meritocracy.

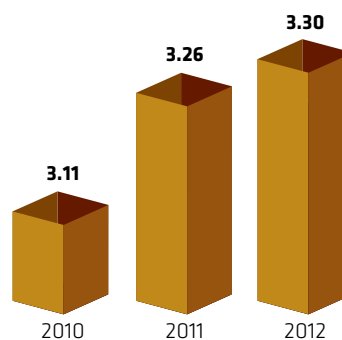
The stimulus to productivity, talent identification and recognition of differentiated performance are other important goals. According to the result of cross-referencing the assessment of individual skills and results, the SUPERA Program provides for the payment of a portion of up to 150% of nominal wage of employees at the end of each cycle.

The leaders were trained, after the verification of the results of this program, to provide *feedback* on the performance of individual employees and trace action plans for their development.

One can perceive a clear impetus for the achievement of goals and teamwork in the pursuit of superior results.



OVERALL AVERAGE OF COMPETENCY ASSESSMENTS OF THE SUPERA PROGRAM (SCALE 1 TO 4)



GERA Program

Together with other structural programs, this seeks to internally strengthen the Company. This ensures that new employees are suitable and are integrated to the organizational culture, and they are accompanied in their development and at the end of the professional relationship, the growth of both the employee as well as IRANI is recognized.

The goals include increasing longevity of the teams and the actions promoted by the leaders, reduced *turnover*, increased retention and the development of people.

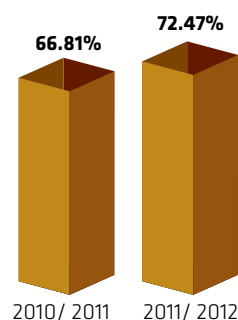
In 2012, a review of hiring and integration practices was performed and this started the alignments for the process of the termination of employment contract.

In 2012, the retention after experience period was consolidated at 93.05%, a result viewed as a benchmark in the market. Employees hired in 2011 who remained in IRANI throughout 2012 totaled 72.47%. The hiring and retention of the period 2010/2011 were calculated to be 66.81%.



2013 GOAL 75% annual retention of contracted employees.

ANNUAL RETENTION (IN %)

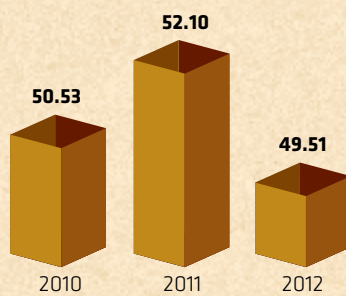


The IRANI Internship Program, another method for retaining talent, favors the development of future professionals, adding value to the Company and educational institutions, as reflected in the region where they are located.

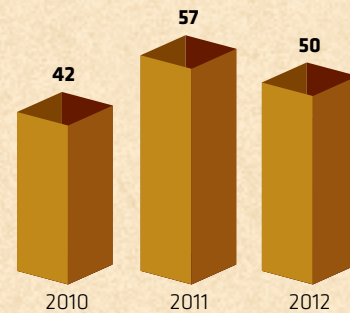
Internal recruitment

The vacancies are only open to external recruitment processes when the requirements for jobs are not attended by employees.

PERCENTAGE OF POSITIONS FILLED THROUGH INTERNAL RECRUITMENT (CONSOLIDATED)



NUMBER OF INTERNS (CONSOLIDATED)

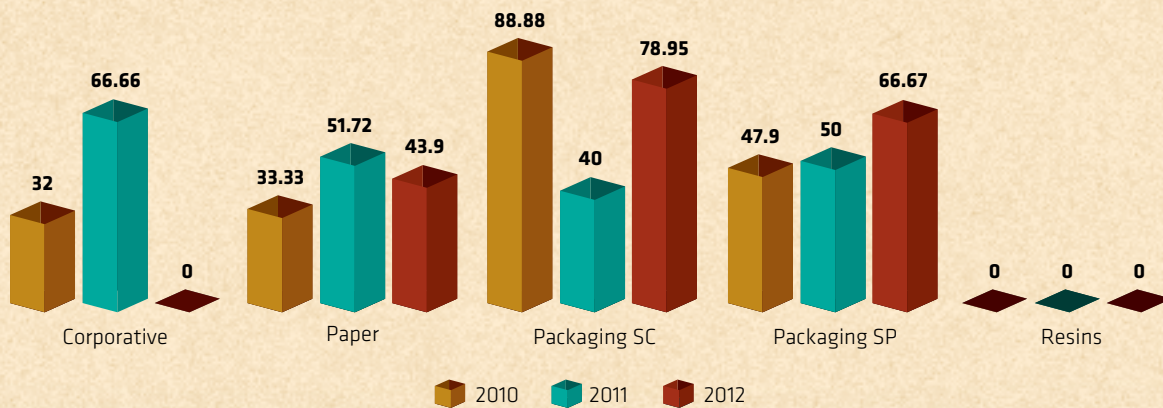


62.5% OF INTERNS WERE HIRED AS PERMANENT EMPLOYEES.



87

PERCENTAGE OF POSITIONS FILLED THROUGH INTERNAL RECRUITMENT (PER BUSINESS UNIT)



Gymnastics in the workplace:
one of the ways to ensure the
well-being of employees



CUIDA Program

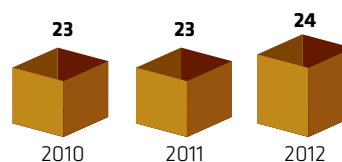
Structured and constituted with a focus on human behavior and the environmental conditions at work, the main objective of this program is to reduce accidents through the analysis of causes and elimination of actions and/or conditions that have any possibility of causing personal or material injury to employees. This aims to establish an integrated model of health management and safety in the workplace.

The methodology consists in the creation of guidelines and procedures prepared by specialists in each unit, in study groups, respecting their particularities. The work takes into account the current practices, applicable laws and makes an alignment with the OHSAS 18001 standard. Once completed and approved by the leadership of the company, the employees linked to the issue receive classroom training on the new guidelines and new procedures.

This is currently in the process of adapting the routines. In all, there are more than 20 studies related to health and safety activities by 2016, deadline for completion of the program.



NUMBER OF LOST TIME ACCIDENTS (CONSOLIDATED)



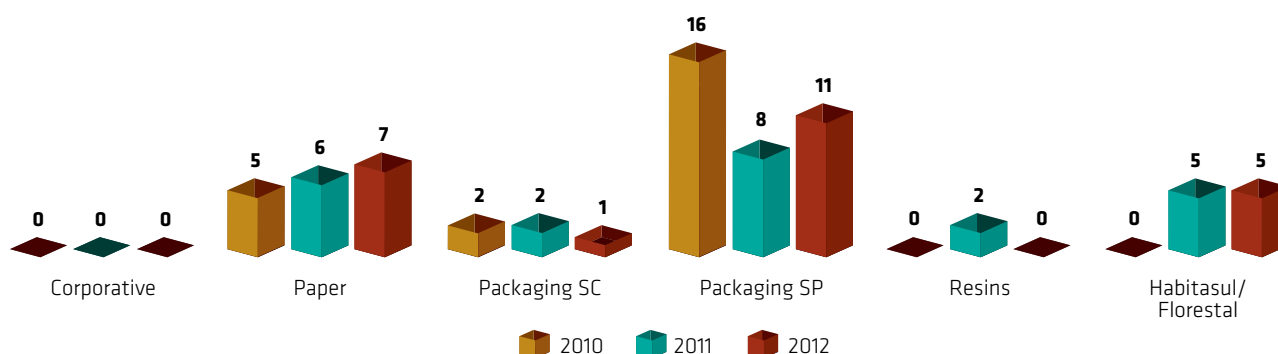
2013

GOAL
Reduce to 18 the total number of lost time accidents.

In 2012, there were 24 lost time accidents. Although the goal has not been reached, there was a 35% reduction in the total number of accidents with and without lost time. For 2013, efforts will be intensified, and the goal will be retained.



LOST TIME OCCUPATIONAL ACCIDENTS PER UNIT



In 2012, there were five accidents with lost time of IRANI service providers.

PERCENTAGE OF THE TOTAL WORKFORCE REPRESENTED IN FORMAL HEALTH AND SAFETY COMMITTEES AND COMMISSIONS.

Committee/Commission	Number of participating employees				Percentage of employees represented
	Paper Mill	SC Pack	SP Pack	Resins	
Internal Commission for the Prevention of Accidents - CIPA	22	8	8	6	100%
Noise Control Committee	12	1	1	*	50%
Emergency Brigade	64	19	54	10	100%
Safety and Excellence Dialogs (DSE)	655	300	360	60	100%
CUIDA Program	8	8	9	5	100%

Note: * there are no committees or commissions in these units.



**Safety at work: one of
IRANI's priorities**

The Service Specializing in Safety and Occupational Health (Sesmt), together with the Internal Commission for Accident Prevention (CIPA) in the units, is responsible for acting in the planning, technical support and guidance to the policies, guidelines and strategies for health and safety, focusing on accident prevention and improving the quality of life of employees.



Blood Donation Campaign

IRANI encourages its employees to perform a voluntary blood donation and allows this to be held during working hours, as provided in the Volunteer Policy. Throughout the year, 54 employees contributed to the supply of the Blood Bank of Concordia (SC) and the Hematology and Hemotherapy Center of the Santa Catarina (HEMOSC) – Joaçaba Unit.

Vaccination Campaign Against Influenza

In 2012, a campaign to encourage the vaccination of employees against the common flu and H1N1 was carried out. All together, 1,030 employees have joined the campaign and were vaccinated for free.

Training of the Emergency Fire Brigade

This is made up of volunteer employees who receive training on first aid, care when working at a height and in confined spaces and are responsible for coordinating the abandonment of the units in case of emergencies. In 2012, the Brigade was reinforced with new members. In 2013, training will be conducted monthly, aimed at actions to improve and enhance the Brigade members. It is intended to form rescue teams to work each shift in the Paper Mill and Packaging units SC.

Internal Commission for the Prevention of Accidents – CIPA

CIPA works in accordance with the Health and Safety Policy at Work and strives for excellence in this area, constantly improving the quality of work life of employees and service providers. In partnership with Sesmt, it develops initiatives that aim to promote the health and well-being of people. Some of the components of this group are elected by the employees of each unit and another part is indicated by the Company.

The Internal Week for the Prevention of Accidents (SIPAT) was carried out in 2011, integrating the Paper Mill and Packaging Units and outsourced company's. The highlight was the realization of activities and campaigns aimed at human behavior in health and safety. In the Packaging Unit SP, SIPAT was performed theatrically with events in all shifts. General rules of Occupational Safety and Health were implanted, disseminated through pamphlets and lectures to all employees.



Safety and Excellence Dialogs (DSE's)

Sesmt has various instruments to encourage the prevention of accidents and the emergence of occupational diseases. The DSE's (SDR's) are lightning-training that are held daily, weekly or according to the schedule of each area, whose goal is to provide prior knowledge to the employees about the risks of the work environment and the preventive measures that should be adopted.

Ergonomics

The program covers all units, aiming at the globalization of the service, respecting environmental, labor and cultural differences in each unit serviced. The ergonomic analysis of the work were completed in the Paper Mill and Packaging Units in SC and SP. For these ergonomic analysis, tools and specific methods are used that assess physical loads, cognitive and organizational. This is a work of continuous improvement that can reduce the number of medical certificates.

Gymnastics in the Company

IRANI offers workplace exercises and Physiotherapy to employees and service providers at the Paper Mill, SP and SC Packaging Units and the Corporate Office in Joaçaba. This is carried out by service provider companies. Since 2011, the SC Packaging unit carries out an innovative project that uses *isostretching* techniques and other physiotherapy approaches in the search for global preventive work.

Worker Hearing Quality Program (PQAT)

The PQAT guides the implementation of programs aimed at the prevention of hearing loss induced by high sound pressure levels and the conservation of hearing health. The control is done through periodic assessments in line with the criteria of the regulation standard 7 (NR7). In 2012, now has two more speech therapy professionals who provide services to IRANI, responsible for audiometric testing.

Integrated Noise and Ergonomics Committee (CIRE)

This committee seeks the continuous improvement of working conditions for employees in the Paper Mill for the well-being of the employee and the optimization of production considering the physical, ergonomic and noise hazards. In 2012, several ideas of the first campaign of Goods Ergonomics Practice and Noise Reduction, held in 2011, were taken and discussed with leaders and many improvements were made. In 2013, the work will continue to focus on health and worker safety.

Respiratory Prevention Program

This is a program requested by the Ministry of Labor which aims to ensure that all workers in the performance of their professional activities, have their health conditions, especially respiratory, preserved. The program is to assist, train and empower employees. The Sesmt professionals are responsible for implementing the program in the units and disseminating the acquired knowledge. In 2012, we started the environmental review of the Paper Mill and SC Packaging Units and collected air samples for analysis from various sectors. In a future stage, employees will be monitored to identify possible exposure levels that may be harmful to health, so that efficient control measures are adopted and implemented.

Anti-smoking Plan

In January 2012, a rule banning smoking on Company premises entered into force. This measure aims to improve the quality of life and health of employees. The breach of this rule is punishable by disciplinary punishments described in the Internal Rules.

The average number of people person who quit smoking related to those adhering to treatment is 25.47%. This percentage is above the average of the programs offered by government institutions.

Total No. of smokers	183
Number of participants in the Anti-smoking training Plan	165
No. of employees who adhered to the treatment	106
No. of employees who ceased smoking	27
Percent Efficacy	25.47%





Get to know the other initiatives in the area of People Development promoted focusing on employees.

Rediscovering Values Project

This aims to provide guidelines for employees in a pre-retirement phase. This is an initiative of the Department of Personnel Development, through the area of Social Services with the support of several departments. In 2012, a meeting was held with 13 participants, led by the legal department.

Family in the Company

In 2012, several meetings were held in the Family in the Company Program. The SP Packaging Unit again received the families of employees and gathered about 250 people. The Resins Unit and the HFLOR subsidiary gathered about 200 people.

"My family was delighted, because they could learn a little more about my work and also about the Company. I found the concern very important for the children who could not enter the production area during the factory tour, they were given an area with games and activities"

JULIANA APARECIDA DE OLIVEIRA DUARTE,
SALES ASSISTANT

Juliana, an employee,
with her husband at
the SP Packaging Unit





Communication

Communication is done through the leadership and with the support of notice boards in the workplace, *blogs* on innovation and sustainability, tools that allow employees to include discussions on social and environmental issues that they consider important, and through Mundo IRANI (intranet), in which the tool Contact Us is available for sending manifestations.

In 2012 the Internal Communications Management Group was created comprising of representatives from various areas and units, with the aim of improving and integrating internal communication. A diagnosis was conducted by a consulting firm specializing in *endomarketing* in order to assess the current status of the issue in IRANI. One of the results made it possible to show that when it comes to relevant information, the leadership appears as the most important communication channel. The planning and implementation of actions will be undertaken in 2013.

99% OF CITATIONS RELATED
TO IRANI WERE POSITIVE.

SUSTAINABILITY AND GROWTH AMONG
THE MOST MENTIONED WORDS.

93

Labor practices and Decent work

The Consolidation of Labor Laws (CLT), the International Labour Organization (ILO) and the Universal Declaration of Human Rights uphold the IRANI labor relations, as well as the Code of Ethics, Social Responsibility Policies and adherence to the Global and Business Compacts for Integrity and the Fighting of Corruption. In this sense, it valorizes compliance regarding labor practices and promotes decent work, respecting the privacy and diversity of employees and not contributing to discriminatory attitudes or that interfere with freedom of association and collective bargaining.

Child labor, forced or compulsory labor

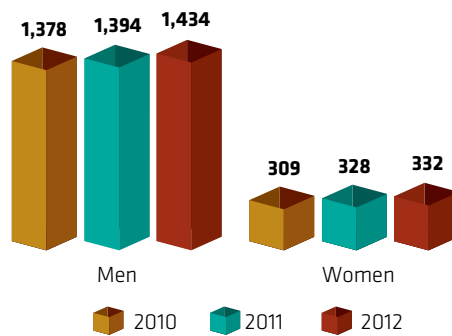
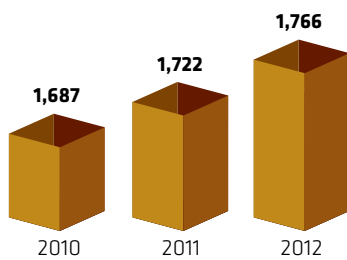
CLT is fully respected, and issues such as child labor and forced or compulsory labor are included in the Social Responsibility Policy. Conducting of monitoring in all units in relation to compliance to the minimum age requirement of 18 years for hiring employees, except as apprentices.



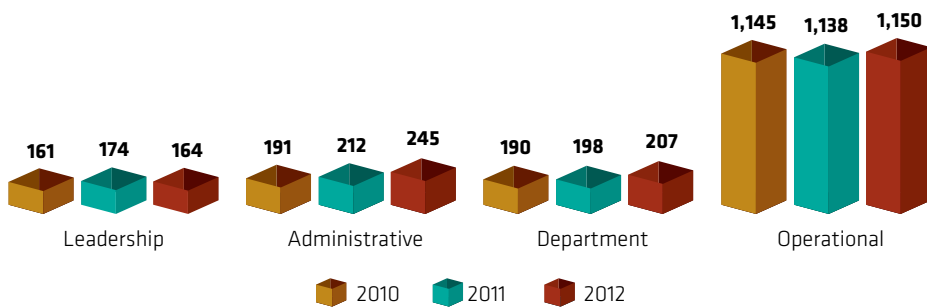


NUMBER OF EMPLOYEES (BY GENDER)

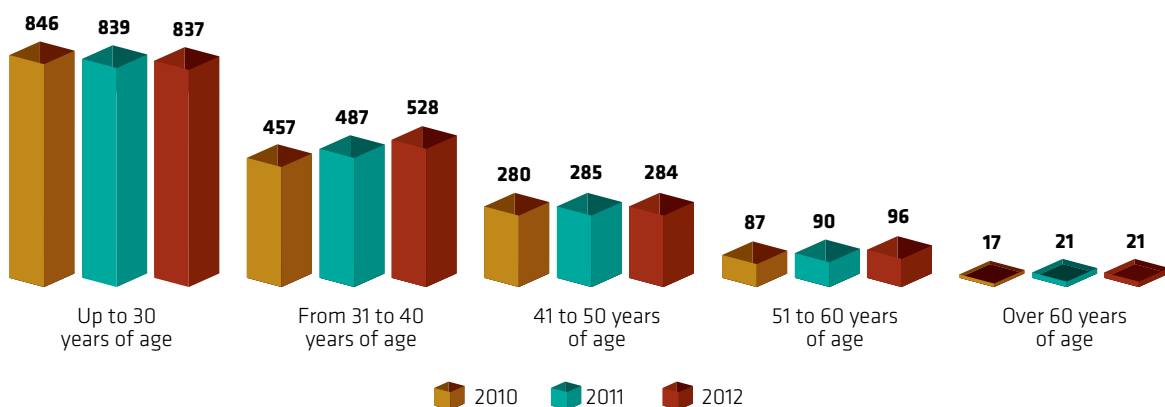
NUMBER OF EMPLOYEES (CONSOLIDATED)



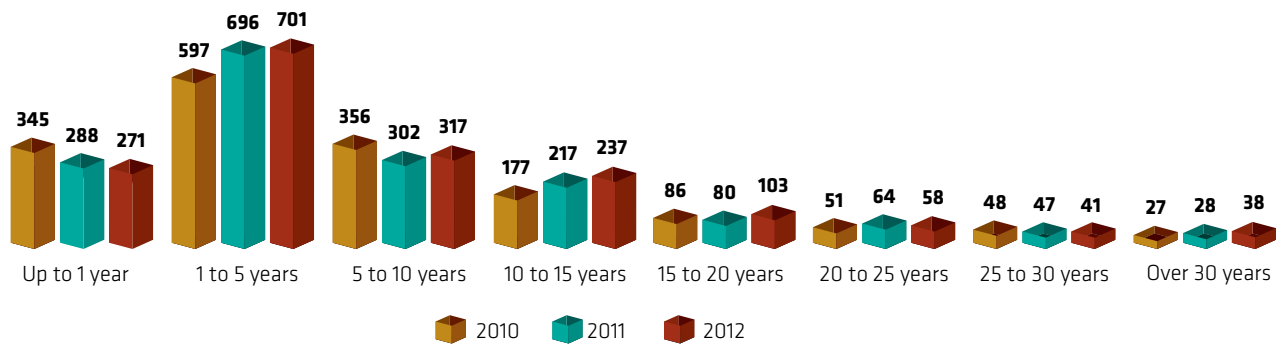
NUMBER OF EMPLOYEES (BY JOB CATEGORY)



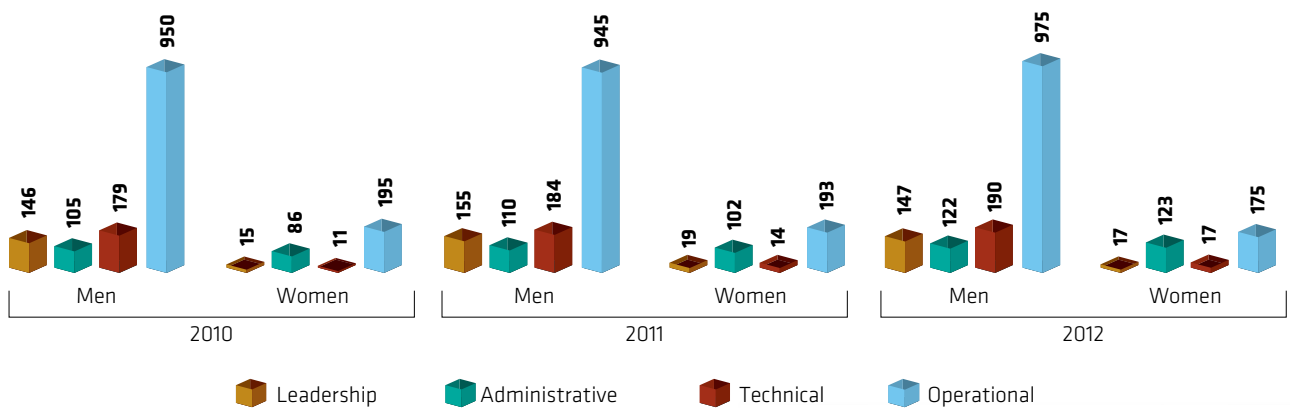
AGE GROUP (CONSOLIDATED)



TIME WITH THE COMPANY (CONSOLIDATED)

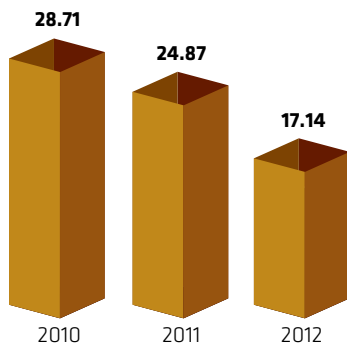


PROPORTION OF MEN AND WOMEN (PER EMPLOYMENT CATEGORY)



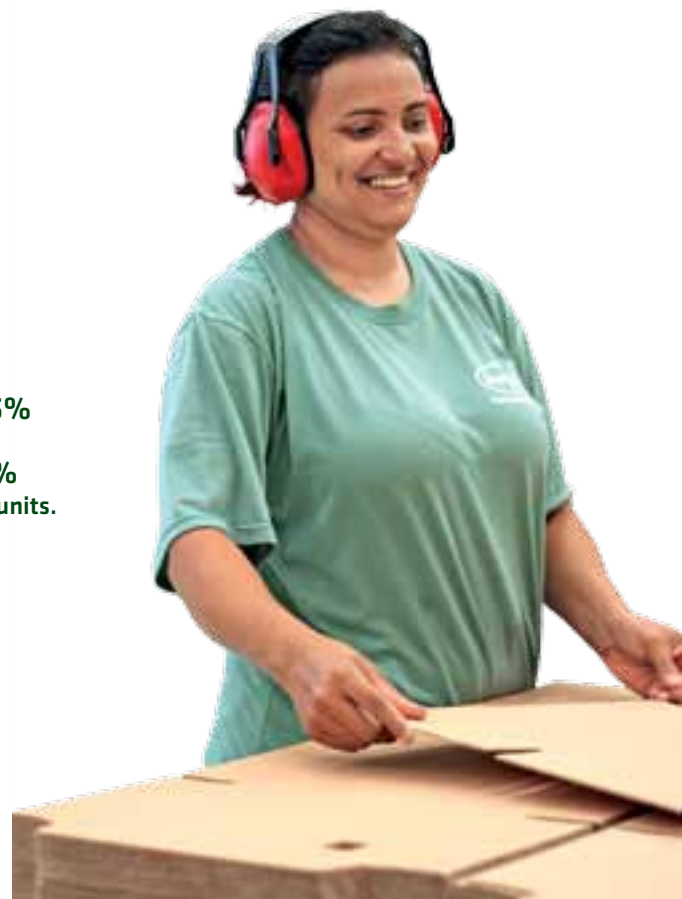
95

TURNOVER (IN %)



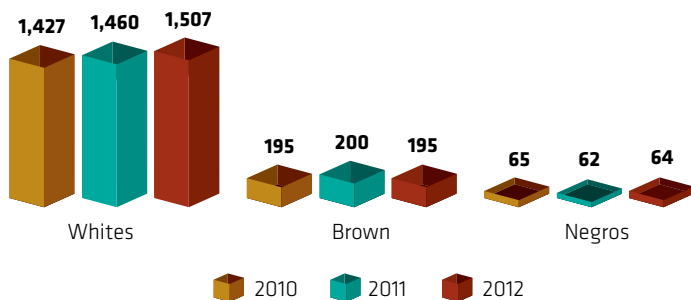
2013 GOAL

Maintain the turnover in the Paper Mill at 9.5% and achieve a lower percentage than 21% in the other units.

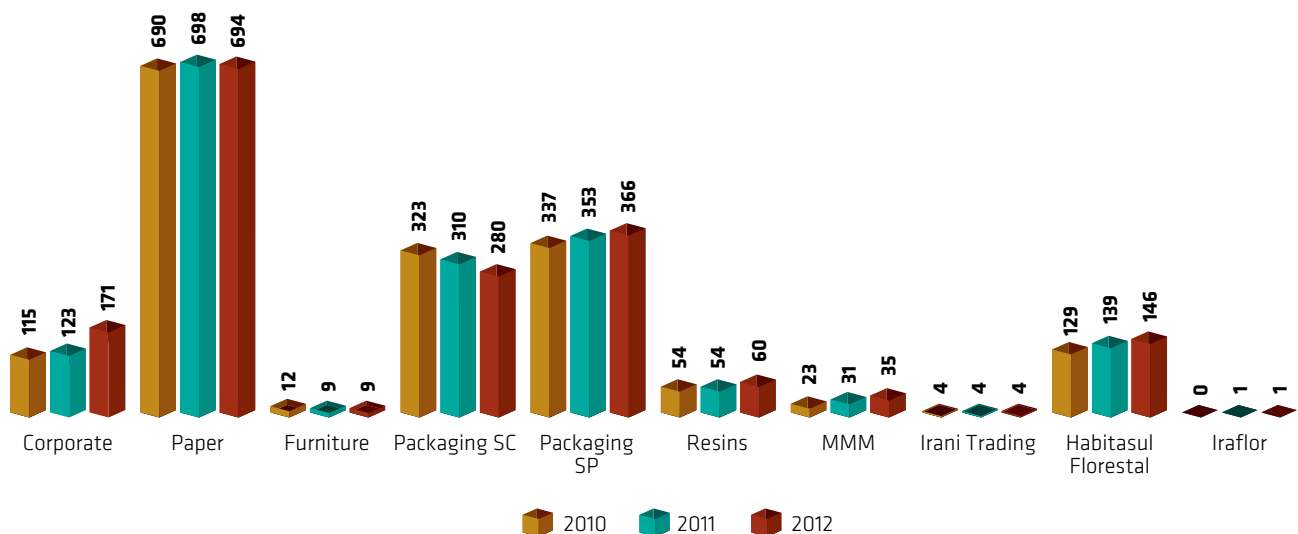




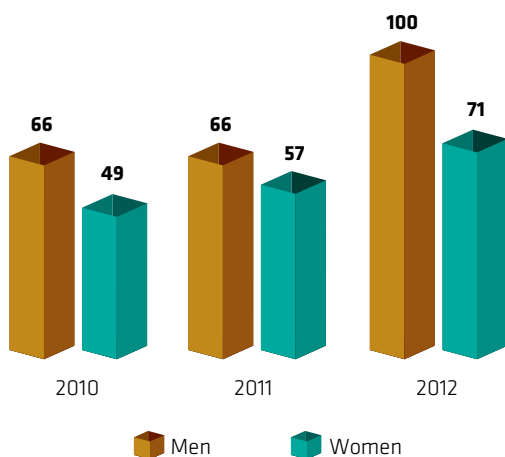
NUMBER OF EMPLOYEES BY RACE (CONSOLIDATED)



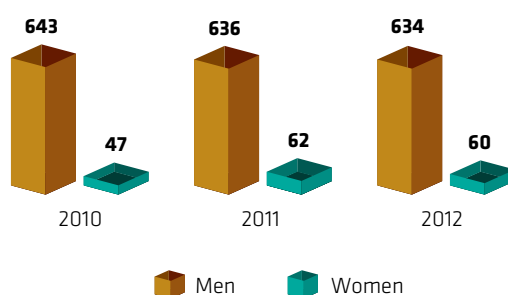
NUMBER OF EMPLOYEES (BY BUSINESS UNIT)

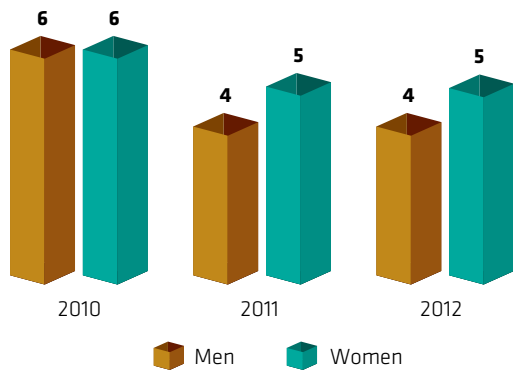
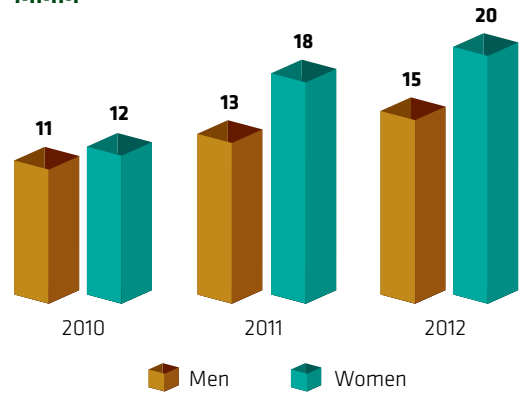
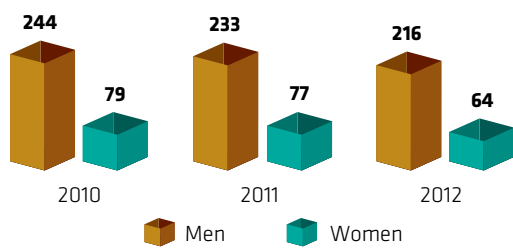
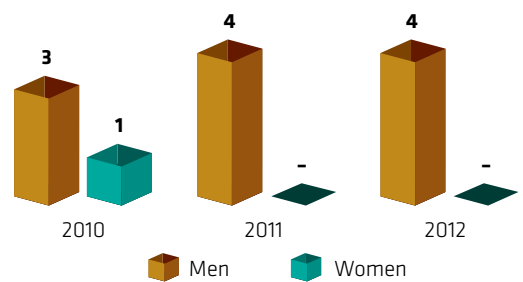
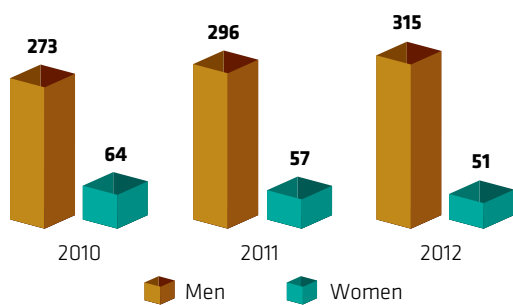
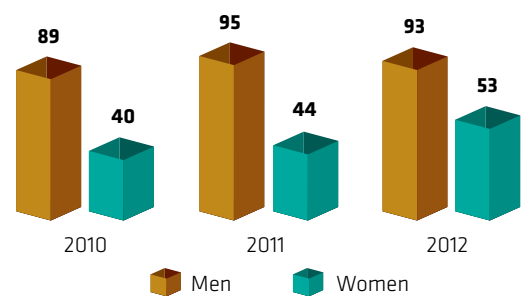
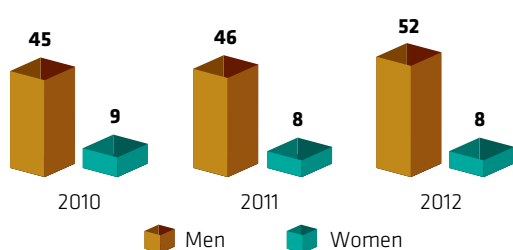
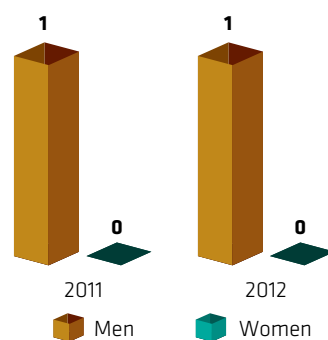


NUMBER OF EMPLOYEES (BY GENDER) CORPORATE UNIT

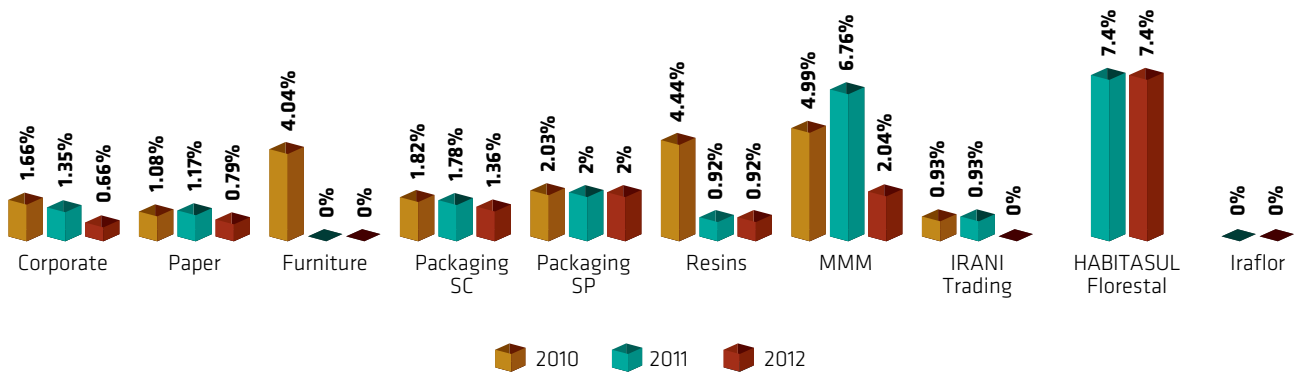


NUMBER OF EMPLOYEES (BY GENDER) PAPER MILL

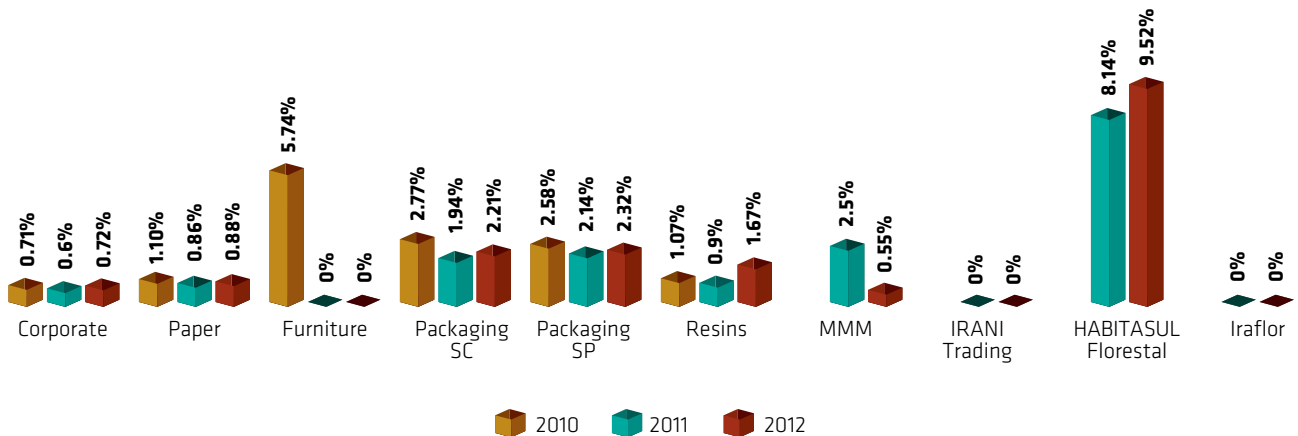


FURNITURE UNIT**MMM****PACKAGING UNIT SC****IRANI TRADING****PACKAGING UNIT SP****HABITASUL FLORESTAL****RESINS UNIT****IRAFLOR**

AVERAGE MONTHLY ACTIVITY

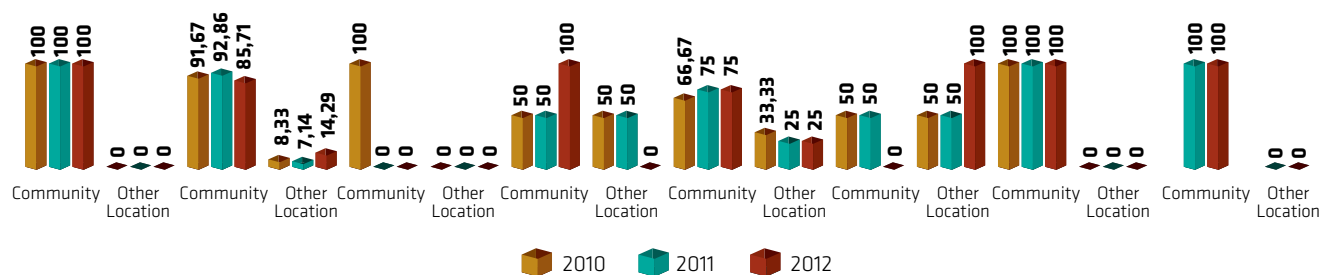


ABSENTEEISM (PER BUSINESS UNIT)



There is no formal procedure that prioritizes the hiring of residents from the surrounding communities, however this prioritization is observed in practice, as shown in the chart:

MEMBERS OF SENIOR MANAGEMENT FROM THE LOCAL COMMUNITY (IN%)



Remuneration

The salary and benefits structure offered to employees fully comply's with rules and legislation. Valuing people, sense of justice, motivation and commitment are also key items considered in this context.



Proportion of wages paid to men and women, segmented by functional category.

	2010		2011		2012	
	Men	Women	Men	Women	Men	Women
Leadership (Board, Management, Supervision and Coordination)	1	0.59	1	0.75	1	0.69
Administrative	1	0.80	1	0.82	1	0.84
Technicians	1	0.86	1	0.92	1	1
Operational posts	1	0.76	1	0.79	1	0.82

Only apprentices have the remuneration calculated on the minimum wage. The average lower earnings practiced equals 1.28 times the minimum wage in Brazil on December 31, 2012. In the Paper Mill, 9.96% of employees fall into this remuneration category in relation to the total number of employees in this unit, in SC Packaging Unit, is 39.64%; SP Packaging, 35.89%, and Resins, 41.67%. In Habitasul Florestal this is 89.73%.

Variable remuneration (in thousand of reais)	2010	2011	2012
Profit Sharing – PPR	2,651*	3,229	2,979
Supera Program	2,204**	2,155	2,627

Notes: * the amount paid in January 2011, corresponds to the program in 2010.

** The value was considered in the Company result in 2011.

All employees receive a benefits package, whose investments are presented in the following table on a consolidated basis.

Values (thousand reais)			
Benefit	2010	2011	2012
Food	4,130	4,647	3,959
Transport	2,229	2,649	3,450
Life insurance	158	160	155
Health plan	2,335	3,034	3,084
Childcare assistance			24
Total	8,852	10,490	10,672

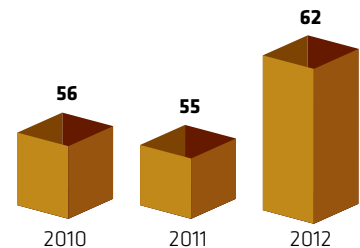
Diversity and equal opportunities

Efficient Diversity Program

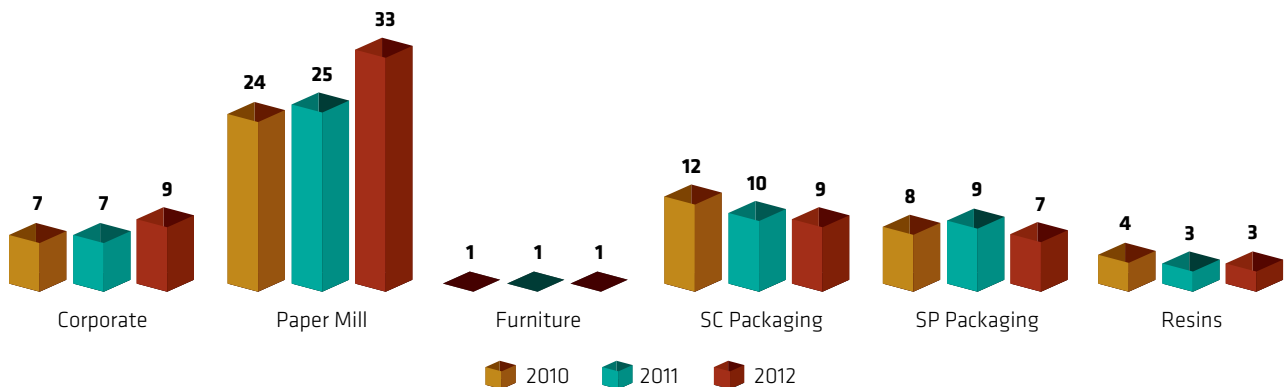
Carried out since 2004, in all units. The actions of this program aim to encourage individual responsibility, vocational skills, commitment and performance through actions such as the adequacy of the environment, accessibility, adaptation for co-existence, besides the integration, monitoring and training of the employees.

It also aims to meet the Article 93 of Law n. 8.213/91 in relation to the legal reserve post for Persons with Disabilities (PCD). IRANI has not fulfilled the established quota, closing the year 2012 with 62 PCDs.

Nº OF EMPLOYEES WITH DISABILITIES (CONSOLIDATED)



NO OF DISABLED PROFESSIONALS (BY BUSINESS UNIT)



In 2012, a new practice began, systematized in three meetings, to monitor the development of the PCDs. Altogether we gathered about 40 people, including employees, leaders and family members, who discussed issues related to work and personal life and the transformations due to the inclusion in IRANI. These encounters cemented positive comments about the inclusion of these employees and highlighted issues such as recognition and appreciation.

From 2013, a committee made up of representatives from the Development People Dept. with specific skills (physical therapist, social worker, security engineer and psychologist) and the leaders of the areas responsible for evaluating the work environment in order to make it better to welcome the PCDs.

To send your resume you must be aware of the location of the vacancy:

- **Rio Grande do Sul:** oportunidadesrs@irani.com.br
- **Santa Catarina:** oportunidadesc@irani.com.br
- **São Paulo:** oportunidadesp@irani.com.br

In 2012, IRANI received 10 labor notifications regarding forestry providers in Santa Catarina. These were issued in the name of IRANI due to labor inspections in this state that understands that these activities should use IRANI labor and not be outsourced. The Company appealed against these decisions issued by the Ministry of Labor and Employment (DRT-RS), and the fines were not paid.

Focus on Results

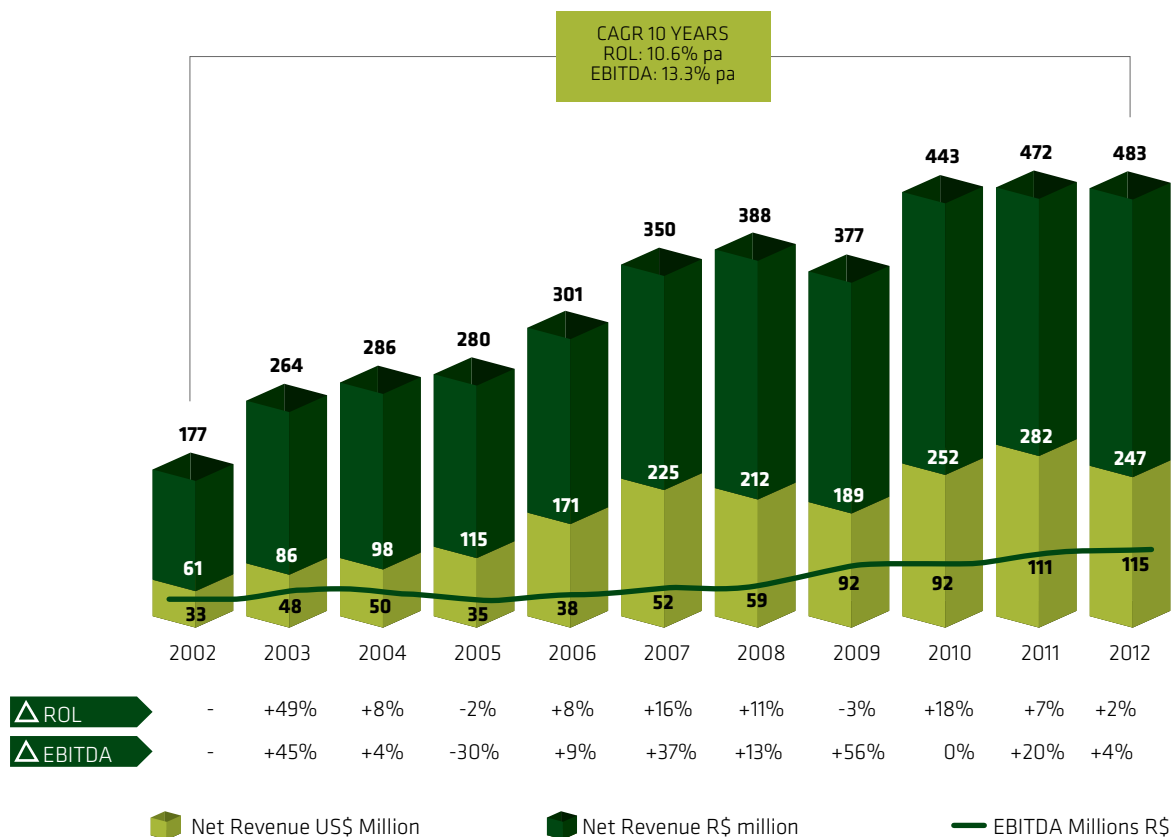


WE SEEK WITH DETERMINATION SUPERIOR AND SUSTAINABLE RESULTS. OBJECTIVITY, SIMPLICITY, AUSTERITY AND PERFORMANCE IN THE CUSTOMER FOCUS ARE OUR WAY OF ACHIEVING EXCELLENCE

Economic Performance

The essence of the IRANI business is the production and marketing of packaging paper and corrugated boxes. The main raw materials are planted forests of pinus (softwood) owned by the Company and recycled long fiber paper (chips). The main market is the Brazilian domestic market, which accounts for 87% of its sales.

The Company has evolved consistently in its economic indicators over the years, as can be seen in the chart below. Consolidated Net Revenues evolved to an annual average of 10.6% over the past 10 years. In this same period, the EBITDA (adjusted) showed an average annual growth of 13.3%, going from R\$ 33 million in 2002 to R\$ 115 million in 2012.



CAGR: Compound Annual Growth Rate (Taxa Composta de Crescimento Anual)

Note: the 2011 information presented for comparative purposes have been adjusted to reflect the exclusion of the discontinued operation, and differ from information published in 2011.

Balance Sheets (in R\$ thousand)

ASSETS	CONSOLIDATED		LIABILITIES AND EQUITY	CONSOLIDATED	
	12/31/2012	12/31/2011		12/31/2012	12/31/2011
CURRENT ASSETS			CURRENT LIABILITIES		
Cash and cash equivalents	96,922	74,722	Borrowings	79,225	102,278
Trade receivables	96,781	92,231	Debentures	39,026	26,000
Inventories	38,110	38,356	Trade payables	43,747	37,713
Taxes recoverable	4,083	8,687	Social and labor obligations	23,657	19,021
Banks – restricted account	931	5,143	Tax liabilities	6,684	7,031
Other assets	12,845	12,545	Income tax and social contribution payable	891	869
Total current assets	249,672	231,684	Tax installments	5,235	4,682
			Advances from customers	975	1,159
NON-CURRENT ASSETS			Dividends payable	9,957	5,607
Taxes recoverable	2,766	2,162	Other accounts payable	10,485	9,333
Deferred income tax and social contribution	–	16,632	Total current liabilities	219,882	213,693
Judicial Deposits	632	1,258			
Banks – restricted account	–	3,531	NON-CURRENT LIABILITIES		
Other assets	9,218	2,079	Borrowings	209,001	179,983
Related parties	1,553	–	Debentures	80,978	60,480
Investment property	–	4,997	Reserve for contingencies	38,037	41,717
Biological assets	263,292	239,997	Tax installments	6,379	10,839
Total long-term assets	277,461	270,656	Tax liabilities	16,005	11,062
			Other accounts payable	–	219
Property, plant and equipment	679,734	678,311	Deferred income tax and social contribution	183,803	199,511
Intangible assets	1,223	1,103	Total non-current liabilities	534,203	503,811
Total non-current assets	958,418	950,070			
			TOTAL LIABILITIES	754,085	717,504
			EQUITY		
			Share capital	103,976	63,381
			Capital reserve	377	–
			Revenue Reserve	106,405	142,302
			Carrying value adjustments	243,241	258,547
			Equity attributable to controlling shareholders	453,999	464,230
			Non-controlling interest	6	20
			Total shareholders' equity	454,005	464,250
TOTAL ASSETS	1.208.090	1.181.754	TOTAL LIABILITIES AND EQUITY	1,208,090	1,181,754

Statements of Income (in R\$ thousand)

	CONSOLIDATED	
	12/31/2012	12/31/2011
Continuing operations		
NET SALES REVENUE	483,449	471,614
Change in the fair value of biological assets	36,767	14,327
Cost of goods sold	(352,251)	(348,110)
GROSS PROFIT	167,965	137,831
OPERATING INCOME (EXPENSES)		
Selling expenses	(42,897)	(40,598)
General and administrative expenses	(40,653)	(38,272)
Other operating income	2,952	6,854
Other operating expenses	(9,190)	(2,448)
Management profit sharing	(2,931)	(5,251)
PROFIT BEFORE FINANCE RESULT AND TAXES	75,246	58,116
Finance income (costs), net	(50,351)	(52,433)
Financial income	19,538	30,563
Financial expenses	(69,889)	(82,996)
PROFIT BEFORE TAXATION	24,895	5,683
Income tax and social contribution - current	(997)	(2,062)
Deferred income tax and social contribution	(2,052)	5,885
PROFIT FROM CONTINUING OPERATIONS	21,846	9,506
Discontinued operation		
PROFIT (LOSS) FROM DISCONTINUED OPERATIONS	4,537	(147)
PROFIT FOR THE YEAR	26,383	9,359
Profit attributable to:		
Controlling shareholders	26,381	9,354
Non-controlling shareholders	2	5
	26,383	9,359
BASIC AND DILUTED EARNINGS PER COMMON SHARE - R\$	0,1368	0,0591
BASIC AND DILUTED EARNINGS PER PREFERRED SHARE - R\$	0,1368	0,0591



Economic context and main results

The year 2012 was marked by low growth of the Brazilian economy, coupled with the instability and uncertainty in key global markets, especially Europe. The Brazilian market for corrugated showed moderate growth in 2012, with an improvement mainly felt in the second half of the year, in response to government measures to stimulate the economy. The Brazilian shipments of corrugated tons in 2012 was 2.6% higher than in 2011, according to data from the ABPO in line with the growth reported by the Company in its core segment, which accounted for 58% of its revenues.

The consolidated Net Operating Revenue grew by 2.5% in 2012 compared to 2011, totaling R\$ 483,449 thousand, highlighting the increase in prices and sales volume recorded in the Paper Packaging segment.

The dollar closed up 8.5% in 2012 compared to 2011, which contributed to increase in real debt denominated in foreign currency. Due to the financial policy of the Company to maintain over time payment levels of commitments in foreign currency equivalent to, or lower than, the receipts in these currencies, there is a natural protection of its cash flow, not generating additional or unexpected disbursements because of sudden changes in the price of foreign currencies.

INCREASE OF 2.5% OF NET OPERATING REVENUES IN 2012, COMPARED TO 2011.

Net income for 2012 was R\$ 26,381 thousand against R\$ 9.354 thousand a year earlier. Net income for the year was affected positively by Variations in fair value of biological assets. The operating cash generation, measured by adjusted EBITDA totaled R\$ 115,422 thousand, showing an increase of 4.4% in 2012 compared to R\$ 110,536 thousand, value calculated in 2011. The adjusted EBITDA margin increased by 0.5 percentage points in 2012, reaching 23.9%, against 23.4% in 2011. The net debt / EBITDA has remained in line with the result of the previous year, from 2.58 times in 2011 to 2.69 times in 2012.

Still in 2012, the second public issue of simple debentures, not convertible into shares was held, with restricted placement efforts totaling R\$ 60 million. The debentures were paid up on December 26, 2012 and the funds were allocated to the Company's operating activities.

In line with the strategic intent to focus on the *core business*, IRANI disposed of on December 20, 2012 the interest held in the subsidiary Meu Móvel de Madeira – Comércio de Móveis e Decorações Ltda., which represented the sale of the furniture operating segment. This subsidiary accounted for during the year 2012, approximately 3% of the consolidated net operating revenues of the Company.

2013

GOAL

**Maintain operating leverage
(net debt/EBITDA) less than or
the same as 3 times.**

MAIN FINANCIAL HIGHLIGHTS (EXCLUDING DISCONTINUED OPERATION)

Consolidated (R\$ thousand)	2012	2011
Net Operating Income	483,449	471,614
Domestic Market	421,303	414,712
Foreign Market	62,146	56,902
Gross Profit (* included)	167,965	137,832
(*) Change in the fair value of biological assets	36,767	14,327
Gross Margin	34.7%	29.2%
Operating profit before taxes and investments	24,895	5,683
Operating Margin	5.1%	1.2%
Net Result	26,381	9,354
Net Margin	5.5%	2.0%

EBITDA – EARNINGS BEFORE INTEREST, TAXES, DEPRECIATION AND AMORTIZATION

Consolidated (R\$ thousand)	2012	2011
Income Before Taxes	24,895	5,683
Depletion	19,220	17,401
Depreciation and Amortization	40,729	38,078
Financial Results	50,351	52,433
EBITDA	135,195	113,595
EBITDA from discontinued operations (1)	7,002	36
Change in the fair value of biological assets (2)	(36,767)	(14,327)
Stock option/management participation (3)	3,308	5,251
Non-recurring expenses (4)	6,684	5,981
Adjusted EBITDA	115,422	110,536
Adjusted EBITDA Margin	23.9%	23.4%

EBITDA is the operational result adding the (income) expenses, net financial expenses and depreciation, depletion and amortization. The Company has chosen to disclose adjusted EBITDA as permitted in art.4 of CVM Instruction No. 527, seeking to show the information that best reflects the gross operating cash generation in its activities. These adjustments have the following reasoning:

- 1) EBITDA of the discontinued operation: refers to the EBITDA generated by the discontinued operations of the subsidiary Meu Móvel de Madeira – Comércio de Móveis e Decorações Ltda., which occurred at the end of 2012;
- 2) Variation in fair value of biological assets, did not mean cash generation in the period;
- 3) Stock option/management participation: the Stock option corresponds to the fair value of the instruments and has a counterpart in the reserve capital in the net equity: the participation of the directors is related to the distribution of the Company's results, and both do not represent cash disbursement the period.
- 4) Non-recurring expenses: refers to expenses incurred in the application for registration for the public offering filed in August 2012, and the disposal of assets controlled HGE – Sustainable Power Generation Ltda.

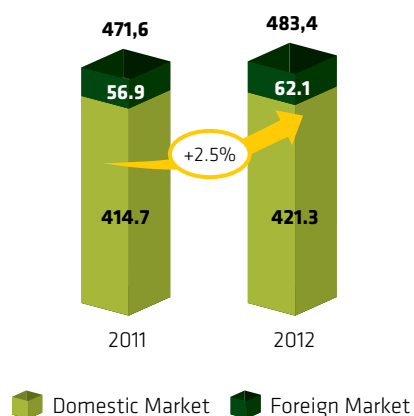


Net Operating Income

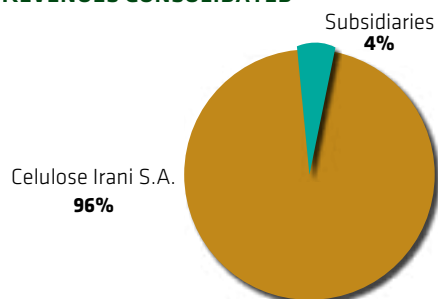
In 2012, net operating revenue totaled R\$ 483.449 thousand, an increase of 2.5% over the previous year. Domestic sales accounted for 87.1% of total net operating revenues of the Company in 2012, and the export market accounted for 12.9%.

The composition of the Consolidated Net Operating Revenue in 2012 was presented as follows.

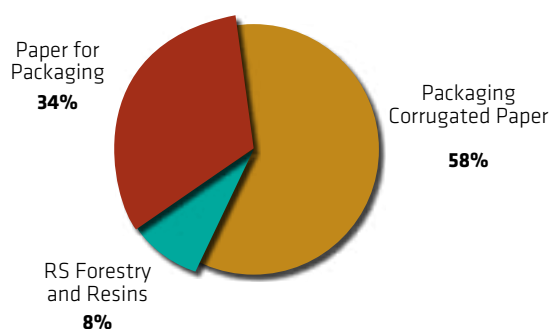
NET OPERATING REVENUE (R\$ MILLION)



BREAKDOWN OF NET OPERATING REVENUES CONSOLIDATED



NET REVENUES BY SEGMENT (2012)





Paper is a recyclable product that is obtained from the planted forests that helps reduce global warming

Gross profit

In 2012, this was R\$ 167,965 thousand, against R\$ 137,832 thousand in 2011, an increase of 21.9%. Gross margin in 2012 was 34.7%, 5.5 percentage points higher than in 2011, mainly due to the positive variation in fair value of biological assets.

Evaluation of Fair Value of Biological Assets (Forests)

As of 2010, the Company has measured the fair value of its biological assets (forests) periodically, as determined by CPC 29. The variation in fair value of biological assets produced effects on the Company's results for 2012, as shown below.

EFFECTS OF THE VARIATION OF THE FAIR VALUE OF BIOLOGICAL ASSETS

R\$ thousand	2012	2011
Variation in the fair value of biological assets	36,767	14,327
Depletion in the fair value of biological assets	(15,851)	(13,535)

The increase in the market value of the Company's forests in 2012 was due to the increased volume of wood from forests (forests in stock), in view of its growth (natural increase) in the year and the increase in prices in 2012 compared to those on the previous year.

The variation in fair value of biological assets, as well as its exhaustion, is recognized in Cost of Goods Sold (COGS). This new accounting determination allows to more accurately assess the market value of the Company's forests, providing greater accuracy and adequacy of its financial statements.

Operating Income Before Taxes and Interests

In 2012, operating income before taxes and interest amounted to R\$ 24,895 thousand, higher compared to 2011, recorded at R\$ 5,683 thousand. The increase in operating income is positively affected by the variation in fair value of biological assets, higher in 2012 compared to 2011.

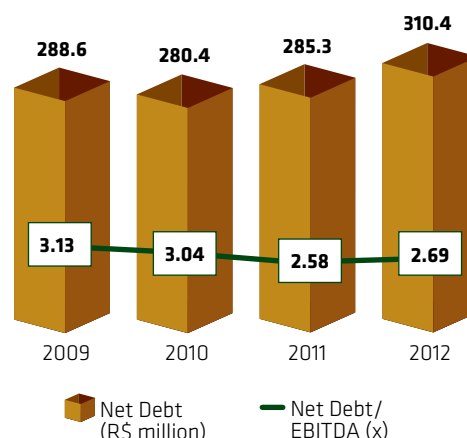
Operating Cash Flow (adjusted EBITDA)

The operating cash generation, measured by the adjusted EBITDA in 2012 totaled R\$ 115,422 thousand, 4.4% higher than the previous year. The adjusted EBITDA margin increased from 23.4% in 2011 to 23.9% in 2012.

Net Debt

Consolidated net debt at December 31, 2012 totaled R\$ 310.4 thousand, compared to R\$ 285.3 thousand at December 31, 2011. The net debt / EBITDA ratio increased from 2.58 times at the end of 2011 to 2.69 times at the end of 2012. The variation was mainly due to the rise of the dollar in 2012, which impacted the accounting balances of debt linked to foreign currency.

DEBT COVERAGE





Financial Results

Financial expenses decreased from R\$ 82,996 thousand in 2011 to R\$ 69,889 thousand in 2012. Financial income in 2012 reached R\$19,538 thousand against R\$ 30,563 thousand in 2011. Thus, the financial result was R\$ 50,351 thousand negative in 2012, down 4.0% compared to 2011.

Net Result

In 2012, net income totaled R\$ 26,381 thousand, an increase of 182.0% compared to 2011 when it was established at R\$ 9,354 thousand, positively impacted by the variation in the fair value of biological assets.

The bottom line is distributed as follows:

R\$ thousand	2012	2011
Financial Income	19,538	30,563
Expenses	(69,889)	(82,996)
Financial Results	(50,351)	(52,433)

Revenues and financial expenses are presented include the foreign exchange active and passive, as follows:

R\$ thousand	2012	2011
Active exchange variation	12,457	23,188
Passive exchange variation	(17,744)	(30,195)
Net exchange variation	(5,287)	(7,007)

The financial result without exchange rate variation is shown as follows:

R\$ thousand	2012	2011
Financial Results without foreign exchange	(45,064)	(45,426)



Direct economic value generated and distributed (in R\$ thousand)

The statement of added value (DVA) shows the figures for the wealth generated by the Company and its distribution between the parties that contributed to the generation of this wealth, such as employees, government, financial intuitions and shareholders. In 2012, the total value added, 31% was distributed to employees, 25% government, 34% as compensation for debt (lenders) and 10% distributed as compensation to equity (shareholders).

	Consolidated			
	12/31/12	%	12/31/11	%
1. REVENUE	630,083		621,940	
1.1) Sales of goods, products and services	621,536		615,178	
1.2) Other income	8,921		6,900	
1.3) Provision for impairment of trade receivables - constitution	(374)		(138)	
2. SUPPLIES PURCHASED FROM THIRD PARTIES	343,669		333,295	
2.1) Cost of goods and services sold	310,127		302,073	
2.2) Materials, energy, outsourced services and others	33,542		31,222	
3. GROSS ADDED VALUE (1-2)	286,414		288,645	
4. DEPRECIATION, DEPLETION AND AMORTIZATION	60,028		55,526	
5. CHANGES IN THE FAIR VALUE OF BIOLOGICAL ASSETS	(36,767)		(14,327)	
6. NET VALUE ADDED PRODUCED BY THE UNIT (3-4-5)	263,153		247,446	
7. VALUE ADDED RECEIVED THROUGH TRANSFER	19,538		30,588	
7.1) Financial income	19,538		30,588	
8. TOTAL VALUE ADDED TO DISTRIBUTE (6 +7)	282,691		278,034	
9. DISTRIBUTION OF VALUE ADDED	282,691	100.00%	278,034	100.00%
9.1) Personnel	88,174	31.19%	76,193	27.40%
9.1.1 - Direct Remuneration	72,130		62,038	
9.1.2 - Benefits	11,921		10,552	
9.1.3 - FGTS	4,123		3,603	
9.2) Taxes and contributions	69,470	24.57%	69,413	24.97%
9.2.1 - Federal	44,765		43,145	
9.2.2 - State	24,060		25,737	
9.2.3 - Municipal	645		531	
9.3) Remuneration of third party capital	95,735	33.87%	117,823	42.38%
9.3.1 - Interest	69,800		92,487	
9.3.2 - Rentals	25,935		25,336	
9.4) Renumeration on equity	29,312	10.37%	14,605	5.25%
9.4.1 - Interest on equity	-		5,000	
9.4.2 - Dividends	9,789		5,511	
9.4.3 - Retained Income (losses) for the year	16,594		(1,152)	
9.4.4 - Non-controlling interests in profit reinvested	(2)		(5)	
9.4.5 - Management profit sharing	2,931		5,251	



Disclosure of Annual Financial Statements

The full text of the Annual Financial Statements is available on the IRANI Investor Relations *site* via the *link*: www.irani.com.br/ir The full report covers the Financial Statements, the Explanatory Notes, the opinion of the Independent Auditors and the Management Report, prepared in accordance with the Brazilian Corporate Law and its amendments, and with the standards established by the Securities Commission (CVM). The release of the report took place on March 20, 2013, in newspapers with a large circulation where the Company announces its corporate actions, as well as the *websites* of the Securities Commission and BOVESPA.



THE SUSTAINABILITY REPORT 2011 IS AVAILABLE AT

<http://www.irani.com.br/en/info/sustainability-report/2012>

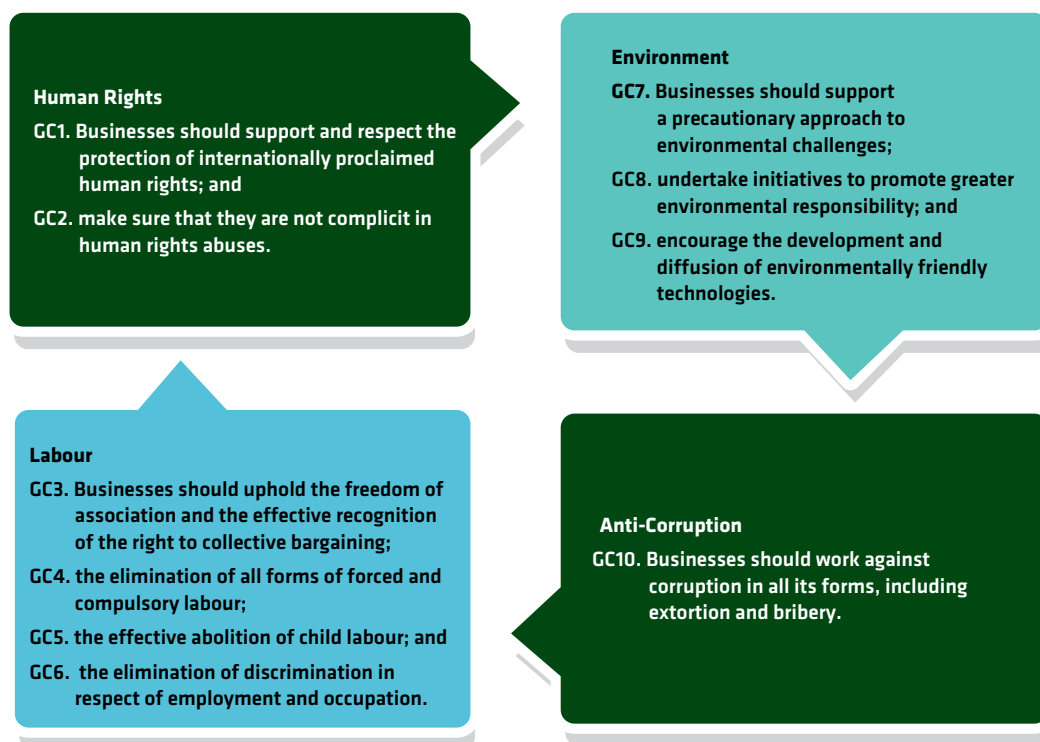
IN ENGLISH, PORTUGUESE AND SPANISH. TO REQUEST THIS, SEND AN EMAIL TO faleconosco@irani.com.br.

TAKE PART IN THE NEXT REPORT

The channel faleconosco@irani.com.br is available for those who have questions or want to provide suggestions for future reports.

GRI Index

and correlation with the principles of the Global Compact



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GRI Indicator	Global Compact	Description	Pages/Detailing
Strategy and analysis			
1.1		Statement by the President	6 and 7
1.2	GC7	Main impacts, risks and opportunities	23, 24, 38 and 69
Organizational Profile			
2.1		Name of the organization	13
2.2		Principal brands, products and/or services	25
2.3		Operational structure	17
2.4		Location of headquarters	13
2.5		Countries in which the organization operates	13
2.6		Type and legal nature	13
2.7		Markets served	31
2.8		Size of organization	13
2.9		Significant changes during the reporting period	13
2.10		Awards received	13

Parameters for the report			
3.1		Period Covered in the reporting period	8
3.2		Date of the previous most recent report	8
3.3		Issuing frequency of the reports	8
3.4		Contact data in the case of questions	112
3.5		Process for defining contents of the report	9
3.6		Limit of the report	8
3.7		Limitations on the scope or limit of the report	8
3.8		<i>Joint ventures</i> , subsidiaries, leased facilities, outsourced operations and other organizations	13
3.9		Measurement techniques of data and bases for calculations	The measurement techniques of the economic, environmental and social data and the bases of calculations used are accurate, based on data extracted from <i>ERP systems Protheus</i> from TOTVS, Simula, Brisa, SIG, <i>Execplan Intelligence Planning</i> . Other environmental data such as emission control, the amount of waste, GHG inventory and measurement of areas are monitored systematically by electronic spreadsheets in the responsible areas.
3.10		Consequences of the restatements of information provided in earlier reports	There were no restatements of information provided previously.
3.11		Significant changes in the scope, limits or measurement methods	There were no significant changes
3.12		Table identifying the location of information in the report	113
3.13		Policy and current practice with regard to seeking external assurance for the report	119
Governance, commitments and engagement			
4.1		Governance Structure	14
4.2		Indicate whether the Chair of the highest governance body is also an executive officer	From 2012, the Board Chairman does not exercise executive functions in the Company
4.3		Number of independent or non-executive directors of the highest governance body	14
4.4		Mechanisms for shareholders and employees to provide recommendations or guidance to the highest governance body	16
4.5		Relationship between compensation for members of the highest governance body and the organization's performance (including social and environmental performance)	14
4.6		Processes in place in the highest governance body to ensure conflicts of interest are avoided	22
4.7		Process for determining the qualifications of members of the highest governance body to define the organization's strategy for issues related to economic, environmental and social issues	There is no structured process for determining qualification in sustainability for the highest governance body.
4.8		Statements of mission or values, codes of conduct and internal principles	2 e 22
4.9		Procedures of the highest governance body to oversee the identification and management of economic, environmental and social performance.	14
4.10		The self-assessment of the performance of the highest governance body	The Company has no structured process of self-assessment of governance.
Commitments to external initiatives			
4.11	GC7	Explanation of how the organization applies the precautionary principle	23 and 33
4.12		Charters, principles or other initiatives which the organization subscribes or endorses	31
4.13		Participation in associations and/or national/international defence organizations	79
Engagement with stakeholders			
4.14		List of <i>stakeholder</i> groups engaged by the organization	10
4.15		Basis for identification and selection of <i>stakeholders</i> with whom to engage	10
4.16		Approaches to <i>stakeholder</i> engagement	9
4.17		Key topics and concerns raised through <i>stakeholder</i> engagement	9

Economic			
Economic performance			
EC1		Direct economic value generated and distributed	38 and 111
EC2	GC7 and GC8	Financial implications and other risks and opportunities for the organization's activities due to climate changes	23 and 61
EC3		Coverage of the obligations of the pension plan of benefits defined that the organization offers	Although not offering a pension plan for employees, there were several preparatory actions for retirement.
EC4		Significant financial assistance received from government	In 2012, there was no financial assistance received from government.
Market presence			
EC5	GC6	Variation and proportion of the lowest wage compared to the minimum wage	100
EC6		Policies, practices and the proportion of spending with local suppliers	73
EC7	GC6	Procedures for local hiring and proportion of senior management hired from the local community	98
Indirect economic impacts			
EC8		Development and impact of investments in the infrastructure and services provided primarily for public benefit	39, 40 and 77
EC9		Identification and description of significant indirect economic impacts	29, 33 and 40
Environmental			
Materials			
EN1		Materials used by weight or volume	45
EN2	GC8 and GC9	Percentage of materials used that are recycled	46
Energy			
EN3		Direct energy consumption broken down by primary energy source	46, 48 and 50
EN4		Indirect energy consumption by primary source	48 and 49
EN5	GC8 and GC9	Energy saved due to conservation and efficiency improvements	51
EN6	GC8 and GC9	Initiatives to provide products and services with low power consumption	59
EN7	GC8 and GC9	Initiatives to reduce indirect energy consumption and the reductions achieved	51
Water			
EN8		Total water draw off by source	52
EN9		Water sources that are significantly affected by water draw-off	54
EN10	GC8 and GC9	Percentage and total volume of recycled and reused water	54
Biodiversity			
EN11	GC8	Location and size of land owned, leased, managed in protected areas, or adjacent to them	27
EN12	GC7 and GC8	Description of significant impacts on biodiversity	29
EN13	GC8	<i>Habitats</i> protected or restored	27 and 63
EN14	GC7 and GC8	Strategies, current actions and future plans for managing the impacts on biodiversity	62
EN15	GC8	Number of species on the IUCN and National Conservation list with <i>habitats</i> in areas affected by operations, by level of extinction risk	62
Emissions, waste water and waste			
EN16		Total direct and indirect emissions of greenhouse gases, by weight	57
EN17		Other relevant indirect emissions of greenhouse gases, by weight	59
EN18	GC8 and GC9	Initiatives to reduce emission of greenhouse gases and reductions achieved	51 and 61
EN19		Emission of substances that destroy the ozone layer, by weight	60

EN20		NO _x , CO _x and other significant atmospheric emissions by type and weight	60
EN21	GC8	Total water discharge by quality and destination	55
EN22	GC8	Total weight of waste by type and disposal method	42
EN23		Total number and volume of significant spills	There was no occurrence of a spill of products or substances that might impair the quality of the soil, surface water and/or groundwater on the company's production site's.
EN24		Weight of waste transported, imported, exported or treated that are deemed as hazardous under the Basel Convention.	44
EN25		Identity, size, <i>status</i> of protection and biodiversity index of water bodies and <i>habitats</i>	55
Products and services			
EN26	GC8 and GC9	Initiatives to mitigate environmental impacts of products and services and extent of this impact mitigation	25, 55, 62 and 70
EN27	GC8 and GC9	Percentage of products and their packaging recovered in relation to total sales per product category	47
Legal compliance			
EN28		Monetary value of significant fines and total number of non-monetary sanctions resulting from non-compliance with environmental laws and regulations	There was no significant fines resulting from the non-compliance with environmental laws and regulations
Transport			
EN29		Significant environmental impacts from transporting products and other goods and materials, and the transport of workers	52 e 60
General			
EN30	GC8	Total investments and environmental protection expenditures by type	65
Social – Labor practices and Decent work			
Employment			
LA1		Total workforce by employment type, employment contract and region	94
LA2	GC6	Total number and rate of employee turnover by age group, gender and region	95
LA3		Benefits offered to full-time employees	100
LA15		Rate of return to work and retention after parental leave, by gender.	There is no management information on the subject, but the Company intends to follow the subject from 2013.
Relations between the work force and governance			
LA4	GC3	Percentage of employees covered by collective bargaining agreements	100% of employees in collective bargaining agreements with the unions in the category.
LA5	GC3	Minimum advance notice regarding operational changes	There is no formalized period, but there is a communication to stakeholders whenever necessary.
Health and safety at work			
LA6		Percentage of workforce represented in formal joint health and safety committees	88
LA7		Rates of injury, occupational diseases, lost days, absenteeism and work-related fatalities, by region	88 e 98
LA8	GC6	Programs of education, training, counseling, prevention and risk control in place to assist employees, their family or community members regarding serious diseases	88
LA9		Issues relating to health and safety covered in formal agreements with trade unions	In agreements with trade unions, specific issues are not addressed relating to health and safety beyond what is laid down in the legislation.
Training and education			
LA10	GC6	Average hours of training per year per employee broken down by functional category	82
LA11	GC6	Programs for skills management and continuous learning that support the continued employability of employees and to manage the end of their careers	81, 86 and 92
LA12		Percentage of employees receiving regular performance and career development analysis	83 and 86

Diversity and equal opportunities			
LA13	GC1 and GC6	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership and other indicators of diversity.	94
Equal pay for men and women			
LA14	GC1 and GC6	Proportion of basic salary of men to women per functional category	100
Social: Human Rights			
Investment practices and purchasing processes			
HR1		Significant investment agreements that include human rights clauses or that underwent human rights screening	In all contracts for Machinery and Equipment Financing (Finame) signed with transfer agents of the Banco Nacional de Desenvolvimento Economico e Social (BNDES), there is a declaration attached to the contract in which the IRANI is committed to issues related to human rights. page 59
HR2	GC1, GC2, GC4 and GC6	Suppliers and contractors that have undergone screening on human rights and the measures taken	76
HR3	GC1	Total hours of employee training on policies and procedures concerning aspects of human rights relevant to operations, including the percentage of employees that were trained	Training was not carried out in 2012
Non-discrimination			
HR4	GC1 and GC6	Total number of incidents of discrimination and actions taken	There was no record of this in 2012
Freedom of association and collective bargaining			
HR5	GC1 and GC3	Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk and actions taken to support these rights	There is no verification process in the production chain relating to the risk of a ban on collective bargaining or union membership.
Child labor			
HR6	GC1 and GC5	Operations identified as a significant risk for the occurrence of child labor and measures taken to contribute to the abolition of child labor	75 and 93
Forced or compulsory labor			
HR7	GC1 and GC4	Operations identified as a significant risk for the occurrence of forced or compulsory labor and measures taken to contribute to the eradication of forced labor, child or slave labor	75, 76 and 93
Safety Practices			
HR8	GC1 and GC2	Percentage of security personnel trained in policies or procedures of the organization concerning aspects of human rights that are relevant to the operations	Training was not carried out.
Indigenous rights			
HR9	GC1	Total number of incidents of violations involving rights of indigenous people and actions taken	There is no record of indigenous lands in the areas surrounding the Company. Also, there was no record of violations of their rights.
Evaluation			
HR10		Percentage and total number of operations that have been subject to human rights reviews and/or impact assessments.	75
Remediation			
HR11		Number of complaints related to human rights filed, addressed and resolved through formal grievance mechanisms.	There was only one case that has been properly treated.
Social: Society			
Local communities			
S01	GC1 and GC7	Programs and practices that assess and manage the impacts of operations in the communities, including entering, operating, and exiting.	33
S09		Operations with significant potential or negative impacts on local communities.	33
S010		Prevention and mitigation measures implemented in operations with significant potential or negative impacts on local communities.	34 and 38

Corruption			
S02	GC10	Business units analyzed for risks analysis related to corruption	22 and 23
S03	GC10	Employees trained in anti-corruption policies and procedures of the organization	22
S04	GC10	Actions taken in response to incidents of corruption	No case of corruption has been identified during the period.
Public policies			
S05		Positions relating to public policies and participation in the preparation of public policies and <i>lobbying</i>	43 and 79
S06	GC10	Financial contributions and in kind to political parties, politicians and related institutions, discriminated per country	In 2012, Celulose Irani allocated R\$ 338,000 to candidates and political parties.
Unfair competition			
S07		Total number of lawsuits for unfair competition, anti-trust and monopoly practices and their results	There were no lawsuits for unfair competition, anti-trust and monopoly in the period.
Compliance			
S08		Monetary value of significant fines and total number of non-monetary sanctions resulting from non-compliance with environmental laws and regulations	100
Social: Product Responsibility			
Health and safety of the client			
PR1		Phases of the life cycle of products and services	41 and 71
PR2		Cases of non-compliance with regulations and voluntary codes concerning health impacts of products and services on health and safety during the life cycle, by type of outcome	There were no reported cases of this type of occurrence in the period.
Labeling of products and services			
PR3	GC8	Type of information about products and services required by procedures and the percentage of products and services subject to such requirements	13 and 71
PR4		Cases of non-compliance with regulations and voluntary codes related to information and labeling of products and services, by type of outcomes.	There were no reported cases of this type of occurrence in the period.
PR5		Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.	72
Marketing Communications			
PR6		Programs for adherence to laws, standards and voluntary codes related to <i>marketing</i> communications, including advertising, promotion and sponsorship	IRANI has not adhered to any such program.
PR7		Cases of non-compliance with regulations and voluntary codes concerning <i>marketing</i> communications, including advertising, promotion and sponsorship by type of outcome.	There were no reported cases of this type of occurrence in the period.
Customer privacy			
PR8		Complaints regarding breaches of privacy and loss of customer data	There were no reported cases of this type of occurrence in the period.
Compliance			
PR9		Monetary value of fines (significant) for non-compliance with laws and regulations concerning the provision and use of products and services	There were no reported cases of this type of occurrence in the period, no fines were levied.

Assurance Statement

BSD Consulting carried out the independent verification process of the preparation of the IRANI 2012 Sustainability Report, which was prepared in accordance with the guidelines of the GRI (Global Reporting Initiative). The verification process took place for the sixth consecutive year and aims to provide IRANI stakeholders with an independent opinion on: the quality of the report, the process of engagement with stakeholders, compliance with the principles of AA1000 2008; and the sustainability management in the company.

Independence

We work independently and we ensure that no member of the BSD has consulting contracts or other commercial ties with IRANI. BSD Consulting is licensed by AccountAbility as an assurance provider (*AA1000 Licensed Assurance Provider*) under the registry 000-33.

Our Expertise

BSD Consulting is a company specializing in sustainability. This work was conducted by a team of professionals experienced and trained in procedures for external verification.

The responsibilities of IRANI and BSD

The preparation of the Sustainability Report as well as the definition of its content is the responsibility of IRANI. The appraisal of the contents of the report and the verification of the level of the GRI application level were the object of the BSD work.

Scope and Limitations

The scope of our work includes the information in the full version of the IRANI Sustainability Report 2012, in the reporting period from 1 January 2012 to 31 December 2012.

The independent verification process was conducted in accordance with the standard AA1000AS 2008

(*AA1000 Assurance Standard 2008*), verification Type 1, providing a moderate level of *assurance*. The objectives of the Assurance Statement are to inform stakeholders about the findings of the BSD process encompassing adherence assessment to process accountability of the IRANI accounts to three principles: Inclusion, Materiality and Responsiveness. The verification of financial data was not the object of the work of BSD Consulting.

Methodology

The approach to the verification of AA1000 process consisted of:

- Evaluation of the content of the Sustainability Report 2012;
- Understanding the flow of procedures for obtaining and generating information for the Sustainability Report;
- Search for public information about the company and the sector (press, websites and legal bases);
- Interviews with managers of key areas in relation to the relevance of the information for the reporting and management of sustainability;
- Where relevant, confirmation of information on sustainability performance with the understanding of the governing body of the company;
- Review of the evidence of consultations with external *stakeholders*;
- Analysis of the relevance of the information in the Sustainability Report from the standpoint of external audiences.
- Based on sample testing, confirmation of details of the Sustainability Report with support documentation, internal management reports and official correspondence;
- The activities of this assurance process were performed at the corporate offices in Sao Paulo – SP and Joaçaba – SC, the packaging unit at Indaiatuba – SP and the paper and packaging unit of Campina da Alegria – SC.

Key Findings on the adherence to the AA1000AS 2008 Principles

1. Inclusion – deal with the participation of stakeholders in the development of a sustainability management process that is transparent and strategic .

- In 2012 there was a process of consultation with stakeholders that was wider than in previous years. Six panels were held, highlighting the meetings with the communities, in three different locations where the company operates: SC, SP and RS. In addition, three other specific panels were held with suppliers, customers and employees. As in previous years, we emphasize the importance of establishing clear criteria for the selection and prioritization of stakeholders, facilitating a greater involvement of new public who may contribute with other opinions in order to balance and broaden the discussions on the reported issues.
- In the process of interviews with leaders, it was possible to confirm the recognition of the relevance of sustainability practices to the success and growth of the various IRANI activities. The leadership recognizes the importance of the stakeholder consultation process, highlighting the new methodology of specific panels by the stakeholders, valuing the knowledge and approach of the company with its stakeholders. The results of the engagement influence operational aspects of the company, however these can evolve incorporating the results in the company's business strategy.
- The Value Sharing Program stands out as the evolution of the continuous dialog process with IRANI customers, focusing on the identification of external demands related to sustainability. This type of activity shows up as an opportunity to strengthen the relationship with other relevant public and can be disseminated and expanded to other areas as a way of querying and continuous engagement. The performance of Innovation area stands out with the "Valuable Ideas" ("Ideias de Valor") program, which encourages the participation and engagement of employees to contribute to the development of innovative ideas for products and for internal management of the company. Ideas related to sustainability issues were suggested.

2. Materiality (or relevance) – matters necessary for stakeholders to arrive at conclusions on the economic, social and environmental performance of the organization.

- The report presents the updated materiality matrix, that provides, in a summarized form, the contents of the stakeholder panels. The specific demands of stakeholder groups could have been presented in more detail throughout the report, as the content of the panels was quite comprehensive, with unique characteristics and issues related to each audience.
- Consultations with stakeholders can be widened, including content related to sectoral impacts and issues to identify relevant topics to the IRANI sustainability strategy. In this cycle, issues critical to the sector such as health and safety, traceability of the supply chain and biodiversity, were not considered as material, from the external or internal standpoint.
- The company is in the process of developing its risk management methodology. This moment is an opportunity for IRANI to incorporate the assessment of sustainability risks into their processes, as well as use the results of these evaluations as inputs to build the internal view of the materiality matrix in the future.

3. Responsiveness – addresses the actions taken by the organization due to the specific demands of stakeholders.

- The Cuida (Care) Program is being implemented, and the occupational health and safety aspect is a critical point in the company. The rates of injuries and accidents are monitored and documented by area and should be disclosed in the sustainability report, as well as accidents without lost time. The health and safety topic is also critical with respect to third parties in forestry activities, being a point of attention in certification audits in forestry activities. This is a recurring theme in Assurance cycles and should be evaluated for progress in the coming years.
- There is a procedure for evaluating suppliers, the IDF – Supplier Performance Index, however there is no process of critical analysis of the results to map the critical points found in the evaluations. There is an opportunity to improve this process, from the analysis of the results, structuring a stream of dialog to implement actions with suppliers, with a focus on improving the performance and management of these points.
- There is a practice of consulting the Blacklist of the Ministry of Labor and Employment as a criterion for supplier management, however, this process is not recorded. There is opportunity to establish a formal procedure for

documentation and systematization of the queries.

- Environmental indicators stand out for being monitored continuously, with systematic records, traceable and the regular monitoring of performance, with support tools for management.
- The areas involved in the Assurance seek to comply with the demands generated by the verification activities, and demonstrate a clear commitment to internal improvements to generate information for the sustainability report.

Application Level GRI-G3

Following the guidelines of the GRI – G3.1, BSD declares that the Celulose Irani SA Sustainability Report 2012 is classified as **Application Level A +**. The report provides information on the items related to the profile of the company and provides a broad description of management processes and approaches to sustainability. Information is provided related to all categories of performance indicators: economic, environmental, human rights, labor practices, society and product responsibility.

Final Thoughts

In the evaluation of BSD Consulting, IRANI has expanded its internal practices of sustainability, evolving the scope of the engagement process. Management initiatives on innovation and the Value Sharing Program contribute to become closer to the different stakeholders, emphasizing the theme of sustainability in the Company. It is important to develop supplier management, creating a flow of actions arising from the evaluations that were carried out. The Health and Safety topic should be the focus of sustainability management, with the establishment of actions to improve internal processes, in order to reduce cases of accident and expanding the disclosure indices in the sustainability report.

São Paulo, March 28, 2013.

BSD Consulting – Brazil

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