SUSTAINABILITY REPORT 2015

MISSION, VSION, PRINCIPLES AND VALUES

Área florestal de Campina da Alegria, Vargem Bonita (SC)

MISSION

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

VISION

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

PRINCIPLES AND VALUES

- Focus on Results, Objectivity, Austerity and Simplicity
- Innovation and pioneering spirit
- Integrity, Ethics, Courage, Transparency and Cordiality
- People Challenged and Valued
- Social and Environmental Responsibility

• GRI.G4-56

CEO'S MESSAGE

Brazil has been through quite a difficult year in 2015. Unfortunately, our political leaders have not yet understood the message from the voting urns and the market, and have not been able to lead a process of much-needed changes and reforms, both essential and unavoidable for Brazil to develop.

Faced with a negative political and economic scene, in which there has been no shortage of instability and bad news such as the increase in fiscal deficit and interest rate, growth in inflation, devaluation of the currency against the dollar, lack of trust, at IRANI, we have a lot to celebrate. We have managed to move toward the growth and profitability goals we set ourselves, registering an increase of 2.7% in net revenues, and a significant 18.1% in operating profit (Adjusted EBITDA), although not reflected in net income due to the increase in financial costs.

In addition, our social and environmental indicators have also improved considerably, as our Report describes. One of the figures that is worth highlighting is the increase in the recycling of plastic, which is a reality. We have invested in improving processes and in innovation, we have upheld all our certificates and we have extended ISO 14004 to yet another of our packing units.

We have continued our people development programs, such as Lead 2020. We are increasingly united, focused and confident of our ability to face the additional challenges in the short term, and of course, to learn from them. We have strengthened our commitment to the Global Compact, and we have encouraged our main suppliers to sign up too. We have sought to deepen the understanding of all our employees in relation to the Code of Ethics, in an interactive and creative way, as we believe that this is one of the cornerstones for our success.

From here on in, our biggest aim is to concentrate our focus and efforts on our capacity to work in pursuit of greater efficiency, reducing costs and gaining productivity. We understand that the strengthening of partnerships with customers and suppliers is key in this regard: low costs, quality of products and services, and security in supply generate value and increase the competitiveness of the entire production chain. The investments in people and systems have been another focus for us in recent years and it will be no different throughout 2016.

Considering the context of high interest, suitable funding in scare supply, and a retracted demand, our investment plans are changing direction this year and are focused on procurement opportunities that may arise. The entry of international competitors in Brazil in these last two years has strengthened our belief in the industry's long term growth, and challenges us to stay even more competitive and relevant.

Every crisis offers an opportunity to improve and grow. I really believe that. Often, it is what leads us to change, to taking risks, and to valuing trust. Perhaps it is the time for the concept of sustainability to be perceived better, and more tangibly, by everyone.

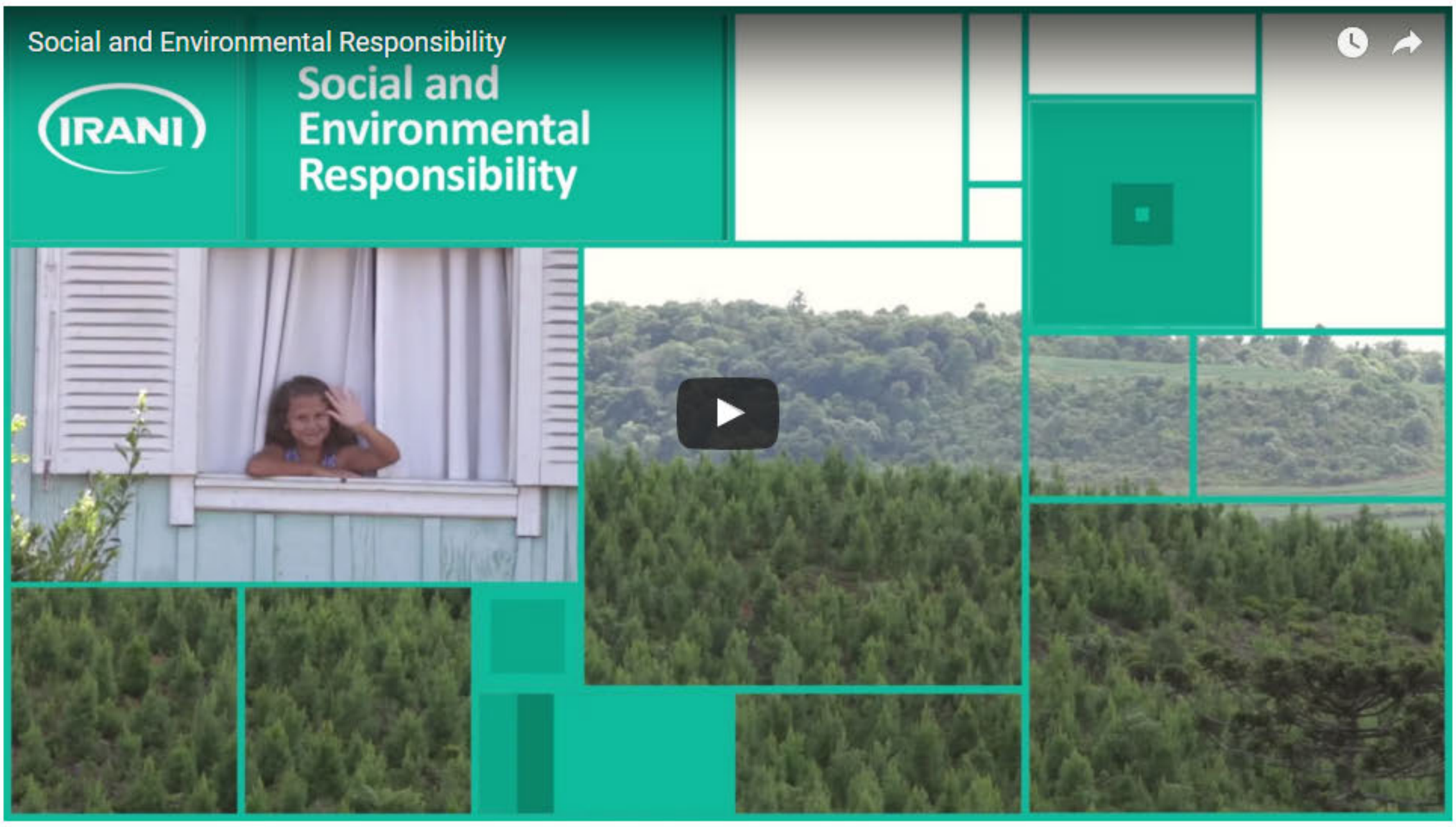
It is at these times that I notice how important efforts that don't appear on the balance sheets are, as is the balance between the short and long-term vision. I see IRANI being more functional, strong and prepared for these challenges every day. And of course we will come out of this cycle better as people as a company and as a society.

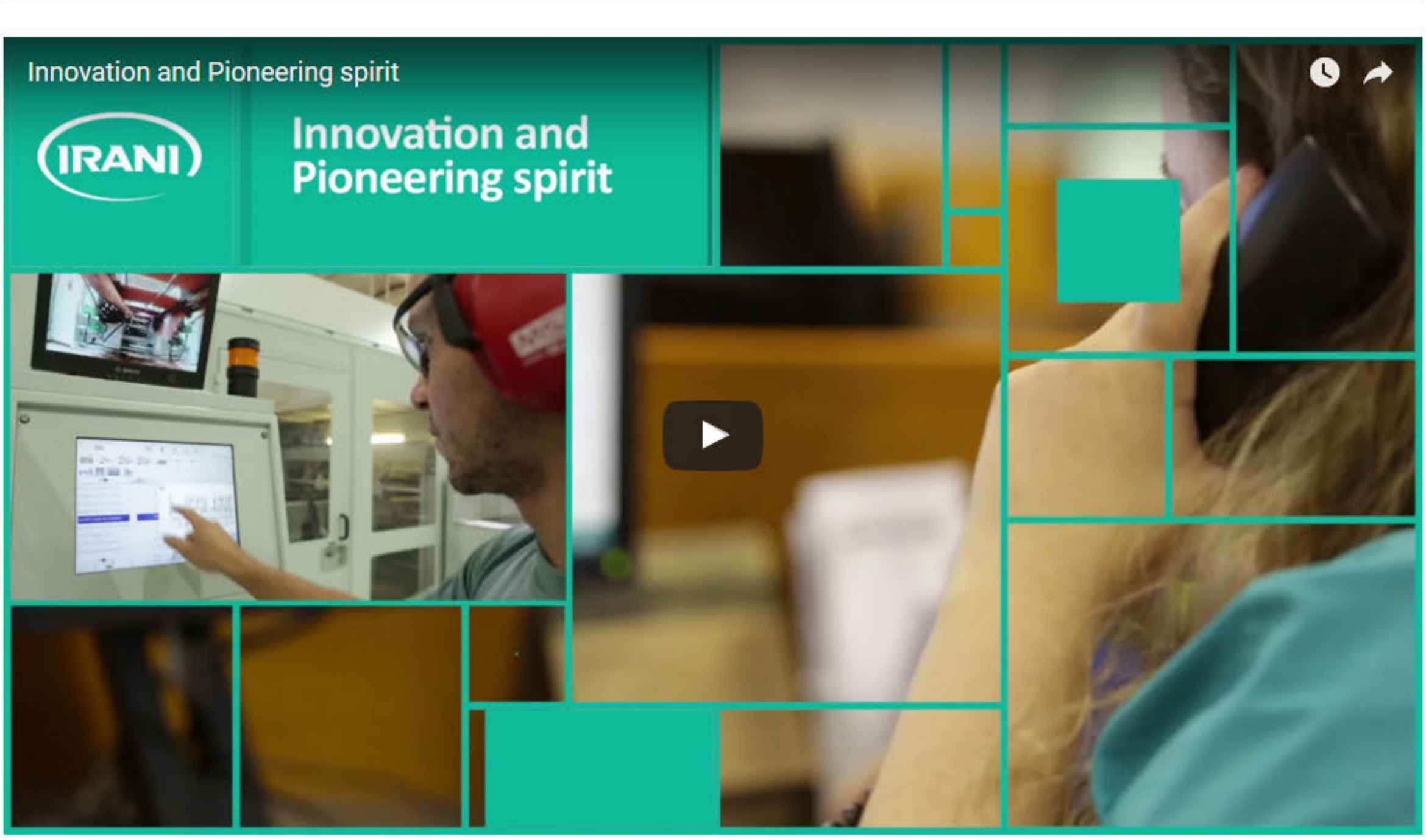
Péricles Pereira Druck

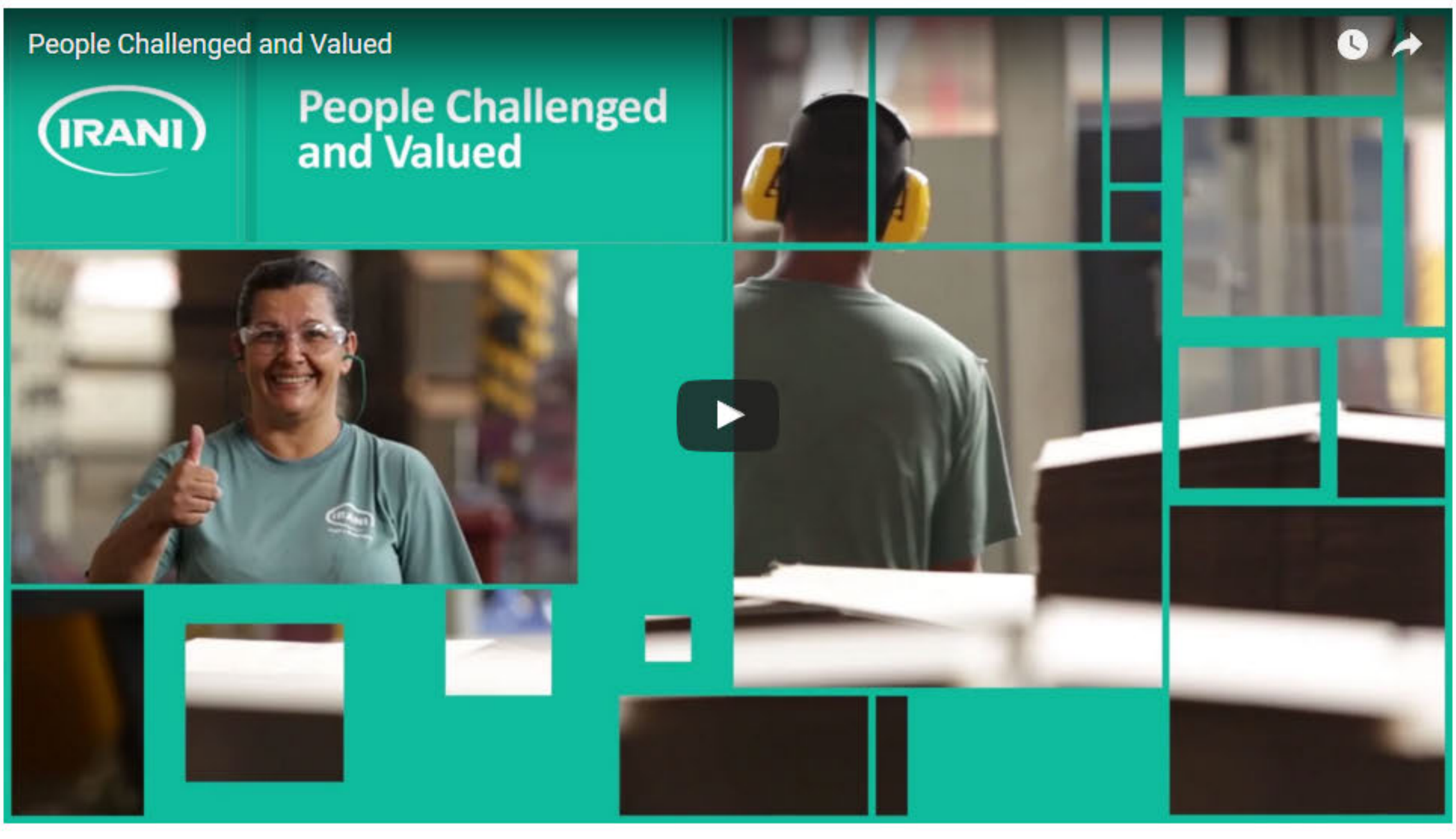
CEO

• GRI.G4-1, G4-2, G4-15

VIDEOS


Social and Environmental Responsibility
IRANI
Social and Environmental Responsibility

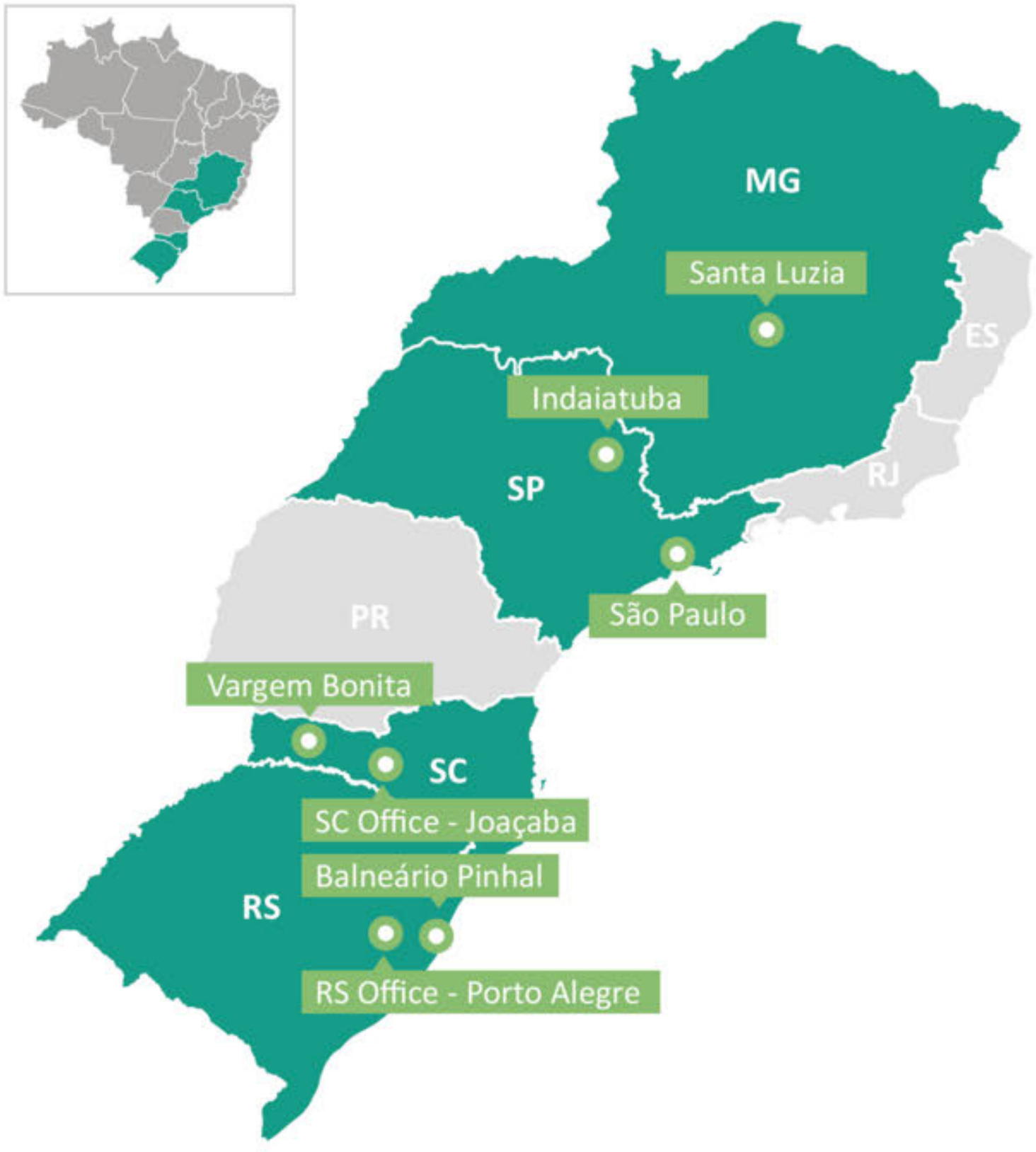

Innovation and Pioneering spirit
IRANI
Innovation and Pioneering spirit


People Challenged and Valued
IRANI
People Challenged and Valued

ABOUT US

Colaborador da Unidade Embalagem SP – Indaiatuba

We are a Brazilian public limited company, founded in 1941. Our processes are integrated from the forests to the end products, aiming at excellence in management, lasting results and generating shared value, fully respecting of people and the environment.



In Santa Catarina:

- Paper Unit SC - Campina da Alegria
- Packaging Unit SC - Campina da Alegria
- SC Office - Joaçaba

In Rio Grande do Sul:

- Resin Unit RS - Balneário Pinhal
- RS Office - Porto Alegre

In São Paulo:

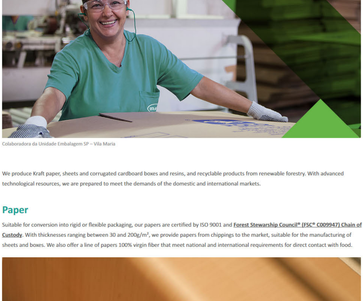
- Packaging Unit SP - Indaiatuba
- Packaging Unit SP - Vila Maria

In Minas Gerais:

- Paper Unit MG - Santa Luzia

- GRI.G4-5, G4-6 e G4-7

OUR BUSINESS

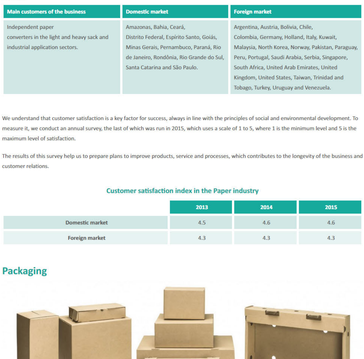


Colaboradora da Unidade Embalagens SP – Vila Maria

We produce Kraft paper, sheets and corrugated cardboard boxes and resins, and recyclable products from renewable forestry. With advanced technological resources, we are prepared to meet the demands of the domestic and international markets.

Paper

Suitable for conversion into rigid or flexible packaging, our papers are certified by ISO 9001 and **Forest Stewardship Council® (FSC® C009947) Chain of Custody**. With thicknesses ranging between 30 and 200g/m², we provide papers from chippings to the market, suitable for the manufacturing of sheets and boxes. We also offer a line of papers 100% virgin fiber that meet national and international requirements for direct contact with food.



Paper Kraft

Main customers of the business	Domestic market	Foreign market
Independent paper converters in the light and heavy sack and industrial application sectors.	Amazonas, Bahia, Ceará, Distrito Federal, Espírito Santo, Goiás, Minas Gerais, Pernambuco, Paraná, Rio de Janeiro, Rondônia, Rio Grande do Sul, Santa Catarina and São Paulo.	Argentina, Austria, Bolivia, Chile, Colombia, Germany, Holland, Italy, Kuwait, Malaysia, North Korea, Norway, Pakistan, Paraguay, Peru, Portugal, Saudi Arabia, Serbia, Singapore, South Africa, United Arab Emirates, United Kingdom, United States, Taiwan, Trinidad and Tobago, Turkey, Uruguay and Venezuela.

We understand that customer satisfaction is a key factor for success, always in line with the principles of social and environmental development. To measure it, we conduct an annual survey, the last of which was run in 2015, which uses a scale of 1 to 5, where 1 is the minimum level and 5 is the maximum level of satisfaction.

The results of this survey help us to prepare plans to improve products, service and processes, which contributes to the longevity of the business and customer relations.

Customer satisfaction index in the Paper industry

	2013	2014	2015
Domestic market	4.5	4.6	4.6
Foreign market	4.3	4.3	4.3

Packaging

Caixas de papelão ondulado

Our sheets and boxes of corrugated paper receive applications of technologies aimed at achieving lower thicknesses and higher mechanical strength. These are products which chain of custody is certified by ISO 9001 and FSC.

Main customers of the business	Domestic market
Independent sheet converters, food market; drinks, plastics and rubber; textiles and clothing, leather and footwear, pharmaceutical product, perfumery and chemical industries.	Acre, Amazonas, Bahia, Ceará, Distrito Federal, Espírito Santo, Goiás, Maranhão, Mato Grosso, Mato Grosso do Sul, Minas Gerais, Paraná, Pernambuco, Rio de Janeiro, Rio Grande do Norte, Rio Grande do Sul, Rondônia, Santa Catarina and São Paulo.

Customer satisfaction index in the Packaging industry

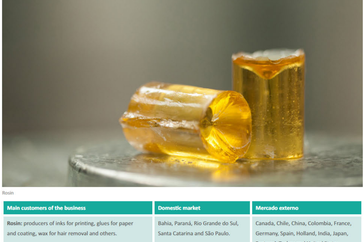
	Packaging SC – Campina da Alegria			Packaging SP – Indaiatuba			Packaging SP – Vila Maria		
	2013	2014	2015	2013	2014	2015	2013	2014	2015
Domestic market	4.2	4.2	4.3	4.2	4.4	4.5	3.8	4.3	4.4

Resin

From the extraction of gum resin from *Pinus elliotti*, produzimos breu e terebintina, produtos de grande versatilidade de aplicação como tintas, vernizes, adesivos, esmaltes, perfumes, entre outros.

Forests, we produce rosin and turpentine, products with a wide range of applications such as paints, varnishes, adhesives, nail polish, perfumes, and others.

We were the first company in the industry in the world to achieve the FSC certificate for Forest Management. We are also ISO 9001 certified and in 2015 were recognized with the annual Health, Safety and Environment award organized by the *Pine Chemicals Association* (PCA).



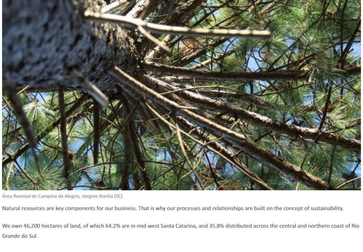
Rosin

Main customers of the business	Domestic market	Mercado externo
Rosin: producers of inks for printing; glues for paper and coating, wax for hair removal and others. **Turpentine:** producers of solvents in paints and varnishes, dyes, waxes, pine oil, camphor, soaps, insecticides, greases, seals, perfume fixers, and others.	Bahia, Paraná, Rio Grande do Sul, Santa Catarina and São Paulo.	Canada, Chile, China, Colombia, France, Germany, Spain, Holland, India, Japan, Portugal, Turkey and United States

Customer satisfaction index in the Resin industry

	2013	2014	2015
Domestic market	3.6	4.1	4.0
Foreign market	4.4	4.2	4.0

Forestry

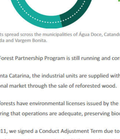


Área florestal de Campina da Alegria, Vargem Bonita (SC)

Natural resources are key components for our business. That is why our processes and relationships are built on the concept of sustainability.

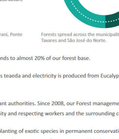
We own 46,200 hectares of land, of which 64.2% are in mid-west Santa Catarina, and 35.8% distributed across the central and northern coast of Rio Grande do Sul.

Use of land in SC



Forests spread across the municipalities of Água Doce, Catanduvas, Irani, Ponte Serrada and Vargem Bonita.

Use of land in RS



Forests spread across the municipalities of Balneário Pinhal, Cidreira, Mostardas, Tavares and São José do Norte.

The Forest Partnership Program is still running and corresponds to almost 20% of our forest base.

In Santa Catarina, the industrial units are supplied with Pinus teaeda and electricity is produced from Eucalyptus biomass. We also operate on the regional market through the sale of reforested wood.

Our forests have environmental licenses issued by the relevant authorities. Since 2008, our Forest management in SC has been certified by FSC, ensuring that operations are adequate, preserving biodiversity and respecting workers and the surrounding communities.

In 2011, we signed a Conduct Adjustment Term due to the planting of exotic species in permanent conservation areas. The creation of a Private Natural Reserve in Vargem Bonita (SC) strengthens IRANI's intention to preserve forest areas and biodiversity.

The management of our forest base in Rio Grande do Sul is also FSC certified and serves, with resin gun, the resin and turpentine factory, and supply the regional sheet and sawed product market with reforested wood.

FOREST MANAGEMENT

• GRI.G4-4, G4-8

MAP OF STAKEHOLDERS

- GRI.G4-24

EVOLUTION OF COMMITMENTS

Subject	2015 Target	Status	How we have evolved
Suppliers	We persist with our commitment to maintaining 60% of suppliers with long term agreements signed up to the IRANI Supplier Project. With the Urban Forest Project, meanwhile, we continue to be committed to keeping 80% of chipping suppliers with stable purchases.	Partially met More	**IRANI Supplier** **2015:** 62.18% **2014:** 56.49% **2013:** 54.57% **Urban Forest** **2015:** 69.55% **2014:** 61.19% **2013:** 70.75%
Energy	Keep the net specific energy consumption per ton at the Paper Unit SC – Campina da Alegria at 0.80 MWh.	Met More	**2015:** 0.80 MWh **2014:** 0.82 MWh **2013:** 0.78 MWh
Waste	Reduce the sending of waste to the landfill to less than 11% at the Paper Unit SC – Campina da Alegria.	Met More	**2015:** 9.85% **2014:** 11.05% **2013:** 9.46%
Effluents	Reduce the amount of effluents generated per gross ton produced at the Paper Unit SC – Campina da Alegria to 19.85 m^3/t.	Not met More	**2015:** 19.93 m^3 **2014:** 20.37m^3 **2013:** 19.18m^3
health and safety at work	To keep the accident frequency rate with and without time off work at a maximum of 17.06.	Met More	**2015:** 16.49 **2014:** 14.81 **2013:** 17.60
Training and development	To achieve an average of 30 hours' training per employee and the satisfaction index of 92% satisfied in evaluations of the LEAD 2020 Program.	Not met More	**Average training** **2015:** 28h **2014:** 28h **2013:** 25h **LEAD 2020 satisfaction index** **2015:** 90% **2014:** 90% **2013:** Program had not been launched

- GRI.G4-2

2016 COMMITMENTS

Subject	2016 Target
Suppliers	Keep at least 60% of long-term contracts in the IRANI Supplier Project and continue at the index of 80% of chipping suppliers with stable purchases.
Energy	Maintain the standard of excellence in management for specific energy consumption at 0.80 MW/h per liquid ton produced at the Paper Unit SC – Campina da Alegria.
Waste	Maintain the standard of excellence in management for sending waste to the landfill in levels of less than 8% at the Paper Unit SC – Campina da Alegria.
Effluents	Limit the amount of effluents generated per gross ton produced at the Paper Unit SC – Campina da Alegria to 18.88 m^3/t.
Biodiversity	Conduct at least 5 guided visits of lower and middle schools in the region of the Private Natural Reserve. Prof. Yara C. Nicoletti.
Training and development	Complete 100% of the mapping of technical training per post at the Paper and Packaging Unit SC – Campina da Alegria and the drafting of training plans per unit.

ABOUT THE REPORT

We have constructed the IRANI Sustainability Report 2015 according to the G4 guidelines of the Global Reporting Initiative (GRI) – Overall level – and of the International Integrated Reporting Council (IIRC). We have presented the company's main achievements and challenges in the period from January 1 to December 31, 2015, of all the business units belonging to Celulose Irani S.A. and its subsidiaries: Habitasul Florestal S.A., HGE – Geração de Energia Sustentável Ltda., IGE – Irani Geração de Energia Sustentável Ltda. and Iraflor Comércio de Madeiras Ltda.

Our relevant issues in sustainability have formed the basis of this report's content and were established in 2014, through a review of the Strategic Plan in the 2015-2025 cycle, as already published in the 2014 report (about the Report chapter). They are material themes for the whole Company, which help us to understand our impacts both within and beyond operations, and in the steering of our efforts to increase positive impacts and mitigate negative ones.

Issues related to sustainability (Materiality matrix)

Scope of impacts in our value chain (the darker the color, the greater the scope)

		Forestry	Suppliers	Our Units	Customers	Society
	Sustainability Governance and Management					
Very high relevance	Social and environmental risk assessment of suppliers					
	Financial and business performance					
	Energy efficiency					
	Impacts and protection of biodiversity					
	Water resources					
High relevance	Training and development					
	Waste					
	Effluents					
	Emissions					
	Innovation and R&D					
	Inputs and recycling of materials					
	Quality of the product					
	Relationship with the surrounding community					
	Occupational health and safety					

Financial issues Social issues Environmental issues

In 2015, we conducted a series of internal meetings with the leadership groups in order to validate the relevance and the currentness of these themes, and identify opportunities to perfect the content of the Report.

The information shared here has been gathered by the functional areas, reviewed internally and approved by the Executive Board. Conecta Consultores was responsible for verifying the non-financial information and for the Assurance Statement included at the end of the Report. To check the consistency and integrity of our operations, we keep independent auditors responsible for issuing the Independent Auditors Statement quarterly and annually., The financial statements have been consolidated in accordance with the international financial report standards (IFRS) and with the practices adopted in Brazil, which are audited by PwC.

Should you have any questions or suggests, contact us via email: faleconosco@irani.com.br.

• GRI.G4-17, G4-18, G4-19, G4-28, G4-31 e G4-32

FOCUS ON RESULTS, OBJECTIVITY, AUSTERITY AND SIMPLICITY

Unidade Embalagem SP – Indaiatuba

In 2015, we maintained our efforts to strengthen our management practices and advance towards growth and profitability, always based on our existing mission and values.

We can point out some projects and actions in this respect, such as the restructuring of the Market Plan and the progress with the assessment of our services by customers, both in line with our strategic objectives to build prosperous and lasting relationships, to expand the geographical scope of our activity, and to increase our market share and be the best company in service management.

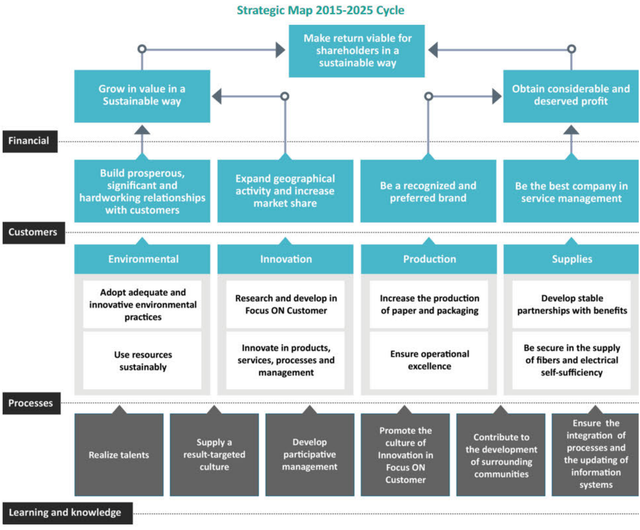
The Market Plan has mapped the sales potential, prospecting in each sector and target client, and has established a routine for monitoring opportunities for prospecting and making business. In summary, we have concentrated our efforts on translating prospects into sales. The advancement of the quality of our services has been reaffirmed with the score of 4.68 obtained for the Paper business and 4.4 for the Packaging business in 2015 (scale of 0 to 5). We have continued to progress in the services concept in the Focus ON Customer.

This evaluation is carried out through a survey conducted annually, with a minimum of 80% of our customer base.

We have started the Simplify Project, in line with the strategic target of ensuring integration of processes and updating information systems, and the Expense Value Management Project (EVM), as part of the objective to strengthen a result-driven culture. This last project was carried out through the capture of results in 2016.

The highest purpose of the Simplify Project is to ensure that information is optimized, simplified and secure. In this first stage, all processes are mapped and redesigned, in order to identify opportunities for improving efficiency, productivity and quality. The first phase ended with the study of the financial viability of buying a new technological platform that supports our growth and captures these opportunities.

The EVM Project began in the second half of 2015 in order to requalify expenses through an in-depth and detailed analysis. In order to assess the added value of each activity and the corresponding actual reduction opportunities, the project considers the performance indicators, internal and external benchmarks, in order to make them more efficient. Based on the prioritizing of gaps, targets and action plans were defined that are followed up monthly by our Board and other levels of the company.



Also in 2015, we concluded the selection process for the second round of *Green Belts 2016*, which will have the participation of 15 employees, who will be prepared to take on improvement projects, with greater complexity and impact within the company.

We also carried out 25 *Kaizen* weeks, spread across all units, proving the growth and maturity of our *Lean* journey. For 2016, our focus is to maintain the target of the number of *Kaizen* weeks and to strengthen the 5S program, which, in 2015, was extended to all units and offices and which had an excellent growth.

Our Corporate Policies aim to ensure and align our culture and conduct, and to improve management practices.

Risk Management

Our practice is to focus and follow-up on the stages of the risk management process, comprising risk identification, analysis, assessment, treatment, monitoring and communication activities, classified as strategic, financial, operational and compliance.

These activities are carried out in order to manage the risks to which we are exposed, allowing possible losses of an operational, occupational and environmental nature, as well as those related to financial and reputation losses, to be minimized.

Among the risks present at our head office are those whose target is the analysis and monitoring of external events. In 2015, some risks were evident, especially those related to the political, financial and market context, as well as natural events such as windstorms and tornadoes and supply – the latter evidenced by paralization of cargo transport.

In this same year, we have instituted the figure of the risk manager, responsible for the qualitative analysis of the risk and evaluation of internal controls, through the mechanism of self-assessing risks and controls (RCSA – Risk Control Self-Assessment) and through the reporting of action plans. Generally this function is carried out by the manager or director of the area. The purpose of the change was to prepare managers for the risks intrinsic to the processes for which they are responsible, allowing a leveling of knowledge and an appropriate vision of the level of exposure to the risks identified.

In 2015, with the beginning of the internal auditing activities based on risks, we have grown towards an approach based on operational cycles, which are: People Development, Fixed Assets, Purchasing, Revenue, Information Technology, Tax/Fiscal, Legal, Treasury and Operational – the latter covering the production of paper, packaging, forestry, rosin and turpentine. The new focus on cycles allows the identification and detailed analysis of risks that permeate the operational areas, filling in gaps between processes. The internal audit is based on an analysis of the risk matrix, prioritizing its activities according to the level of exposure identified by risk managers. The work carried out aims to prove and ensure that the risk management process as an adequate control structure that mitigates risks effectively.

The execution of auditing work in the People Management, Fixed Asset, Purchasing, Revenue and Information Technology cycles is planned in the area's work plan for 2016. The risk managers will be involved in the understanding stage, validation of the scope of the cycle, analysis of the final audit report and discussion of the points presented.

In addition, the internal audit is responsible for managing manifestos made on the ethics channel. This activity starts with the reception, analysis and handling of manifestos, comprising the work program of the internal audit. The investigation follows the ethical and conduct guidelines provided in the audit and risk management policy and defined in our Code of Ethics.

The diagnosis, management and approval of the risk tolerance strategy involves the participation of the Executive Board and of the CEO, comprising the Administrative Council.

Intangible Assets

The building of valuable relationships, the permanent development of people through challenges, customer satisfaction, a brand that protects business and generates value, a cohesive organizational culture and a suitable working environment are some of our intangible assets built over more than seven decades. Management is led by the areas responsible for executing practices related to these assets.

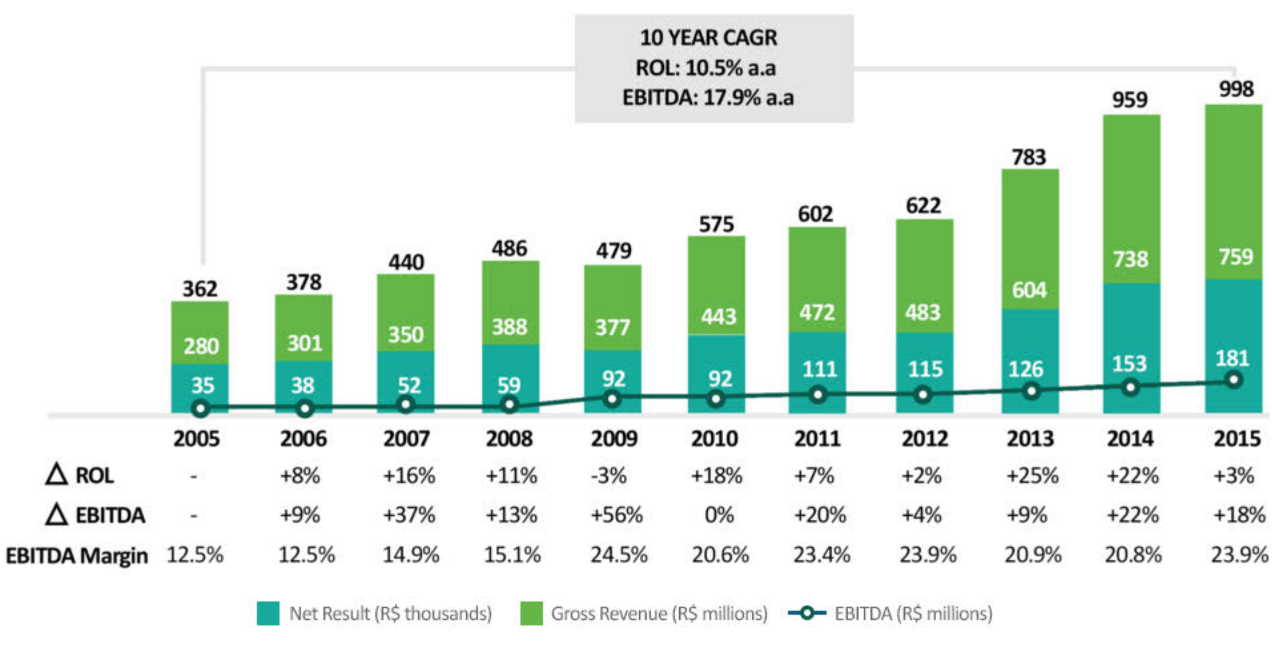
• GRI.G4-2, G4-14, G4-45, G4-46 e G4-47

FINANCIAL AND BUSINESS PERFORMANCE

Colaborador da Unidade Embalagem SP – Vila Maria

Financial and business performance was an issue highlighted by our leaders during the materiality definition process. Its presence in the Financial, Process and People dimensions of our strategic map proves the transversality and the need for austere measures.

In 2015, our financial indicators have evolved consistently, a result of the consolidation of our strategy adopted over the years. Our consolidated net income has grown to an annual average of 10.5% in the last ten years. In this same period, our Adjusted EBITDA has shown an average annual growth of 17.9%, moving from R$35 million, in 2005, with a margin of 12.5%, to R$ 181 million, in 2015, with a margin of 23.9%.



Consolidated – Balance Sheets in December 31
(In thousands of reais)

	31/12/2015	31/12/2014
ASSET	**1,658,591**	**1,678,837**
Current	377,185	396,486
Non-current	1,281,406	1,282,351
LIABILITY	**1,658,591**	**1,678,837**
Current	380,413	329,720
Non-current	881,550	851,492
Net equity	396,628	497,625

Consolidated – Statements of results for financial years ending on December 31
(In thousands of reais)

	31/12/2015	31/12/2014
Net Revenue from Sales	**758,758**	**738,499**
Variation of the fair value of biological assets	(6,450)	29.416
Cost of products sold	(530,437)	(545,224)
Gross Profit	**221,871**	**222,691**
(Expenses) Operational Revenue	**(128,336)**	**(122,976)**
Result before the financial and tax result	**93,535**	**99,715**
Financial (expenses) revenue, net	**(92,573)**	**(71,339)**
Operational profit before tax	**962**	**28.376**
Net profit in the financial year	**495**	**56.579**

Publication of the Annual Financial Statements

Access here the full Annual Financial Statements, available on the Company's Investor Relations website.

The full report comprises the Financial Statements, Explanatory Notes, the report on Independent Audits and the Administration Report, drafted in accordance with the Law of Corporations and amendments, and with the standards established by the Comissão de Valores Mobiliários – CVM (Brazilian Securities Commission) The report was published on February 29, 2016, in major newspapers in which IRANI advertises its corporate acts and on the Brazilian Securities Commission and BM&FBOVESPA websites.

Main financial and economic indicators

The indicators of the corrugated cardboard consumption levels on the internal market have recorded a fall in 2015, as indicated by the Brazilian Corrugated Cardboard Association (ABPO), a reflect of the retraction of the Brazilian economy as a whole. The total sale of corrugated cardboard boxes, accessories and sheets reached 3.3 million tons per 2015, a reduction of 3.1% in relation to 2014 according to the ABPO. Even though faced with a challenging domestic scenario, our operational cash management, measured by the Adjusted EBITDA, showed a growth of 18.1% in 2015 in relation to 2014. Our net income in 2015 grew by 2.7% in comparison with 2014, supported by sales to the foreign market, a reflection of the more favorable exchange rate.

Main indicators – consolidated	2015	2014	Var. 2015/2014
Economic and financial (In thousands of reais)			
Net Operational Revenue	758,758	738,499	2.7%
Domestic Market	629,967	643,959	-2.2%
Foreign Market	128,791	94,540	36.2%
Gross Profit (included*)	221,871	222,691	-0.4%
(*) Variation of Fair Value of Biological Assets	*(6,450)*	*29,416*	*-121.9%*
Gross Margin	***29.2%***	***30.2%***	***-1.0p.p.***
Operational Result before Tax and Participations	962	28,376	-96.6%
Operational Margin	***0.1%***	***3.8%***	***-3.7p.p.***
Net Result	495	56,579	-99.1%
Net Margin	***0.1%***	***7.7%***	***-7.6p.p.***
Adjusted EBITDA [1]	181,209	153,483	18.1%
Adjusted EBITDA Margin	***23.9%***	***20.8%***	***3.1p.p.***
Net Debt (R$ millions)	777.0	608.8	27.6%
Net Debt/Adjusted EBITDA(x)	4.29	3.97	8.1%
Net Debt/Proforma EBITDA(x) [2]	3.08	n.a.	n.a.
Operational Data (t)			
Corrugated Card Packing (CC)			
Production/ Sales	198.375	199.745	-0,7%
Paper for Packaging			
Production	287.247	266.151	7,9%
Sales	77.469	77.507	0,0%
RS Forest and Resins			
Production	9.970	8.403	18,6%
Sales	9.582	8.365	14,5%

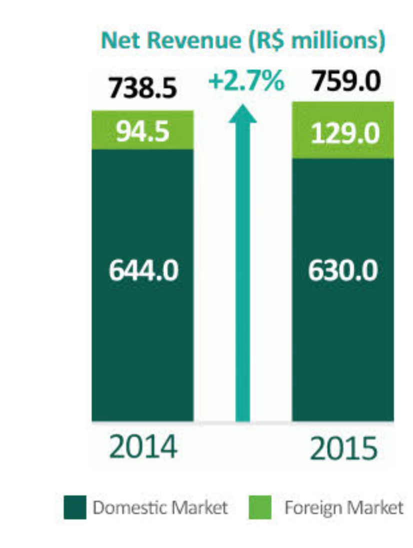
[1] *EBITDA (profit before interest, tax, depreciation, amortization and exhaustion)*

[2] Excluding the net debt and exchange rate recorded with hedge accounting.

Net Operational Income

In the comparison of years, our net income has grown by 2.7% in relation to 2014 and reached R$ 758.8 million, reflecting the performance of sales on the external market. The internal market continues to be our main market and the performance of exports has reflected the behavior of the exchange rate verified in the year, and its representativity increased by 4 percentage points when compared to 2014, reaching 17% of our sales at the end of 2015.

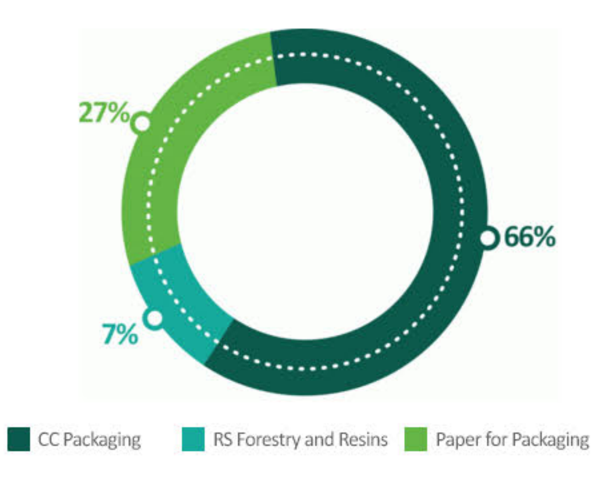
Net Revenue (R$ millions)



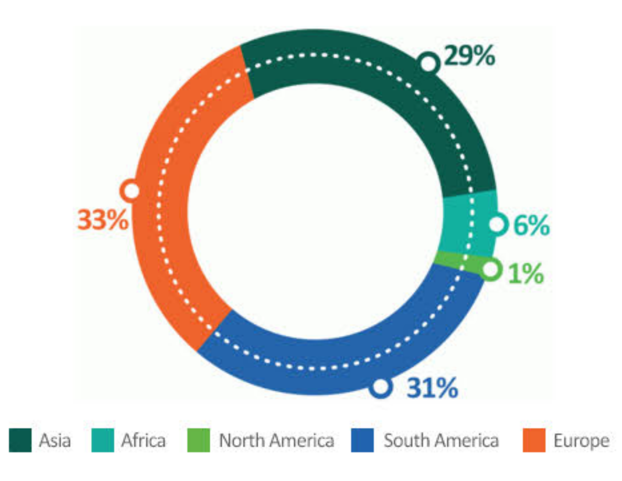
Representativity per market

	2014	2015
Domestic Market	87%	83%
Foreign Market	13%	17%

Net Revenue – per Sector 2015



Net Revenue – Foreign Market 2015



Fair Value Assessment of Biological Assets (Forest)

From 2010, we have moved on to measure the fair value of our biological assets (forests) periodically, as determined by the CPC 29. The variation of this value, and its exhaustion, is recognized in the Cost of Sold Products (CPV). This new accounting determination allows the market value of our forests to be assessed more precisely, making our Financial Statements better adapted.

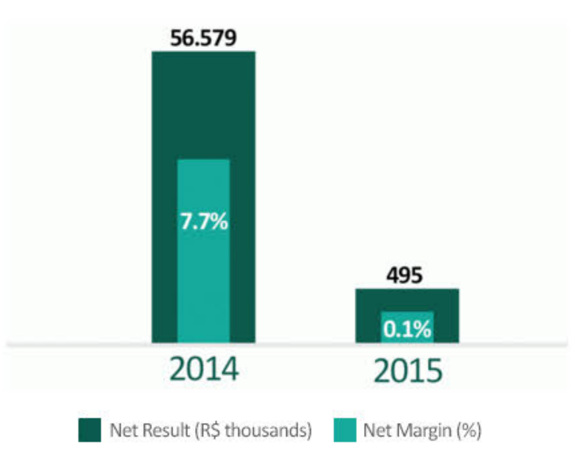
Effects of variations in the fair value of biological assets

R$ thousands	2015	2014
Variation of the fair value of biological assets	(6,450)	29,416
Exhaustion of the fair value of biological	(16,944)	(17,926)

The variation of the fair value of biological assets was negative in 2015, especially due to the variation of some premises used for assessment, such as: increase in forest discount rate, change in production planning and variation in production costs.

Net Result

Our net result in 2015 reached R$ 495,000 and had a negative impact on the variation of the fair value of biological assets, as well as the effects on exchange variation recognized in the result in the period.



Operational Cash Generation (Adjusted EBITDA)

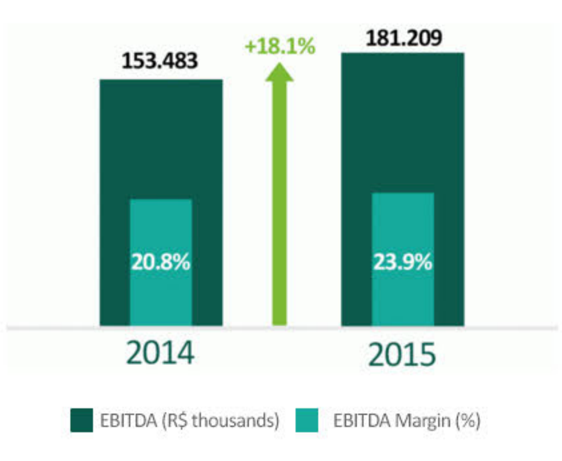
Consolidated (R$ thousands)	2015	2014	Var. 2015/2014
Operational Result before Tax and Participations	**962**	**28,376**	-96.6%
Exhaustion	20,579	21,618	-4.8%
Depreciation and Amortization	59,117	50,554	16.9%
Financial Result	92,573	71,339	29.8%
EBITDA	**173,231**	**171,887**	**0.8%**
EBITDA Margin	***22.8%***	***23.3%***	***-0.5p.p.***
Adjustments as per Inst.CVM 527/12			
Variation in Fair Value of Biological Assets [1]	(6,450)	(29,416)	–
Administrators' Share [2]	55	6,287	-99.1%
Non-Recurring Events [3]	1,473	4,725	-68.8%
Adjusted EBITDA	**181,209**	**153,483**	**18.1%**
Adjusted EBITDA Margin	***23.9%***	***20.8%***	***3.1p.p.***

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

[2] Administrators' share: The figure of R$ 55,000 refers to the administrators' share which is related to the distribution of the Company's earnings, and does not represent a cash deduction in the period.

[3] Non-recurring events refer to the writing off of Intangible Assets (Sao Roberto Mark) due to not indicating a cash reduction.

Throughout the year, the adjusted EBITDA reached R$181.2 million, with a margin of 23.9% and 18.1% greater than in 2014. The growth of 3.1 percentage points in the margin is due, mainly, to operational performance, reduction of variable production costs and administrative expense, and also, due to the valuing of the dollar and euro.



Financial Result

Our financial result, in 2015, was especially effected by the increase in interest rate (CDI), inflation (IPCA) and exchange variation verified during the year. The exchange variation had a negative impact on our results in R$17,073,000, in 2015, explained by a strong depreciation of the Real in relation to the Dollar. This result is distributed as follows:

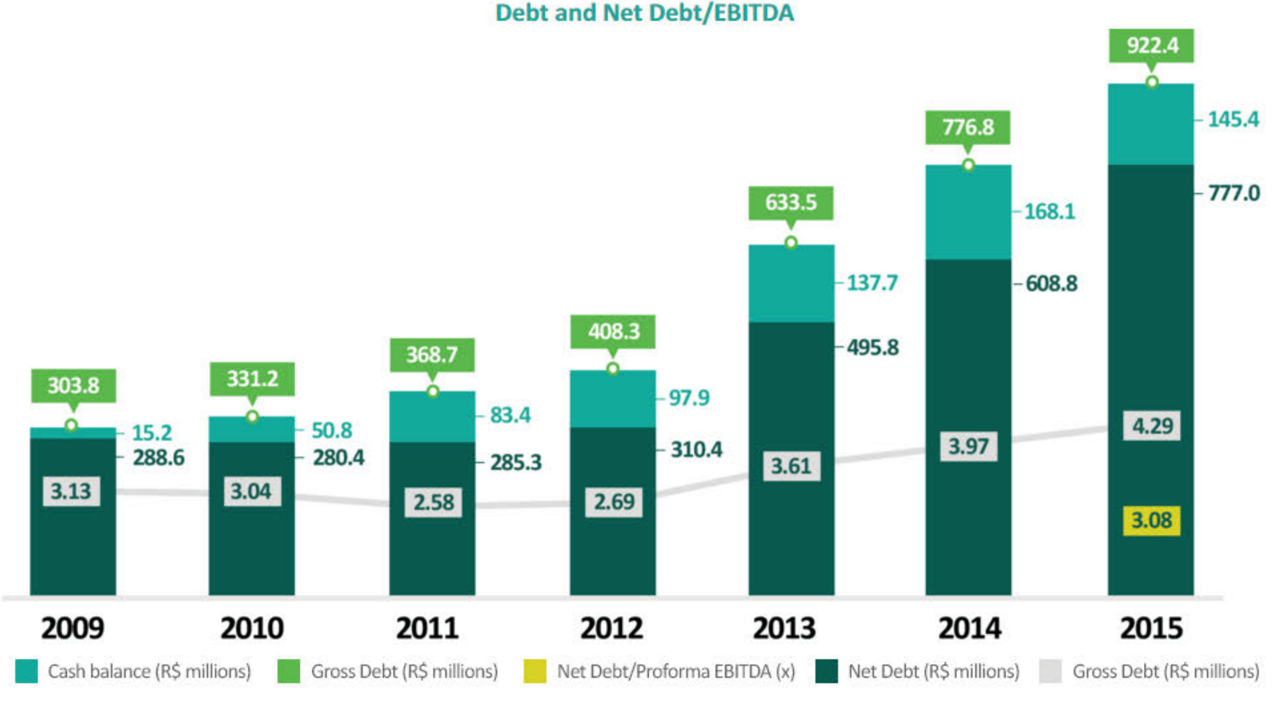
R$ thousands	2015	2014	Var. 2015/2014
Financial Revenue	35,228	25,159	40.0%
Financial Expenses	(127,801)	(96,498)	32.4%
Financial Result	**(92,573)**	**(71,339)**	**29.8%**
Net exchange variation	(17,073)	(3,159)	440.5%
Financial Result without exchange variation	**(75,500)**	**(68,180)**	**10.7%**

Net Debt

Our gross consolidated debt reached a total, in 2015, of R$922.4 million, of which 76% had a long-term maturity. The consolidated cash balance on December 31, 2015, reached a total of R$145.5 million, compared to R$168,1 million on December 31, 2014, especially impacted by payments of the main debt.

In this way, our consolidated net debt in 2015 reached a total of R$ 777 million, compared to R$ 608.8 million in 2014, and resulting in the net debt/EBITDA indicator, which went from 3.97 times at the end of 2014 to 4.29 times at the end of 2015. Excluding exchange variation from the net debt recorded as hedge accounting, the net debt/EBITDA Proforma indicator would be 3.8 at the end of 2015. The variation of this indicator was influenced by the increase in the quotation of the dollar in the year due to exposure of part of the debt in this currency.

Debt and Net Debt/EBITDA



Profile of Gross Debt

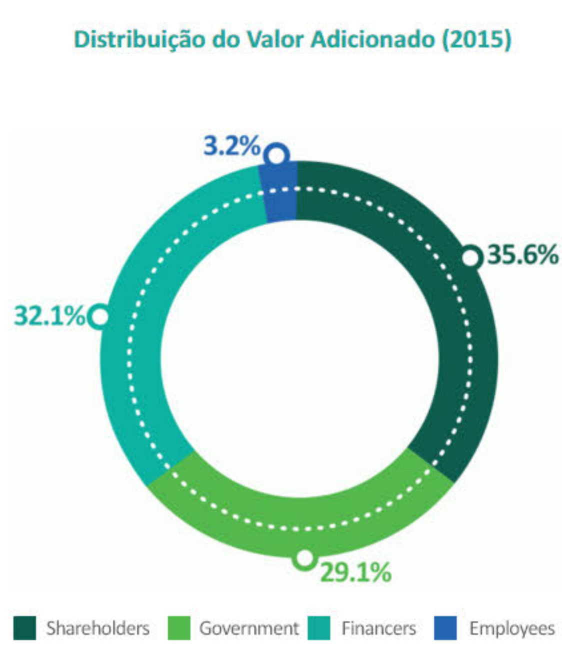
Generated and distributed direct financial value

Our added value statement (DVA) proves values related to wealth that we have generated, and its distribution among the parties that contributed to generating this wealth, such as, employment, government, funders and shareholders..

Added value statement for the financial year ending on December 31
(in thousands of reais)

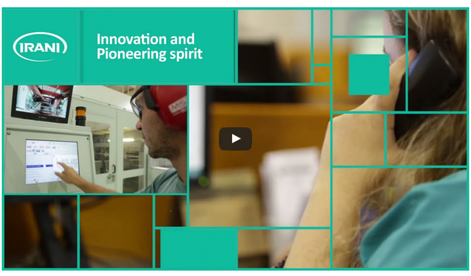
	31/12/2015	%	31/12/2014	%
1. Revenue	1,015,308		969,858	
2. Inputs purchased from third parties	527,143		539,664	
3. Cross added value (1-2)	488,165		430,194	
4. Depreciation, amortization and depletion	79,696		72,172	
5. Fair value of biological assets variation	6,450		(29,416)	
6. Net added value produced by the entity (3-4-5)	402,019		387,438	
7. Added value received in transfer	35,228		25,159	
8. Total added value to distribute (6+7)	437,247		412,597	
9. Distribution of the Added Value				
9.1) Staff	155,845	35.64%	145,409	35.24%
9.2) Taxes, rates and contributions	127,011	29.05%	95,501	23.15%
9.3) Payment of third party capital	140,468	32.13%	108,821	26.37%
9.4) Payment of own capital	13,923	3.18%	62,866	15.24%

Distribuição do Valor Adicionado (2015)



INNOVATION AND PIONEERING SPIRIT

Colaborador da Unidade Papel SC – Campina da Alegria



Innovation is one of the key pillars of our strategy. We seek to research and develop products in Focus ON Customer; to innovate in products, services, processes and management; to adopt adequate social and environmental practices and to promote a culture of innovation in Focus ON Customer.

We have organized innovation into modules developed through the INNOVATE Program, which involves employees, universities and science and technology institutions, customers and suppliers.

Worked on collectively, our culture of innovation is a key element for creating a motivational environment with initiatives that bring our employees closer, leading creative activities that result in staff development and the generation of ideas.

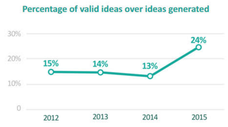
We believe that an innovative idea is aligned with our strategy and, when applied, reduces financial, social and environmental results, and changes in behavior. In this regard, we have maintained, since 2012, a continuous program of ideas as an action to generate shared value in a motivating environment for innovation. In 2015, this Program has worked separately to recognize employees and leaders, strengthening even further the role of the leader in the innovation process.

Our culture reflected in figures

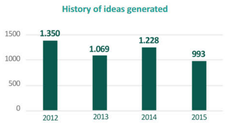
How does our idea program work?

Throughout 2015, we sought to generate results with a noticeable value, encouraging employees to apply their ideas, repaying them with higher scores in the Program. The ideas generated per employee index fell from 0.55 to 0.42, however there was a significant increase in the percentage of valid ideas.

Percentage of valid ideas over ideas generated



History of ideas generated



Employees who stand out in the program are rewarded through trips and events for recognizing success cases, as a demonstration of gratitude for the initiative and success achieved.

Employees whose ideas are applied are entitled to receive 3% of the operational profit generated. In 2015, 12 employees had 7 ideas financially recognized at a total of R$9,000. We project, for 2016, the financial valuation of 21 ideas recorded by 25 employees, totaling R$30,000, and, for 2017, we expect to recognize 50 ideas whose financial recognition will be approximately R$100,000.

Results of the Program from its creation

Stand-out cases in 2015

Enzyme converter for starch in paper production

Concept: implementation of an enzyme conversion system that replaces modified starch with starch *in natura*.

Benefits: cost reduction and more homogeneous features in the compound.

Financial profit
R$ 1,152,000

Reuse of plastic tubes

Concept: implantation of actions that allow plastic tubes to be reused in paper rolls.

Benefits: reduction in costs and volume of new plastic tubes purchased.

Financial profit
R$ 194,000

Resin dry wash tanks

Concept: process for cleaning resin collection bags.

Benefits: make best possible use of raw materials in collection bags, also reducing the volume directed to landfills.

Financial profit
R$ 140,000

Throughout the year, we seek to improve the innovation model with more efficient management of partnerships with developments, systematic R&D projects, and dedicating efforts to engaging leaders even more in the innovation process.

With this consolidated R&D structure and based on the lessons learned with partnerships firmed in 2015, we were part of a pilot open innovation project, the iTec platform (cooperation agreement between Unesco and Ministry of Science, Technology and Innovation) which has allowed us to expand partnership opportunities for R&D projects related to solid waste.

We have maintained periodic Technological Platform meetings to act as guiding innovation filters, strongly aligned with the R&D areas. They are multi-functional groups, responsible for directing the Company's growth, through the strategic evaluation of ideas, technology and research and development projects. They also analyze the impacts and the return on projects, prioritizing investments.

Throughout 2015, we led support activities for the internal areas for resolving problems, we provide technological support and laboratory analyses on demand for better understanding of the phenomena of our processes, contributing to the innovation of industrial processes. We have also dedicated ourselves to building research projects in line with our strategy, of which two are forecast to give a return of more than R$800,000 in 2016.

In order to obtain a bigger value delivery with innovation, we have implemented management of the innovation project portfolio. Structured to obtain a portfolio of innovation and technology projects in line with our strategy, looking for and executing the best research, development and innovation projects. In 2016, we will consolidate this portfolio, extending the methodology to 100% of the innovation projects.

INTEGRITY, ETHICS, COURAGE, TRANSPARENCY AND CORDIALITY

Colaborador da Unidade Papel MG – Santa Luzia

They are the principles that guide us, that direct our attitudes and our management and are responsible for building valuable relationships for executing our vision for the future.

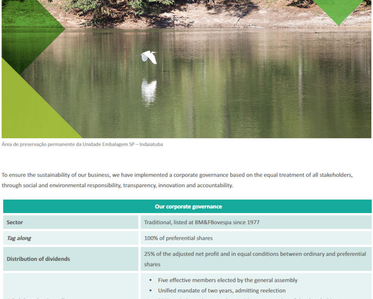
In 2015, we disseminated our revised Code of Ethics, strengthening our Values. Led by multiplying members of the Ethics Committee, with support from the People Development area, the action reached all units, including 175 groups and 2,343 employees, equivalent to 91.45% of our functional staff.

The Committee's new procedure has also been communicated and strengthens the responsibility of the Internal Audit area for the assessment of manifestos, ensuring the confidentiality and secrecy of information.

Our Code, including the contact channels and the manifesto determination flow, is available to all those interested on our website.

• GRI.G4-57 e G4-58

CORPORATE GOVERNANCE



Área de preservação permanente da Unidade Embalagens SP – Indaiatuba

To ensure the sustainability of our business, we have implemented a corporate governance based on the equal treatment of all stakeholders, through social and environmental responsibility, transparency, innovation and accountability.

Our corporate governance	
Sector	Traditional, listed at BM&FBovespa since 1977
Tag along	100% of preferential shares
Distribution of dividends	25% of the adjusted net profit and in equal conditions between ordinary and preferential shares
Administrative Council	• Five effective members elected by the general assembly • Unified mandate of two years, admitting reelection • 20% are independent members, with representation of the shareholders (controlling block) • Only one member has an executive function
Executive Board	• Three members elected by the Administrative Council • There is no accumulation of posts between the CEO and the Chair of the Council • Unified mandate of two years, admitting reelection
Annual calendar of events	Annual publication since 2011
Annual public meeting	First APIMEC meeting held in 2015, in Porto Alegre (RS)

Corporate Structure

We ended the year with a social capital of R$161,894,847.81, divided into 166,720 shares, of which 153,909,975 (92%) were ordinary shares and 12,810,260 (8%) were preferential shares, as follows:

On December 31, 2015

Shareholders	Ordinary shares	%	Preferential shares	%	Total % shares	%
Controllers	138,898,087	90.24%	8,582,660	67%	147,480,747	88.46%
Shares in treasury	24,000	0,02%	2,352,100	18,36%	2,376,100	1,43%
Administrators' shares	1,424,344	0,93%	711,060	5,55%	2,135,404	1,28%
Free float	13,563,544	8,81%	1,164,440	9,09%	14,727,984	8,83%
Total shares	**153,909,975**	**100%**	**12,810,260**	**100%**	**166,720,235**	**100%**

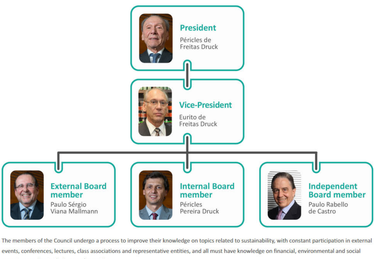
Administration

Our governance structure comprises the General Shareholders' Assembly, the Administrative Council, and the Executive Board. The Council carries out our administration with decision making functions and the Board with representative and executive functions.

For the subsidiaries Habitasul Florestal S.A. and HGE – Geração de Energia Sustentável S.A., there are separate Administrative Councils, the first of which is composed of three members, and the second composed of four members. On both, there are also members present among the board members of IRANI.

At the subsidiaries Irani Geração de Energia Sustentável Ltda and Iraflor – Comércio de Madeiras Ltda, the Administration is run by a Board consisting of two members elected by the shareholder partners. In both cases one of the directors is a board member of IRANI.

Administration



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

General competency of governing bodies

+ General Assembly
+ Administrative Council
+ Executive Board

Click here to see the resume of the members of our Administrative Council and of the Executive Board.

General Assembly

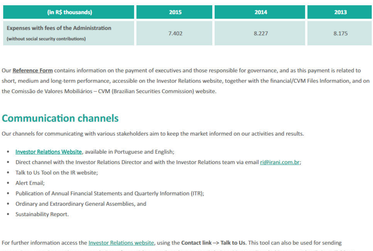
Carried out on our site, through ordinary or extraordinary summoning by means of a notice, as established in our Bylaws and in Brazilian Corporate Law. In the notice all issues to be addressed are detailed, as are the procedures required for shareholders who wish to be represented.

Ordinary assembly	• Held in the first quarter of every year; • Examination, discussion and voting on financial statements; • Decisions on the destination of net profit from the previous financial year, and distribution of dividends; • Election of the members of the Administrative Council.
Extraordinary assembly	• Held whenever it is necessary to make decisions on relevant topics, as per the bylaws.

Tanto para a assembleia ordinária quanto para a extraordinária, a proposta da administração é disponibilizada contendo informações sobre os assuntos que serão levados à votação.

Conselho de Administração

Both for the ordinary assembly and the extraordinary, the administration's proposal is made available containing information on the matters to be voted on.



The members of the Council undergo a process to improve their knowledge on topics related to sustainability, with constant participation in external events, conferences, lectures, class associations and representative entities, and all must have knowledge on financial, environmental and social aspects according to their area of expertise.

Our plan to inform the Administrative Council of critical concerns is carried out through the CEO, responsible for directing discussions and decisions during ordinary meetings.

Executive Board

Responsible for all acts required for regulating the operation of the Company that are not the responsibility of the General Assembly or of the Administrative Council, as governed by Article 14 of our Bylaws. Our directors meet in person every month, and by video-conferencing whenever necessary.

Corporate policies on advertising and use of information and negotiation of securities

+ Objective
+ Scope

Payment of the Administrative Council and Executive Board

Our Payment Policy establishes the guidelines to be observed in terms of the payment of members of the Administrative Council and of the Executive Board. This practice aims to:

I. Align the interests of the administrators with those of the shareholders;
II. Direct behavior and stimulate the short and long term vision of administrators;
III. Stimulate a sense of propriety and commitment;
IV. Attract, retain and motivate shareholders.

The overall payment of top management is fixed annually at the Ordinary General Assembly.

I) Fixed fees and benefits	Fixed payment and concession of benefits
II) Short term variable payment linked to targets to be achieved	Quarterly bonus
III) Long term variable payment	Upside Program and/or Share in Profits statutorily defined.

Each element of the payment plays a role in the short, medium and long term. The Upside Program is based on the theoretical value of the shares in the year in which it is implanted, and planned for the future, attributing each participant a payment based on the theoretical number of shares, and which must be paid in cash on the date of calculation, and/or share in profits statutorily defined. As there is a strong link to results, we ensure a coherent payment, without compromising any other investments.

The Board also takes part in the Supera Program, the scope of which covers items that capture a wide vision of sustainability within the culture of excellence. This assessment has a direct impact on its variable payment. The long-term payment proportional to the valuation of shares every three years also captures these intangible assets and the financial result.

(in R$ thousands)	2015	2014	2013
Expenses with fees of the Administration (without social security contributions)	7.402	8.227	8.175

Our **Reference Form** contains information on the payment of executives and those responsible for governance, and as this payment is related to short, medium and long term performance, accessible on the Investor Relations website, together with the financial/CVM Files Information, and on the Comissão de Valores Mobiliários – CVM (Brazilian Securities Commission) website.

Communication channels

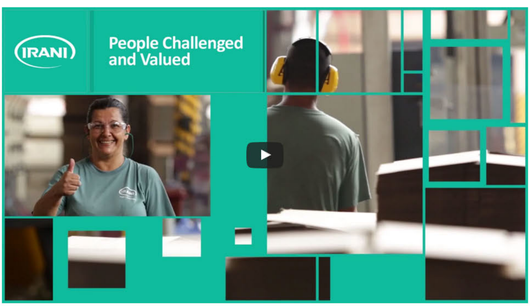
Our channels for communicating with various stakeholders aim to keep the market informed on our activities and results.

- **Investor Relations Website**, available in Portuguese and English;
- Direct channel with the Investor Relations Director and with the Investor Relations team via email ri@irani.com.br;
- Talk to Us Tool on the IR website;
- Alert Email;
- Publication of Annual Financial Statements and Quarterly Information (ITR);
- Ordinary and Extraordinary General Assemblies, and
- Sustainability Report.

For further information access the Investor Relations website, using the **Contact link -> Talk to Us**. This tool can also be used for sending suggestions, questions and recommendations. If you wish to speak to the Investor Relations Director directly, his contact details is available at the **Investor services link -> Shareholder contact**.

POOPLE CHALLENGED AND VALUED

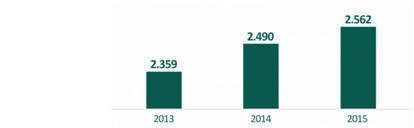
Colaboradora da Unidade Embalagem SP – Indaiatuba

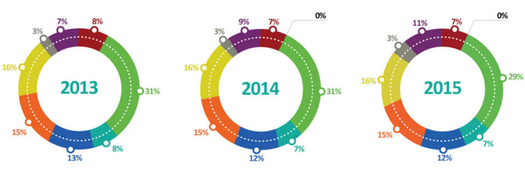


We ended 2015 with 2,462 employees, of which 5.46% were away on leave. All our employees were covered by collective agreements, of which 98.3% covered by the collective convention in force, 1.48% by rules applied to minimum wage, and 0.16% on a pro-labore regime.

Communication with our employees is through leadership structures and internal communication channels.

Number of employees





Notes: IRANI Trading was taken over by IRANI in 2015 and its employees went on to make up the team of Offices. Employees of the commercial areas allocated in SP went on to be considered at the Packaging Unit SP – Vila Maria, as, in 2015, they began to share the same physical space.

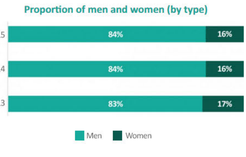
Contract regime

	2014		2015	
	Men	Women	Men	Women
Part time	7	11	14	18
Full time	2.090	382	2.127	403

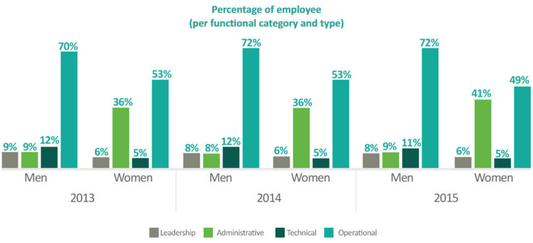
Note: we consider part time to be a working week limited to 150 hours per week.

Employees per functional category

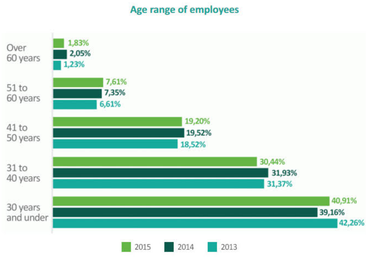
Proportion of men and women (by type)



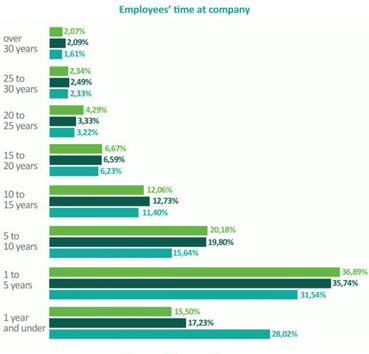
Percentage of employee (per functional category and type)



Age range of employees



Employees' time at company



• GRI.G4-9, G4-11, DMA

STRUCTURING PROGRAMS

Our actions to develop people are organized into five structuring programs. They are initiatives aligned with our mission, vision and values that aim to create conditions for our employees to get the most out of their potential, developing them personally and professionally.

GERA (GENERATE) Program

Aims to attract, engage and monitor employees throughout their professional journey and stimulate the development of employees through selection, integration and functional monitoring processes.

Main actions: Staff selection, Young Apprentice Program, internships, Efficient Diversity (inclusion of Contratação de Pessoas com Deficiência - PCD (Contracting of people with a disability), Integration, functional monitoring and dismissal processes.

MORE

CRESCE (GROW) Program

Comprises training and development actions, through technical and behavioral training courses aligned with our strategy. Based on 11 skills, of which six are basic and five a differentiators.

Main actions: Lead 2020, incentive for formal education, in company courses, IRANI choir, theater workshops and the Elida de Freitas e Castro Druck Library.

MORE

SUPERA (OVERCOME) Program

Through this program, we evaluate the individual performance of employees annually based on their skills and results, seeking to challenge them and recognize their development. Furthermore, SUPERA aims to stimulate the culture of results and self- development.

MORE

CUIDA (CARE) Program

Composed of a set of practical and applicable procedures within an integrated health and safety management model. Also seeks to reduce accidents, increase the percentage of compliance with legislation and cultural acclimatization of our employees.

Main actions: aligned with OHSAS 8001, promoting campaigns and awareness-raising campaigns, as well as addressing issues related to the promotion of life quality.

MORE

MOTIVA (MOTIVATE) Program

This is our definition for the Organizational Climate Management Program, the main objective of which provides a stimulating and motivating work climate, with teams engaged and shared responsibility for our growth.

A survey is conducted every two years that seeks to identify the satisfaction level of employees in relation to several aspects of their work, understanding their growth and guiding actions to improve the organizational climate.

MORE

GERA (GENERATE) PROGRAM

Colaborador da Unidade Resina RS – Balneário Pinhal

This program is the entry point for our employees and monitors its entire cycle, from admission to adaptation to the Company's culture, until they leave the company. As well as ensuring that all people contracted are well inducted and aligned with our organizational culture, the program allows their development to be monitored. The expectation is that, at the end of the professional link, both the company and the employee have evidently grown.

For the selection of employees – we prioritize internal contracts. In 2015, the percentage of vacancies filled through internal recruitment was 61.0%. In 2014, this index was recorded at 66.37% and at the end of 2013, 64.42%.

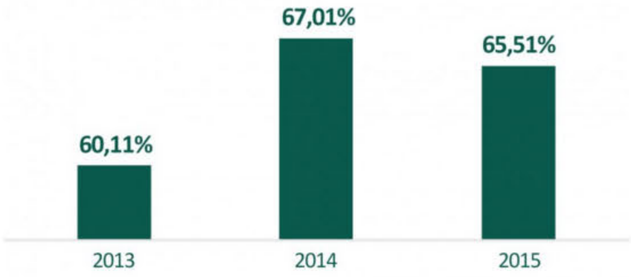
Our **Young Apprentice Program** is an important entry point, with a selection process that prioritizes the family members of employees. Through this program, we train young people for the work market with practices coordinated internally, and pedagogical guidance from the partnered learning institution. Young people receive functional follow-up in groups twice a year, in order to help support their professional training.

We had, 48 **interns** at technical and/or graduate level in 2015, carrying out compulsory and non-compulsory internships. One of the success factors we have observed is the rate at which interns are made permanent employees following completion of their internship, which, in 2015, represented 49.2%, bringing 31 people to our functional staff. In 2014, this index was recorded at 27.5%, equivalent to 11 new employees.

Our GERA (GENERATE) Diversity Program was implemented in 2004 and extended to all units. It includes actions that attract, hire, monitor and engage people with a disability, as well as preparing and increasing the sensitivity of managers and teams receiving a colleague with a disability in their areas

The actions carried out by the GERA Program contribute to retaining talents at our units.

Length of stay of people hired in first year at Company



The building of valuable relations is extremely important for our Company. In 2016, we will begin the Career Transition Program at the Packaging Unit SP – Vila Maria. The objective of this initiative is to provide collective reflection on the process of departure from the company, and to support our employees to plan for this new stage, providing life quality and looking for alternatives for life at the company. In the coming years, we intend to extend this Program to the other units.

Other Programs

CRESCE (GROW) PROGRAM

Colaborador da Unidade Papel SC – Campina da Alegria

Our biggest differentiating feature is our employees, their skills and experiences. That is why offering opportunities through this Program is a key element for developing human capital.

Eleven skills, six of which are basic and five or which are differentiating, direct the development of teams through internal or external training, for technical and behavioral advancement.

Investments in training (R$ thousands)

	2014	2015
Investment in training in development	929	1,021
Incentive to education through financial support	1,020	1,033

The continuity of the LEAD 2020 with Coordinators and Supervisors and with our **Talents** contributes to developing our leaders. Actions focused on Talents prepare successors to current leadership positions to deal with the challenges of our growth and competitiveness.

The work with current **Coordinators and Supervisors** seek continuity of the development of these leaders. In 2015 there was a big focus on people management and leadership, in order to make the action of these leaders viable. The majority of these courses were ministered by internal facilitators.

We believe that the qualification and development of employees directly impacts productivity and turnover. Based on this premise, we have implemented "on the job" training, resulting from the clear definition of operational procedures that describe each task to be executed. This initiative began at the Resin Unit RS – Balneário Pinhal, in 2015, and will compose specific didactic material for the fluting area.

Average training hours per functional category

Functional category	2014			2015		
	Total hourly load	No. of employees	Average training hours	Total hourly load	No. of employees	Average training hours
Leadership	11,763	184	64	13,199	188	70
Administrative	103,366	324	32	9,665	370	26
Technical	7,495	266	28	8,652	259	34
Operational	40,610	1.716	24	39,738	1.745	23
Total	**70,235**	**2.490**	**28**	**71,254**	**2.562**	**28**

Average training hours by gender

Gender	2014			2015		
	Total hourly load	No. of employees	Average training hours	Total hourly load	No. of employees	Average training hours
Female	58,812	2,097	28	9,477	452	21
Male	11,423	393	29	61,779	2.174	28

2016 Target

Complete 100% of the mapping of technical training per post at the Paper and Packaging Unit SC – Campina da Alegria and the drafting of training plans per unit.

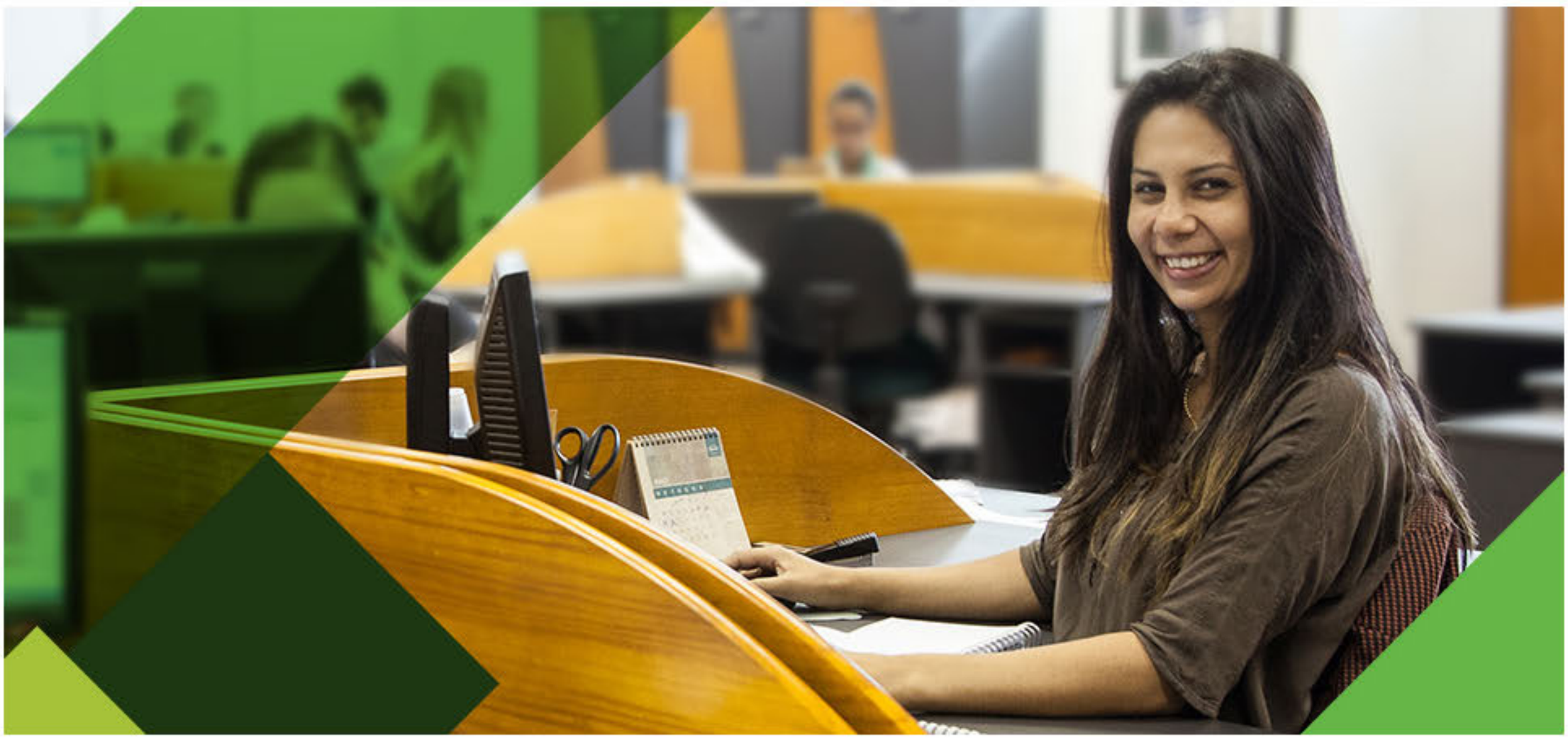
Elida de Freitas e Castro Druck Library

Inaugurated in homage to teacher, writer and poet Elida de Freitas e Castro Druck, it is one of the main initiatives for encouraging reading. The physical archive is available for all employees at the Campina da Alegria and Porto Alegre Units. At the units where there is no physical Library structure, we carry out itinerant actions or provide small spaces at the Unit for exposing and renting from the archive.

Other Programs

• GRI.G4-LA9, LA10

SUPERA (OVERCOME) PROGRAM



Colaboradora da Unidade Embalagem SP – Vila Maria

The SUPERA Program consists of evaluating all employees based on skills and results. Following the analysis, individual action plans are created and applied, the maintenance of which is verified through weekly *feedbacks*.

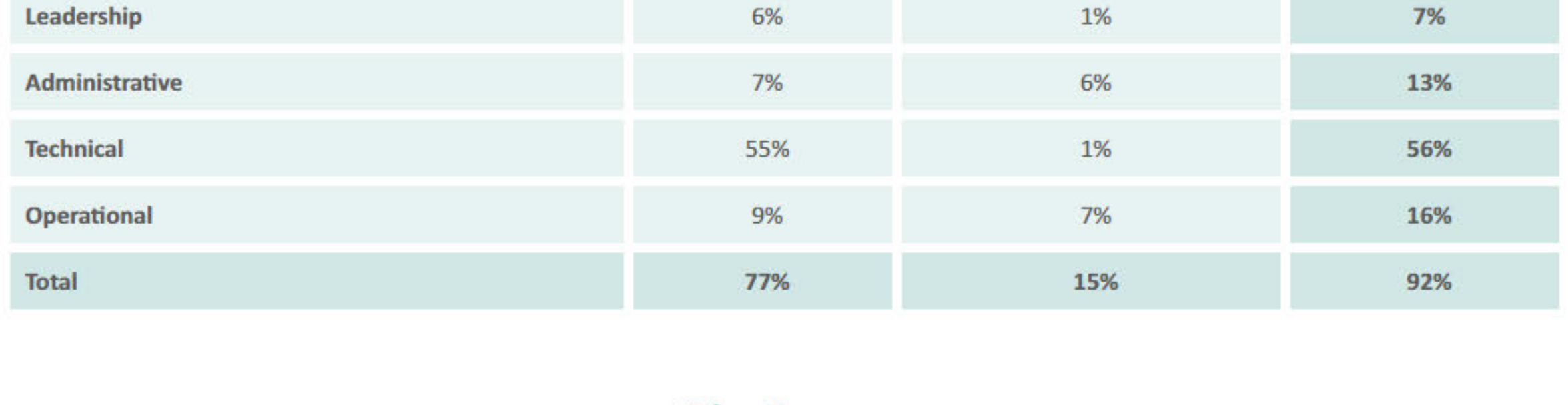
In 2015, at all units, we schedule warm-up meetings for the formal and informal *feedbacks* and preparing leaders and led people for this extremely relevant moment in the development of people.

At the end of each cycle and according to the result of the individual evaluation, it is possible to receive the payment that corresponds to 20% to 150% of the salary.

Percentage of employees that received a performance evaluation per functional category

	2015		
	Men	Women	Total
Leadership	6%	1%	**7%**
Administrative	7%	6%	**13%**
Technical	55%	1%	**56%**
Operational	9%	7%	**16%**
Total	**77%**	**15%**	**92%**

Other Programs



- GRI.G4-LA11

CUIDA (CARE) PROGRAM

Colaboradores da Unidade Embalagem SC – Campina da Alegria

The Occupational Health and Safety topic is one of the main and strategic pillars. We understand that as well as the operational dealings related to it, social questions apply as, if work accidents occur, they burden families and the public sphere. In this regard, more than just complying with legislation, we focus on people involved in our processes, a legitimate concern inserted in our mission, vision and values.

Through the prioritization of investments over time, we have taken preventive and corrective actions to mitigate risks inherent to the operation that may result in harm to our employees.

In 2015, we continued to restructure the Health and Safety area, and the corporate nucleus focused on aligning actions among the teams structured at each industrial unit. We carried out punctual illness prevention campaigns at all units and we defined three lines of strategic action as a priority:

+ Assessment of the physical structure available
+ Focus on SESMT
+ Quantification of occupational exposure

We have continued work on NR12, with revisions to communication methods, classification, records and analyses of incidents, as well as the update of plans and emergency brigades.

Employees engaged in health and safety committees

	Paper SC Campina da Alegria	Packaging SC Campina da Alegria	Packaging SP Indaiatuba	Packaging SP Vila Maria	Paper MG Santa Luzia	Resins RS Balneário Pinhal
Nº. of committee members at the Unit	118		72	60	57	8
Employees who are members of health and safety committees, per unit	11%		19%	15%	31%	11%

Members of health and safety committees (per functional category)

	Out of total employees	Functional category	
		Out of total leadership posts	Out of total operational posts
Emergency Brigade	8.35%	5%	12%
Internal Accident Prevention Committee (CIPA)	2.69%	8%	3%
Noise and Ergonomics Committee (CIRE)	0.74%	2%	1%
Care	0.51%	2%	1%

Note: some employees take part in more than one Committee.

Seeking greater integration and standardization between units, in 2015 we created new ways of recording and analyzing incidents as well as our indicators, which gave the following results:

	Officers	Paper SC Campina da Alegria	Paper MG Santa Luzia	Packaging SC Campina da Alegria	Packaging SP Indaiatuba	Packaging SP Vila Maria	Resins RS Balneário Pinhal	Habitasul Florestal	Total
Total injuries (severity)									
2014	0.00	462.46	130.29	324.50	539.03	2,067.67	133.91	49.40	618.01
2015	0.00	246.44	888.83	47.34	925.51	2,264.53	4.55	163.83	655.99
Frequency rate of slight incidents									
2013	0.00	65.83	33.27	77.54	63.74	7.21	0.00	5.97	43.06
2014	6.21	56.40	4.83	65.19	64.12	37.59	0.00	0.00	41.90
2015	0.00	40.31	4.78	32.02	29.44	23.66	13.66	12.47	26.11
Frequency rate of occupational illnesses									
2013	0.00	1.33	2.56	0.00	0.00	0,00	0.00	0.00	0,56
2014	0.00	6.53	28.95	0.00	0.00	0.00	0.00	9.42	4,88
2015	0.00	12.67	28.67	1.39	0.00	0,00	0.00	7,12	6,70
Frequency Rate of accidents with and without time off work									
2013	0.00	11.31	35.83	17.89	14.71	33.97	6.91	14.92	17.60
2014	0.00	14.25	14.48	15.93	22.56	19.90	13.39	4.71	14.81
2015	2.59	8.64	14.34	6.96	27.08	27.96	13.66	30.27	16.49
Number of days lost per work related accident									
2013	0	535	40	265	153	2,101	14	21	3.129
2014	0	779	358	224	454	1,870	20	21	3.726
2015	0	428	372	34	786	2,106	1	92	3.819
Number of days lost per doctor's note									
2013	2.78	2.27	3.42	4.42	5.74	4.91	1.14	5.61	3.76
2014	2.46	2.44	2.39	4.33	4.54	4.23	1.86	6.62	3.52
2015	2.93	2.88	2.27	3.95	4.06	3.83	2,91	7.24	3.73
Absenteeism									
2013	0.59	0.90	1.19	2.42	2.45	2.04	0.85	7.99	1.68
2014	0.69	0.97	1.07	2.28	2.21	1.93	0.92	8.28	1.97
2015	0.80	1.16	0.90	2.40	1.74	1.73	1.27	5.18	1.82

The conversion of packaging units are processes that involve a greater risk of injury, and as such, have acted rigorously in the establishment and compliance with work procedures that minimize risks of the operation.

Our trade union agreements do not deal with issues specifically related to health and safety other than those established in law.

Other Programs

• GRI.G4-LA5, G4-LA6, G4-LA7 e G4-LA8

MOTIVA (MOTIVATE) PROGRAM

Colaborador da Unidade Resina RS – Balneário do Pinhal

Through this Program we group actions that ensure a good organizational climate and a stimulating and motivating environment as a way of encouraging shared responsibility between leader and led person.

The main tool n MOTIVA is Organizational Climate Research applied to all units. From 2015, we have been using the *Great Place to Work* methodology and we have calculated that the employees' satisfaction rate is 70%. Our leaders have traced out action plans for opportunities to improve with the support of Climate Management Support Groups at each unit, with quarterly monitoring.

Other Programs

PAYMENT

In addition to the salary structure and benefits granted, the valuing of people, the sense of justice, motivation and commitment are key components in the full compliance with standards and legislation in force.

IRANI carries out salary benchmarking every two years, with the support of an external consultancy, in order to align payment with the market on which it operates. In 2015, we begin structuring a platform for functions and payment of coordination levels that clarifies the mission and responsibility of each post. This work is due to end in 2016.

We consider the total annual payment to be the base salary + 13th month payment + holidays. At our Company, the highest salary is 40.95 salaries higher than the average of other employees.

The average of the lowest payments practiced is equivalent to 1.37 of the minimum salary in force in the country, on December 31, 2015, and 18.5% receive the category floor.

Proportion of average salaries paid to men and women

Category	2013		2014		2015	
	Men	Women	Men	Women	Men	Women
Leadership	1	0,83	1	0,80	1	0,78
Administrative	1	0,80	1	0,86	1	0,90
Technical	1	0,83	1	0,77	1	0,87
Operational	1	0,78	1	0,79	1	0,75

At each unit, our Plano de Participação nos Resultados – PPR (Share in Profits Plan) has the criteria defined for a responsible committee elected by the employees and representatives of the company, of the functional staff and of the trade union.

Variable payment (in R$ thousands)

	2013	2014	2015
Plano de Participação nos Resultados – PPR (Share in Profits Plan)	4.605	4.061	5.176
Supera Program	4.592	4.985	5.590

Note: values appropriated into the Company's earnings in each financial year.

- GRI.G4-52, G4-53 e G4-54

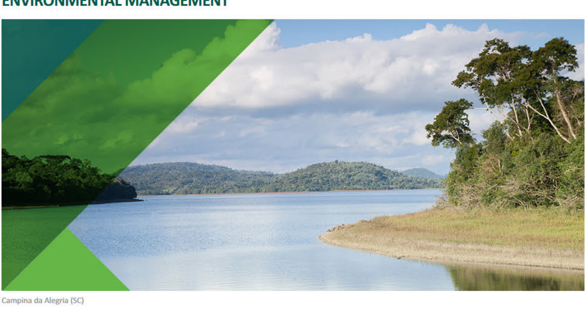
BENEFITS

Our package of benefits respects the agreements with the trade unions in each region.

Investment in benefits (R$ thousands)

	2013	2014	2015
Food expenses	4.796	4.769	7.563
Transport	3.842	5.402	6.151
Life insurance	165	200	226
Health Plan	4.529	7.179	8.310
TOTAL	**13.332**	**17.550**	**22.250**

ENVIRONMENTAL MANAGEMENT


Campina da Alegria (SC)

Our environmental policy reflects our commitment to meeting applicable legal requirements, with pollution prevention and continuous improvement. The effectiveness of our environmental management system is also reflected in the certificates awarded, such as the FSC Forest Management and Custody Chain, ISO 9001 and 14001. Furthermore, we were the first company in Brazil to certify a Greenhouse Gas Emissions Inventory via NBR ISO 14064:2006.

Internal and external audits are conducted annually and seek to uphold this system. Throughout 2015, we invested R$5,216 thousand in actions for mitigating environmental impacts related to our activities. In this context, we recorded 792 work hours dedicated to environmental education at the units and in the surrounding communities.

In 2015, we maintained our focus on optimizing management and processes. This project considered a series of internal and external demands for which information was generated, prioritizing the reporting of those which are indeed our focus for business management.

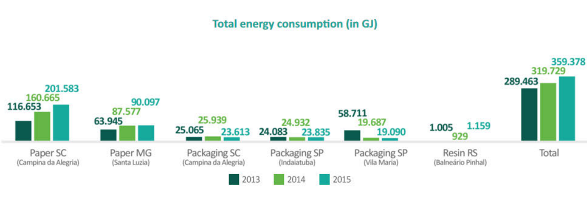
This year, we stood out in the Associação Brasileira Técnica de Celulose e Papel – ABTCP (Brazilian Technical Cellulose and Paper Association) Award, in the Sustainability category, and were recognized by the Santa Catarina wards Citizen Company, Fritz Muller and Ecological Expression with the Plastic Recycling Plant case.

Energy Efficiency

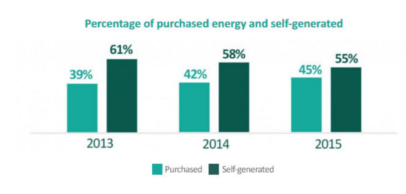
Effective electrical energy management is a great challenge. With the help of a self- sufficiency plan, we seek gains in productivity and competitiveness, with reduced exposure to risks of paralyzing activities at the units and to high energy costs.

We look to implement strategies and members for fighting against waste, from energy generation to final consumption. The consequence of this work is the creation of opportunities for innovation in the area, studying the use of more advanced technologies, electrical motors and more efficient lighting, generating a reduction in costs. We also focus on the use of adequate management tools for monitoring use and consumption and on the preference for renewable fuels.

Total energy consumption (in GJ)



Percentage of purchased energy and self-generated



Specific energy consumption (MWH) per ton produced

Units	Specific consumption/ gross production			Specific consumption/ net production		
	2013	2014	2015	2013	2014	2015
Paper SC – Campina da Alegria	0.73	0.77	0.76	0.78	0.82	0.80
Paper MG – Santa Luzia	0.40	0.39	0.40	0.41	0.41	0.41
Packaging SC – Campina da Alegria	0.11	0.10	0.10	0.11	0.11	0.10
Packaging SP – Indaiatuba	0.09	0.09	0.08	0.09	0.09	0.08
Packaging SP – Vila Maria	0.22	0.08	0.08	0.23	0.09	0.08
Resins RS – Balneário Pinhal	0.04	0.03	0.03	0.04	0.03	0.03

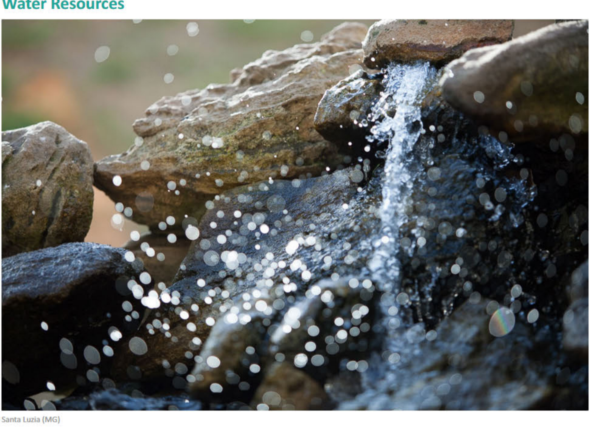
2016 Target:

Maintain the standard of excellence in management for specific energy consumption at 0.80 MW/h per liquid ton produced at the Paper Unit SC – Campina da Alegria.

Throughout 2015, we have carried out a series of initiatives to reduce energy consumption in our units, including:

Unit	Initiatives
Paper SC – Campina da Alegria	• Energy mapping. • Installation of management framework for energy matrix. • Mapping of motors that can be switched off due to balancing in production.
Paper MG – Santa Luzia	• Implementation of reducers and smaller motors in refiners.
Packaging SC – Campina da Alegria	We have conducted a study on the energy consumption at all points of the unit, which identified in which points the consumption of 5% to 15% could be perfected. Based on this, we established: • 18 points, including machinery, equipment and lighting that must be switched off during inactive periods, meal times and/or weekends when there is no operation. • Replacement of equipment and light bulbs for alternative materials with reduced consumption. • Reduction of the number of light bulbs used based on an analysis on their placing in each place, without compromising the wellbeing of employees.
Packaging SP – Indaiatuba	• Replacement of 344 light bulbs with more economical ones. • Switch installation in series with photocell. • Individualization of lighting circuits. • Deactivation of equipment in unnecessary periods. • Installation of a timer facility in the Corrugator, avoiding unnecessary use of the belt.
Packaging SP – Vila Maria	• Equipment shutdown according to operational availability. • Purchase of a compressor with variable speed and greater energy efficiency. • Replacement of translucent tiles, giving value to natural light. **In this period, a saving of 218,570KW was calculated in 2015, corresponding to 5.6% of the total consumption.**
Resins RS – Balneário Pinhal	Due to the high risk and the risk of rationing energy, a contingency plan was drawn up in order to rationalize consumption, in addition to the awareness raising campaigns directed at employees.

Water Resources


Santa Luzia (MG)

Water is an essential resource for companies in the cellulose and paper sector. Directly related to our sustainability strategy, appropriate management of this resource directly affects our forest and industrial activities, requiring constant monitoring.

The relevance of this topic is also linked to the conservation of biodiversity, to the preservation of springs, fountains, and to forest management. In our management, we seek to re-use water and use closed circuits in production processes, reducing the specific consumption of this resource and generating fewer effluents.

We also seek to guarantee to communities that the surrounding water resources are protected based on legislation in force. The quality of water is monitored by physical, chemical and microbiological analyses. The monitoring of fish species (fish fauna) and aquatic plants (weeds) is carried out with authorization by the Fundação do Meio Ambiente – FATMA (Environment Foundation) in the area affected by the reservoirs of the Small Hydroelecrtrical Centers in São Luiz, Cristo Rei and Flor do Mato. Based on the results obtained, we can define conservation and adequate management measures for reservoirs.

From 2015, with the adaptation of the measurement of water consumption leakage for the Máquina de Papel V – MPV (Paper V Machine), we have started to present information as follows:

Total water removed per source (m³)

Source	2013	2014	2015
Surface*	5,108,164	4,851,942	4.701,967
Underground**	283,553	216,011	179,927
Concessionary***	18,059	11.879	11,116
Total	**5,409,776**	**5,079.833**	**4,893,011**

*Capture from river for Paper Unit SC and Packaging Unit SC – Campina da Alegria and Paper Unit MG – Santa Luzia

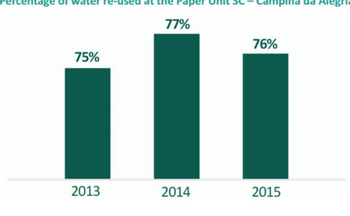
**Capture from wells for Paper Unit MG – Santa Luzia, Packaging Unit SP – Indaiatuba and Vila Maria and Resin Unit RS – Balneário Pinhal

*** Supply by the local company to the Paper Unit SC and Packaging Unit SC – Campina da Alegria, Packaging Unit SP – Vila Maria and Resin Unit RS – Balneário Pinhal

Specific water consumption (m³) per ton produced

Unidade	Específico/ produção bruta			Específico/ produção líquida		
	2013	2014	2015	2013	2014	2015
Paper SC – Campina da Alegria	23.32	21.81	19.57	24.99	23.28	20.62
Paper MG – Santa Luzia	2.35	2.55	2.33	2.46	2.66	2.40
Packaging SC – Campina da Alegria	0.26	0.23	0.21	0.27	0.24	0.22
Packaging SP – Indaiatuba	0.38	0.33	0.27	0.40	0.35	0.28
Packaging SP – Vila Maria	1.30	0.69	0.57	1.39	0.74	0.57
Resins RS – Balneário Pinhal	5.16	4.00	1.71	5.16	4.00	1.71

Percentage of water re-used at the Paper Unit SC – Campina da Alegria



Waste

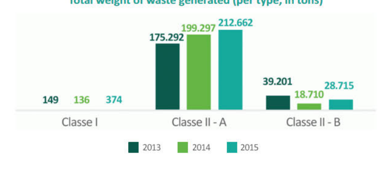
Our solid waste management prioritizes reducing, recycling and re-using industrial waste in accordance with national policy in force. Rigorous monitoring allows us to increase the reuse and recycling indexes, reducing the volume disposed of in licensed landfills and preventing significant environmental impacts.

We transform chippings into paper for packaging, contributing to the reduction of paper and cardboard waste in urban areas. To prevent contamination of soil, of ground water and water resources, specific procedures advise on the collection and storage of waste segregated as Class I (hazardous), Class II-A (non-inert) and Class II-B (inert), in accordance with NBR 10,004/2004.

Total weight of waste generated by units (in tons)

Unit	2013	2014	2015
Paper SC – Campina da Alegria	187,275	184,267	207,887
Paper MG – Santa Luzia	2,405	3,783	3,336
Packaging SC – Campina da Alegria	10,119	9,791	10,185
Packaging SP – Indaiatuba	9,573	9,905	10,316
Packaging SP – Vila Maria	2,950	8,129	8,105
Resins RS – Balneário Pinhal	2,321	2,267	1,923
Total	**214,643**	**218,142**	**241,752**

Total weight of waste generated (per type, in tons)



Total weight of waste (in tons) broken down by disposal method

Destination	2013		2014		2015	
	Non-hazardous	Hazardous	Non-hazardous	Hazardous	Non-hazardous	Hazardous
Internal recycling	26,139.87	–	30,262.24	–	31,313.07	–
External recycling	337.21	2.72	372.94	39.5	1,090.11	8.35
Internal reuse	2,393.68	–	3,467.42	–	1,515.12	–
External reuse	62,938,46	4.62	62,717.88	12	108,230.69	10.15
Composting	40,082,18	–	40,943.61	–	17,459.57	1,807.30
Recovery for energy	59,244,11	–	55,607.97	–	54,993.71	–
IRANI Landfill	17,827,46	–	20,414.10	–	20,520.46	–
Third party landfill	5,526,00	146.52	3,529.77	775.59	4,343.71	453.23
Incineration	–	–	–	–	–	0.89
Blending	–	–	–	–	–	5.85
Total	**214,488.97**	**153.86**	**217,315.93**	**827.09**	**239,466.44**	**2,285.77**
	214,643		**218,143**		**241,752**	

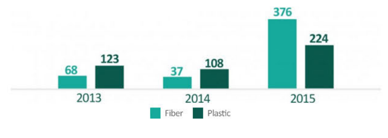
2016 Target:

Maintain the standard of excellence in management for sending waste to the landfill in levels of less than 8% at the Paper Unit SC – Campina da Alegria.

In 2015, we expanded the plastic and fiber separation plant at the Paper Unit SC – Campina da Alegria. This made way for the recovery of 224 tons of plastic and 383 tons of fiber, contributing to a reduction in the percentage of waste sent to landfill. The plastic recovered allows various applications such as accessory materials for civil and naval construction, while the fiber returns into the productive process and is reincorporated into the end product.

Annual recovery of fiber and plastic (in tons)

Interactive Chart - Click or move over to learn more



Specific waste volume per ton produced (in tons)

Unit	Specific/ gross production			Specific/ net production		
	2013	2014	2015	2013	2014	2015
Paper SC – Campina da Alegria	0.86	0.84	0.87	0.92	0.89	0.92
Paper MG – Santa Luzia	0.05	0.06	0.05	0.06	0.06	0.05
Packaging SC – Campina da Alegria	0.15	0.14	0.15	0.16	0.15	0.16
Packaging SP – Indaiatuba	0.12	0.13	0.12	0.13	0.13	0.12
Packaging SP – Vila Maria	0.04	0.12	0.13	0.04	0.13	0.13
Resins RS – Balneário Pinhal	0.29	0.27	0.20	0.29	0.27	0.20

Effluents

Colaborador na Estação de Tratamento de Efluentes da Unidade Papel SC – Campina da Alegria

The main impact that effluent generation can cause is the occurrence of a process called eutrophication, which is the uncontrolled growth of algae and other living beings in a water body, making the production of the oxygen necessary to maintain life in the local ecosystem difficult.

The effective management of the use of water and of the treatment of effluents is required by the nature of our business in order to prevent losses as a result of waste, losses, sanctions and/or fines applied by regulating bodies.

In this context, we are dedicated to maintaining consolidated effluent treatment standards by implanting technological innovations that increase the efficiency of the system. We also seek to comply with legal parameters applied, and to ensure that the environmental operating license is maintained.

Our management is based on legislation in force, including the National Water Resource Plan. We also use specific procedures for treating effluents and monitoring physical, chemical and microbiological parameters, the results of which are sent periodically to the relevant environmental authorities.

The effluent volume generated by the Paper Unit SC – Campina da Alegria and Packaging Unit SP – Indaiatuba has increased due to the increase in production.

Effluent volume generated (m³/year)

Unit	2013	2014	2015
Paper SC – Campina da Alegria	4,186,864	4,481,990	4,498,765
Packaging SC – Campina da Alegria	10,890	6,948	11,410
Packaging SP – Indaiatuba	10,094	8,964	10,227
Resins RS – Balneário Pinhal	4,871	6,831	6,073
Total	**4,212,719**	**4,504,733**	**4,526,475**

Note: the Packaging Unit SC presents estimated data for the period in 2014 due to a defect in the operation of the flow gage.

Specific effluent volume (m³) per ton produced

Unit	Specific / gross production			Specific / net production		
	2013	2014	2015	2013	2014	2015
Paper SC – Campina da Alegria	19.18	20.37	18.92	20.56	21.75	19.93
Packaging SC – Campina da Alegria	0.16	0.10	0.17	0.17	0.10	0.18
Packaging SP – Indaiatuba	0.13	0.11	0.12	0.14	0.12	0.12
Resins RS – Balneário Pinhal	0.62	0.81	0.63	0.62	0.81	0.63

Note: the Paper Unit MG – Santa Luzia and Packaging Unit SP – Vila Maia had no record because they have a closed circuit; all effluents are treated and return into the process.

2016 Target:

Limit the amount of effluents generated per gross ton produced at the Paper Unit SC – Campina da Alegria to 18.88 m³/t.

Emissions

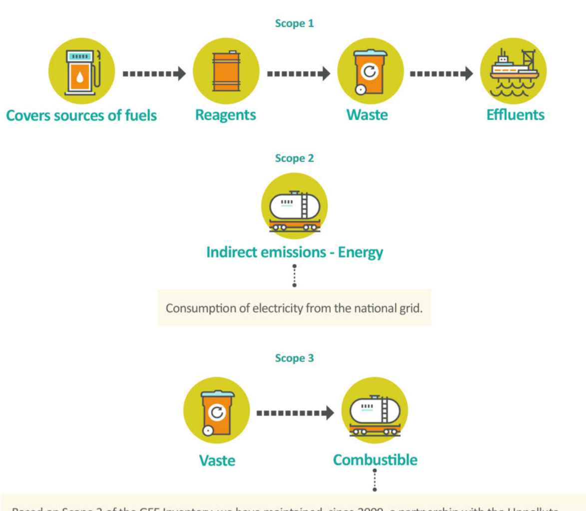
Unidade Papel SC – Campina da Alegria

Directly related to global warming, greenhouse gas emission (GEE) requires constant management and monitoring. Planted forests help to reduce, neutralize and compensate for greenhouse gases, and are one of the main benefits to the forest base industry. Initiatives such as the GHG Protocol Brasil are gaining strength on the national scene and demonstrate the importance of managing this issue.

In our value stream, the production units and surrounding communities are links with greater likelihood of impacts related to emissions as a result of our industrial and logistical processes. Caused by non-condensable gases (GNCC – Concentrated Non- Condensable Gases, and GNCD – Diluted Non-Condensable Gases), the characteristic odor also affects these links, and may cause acidification of the soil.

Periodically, we identify, catalog and monitor the emission points of the industrial units, which allows the concentration of gases emitted to be contained. The air quality at the Santa Catarina units is also monitored periodically.

With absorption records greater than the emission of gases from our processes, we are certified as a Carbon Neutral company. We were the first company in Brazil to certify a Greenhouse Gas Effect (GEE) Inventory in compliance with ISO 14064:2006, for which we consider scopes 1, 2 and 3, determining relevant sources of gas emission and removal, in accordance with guidelines of the GHG protocol, and in line with the National Policy on Climactic Change.



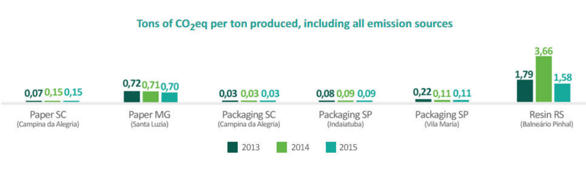
Based on Scope 3 of the GEE Inventory, we have maintained, since 2009, a partnership with the Unpollute Program run at the Campina da Alegria units to reduce pollutants resulting from the emission of vehicles, mitigating the environmental impacts of the product transport service and contributing to improve the air quality and rational use of fuels.

Evolution of emissions (in Mg CO_2eq)

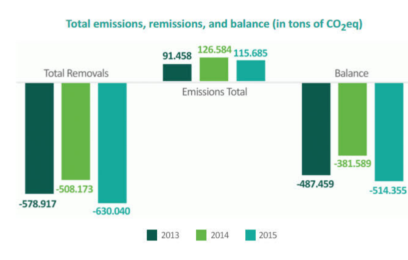
Emissions Categories	2013 (base year)	2014	2015
Escope 1 – Direct Gases Efeito Estufa – GEE (Greenhouse Gas) Emissions	72,515	103,383	90,007
Escope 2 – Indirect Emissions by Energy	7,279	12,172	12,959
Escope 3 – Other indirect GEE emissions	11,665	11,029	12,719
Total	**91,458**	**126,584**	**115,685**

Note: we considered 2013 as a base year due to the incorporation of the Paper Unit MG – Santa Luzia and Packaging Unit SP – Vila Maria in the scope of the verification.

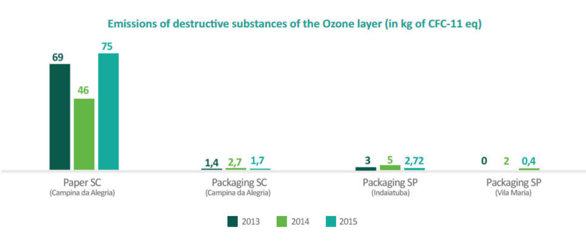
Tons of CO_2eq per ton produced, including all emission sources



Total emissions, remissions, and balance (in tons of CO_2eq)



Emissions of destructive substances of the Ozone layer (in kg of CFC-11 eq)



The mecanismo de desenvolvimento limpo – MDLs (Clean development mechanisms) Cogeneration boiler and modernization of the Effluent Treatment Plant replaced old sources of emissions of methane and carbon dioxide. They therefore contribute to reducing greenhouse gas emissions and to minimizing the effects of global warming. These initiatives have made certified emission reductions (CERs) possible, negotiated with companies in developed companies with emission reduction targets within the Kyoto Protocol.

The certified emission reductions due to the MDLs make a total of 1,131,058 tons of CO2eq due to the Cogeneration Unit and 305,689 due to the Effluent Treatment Plant.

Inputs and Recycling of Materials

Unidade Papel SC – Campina da Alegria

Our operational costs are directly related to the consumption of raw materials and inputs. That is why constant monitoring helps management risks related to production.

We transform chippings (recycled paper) into paper for packaging, minimizing the volume of virgin raw material used. This process generates financial and social gains through the generation of employment and income for suppliers in this chain, and by reducing the volume of this waste discarded in urban areas or sent to landfills.

We are in line with the National Solid Waste Policy (Law no. 12,305 of 08/02/2010), as we practice and encourage recycling through reverse logistics. Our chippings generated by the Packaging Units are reprocessed by the Paper Unit SC – Campina da Alegria and Paper Unit MG – Santa Luzia. This initiative makes the collection and restoration of solid waste viable for reuse in the production process, or for another environmentally friendly final destination.

Throughout 2015, we have focused on the reuse of pallets. Of the total volume used, corresponding to 268,824 pallets, 43% were recovered internally or purchased from recovering companies, providing a saving of more than R$ 157,000.

Volume of renewable and non-renewable materials consumed (in tons)

Source	Unit	2013	2014	2015
Renewable materials	Paper SC – Campina da Alegria	614,974	585,083	630,057
	Paper MG – Santa Luzia	52,814	69,074	70,600
	Packaging SC – Campina da Alegria	66,490	70,184	67,566
	Packaging SP – Indaiatuba	83,726	85,444	88,152
	Packaging SP – Vila Maria	9,598	70,101	68,554
	Resins RS – Balneário Pinhal	81,426	10,820	12,021
Total consumption of renewable materials		**909,028**	**890,707**	**936,950**
Non-renewable materials	**Unit**	**2013**	**2014**	**2015**
	Paper SC – Campina da Alegria	10,744	11,817	12,324
	Paper MG – Santa Luzia	1,027	20,518	1,267
	Packaging SC – Campina da Alegria	619	640	672,23
	Packaging SP – Indaiatuba	656	705	629,12
	Packaging SP – Vila Maria	308	1,985	359
	Resins RS – Balneário Pinhal	–	–	N.A
Total consumption of non-renewable materials		**13,355**	**35,664**	**15,251**
Total volume of materials used in production (in tons)		**922,383**	**926,371**	**952,201**

Specific consumption of tons of materials per ton produced

Unit	Specific consumption/ gross production			Specific consumption/ net production		
	2013	2014	2015	2013	2014	2015
Paper SC – Campina da Alegria	2.87	2.71	2.70	3.07	2.9	2.85
Paper MG – Santa Luzia	1.20	1.12	1.13	1.25	1.17	1.17
Packaging SC – Campina da Alegria	1.01	1.02	1.02	1.05	1.06	1.06
Packaging SP – Indaiatuba	1.08	1.09	1.03	1.15	1.16	1.06
Packaging SP – Vila Maria	1.11	1.1	1.09	1.18	1.18	1.08
Resins RS – Balneário Pinhal	1.21	1.28	1.25	1.21	1.28	1.25

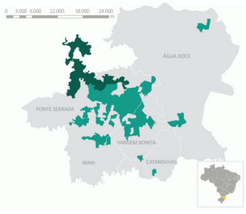
• GRI.G4-EN1, G4-EN3, G4-EN5, G4-EN6, G4-EN8, G4-EN10, G4-EN15, G4-EN16, G4-EN17, G4-EN18, G4-EN19, G4-EN20, G4-EN22 e G4-EN23

BIODIVERSITY

Bem-te-vi avistado nas áreas florestais da IRANI em Balneário Pinhal (RS)

Our forest base is developed within a complex system in which every living being is intricately connected to the earth, air and water, in order to provide natural fertility for the development of forests. For us, balanced interaction with biodiversity is a strategy for sustaining the business and strengthening ties with society.

Map of forest areas in Santa Catarina



Municipalities | Parque das Araucárias | IRANI Areas

Map of forest areas in Rio Grande do Sul

Municipalities | Lagoa do Peixe | Habitasul Forest Properties

In Santa Catarina, we have approximately 46.5% native forests for conservation and a Reserva Particular de Propriedade Natural – RPPN (Private Natural Heritage Reserve) Prof. Yara C. Nicoletti, with 285 hectares, used for environmental education projects and scientific research. In this location, there is an ecological trail that is highly relevant due to the presence of attributes such as water, riparian vegetation, plant species threatened with extinction, possibility of wildlife sighting, among others.

2016 Target:

Conduct at least 5 guided visits of lower and middle schools in the region.

We have teams specialized in monitoring, assessing, controlling and mitigating risks of environmental impacts, geo-spatial computational tools of controls in Áreas e Preservação Permanente – APPs (Permanent Preservation Areas) and legal reserves, which discuss these impacts and related topics, tracing out operational improvement objectives.

The main potentially negative impacts for our surroundings are the contamination of soil and water, erosion, the presence of waste, fauna trampling and the degradation of APPs.

That is why we carry out continuous monitoring, assessing and handling each of them in accordance with best market practice.

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We also have employees dedicated to eradicating the dispersion of Pinus seeds, and the consequent invasion of exotic species in protected areas.

We have signed an agreement with the Environmental Military Police to protect safety and prohibit hunting, fishing and illegal plant extraction. An internal team controls access and carries out ostensive rounds frequently in areas with greater frequency of incidents. We also support a project led by the Companhia Integrada de Desenvolvimento Agrícola de Santa Catarina – CIDASC (Integrated Agricultural Development Company of Santa Catarina), which studies the habitat and actions for mitigating adverse impacts caused by the presence of wild boars.

Part of our land is inside or adjacent to the Parque Nacional das Araucárias – Parna (Araucárias National Park), a conservation unit created by means of a federal decree. We part of its Advisory Council, providing technical support for decision making.

We carry out public consultations with surrounding communities in order to ascertain the relevance of forests to society, and joint actions for appropriate conservation.

We have two large forests with more than 3,000 hectares considered spaces for Conservation in Santa Catarina, both duly recognized with FSC certification. These areas are monitored with safety systems and undergo evaluations for environmental impacts, the negotiations of which follow the same scope as forest plantations.

We frequently monitor the flora and fauna of protected areas and conservation areas. In this monitoring, endemic species have already been identified, as well as endangered species, and some which only develop in areas with good state of conservation, which fuels the relevance of the conservation strategy we have captained.

Catalogued species present on the endangered species list according to the Environment Ministry

Flora	
Scientific name	**Popular name**
Araucaria angustifolia	Araucária
Ocotea porosa	Imbuia
Dicksonia sellowiana	Xaxim
Butia eriospatha	Butia
Quillaja brasiliensis	Soap tree

Fauna		
Endangered	*Puma concolor*	Puma
	Leopardus pardalis e Leopardus spp	Ocelot
Extremely demanding in terms of environmental quality	*Leucopternis polionotus*	Mantled hawk
	Sarcoramphus papa	King hawk
	Pionopsitta pileata	Pileated parrot
Dependent on specific micro-habitats	*Chamaeza ruficauda*	Rufous-tailed antthrush
	Sporophila melanogaster	Black-bellied seedeater
	Hylopezus nattereri	Speckle-breasted antpitta
	Cyanoloxia moesta	Negrinho-do-mato (Brazilian cardinal)

In 2015, we finalized the analyses identifying High Value areas for Conservation in our forest areas in Rio Grande do Sul, completing the identification of attributes in the Cidreira and São José do Norte gardens. They are areas with extremely important native vegetation representing the region, and whose attributes must be maintained and improved. These areas form a mosaic with Pinus and other fragments of native vegetation.

Main threats to Conservation areas

- Operational damage
- Fires
- Illegal activities (hunting, fishing,native wood extraction, invasion of pets, etc.)
- Disturbance/trampling of animals

Monitoring actions

- Monitoring of fauna and flora
- Monitoring of social and environmental incidents
- Raising awareness of the community

Protection Measures

- Fencing of properties
- Forest fire fighting program
- Property security
- Microplanning of forest activities
- Removal of exotic species
- Visual identification

Through the annual monitoring of the fauna and flora present in our forest areas, we have studied the environmental dynamic of these locations and the effects of the impacts of our activities on the environment.

Species recorded in the fauna and flora survey in Rio Grande do Sul, considering the State Decree in force were

Scientific name	Popular name	Category
Rollinia maritima	Marine rollinia	VU
Aechmea recruvata	Bromeliad	EN/VU
Tillandsia aeranthos	Forest clove	EN/VU
Desmodium sp.	Hitch hikers	PE
Vriesea gigantea	Bromeliad	VU
Ctenomys flamarioni	Tuco-tuco	EN

Legend: VU: vulnerável; EN: em perigo; PE: provavelmente extinta

FLORA

109 species

FAUNA

183 species

• GRI.DMA, G4-EN11, G4-EN12, G4-EN13 e G4-EN14

SURROUNDING COMMUNITIES

Crianças da comunidade de Campina da Alegria, Vargem Bonita (SC)

We take an interest in and monitor all communities surrounding our units and locations where the majority of our employees live, who may be directly affected by our operations or decisions.

For the needs and expectations of these locations to be understood better and for relationships to be strengthened, we have established which of these communities would receive priority attention or punctual service. For this definition, we use the criterion of the total number of employees living in the municipality, out of the total number of employees resident in the state where this municipality is located.

Communities surrounding Santa Catarina

Communities surrounding São Paulo

Communities surrounding Rio Grande do Sul

Communities surrounding Minas Gerais

■ Punctual attention ○ Priority attention

Note: the community of São Paulo is limited to the area surrounding the Packaging Unit SP – Vila Maria

The communities surrounding the units in Santa Catarina, where we have been acting for more than seven decades, have greater interaction with our operations in relation to aspects such as the generation of employment and income, the collection of taxes and encouragement of local development. These characteristics are especially noticeable in the Campina da Alegria community, in Vargem Bonita, where the residents have a direct relationship with us through an employment link, or indirectly, due to the provision of services or public services in the area of health, safety and education.

We have dedicated a specific area exclusively to handling issues related to communities, including infrastructure and life quality projects with the support of the local public power, school, creche, clinic, Centro de Tradições Gaúchas – CTG (Gaucho Traditions Center) and the Associação de Moradores de Campina da Alegria – Amoca (Association of Campina da Alegra Residents), which receives a part of the Imposto Sobre Serviços de Qualquer Natureza – ISS (Tax on Services) withheld in Vargem Bonita for investing in actions of any nature.

	2013	2014	2015
ISS withheld in Vargem Bonita (in R$ thousands)	384	417	382
Percentage of total withheld in ISS in the municipality	2.16%	1.91%	1.78%
Value transferred to Amoca (in R$ thousands)	73	73	56

We have been invested, since the Campina da Alegria Revitalization Project started in 2007, more than R$ 3 million. In 2015, the investment was close to R$ 165,000.

With external consultancy support, in 2015 we completed a cycle of evaluation of social and environmental aspects and impacts in communities surrounding the industrial and forestry operations in Santa Catarina. The breakdown was lead internally through an action plan that sought to use the results of this research as a strategic source for reducing risks inherent to our operations, strengthen the relationship with communities and initiatives that have been developed in these communities. Other cycles similar to this study have already been conducted at the São Paulo and Rio Grande do Sul units, where we have also dedicated ourselves to executing action plans.

Corporate investments (in R$ thousands)

	2013	2014	2015
Direct investment	183	362	284
Rouanet Law	100	53	100
SP Cultural Action Program	57	–	135
Punctual donations	48	89	23
Total	**338**	**504**	**542**

Click here to understand our projects and social actions.

We keep close communication with governmental authorities and with social entities that represent society. Our leaders take up posts on councils and/or contribute to projects and actions carried out by the following organizations:

- Agência Nacional de Energia Elétrica – ANEEL (National Electricity Agency)
- Associação Brasileira das Companhias Abertas – Abrasca (Brazilian Association of Open Companies)
- Associação Brasileira de Papelão Ondulado – ABPO (Brazilian Corrugated Cardboard Association)
- Associação Brasileira Técnica de Celulose e Papel – ABTCP (Brazilian Technical Cellulose and Paper Association)
- Associação Catarinense das Empresas Florestais – ACR (Santa Catarina Forestry Company Association)
- Associação Comercial e Industrial do Oeste Catarinense – ACIOC (Commercial and Industrial Association of Western Santa Catarina)
- Associação dos Dirigentes de Vendas de Santa Catarina – ADVB (Association of Santa Catarina Sales Directors)
- Associação dos Resinadores do Brasil – ARESB (Brazilian Resin Producers' Association)
- Associação Empresarial de Santa Luzia – AESL (Santa Luzia Business Association)
- Associação Gaúcha de Empresas Florestais – Ageflor (Gauch Forestry Companies' Association)
- Associação Qualidade RS/PGQP (RS Quality Association/Programa Gaúcho de Qualidade e Produtividade – PGQP (Gaucho Quality and Productivity Program)
- BM&F Bovespa
- Centro das Indústrias do Rio Grande do Sul – CIERGS (Rio Grande do Sul Industry Center)
- Comissão de Valores Mobiliários – CVM (Brazilian Securities Commission)
- Conselho Regional de Biologia – CRBio (Regional Biology Council)
- Conselho Regional de Contabilidade de Santa Catarina – CRC-SC (Santa Catarina Regional Accounting Council)
- Conselho Regional de Engenharia e Agronomia de Santa Catarina – CREA-SC (Santa Catarina Regional Engineering and Agronomy Council)
- Conselho Regional de Engenharia e Agronomia do Rio Grande do Sul – CREA- RS (Rio Grande do Sul Regional Engineering and Agronomy Council)
- Federação das Associações Comerciais e de Serviços do Rio Grande do Sul – Federasul (Rio Grande do Sul Federation of Commercial and Service Associations)
- Federação das Indústrias do Estado de Santa Catarina – FIESC (Federation of Industries of the State of Santa Catarina)
- Fundação do Meio Ambiente de Santa Catarina – FATMA (Santa Catarina Environment Foundation)
- Indústria Brasileira de Árvores – Ibá (Brazilian Tree Industry)
- Instituto Brasileiro de Avaliações e Perícias de Engenharia – IBAPE (Brazilian Institute of Engineering Evaluations and Expertise)
- Instituto Brasileiro de Relações com Investidores – IBRI (Brazilian Institute of Investor Relations)
- Lide Sul – Integra Eventos Ltda – ME
- New Brazilian Industry Association
- Ordem dos Advogados do Brasil de São Paulo – OAB-SP (Order of Lawyers of São Paulo, Brazil)
- Sindicado das Indústrias de Marcenarias, serrarias, carpintarias e tanoarias de Caxias do Sul – Sindimadeira RS (Trade union of joinery, sawmill, carpentry and cooperage Industries in Caxias do Sul)
- Sindicato da Indústria do Papelão do Estado de São Paulo – Sinpesp (Trade union of the Cardboard Industry in the State of São Paulo)
- Sindicato das Indústrias de Celulose e Papel de Santa Catarina – Sinpesc (Santa Catarina Cellulose and Paper Industry Trade union)
- Sindicato das Indústrias de Celulose, Papel e Papelão do Estado de Minas Gerais – Sinpapel (Trade union of the Cellulose, Paper and Cardboard Industries of the State of Minas Gerais)
- Sindicato das Indústrias de Papel, Papelão e Cortiça do Rio Grande do Sul – Sinpasul (Trade union of the Paper, Cardboard and Cork Industries of Rio Grande do Sul)
- Sindicato dos Trabalhadores da Indústria de Papel e Papelão em Santa Luzia – Sintipel (Trade union of Workers of the Paper and Cardboard Industry in Santa Luzia)
- Sindicato dos Trabalhadores nas Indústrias de Papel, Papelão e Cortiça de São Paulo, ABCDM, Osasco, Taboão da Serra e Região – Sintrapel (Trade union of Workers in the Paper, Cardboard and Cork Industries of São Paulo, ABCDM, Osasco, Taboão da Serra and Region)
- Trade union of the Workers in the Paper, Cardboard and Cork Artifact Industries in Joaçaba.
- Young´s Presidents Organization (YPO)

• GRI.DMA, G4-SO2, G4-SO1 e G4-16

SUPPLIER PERFORMANCE MANAGEMENT

Corrugated

We seek to build solid and lasting relationships with suppliers, in line with our mission, and with a focus on mutual benefits and the particularities of each product and/or service purchased. The main suppliers comprising our chain are divided into five purchasing groups, which are:

Purchasing group		Predominant evolution criteria	2013			2014			2015		
			Number of suppliers and origin	Total value (in R$ million)	% out of total employees	Number of suppliers and origin	Total value (in R$ million)	% sobre o total de compras	Number of suppliers and origin	Total value (in R$ million)	% out of total employee s
Critical service providers	Energy	Quality in execution of Service Provision; Waste Management	14 (MG,SP and SC)	13	3%	9 (MG,RO,SC and SP)	16	3%	13 (MG, RJ, RO, SC, and SP)	31	5%
	Services	Waste management	1.121 (MG,SP,PR, SC, and RS)	31	6%	1.268 (ES, AM, DF, MG, MS, PI, PR, RJ, RS, SC and SP)	49	8%	1.070 (CE, DF, GO, MG, MS, SC, SP, PR, RS, PI, PE and overseas)	42	7%
Products and Chemicals	Chemica ls and other inputs	Quality; Compliance with product's technical specification; Supply guarantee	95 (SP,PR and SC)	49	10%	193 (MG, MS, RN, PR, RJ, RS, SC and SP)	61	10%	157 (MT, MG, PR, RJ, RN, RS, SC and SP)	70	12%
Use and consumption	Materials for use and consump tion	Return of goods	4.900 (MG,SP,PR,SC and RS)	22	4%	197 (Exterior, MG, PR, PR, RS, SC and SP)	29	5%	250 (GO, MG, MS, PR, RS, SC, SP and overseas)	42	7%
Transport Services/ Shipping Logistics	Logistics	Fulfillment of shipping program	63 (SP,PR and SC)	32	6%	64 (GO, MG, MS, PR, RJ, RS, SC and SP)	45	8%	1.070 (GO, MG, MS, PR, RS, RJ, SC and SP)	51	9%
FSC and Forest Products	Chippings	Quality; Compliance with product's technical specification; Supply guarantee	87 (MG,SP and SC)	88	17%	128 (DF, MG, PR, RJ, RS, SC and SP)	112	19%	144 (DF, ES, GO, MG, PR, RS, SC, SP and overseas)	104	18%
	Forestry		88 (PR,SC and RS)	42	8%	63 (MG, PR, RS, SC and SP)	42	7%	62 (MG, PR, RS, SC and SP)	48	8%
	Resin	Fulfillment of specification	Informação não estratificada em 2013			69 (SP, RJ and overseas)	26	5%	141 (RS, SC, SP and overseas)	26	4%
	Paper and Cellulose	Fulfillment of specification	43 (MG,SP,PR,SC and RS)	54	10%	32 (MG, PR, RJ, RS, SC and SP)	54	12%	21 (MG, PR, RS, SC, SP and overseas)	27	5%

We finalized the Sustainability Survey with the updating of suppliers' records in relation to voluntary environmental and social practices and schooling plan. The main topics presented in the new research were related to certifications, waste management, labor practices, human rights and ethics, which will be addressed in a future study of a proposal to define new sustainability criteria for each group, thus looking for alternatives for proposing actions that encourage the financial and social and environmental balance of critical suppliers.

Purchasing process

In this stage, we consider the particularities of each purchasing group in order to guarantee supply and meet the health and safety and quality requirements, social and environmental criteria and evaluations in relations to ISO standards 9001, 14001, 22000 and SA 8000.

Suppliers with no recorded purchase for more than 36 months are disqualified, and the qualification process is followed again in the event of new demands, respecting the criteria and requirements applied to the group.

The Índice de Desempenho de Fornecedor – IDF (Supplier Performance Index) is an evaluation tool that determines questions such as the quality of products and services offered, the effectiveness of communication and of the commercial process. All those evaluated receive the result via e-mail for checking of the detailed critical points once non-compliances have been consolidated and recorded. In 2014, 616 suppliers were evaluated and, in 2015, 734, highlighting the breadth of the evaluation practice.

Overall Índice de Desempenho de Fornecedor (IDF)

2013: 93,13 | 2014: 92,24 | 2015: 92,37

Critical service providers	Materials for use and consumption and external services	Critical products and chemicals	Transport services/ Shipping logistics	FSC and Forest Products
2013: 88,39	**2013:** 88,74	**2013:** 99,85	**2013:** 98,11	**2013:** 90,56
2014: 90,11	**2014:** 86,72	**2014:** 98,89	**2014:** 95,39	**2014:** 90,08
2015: 91,44	**2015:** 87,96	**2015:** 98,81	**2015:** 91,29	**2015:** 92,35

The management of fichas de não conformidades – FNCs (Non-compliance forms) of suppliers is a key factor for maintaining the Índice de Desempenho de Fornecedor – IDF (Supplier Performance Index). FNCs evidence the supplier's qualification conditionally, or questions for which action needs to be taken to avoid faults, while corrective actions relate to questions where the supplier is already disqualified or has a fault in relation to the process. The verification of the efficiency of action plans proposed is joint, reinforcing the relationship with the supplier.

Also in 2015, we began a study to reassess the sustainability criteria used to evaluate critical suppliers with the intention that in 2016, they become incorporated into the IDF during the purchasing process.

In the last Sustainability Report we shared the target to maintain, in 2015, 80% of partnership contracts in the Urban Forest Project. This index was calculated at 69.55%, in collaboration with the growth of the IRANI Supplier Project, which exceeded the set target of 60% of suppliers on long duration contracts, recording an index of 62.18%, equivalent to 1,446 active contracts. The dedication of teams pursuing this strategic target has been key to achieving this outcome. Suppliers kept over the years understand the construction of a stable relationship, while new suppliers are inserted within this context of mutual benefits.

Interactive Chart - Click or move over to learn more

2016 Target:

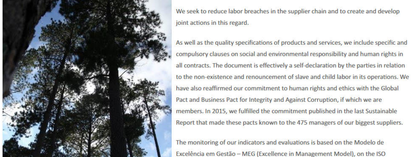
Keep at least 60% of long-term contracts in the IRANI Supplier Project and continue at the index of 80% of chipping suppliers with stable purchases

The practice of third party management, implemented in 2014, mitigated risks in the operations of service contracts through a procedure that addresses issues related to internal standards, health and safety, environment and documentation required by law. Our intention is to extend this model to the other units in 2016.

Whenever possible, we prioritize purchases and service contracts from communities surrounding the units, stimulating development of the local economy.

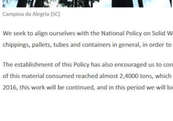
	2013	2014	2015
Total purchases from local suppliers (in R$ thousands)	108,680	114,470	127,456
Percentage of total purchases made by the Company	17.07%	19.43%	22.15%

Consolidated service provider average



Social and environmental risk assessment

Periodically we apply a specific evaluation to the main suppliers of forest services, paper and wood, and conduct regular visits in order to ensure basic guarantee of adherence to our Wood Purchasing Policy and to the **principles of the FSC**.



Campina da Alegria (SC)

As well as internal and external audits in the purchasing processes and the evaluation of results, in 2016 we took on the commitment to expand the scope of audits to suppliers of chemical and critical products, in line with the existing practice.

We seek to reduce labor breaches in the supplier chain and to create and develop joint actions in this regard.

As well as the quality specifications of products and services, we include specific and compulsory clauses on social and environmental responsibility and human rights in all contracts. The document is effectively a self-declaration by the parties in relation to the non-existence and renouncement of slave and child labor in its operations. We have also reaffirmed our commitment to human rights and ethics with the Global Pact and Business Pact for Integrity and Against Corruption, if which we are members. In 2015, we fulfilled the commitment published in the last Sustainable Report that made these pacts known to the 475 managers of our biggest suppliers.

The monitoring of our indicators and evaluations is based on the Modelo de Excelência em Gestão – MEG (Excellence in Management Model), on the ISO standards and on the FSC principles. We manage risks and controls in the purchasing processes, contracts and warehouses, in accordance with internal methodology. In 2016, we will implement the Chippings Policy, in order to strengthen our relationship with suppliers, and to ensure supply, payment and compensation for income, in line with specifications in force in standards of the Associação Brasileira de Normas Técnicas – ABNT (Brazilian Association of Technical Standards).

We seek to align ourselves with the National Policy on Solid Waste. That is why we have directed resources to reverse logistics projects involving chippings, pallets, tubes and containers in general, in order to increase appropriate use of resources and to reduce costs.

The establishment of this Policy has also encouraged us to concentrate our efforts on one of our main raw materials, chippings. In 2015, the volume of this material consumed reached almost 2,400 tons, which returned directly into our production process, more quickly, safely and efficiently. In 2016, this work will be continued, and in this period we will look to have an estimated return of 4,000 tons.

GRI INDEX

General standard contents

Strategy and analysis

Indicator	Description
G4-1	Presents a statement from the decision maker with the highest graduation on the relevance of sustainability to the organization and its sustainability strategy. **Find out more:** Message from the CEO
G4-2	Presents a description of the main impacts, risks and opportunities. .**Find out more:** • Message from the CEO • Evolution of commitments • Audit and risk management

Perfil Organizacional

Indicator	Description
G4-3	Report the name of the organization. *Celulose Irani S.A.*
G4-4	Report the main brands, products and services. **Find out more:** Our Business
G4-5	Report the location of the organization's head office. *RS Office – Porto Alegre* *Rua General João Manoel, 157, 9º floor* *Zip Code 90010-030*
G4-6	Report the number of countries in which the organization operates and name of the countries in which its main operations are located or which are specifically relevant to the sustainability topics addressed in the report. **Find out more:** The Company
G4-7	Report the nature of the ownership and the legal nature of the organization. **Find out more:** The Company
G4-8	Report the markets on which the organization operates. **Find out more:** Our Business
G4-9	Report the size of the organization, including: • Total number of employees Total number of operations; • Net sales (for organizations of the private sector) or net income (for organizations of the public sector); • Total capitalization broken down in terms of debt and net equity (for organizations of the private sector); • Number of products or services provided. **Find out more:** • The Company • Financial and business performance • People Challenged and Valued
G4-10	**a.** Report the total number of employees by work contract and gender. **b.** Report the total number of permanent employees by employment type and gender. **c.** Report the total workforce by employees and hired employees and by gender. **d.** Report the total workforce by region and gender. **e.** Report whether a substantial part of the organization's work is carried out by workers legally recognized as autonomous or by individuals who are not in-house employees or third parties, including employees and staff hired from third party companies. **f.** Report any significant variations in the number of employees (e.g. seasonal variations in the number of employees in the tourism or agricultural sectors). **Find out more:** People Challenged and Valued
G4-11	Report the percentage of total employees covered by collective bargaining agreements. **Find out more:** People Challenged and Valued
G4-12	Describe the organization's supplier chain. **Find out more:** Supplier performance management
G4-13	Report any significant changes occurring during the period covered by the report in relation to size, structure, shareholder participation or the organization's supplier chain. *No significant changes occurred in relation to the required topics during 2015.*
G4-14	Report if and how the organization adopts the approach or principle of precaution. **Find out more:** Audit and risk management
G4-15	List the letters, principles or other initiatives developed externally of a financial, environmental or social nature that the organization subscribes to or endorses. **Find out more:** Message from the CEO
G4-16	List participation in associations (for example sectoral associations) and national or international defense organizations in which the organization: • Has a seat on the governing council; • Participates in projects or commissions; • Contributes with funds other than the basic fee as an associated organization; • Considers its participation to be strategic **Find out more:** Surrounding communities

Identified Material Aspects and Limits

Indicator	Description
G4-17	**a.** List all entities included in the consolidated financial statements or equivalent documents of the organization. **b.** Report whether any entity included in the consolidated financial statements or equivalent documents of the organization was not covered by the report. **Find out more:** About the Report
G4-18	**a.** Explain the process adopted for defining the content of the report and the limits of the Aspects. **b.** Explain how the organization has implemented the Principles for Defining the Content of the Report. **Find out more:** About the Report
G4-19	List all material aspects identified in the report content definition process. **Find out more:** About the Report
G4-20	For each Material aspect, report the Aspect Limit within the organization. **Find out more:** About the Report
G4-21	For each Material aspect, report its limit outside the organization. **Find out more:** About the Report
G4-22	Report the effect of any reformulations of information supplied in previous reports and the reasons for these reformulations. *Not applicable*
G4-23	Report significant alterations in relation to periods covered by previous reports in Scope and Aspect Limits. *There have been no significant changes.* .

Stakeholder Engagement

Indicator	Description
G4-24	Present a list of stakeholder groups engaged by the organization. **Find out more:** Map of stakeholders
G4-25	Report the base used for identifying and selecting stakeholders for engagement. **Find out more:** About the Report
G4-26	Report the approach adopted by the organization for involving stakeholders, including the frequency of their engagement broken down by type and group, with an indication that no engagement was specifically promoted as part of the report preparation process. **Find out more:** About the Report
G4-27	Report the main topics and concerns raised during the engagement of stakeholders and the measures adopted by the organization to approach these topics and concerns, including in the process of reporting them. Report the groups of stakeholders that raised each of the questions and concerns mentioned. **Find out more:** About the Report

Report Profile

Indicator	Description
G4-28	Period covered by the report (e.g. tax or civil year) for the information presented. **Find out more:** About the Report
G4-29	Date of the most recent previous report (if relevant). *The previous report was published in April 2015.*
G4-30	Report issue cycle (annual, biannual, etc.) *Annual*
G4-31	Specify the point of contact for questions on the report or its content. **Find out more:** About the Report
G4-32	Report the "in agreement" option chosen by the organization. **Find out more:** About the Report
G4-33	**a.** Report the policy and current practice adopted by the organization for submitting the report for external verification. **b.** If the information is not included in the verification report that accompanies the sustainability report, report the scope and the basis of any external verification carried out. **c.** Report the relationship between the organization and the party responsible for the external verification. **d.** Report whether the highest governing body or top executives are involved in requesting the external verification for the organization's sustainability report. **Find out more:** • About the Report • Assurance Statement

Governance

Indicator	Description
G4-34	Report the organization's governance structure, including the committees of the highest governing body. Identify all committees responsible for advising in decision-making that may have financial, environmental and social impact. *Currently, we have no Supervisory Board and/or advice from the Administrative Council.*
G4-35	Report the process used for delegating authority on financial, environmental and social topics by the highest governing body to senior executives or other employees. **Find out more:** Corporate Governance
G4-36	Report whether the organization has designated one or more posts or functions of an executive level as being responsible for the financial, environmental and social topics, and whether these responsible people report directly to the highest governing body. **Find out more:** Corporate Governance
G4-37	Report the consultation processes used between stakeholders and the highest governing body in relation to financial, environmental and social topics. If the consultation is delegated to other structures, bodies or people, indicate to whom and any existing processes for feeding back to the highest governing body. **Find out more:** Corporate Governance
G4-38	Report the composition of the highest governing body and its committees. *There is no participation by women and/or other minority representatives on the Administrative Council.*
G4-39	Report whether the president of the highest governing body is also an executive director (and, in this case, his function in managing the organization and the reasons for this accumulation). **Find out more:** Corporate Governance
G4-40	Report the selection and nomination processes for the highest governing body and its committees, as well as the criteria adopted for selecting and nominating the members of the highest governing body. **Find out more:** Corporate Governance
G4-41	Report the processes used by the highest governing body to ensure the prevention and administration of conflicts of interest. Report whether conflicts of interest are revealed to stakeholders. **Find out more:** Corporate Governance
G4-42	Report the roles carried out by the highest governing body and by the senior executives in the development, approval and updating of the purpose, mission declaration, vision and values, and definition of strategies, policies and targets related to financial, environmental and social impacts of the organization. **Find out more:** Corporate Governance
G4-43	Report the measures taken to develop and improve knowledge of the highest governing body on financial, environmental and social topics. **Find out more:** Corporate Governance
G4-44	**a.** Report the performance evaluation processes of the highest governing body in relation to the governance of financial, environmental and social topics. Report whether or not this evaluation is independent and how frequently it is carried out. Report whether this evaluation is a self-evaluation. **b.** Report the measures taken in response to the performance evaluation of the highest governing body in relation to the governance of financial, environmental and social topics including, at least, changes to its composition and in organizational practices. *We do not have a structured process that determines qualification in sustainability and self-evaluation for the highest governing body.*
G4-45	**a.** Report the role played by the highest governing body in the identification and management of impacts, risks and opportunities arising from financial, environmental and social issues. Mention the role played by the highest governing body in the implementation of *due diligence* processes. **b.** Report whether the consultation and relationship with stakeholder processes are used to support the highest governing body in the identification and management of impacts, risks and opportunities arising from financial, environmental and social issues. **Find out more:** Audit and risk management
G4-46	Report the role played by the highest governing body in the efficiency analysis of the organization's risk management processes for financial, environmental and social topics. **Find out more:** Audit and risk management
G4-47	Report the frequency with which the highest governing body analyzes impacts, risks and opportunities arising from financial, environmental and social issues. **Find out more:** Audit and risk management
G4-48	Report the body or the highest level post that analyzes and formally approves the organization's sustainability report and ensures that all Material aspects are addressed. **Find out more:** Corporate Governance
G4-49	Report the process adopted for reporting critical concerns to the highest governing body. **Find out more:** Corporate Governance
G4-50	Report the nature and total number of critical concerns reported to the highest governing body and the mechanism(s) adopted to address and resolve them. **Find out more:** Corporate Governance
G4-51	**a.** Report the payment policies applied to the highest governing body and to senior executives. **b.** Report how the performance criteria of the payment policy are applied to the financial, environmental and social objectives of the highest governing body and senior executives. *There is no formal survey of the number of critical concerns taken to the Administrative Council.*
G4-52	Report the process adopted for determining pay. Report whether payment consultants are involved in determining payments and whether they are independent from the company's management. Report any other relationships between the payment consultants and the organization. **Find out more:** Payment
G4-53	Report on how stakeholder opinions are requested and considered in relation to payment, including the results of voting on policies and payment proposals, if applicable. **Find out more:** Payment
G4-54	Report the proportion between the total annual payment of the best paid individual in the organization in each country in which the organization has significant operations, and the total annual average payment of all employees (excluding the best paid) in the same country. **Find out more:** Payment
G4-55	Report the proportion between the percentage increase of the total annual payment of the best paid individual in the organization in each country in which it has significant operations and the average percentage increase of the total annual payment of all employees (excluding the best paid) in the same country. *Information not available.*

Ethics and Integrity

Indicator	Description
G4-56	Describe the values, principles, standards and behavior standards of the organization, such as codes of conduct and ethics. **Find out more:** Mission, vision, principles and values
G4-57	Report the internal and external mechanisms adopted by the organization for requesting advice on ethical behavior in compliance with legislation, such as relationship channels (e.g. customer service). **Find out more:** Ethics and transparency
G4-58	Report the internal and external mechanisms adopted by the organization for communicating concerns in relation to unethical behavior or behavior that is incompatible with legislation and issues related to organizational integrity, such as the escalation of concerns through the hierarchy, mechanisms for reporting irregularities or whistleblowing channels. **Find out more:** Ethics and transparency

Specific standard contents

Material Aspect: Financial Performance

Indicator	Description
DMA	Management method. **Find out more:** Financial and business performance
G4-EC1	Generated and distributed direct financial value. **Find out more:** Financial and business performance
G4-EC2	Financial implications and other risks and opportunities for the organization's activities as a result of climatic changes. **Find out more:** Audit and risk management
G4-EC3	Coverage of obligations established in the organization's benefit pension plan. **Find out more:** Financial and business performance
G4-EC4	Financial support received from the government. ***Subsidies:*** *R$3,797 thousand in relation to the deferral of payment of Imposto sobre Operações relativas à Circulação de Mercadorias e Prestação de Serviços de Transporte Interestadual e Intermunicipal e de Comunicação – ICMS (Tax on Operations in relation to the Circulation of Goods and Provision of Interstate and Intermunicipal Transport and Communication Services) (Prodec). The value is calculated in relation to the charges subsidized by the State of Santa Catarina.* ***Grants for Investments:*** *R$ 6,703 thousand in relation to grants for investments planned for the States of Santa Catarina and Minas Gerais, in the form of ICMS tax credit.*

Material Aspect: Materials

Indicator	Description
DMA	Management method. **Find out more:** Environmental management –> Insumos e reciclagem de materiais
G4-EN1	Materials used, broken down by weight or volume. **Find out more:** Environmental management –> Waste
G4-EN2	Percentage of used materials derived from recycling. **Find out more:** Environmental management –> Insumos e reciclagem de materiais

Material Aspect: Energy

Indicator	Description
DMA	Management method. **Find out more:** Environmental management –> Energy efficiency
G4-EN3	Consumption of energy within the organization. **Find out more:** Environmental management –> Energy efficiency
G4-EN4	Consumption of energy outside the organization. **Find out more:** Environmental management –> Energy efficiency
G4-EN5	Energy intensity. **Find out more:** Environmental management –> Energy efficiency
G4-EN6	Reduced energy consumption. **Find out more:** Environmental management –> Energy efficiency
G4-EN7	Reductions in energy requirements of products and services. **Find out more:** Environmental management –> Energy efficiency

Material Aspect: Water

Indicator	Description
DMA	Management method. **Find out more:** Environmental management –> Water resources
G4-EN8	Total water collected per source. **Find out more:** Environmental management –> Water resources
G4-EN9	Water sources significantly affected by water collection. **Find out more:** Environmental management –> Water resources
G4-EN10	Percentage and total volume of water recycled and reused. **Find out more:** Environmental management –> Water resources

Material Aspect: Biodiversity

Indicator	Description
DMA	Management method. **Find out more:** Biodiversity
G4-EN11	Own, leased or managed operational units within oradjacent to protected areas and areas with a high biodiversity index located outside protected areas. **Find out more:** Biodiversity
G4-EN12	Description of significant impacts of activities, products and services on biodiversity in protected areas and areas with a high biodiversity index located outside protected areas. **Find out more:** Biodiversity
G4-EN13	Protected or restored habitats. **Find out more:** Biodiversity
G4-EN14	Total number of species included on the IUCN Red List and on national conservation lists with habitats located in areas affected by the organization's operations, broken down by level of risk of extinction. **Find out more:** Biodiversity

Material Aspect: Emissions

Indicator	Description
DMA	Management method. **Find out more:** Environmental management –> Emissions
G4-EN15	Direct emissions of greenhouse gases (GEE) (Scope 1). **Find out more:** Environmental management –> Emissions
G4-EN16	Indirect emissions of greenhouse gases (GEE) resulting from the acquisition of energy (Scope 2). **Find out more:** Environmental management –> Emissions
G4-EN17	Other indirect emissions of greenhouse gases (GEE) (Scope 3). **Find out more:** Environmental management –> Emissions
G4-EN18	Intensity of greenhouse gas (GEE) emissions. **Find out more:** Environmental management –> Emissions
G4-EN19	Reduction of greenhouse gas (GEE) emissions. **Find out more:** Environmental management –> Emissions
G4-EN20	Emissions of substances that destroy the ozone layer (SDO). **Find out more:** Environmental management –> Emissions
G4-EN21	Emissions of NOx,SOx and other significant atmospheric emissions. **Find out more:** Environmental management –> Emissions

Material Aspect: Effluents e Waste

Indicator	Description
DMA	Management method. **Find out more:** Environmental management –> Effluents
G4-EN22	Total disposal of water, broken down by quality and destination. **Find out more:** Environmental management –> Effluents
G4-EN23	Total weight of waste, broken down by type and disposal method. **Find out more:** Environmental management –> Waste
G4-EN24	Total number and volume of significant leaks. *No significant leaks were reported in the period.*
G4-EN25	Weight of waste transported, imported, exported or treated considered hazardous in the terms of the Basel convention2, annexes i, ii, iii and viii, and the percentage of loads of waste transported internationally. **Find out more:** Environmental management –> Waste
G4-EN26	Identification, size, protection status and value of biodiversity in water bodies and related habitats significantly affected by discharges and drainage of water carried out by the organization. **Find out more:** Environmental management –> Effluents

Material Aspect: Suppliers' Environmental Evaluation

Indicator	Description
DMA	Management method. **Find out more:** Supplier performance management
G4-HR10	Percentage of new suppliers selected based on environmental criteria. **Find out more:** Supplier performance management
G4-HR11	Actual and potential significantly negative environmental impacts in the supplier chain and measures taken in this regard. **Find out more:** Supplier performance management

Material Aspect: Suppliers' Evaluation in Human Rights

Indicator	Description
DMA	Management method. **Find out more:** Structuring programs
G4-LA5	Percentage of the workforce represented on formal health and safety committees, composed of employees of different hierarchical levels, who help to monitor and advise on health and safety at work programs. **Find out more:** Structuring programs
G4-LA6	Types and rates of injuries, occupational illnesses, days lost, absenteeism and number of deaths related to work, broken down by region and gender. **Find out more:** Structuring programs
G4-LA7	Employees with high incidence or high risk of illnesses related to their occupation. **Find out more:** Structuring programs
G4-LA8	Topics related to health and safety covered by formal agreements with trade unions. **Find out more:** Structuring programs

Material Aspect: Training and Education

Indicator	Description
DMA	Management method. **Find out more:** Structuring programs
G4-LA9	Average number of training hours per year per employee, broken down by gender and functional category. **Find out more:** Structuring programs
G4-LA10	Skill management and continuous learning programs that contribute to the continued employability of employees in the preparation for retirement period. **Find out more:** Structuring programs
G4-LA11	Percentage of employees who regularly receive performance and career development analyses, broken down by gender and functional category. **Find out more:** Structuring programs

Material Aspect: Suppliers' Evaluation in Labor Practices

Indicator	Description
DMA	Management method. **Find out more:** Supplier performance management
G4-LA14	Percentage of new suppliers selected based on criteria related to labor practices. **Find out more:** Supplier performance management
G4-LA15	Actual and potential significantly negative impacts for labor practices in the supplier chain and measures taken in this regard. **Find out more:** Supplier performance management

Material Aspect: Customer Health and Safety

Indicator	Description
DMA	Management method. **Find out more:** Our Business
G4-PR1	Percentage of significant product and service categories for which impacts on health and safety are evaluated, looking for improvements. **Find out more:** Our Business
G4-PR2	Total number of cases of non-compliance with regulations and voluntary codes related to the impacts caused by products and services on health and safety during their life cycle, broken down by result type. **Find out more:** Our Business

Material Aspect: Local Communities

Indicator	Description
DMA	Management method. **Find out more:** Surrounding communities
G4-SO1	Percentage of operations with programs implemented for engagement with the local community, evaluation of impacts and local development. **Find out more:** Surrounding communities
G4-SO2	Operations with actual and potential significantly negative impacts on local communities. **Find out more:** Surrounding communities

Material Aspect: Suppliers' Evaluation in Impacts on Society

Indicator	Description
DMA	Management method. **Find out more:** Supplier performance management
G4-SO9	Percentage of new suppliers selected based on criteria related to impact on society. **Find out more:** Supplier performance management
G4-SO10	Actual and potential significantly negative impacts on society in the supplier chain and measures taken in this regard. **Find out more:** Supplier performance management

ASSURANCE STATEMENT

1. Responsibilities

Irani is responsible for all content of the 2015 report and for the content defining process, and for the collection and publication of information.

Conecta Consultores is responsible for verifying the content of the report, in accordance with the methodology and scope described in this statement. Conecta Consultores is not liable for any investment decision or of decisions of any other nature made based on this assurance statement.

2. Independence

Conecta Consultores declares that it did not supply consultancy services and does not maintain other commercial links with Irani. The conclusions presented in this statement are impartial.

3. Scope and Limits

The verification covered the content of the Annual Report 2015, in relation to the period from January 01, 2015 to December 31, 2015, providing a moderate level of assurance. The objective of the verification process is to present the stakeholders with an independent opinion on adherence of the reporting process to the principles of AA1000AS 2008.

The financial information and information on greenhouse gases (GEE) were not objects of our work. This information was verified by other independent companies.

4. Methodology

The verification process by a third party of Irani's Annual Report 2015 was led by Conecta Consultores in accordance with its own methodology, based on the principles of AA1000AS 2008. Guidelines GRI G4 were used as a reference.

The execution of the work was led by professionals with wide experience in verification processes.

The methodological approach included:

- Analysis of the stakeholder engagement process
- Analysis of the materiality process and definition of the report's content
- Analysis of information collection and consolidation processes, with a sample base
- Analysis of the alignment of strategic commitments with sustainable development
- Interviews with the company's leaders and managers
- Analysis of documented evidence and management systems for confirming the consistency of the information reported, with a sample base

5. Conclusions in Relation to the AA1000AS 2008 Principles:

Inclusion

Irani considers its stakeholders to be a priority in the materiality definition process, which directs not only the report's content, but also the organization's strategic planning, as identified in its last review, carried out in 2015.

It is important that the company maintains and extends its efforts to include stakeholders, and to establish dialog processes on commitments, policies and corporate programs that affect stakeholders.

In relation to the accountability process of the material issues (impacts, commitment, management and performance), it is relevant that the company stimulates its stakeholders' feedback on the form and content of the report.

Materiality

The materiality definition process for this report was conducted internally, based on the review of the last process with the support of leaders. The next update process must incorporate external stakeholders through direct consultations or through analysis of secondary sources that are representative and relevant. It is important to emphasize the importance of considering suppliers' point of view, especially those with a potentially significant social and environmental impact.

The content of the report is focused on the materiality result, in line with the GRI-G4 guidelines. It is important to maintain a permanent process for analyzing relevant questions in order to ensure the progress of the reporting process.

Irani demonstrates continuous efforts in integrating aspects of sustainability into its business strategy, seeking to build stakeholders' point of view into the company's management model.

Response Capacity

The health and safety management processes are undergoing an improvement process. It is important to maintain focus on improving processes through conceptual alignment between units, and to expand leadership's participation in the continuous monitoring of the results obtained, considering successes and difficulties.

From a governance structure point of view, it is important to strengthen a formal structure and continuous monitoring channels among managers and leaders of the company in relation to the main challenges in sustainability.

The environmental management indicators of all units are consolidated and monitored monthly by the corporate area, allowing the need for possible adjustments to be identified in sufficient time. It is recommended that clear and consistent improvement targets are established to demonstrate alignment with the company's management strategy.

The Innovate Program has become well established and is led through structured processes and with specific targets. With the large adherence of employees to the program, it is important to maintain and improve internal communication, ensuring transparency and consistency for all employees.

Supplier management includes the analysis of criticality through the classification of suppliers. Social and environmental questions are considered in all categories in relation to legal compliance. The company is committed to incorporating, in 2016, sustainability criteria specific to the supplier's performance index. In the next report, it is recommended that the evolution of this process is presented, with an emphasis on the approach to the criteria and on the results achieved.

The commitments and targets presented in this report are associated to its internal and external social and environmental impacts. To maintain consistency and progress in accountability, it is recommended that targets are established that encourage health and safety programs, dissemination of ethic systems (principles, whistleblowing channels and procedures) for external stakeholders, internal auditing processes, information monitoring systems (traceability and reliability of information).

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