Sustainability Report 2013

IRANI

Mission

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

Vision

To be the best and be among the three 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

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

Social and Environmental Responsibility
We are promoting agents and multipliers of economic, social, environmental, community and personal development.

Integrity, Ethics, Courage, Transparency and Cordiality
We are upright, ethical, courageous, friendly and transparent in all our attitudes and relationships.

Valuing People
We believe that people in permanent development, happy and working together makes all the difference.

Focus on the Results
Our way of achieving excellence is by seeking determined and sustained superior results through objectivity, simplicity, austerity and interaction on the customer focus.

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IRANI
Celulose Irani S.A.

Message from the president

Behind all these numbers, we see much more than isolated indicators, protocol or accountability. We see the potential to increasingly influence positively the direct and indirect public that we related with.

Develop deliberately is one of the principles that has mobilized us more. The Annual Sustainability Report, which we are publishing for the tenth consecutive year, is nothing more than the provocation and the monitoring of these developments, leveraged by the consistency of the strategy, setting of priorities, indicators and targets. This annual ritual has helped us a lot as a team - in the clearest and broadest sense of the term, which, for us, is synonymous with the team, synergy and sense of commitment.

In 2013, we continue to evolve in several indicators, the environmental, economic and social dimensions, adding value to society with an increasingly smaller environmental impact. Our annual added value was R$ 355.6 million, distributed as follows: 32% for individuals, 21% for shareholders, 18% for taxes and 29% for financial institutions. In the environmental dimension, the highlight goes to the continuous improvement of various indicators contained in the report and the Life Cycle Analysis of our products - a study we conducted to understand better the impacts that generate and identify new savings opportunities. Behind all these numbers, we see much more than isolated indicators, protocol or accountability. We see the potential to increasingly influence positively the direct and indirect public that we related with.

This year we added to our business the Indústria de Papel e Papelão São Roberto S.A., which increased our share in the corrugated packaging market to 6.63% (ABPO data covering IRANI and São Roberto, in 2013, measured based in the area of finished products shipped in m²) and brought a new growth platform for IRANI in the coming years. The integration process of teams and cultures was quite relevant and successful, highlighting the commitment and motivation of people in this transition. Processes and systems are in advanced stages of standardization with practices already adopted by us, seeking to exploit synergies and achieve the desired results. The merger with São Roberto adversely impacted our financial leverage and our average EBITDA margin, but brought us a great potential for growth and profitability. It also provided experience for our team in this

consolidation process, a strong trend in the sector and a source of opportunities for the coming years.

As in the previous year, in 2013, we were challenged once again by the cost scenario and low GDP growth in Brazil. Prices of scrap wooden chips soared, wages continued to grow, the interest rates rose again and inflation impacted the price of many inputs. To compensate, we sought productivity gains and cost savings, especially for investments in process automation in our packaging factories, improvements in scrubbing cellulose in the preparation of chips in paper machine 5 and the modernization and expansion of paper machine 1, besides continuous process improvements. The devaluation of the Real during the year rescued a little global competitiveness of the local industry, a sector where the main customers of our packaging are, enabling the supply chain to face these cost challenges better.

We detailed and matured Irani 2020 Project, a new set of investments in competitiveness, innovation and growth. We are ready for another desruptivo expansion cycle, during the search for the appropriate funding, and waiting for the best time to make the decision. We also celebrate the FSC certification our forests in Rio Grande do Sul, reaching 100% certification of our forest base.

2014 will be very important for Brazil. The developed world again increased its growth levels and can help increase this trajectory, but the key is for Brazil to do its homework. Policies and tax reforms, investments in infrastructure and efficiency in public administration are essential for the country to grow in a sustainable way. We have presidential elections this year and in the early mandates and committed leaders, these changes become possible due to the support of society to the new leadership through the ballot box. We can not miss the chance, make the most of our vote and direct the important decisions for our country. The positive point is that the populations seems more aware of their responsibility and outraged by the corruption and inefficiency of the state.

In this environment, the IRANI challenge for the coming years undergoes a gain that is even more relevant in the markets in which it operates, through the increased production of corrugated cardboard, and a geographic expansion of activities. Our priorities in relation to sustainability are:

- Cost competitiveness, excellence and innovation and our entire investment plan is focused on that;
- Integral development of individuals and leaders, already in 2014 we have started an aggressive project in this direction;
- Market presence and positive economic impact on communities and supply chains in which we operate, spreading prosperity;
- Creativity and determination to move forward with the reduction of environmental impacts, especially focusing on the recycling of products and byproducts.

The Company's growth is the catalyst for achieving these objectives and should always bring along the prosperity of all stakeholders.We believe in the important role of companies for the development of people and society. Us at IRANI, we want to contribute more and more - in a transparent, organized and simple way to plan and execute.

We already have our inspiration, translated very clearly by the IRANI 2020 project. We also have a prepared and motivated team, which is now reinforced by the team that came from São Roberto.

A better business environment in Brazil in the coming years will further enhance the generation and distribution of wealth in the country, honoring efficiency, meritocracy and the commitment to sustainability, with positive impacts for everyone.

We believe in Brazil, democracy, and the private sector.

As eternal optimists, we see opportunities in difficulties and the not so difficult opportunities. Brazil is a young, resourceful country with almost everything to do. And, more important than having great intentions, is to roll up your sleeves and actually implement actions. This is what we believe. That's what we're doing.

Good reading and a good 2014!

Péricles Pereira Druck
Managing Director of IRANI

About this Report

This report is aligned to the new guidelines of the Global Reporting Initiative (GRI), launched in 2013, the G4, adopts the guidelines for a comprehensive account. The financial statements are consolidated in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and in accordance with accounting practices adopted in Brazil.

In the scope of this publication are the business units belonging to Celulose Irani SA in the states of Santa Catarina, Sao Paulo and Rio Grande do Sul and its subsidiaries, Irani Trading S.A., Habitasul Florestal S.A, HGE – Geração de Energia Sustentável Ltda., Iraflor Comércio de Madeiras Ltda., & Indústria de Papel e Papelão São Roberto S.A.

Engagement

IRANI seeks to establish strong partnerships, establishing consistent communication channels and build relationships of mutual trust with stakeholders guided by values such as ethics, integrity, transparency, friendliness, simplicity and valuing people.

The IRANI Sustainability Report is always published in the first half of each year, and it covers information regarding events that occurred in 2013, as well as commitments for the coming years. The data collection process occurred throughout 2013 and early 2014. The content was analyzed and approved by the Executive Board and approval by independent external verification of BSD Consulting, responsible for drafting the assurance statement contained at the end of this report.

To define the content of this Report, the materiality matrix that was developed in 2012 was used, which was defined from consultations with stakeholders by conducting six dialog panels, with the support of external consultants. The definition of the stakeholders occurred through internal analysis of the groups about what impacts the Company more and those that are most impacted by the Company. The representatives of these groups were indicated by the IRANI leadership.

Map of *stakeholders*

In total, three panels were held with the surrounding communities, in Campina da Alegria (SC), Balneário Pinhal (RS) and Indaiatuba (SP); one with employees in Campina da Alegria (SC); one with suppliers and one with customers, both in Indaiatuba (SP). More than 200 people took part in these panels.

During the dialogs, conducted by an independent company, the leveling of knowledge on topics related to sustainability were sought, and as a result, this focused on obtaining and the prioritisation of issues relevant in view of the participating public. The outcome of these results formed the vertical axis of the materiality matrix. The horizontal axis was drawn from the contributions made by participants of the group of employees and senior officers of the Company, which was responsible for validating the material topics.

In 2013, an internal review found the description of the origin of the main impacts caused by material aspects and the main public directly related to them, which are shown in the following table:

GRI Aspect	Materials Issues	Chapters	Origin Of Impact	Limits
Market presence	• Incentives in Campina da Alegria.. • Hiring local labor. • Contracting local suppliers. • Knowledge of the structure and organization of suppliers. • Number of internal vs. external recruitment.	Relationships	Operations of the Company	Residents of the surrounding communities and local suppliers of products and services
Indirect economic impacts	• Investments in social - environmental projects. • Encouraging local businesses. • Improving the physical appearance of the Vila Campina da Alegria. • Partnerships with technical colleges and universities regarding technological innovation. • Greater geographic coverage for the actions.	About this Report The Environment and Relationships	Influence of IRANI on surrounding communities	Residents of surrounding communities
Training and education	• Empowerment and development. • Career plan. • Education for Sustainability.	Relationships	Training programs and benefits	Employees
Unfair competition	• Good practices for competition.	Relationships	Buying and selling commercial operations	Customers and Suppliers
Materials	• Cost reduction seeking innovative packaging.	The Company and the Environment	Product Research and Development	Customers
Emissions	• Carbon credits. • Odor	Environment	Operations of the industrial units	Surrounding Communities
Effluents and Waste	• Tons of compost. • Protection of springs. • Effluents. • Recycling.	Environment	Operations of the industrial units	Environment and the Surrounding Community

After validation of the materiality matrix, the leaders had access to the list of issues prioritized by stakeholders to be used as inputs for decision making and to form relationships with the public that was consulted.

In the coming years, IRANI intends to enhance the stakeholder engagement process.

Evolution of commitments

In the Sustainability Report 2012 several commitments were made for 2013. It is worth noting the status of each of these.

Theme	Target for 2013	Learn more	Page
Biodiversity	Resume the search for new partners with the provision of planting 700 ha in SC.	168 ha were planted	23
Local communities	Delivery of nine new properties in Campina da Alegria.	Seven new properties were delivered	63
	Do the registry of all residents in Campina da Alegria with the goal of raising the demographic profile.		63
Effluents and Waste	Reduce to 20.5 m³ the amount of effluent produced per gross ton in the Paper Mill - SC.	Reduced to 19.24 m³	79
	Keep the transfer of waste to the landfill at rates below 11% in the Paper Mill SC.	Rate of 9.49% reached	80 and 81
Energy	Keep the specific energy consumption at 0,80 MWh/net ton produced in the Paper Mill SC.	Consumption calculated at 0.78 MW/h	94
Water	Reduce to 25m³ the amount of water per gross ton produced in the Paper Mill SC.	Reduced to 23.32m³	97
	Maintain the percentage of water reused in, at least, 70% in the Paper Mill SC.	75% of water reused in the Paper Mill SC	98
Air	Reduce 34mil tons of CO2e for the Effluent Treatment Plant project at the Paper Mill SC.	25,893 tons of CO_2e were reduced	86
	Obtain, at least, 75% approvals on vehicle inspections in the Clean Up Environmental Program.	93% approvals were obtained	85
Market presence	In the IRANI Supplier Project, retain 60% of suppliers with long-term signed contracts, and on in the Urban Forest Project, retain 80% of the wooden chip suppliers with stable purchase contracts.	IRANI Supplier Project: 54.57% Urban Forest Project: 70.75%	70
Training and education	Achieve 94% of attendance in the ratings for the reaction of the training conducted by internal staff.		48
Employment	75% annual retention of contracted personnel.	Alcançado 60,11%	46
	Maintain the labor turnover at the Paper Mill SC at 9.5% and achieve a percentage lower than 21% in other units.	Paper Mill SC: 9.48% Other Units: 16.76	57
Health and safety at work	Reduce to 18 the total number of lost time accidents.	24 lost time accidents were recorded.	51
Economic performance	Maintain the operating leverage (net debt/EBITDA) less than or equal to 3 times.	Operational leverage recorded at 3.61 times	102 and 106

Key: Target not reached Target reached

The Company

In the market for 73 years, Celulose Irani is a Company with a renewable forest-base. It produces packaging paper, corrugated cardboard boxes and sheets that are biodegradable and 100% recyclable, and resins. The production is integrated from the forest to the final products, with absolute respect for people and the environment.

The Company has industrial units in Vargem Bonita (SC), Balneário Pinhal (RS), Indaiatuba (SP) and Santa Luzia (MG). The offices are located in Joaçaba (SC) and Sao Paulo (SP), with the headquarters in Porto Alegre (RS).

The Company had been traded on stock exchanges since 1977. The companies controlled by IRANI are: Irani Trading SA, Habitasul Forestry SA., HGE – Geração de Energia Sustentável Ltda and Irani Geração de Energia Sustentável Ltda., based in Porto Alegre (RS) and Iraflor Comércio de Madeiras Ltda, with its headquarters in Vargem Bonita (SC). In 2013 the Indústria de Papel e Papelão São Roberto S.A. and Irani Geração de Energia Sustentável Ltda became part of the IRANI businesses as subsidiaries.

Strategy and Management

Throughout its history, IRANI has been committed to sustainability. One of the concepts that reinforces the practices aligned to this commitment and that permeate its culture and the philosophy of Valid Companies, i.e. organizations focused on creating and delivering goods and services with a focus on the customer, that fully and continuously meet human needs, be an agent that promotes the progress of the society where it operates, it is commuted to the prosperity of all, develops meaningful and lasting relationships with its stakeholders, and has the ambition to be the best and build the best for the whole.

The IRANI Management System expresses how the company is organized and how it does business, as it carries out activities such as how to reach its goals and how retains its processes integrated . The IRANI Corporate Policies aim to align the culture and conduct as well as to improve its management practices. To find out more, go to **http://www.irani.com.br/pt/info/politicas-corporativas**

Aiming to improve and strive for excellence through the best practices and results, ensuring commitment to sustainability, IRANI adopted as a reference, in 2010, the Management Excellence Model® (MEG). Since then, management has been assessed internally through a specific tool available in the portal RS Program of Quality and Productivity (PGQP), in the category where the maximum score is 500. The evolution of the score given to the Company is as follows:

Results of the evaluation of the IRANI management model.

In 2013, IRANI was recognized with the Bronze PGQP Trophy .

Another important component of The IRANI Management System is the Lean philosophy. The key to the constant evolution is the direct involvement and continuous training of employees, seeking to build even more efficient processes. In order to ensure stable, agile and flexible processes, high quality, perfect delivery and low production costs, having as a direct customer focus, adopts the Lean Six Sigma concept.

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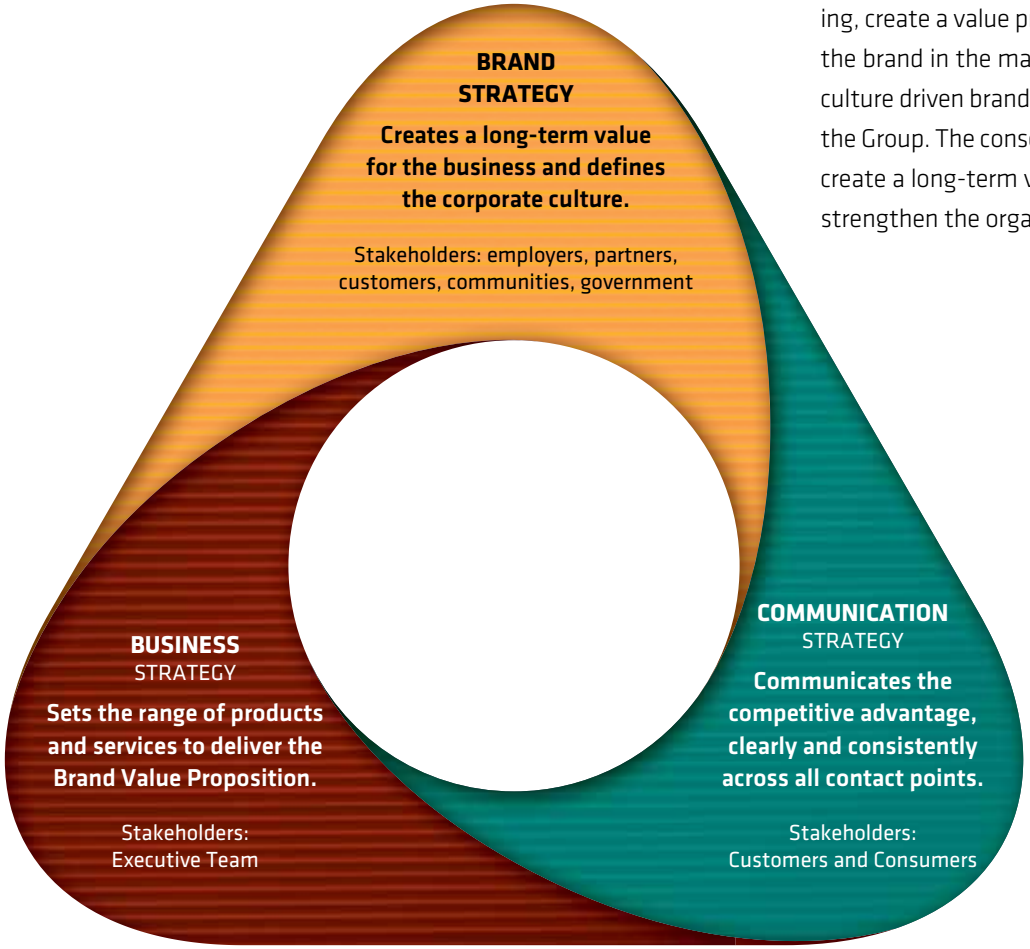
The cultural refinement supported this philosophy promotes the practice of continuous improvement through training of employees who participate in kaizen events and systematically use the PDCA to solve problems, whether they are routine or are directly linked to the Company's strategy. Another support for the construction of operational excellence is the formation of Greenand Black Belts who, making use of the Six Sigma concepts, conduct specific improvement projects, with a direct impact on strategy.

In 2013, the Superintendency of Strategy and Management was created with the objective of organizing and integrating all management efforts in prioritizing resources for the effective achievement of goals, and to promote the alignment of strategy and management and the pursuit of shared vision for the support of the results. This Superintendency integrates the areas of Strategy and Market Intelligence, Innovation and Research and Development, Continuous Improvement, Project Management Office, Controlling, Risk Management and Internal Controls, Communication and Management for Excellence.

For 2014, the main challenges of this Superintendency are: carry out the new strategic planning cycle, adding the brand strategy (branding) component and implement a methodology for the deployment of targets at all levels of the company, integrated with the Supera (Outperform) Program.

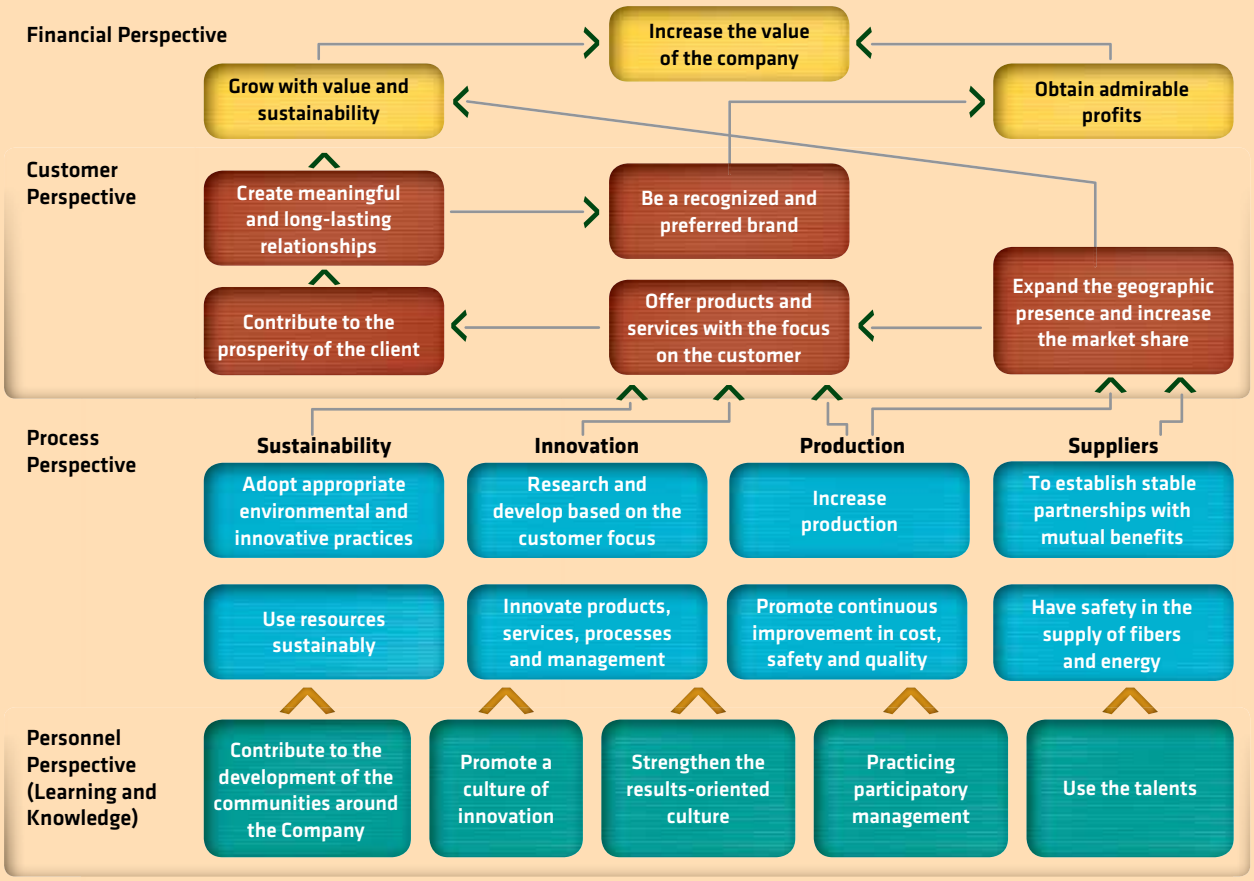
The intangible assets are mapped from an internal methodology that provides analysis of the practices that can protect them and develop them. One of the main intangible assets is the brand. A strong brand protects the business adds value to the supply and increases the financial value of the Company. In 2013, a branding project was begun, in order to make a diagnosis of the current positioning, create a value proposition to differentiate the brand in the market, and build a business culture driven brand, covering all companies in the Group. The consolidation of this tripod will create a long-term value for the business and strengthen the organizational culture.



The Methodology of Ana Couto Branding

In 2014, the Company will initiate a new cycle of strategic planning with the horizon increased from five to 10 years, and will include the brand as a new component in the strategy. The cycle has five stages which involve the definition of guidelines and strategic drivers that guide the internal and external diagnostics for the consolidation of SWOT. In parallel to these activities, the Values, Mission and Vision of the Company are reviewed. From the SWOT intention, a strategic map is unfolded. This occurs every three years with an annual review, and the final position of the Board of Directors approval.

Strategic Planning / Cycle 2012-2016



In 2013, the implementation and monitoring of the strategy were continued with the advancement in the studies and the details of the investments that make up the IRANI 2020 Project, covering competitiveness and innovation across the entire supply chain and a new cycle of growth in the Company.

Innovation Management

In IRANI, sustainability is a precondition for innovation. Incorporated into the IRANI management system, innovation is an important component of the strategy, with the goals of promoting an innovative culture in the company, promote research and development with a client focus, innovating products, processes and management.

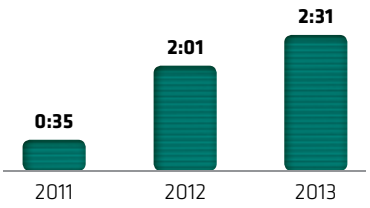
One of the great challenges of the Company is to embed the innovation Culture. IRANI has carried out, since 2011, an annual innovation diagnosis that uses the of Euvaldo Lodi Institute (IEL) methodology to assess the maturity level of the perspectives of practice and performance in Brazilian and international companies. In 2013, the third edition showed a clear evolution in both perspectives, pointing to the positive management and organization of innovation culture points, whose practices exceed global leaders, as well as innovation-friendly work environment. Job opportunities relate to the needs of accelerating the process of product development, homogenize leadership support and work in the understanding of innovation as a tool capable of generating lasting and admirable results in the Company.

To support the strategy and achieve these goals, the INOVA program was developed, which consists of culture of innovation modules, idea management, open innovation, intellectual property, competitive intelligence, resources for innovation and portfolio management of innovative projects. The program is aligned with the best practices of innovation management and with the participation of employees, universities, science and technology, customers and suppliers.

The culture of innovation was crafted in formats such as the massification, training of facilitators, behavioral courses, creativity labs, technology meetings, Workshop on Research & Development, internal marketing campaigns and awards, mobilizing 739 employees and completing 3696 hours of innovation training. The creativity laboratories were directed to 21 specific topics that resulted in the generation of 267 ideas suggested by employees.

The practice of conducting technological weeks was reformulated, giving way to the realization of Technology Meetings . Segmented by business units, the event had the participation of 263 people. One of the events held a round-table with suppliers from the Packaging business in which plans were drawn up and actions for the future conversion of corrugated cardboard. The Second R & D Workshop brought together employees, customers and universities with the aim of promoting interaction, sharing goals and future plans.

Evolution of the number of hours of training in innovation (per employee)



The Value of Ideas program is ongoing and open to all employees for the generation and management of innovative ideas aligned with the strategic objectives of the Company. It is understood as an innovative idea that produces economic, social, environmental and behavioral outcomes. The idea passed through a stream of reviews at various times that involved technical committees, platforms and a strategic committee, composed of employees who support the innovation process.

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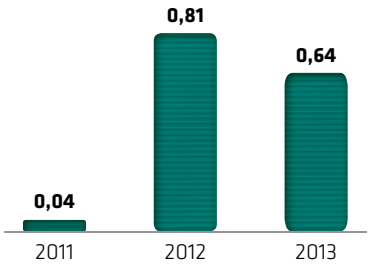
The technical committees act specifically with the evaluation of ideas regarding topics like the technical applicability and necessity of applying the evaluated idea. From the identification of the demands for new technologies, technology platforms are formed, which are the guiding filter for innovation based on the corporate strategic planning and are responsible for directing the technological developments of the Company. Also under the responsibility of these platforms is the strategic evaluation of ideas and technology projects, investment analysis, impact and return on projects with autonomy in the defining of the managers, deadlines and prioritizing projects. They have a strong alignment with the areas and lines of research, analysis of internal and external demand and monitoring of technological developments of competitors. The strategic committee is responsible for approving investments and the strategic orientation of innovation.

The work in the Research & Development areas of the IRANI business focus on the lines of technological research, especially the line of smart and innovative packaging, which have been recognized by the Embanews Packaging Award, such as the Tamper Proof Box, A Returnable Corrugated Cardboard Packaging Box, My Fellow Ice, Corrugated Box for Appliances Packaging and Cooler Box.

The Value of Ideas program began in 2012, when 1,350 ideas were recorded. Em 2013, com a continuidade do Programa, foram inscritas 1.069 ideias, chegando a um total de 2.419. Of these, 1,813 were assessed and considered valid and 69 ideas have already been put into use. The recognition of the program is through international travel and participation in the financial results generated by the innovation.

Evolution of the number of ideas per employee



The challenge undertaken in 2013 in relation to the specific and objective for open innovation and partnerships were achieved for the joint development of projects focused on the research in strategic development topics were established with the Universidade Federal de Santa Catarina (UFSC), Universidade Federal de Viçosa (UFV), Universidade Tecnológica Federal do Paraná (UTFPR), Universidade Federal de Santa Maria (UFSM), Universidade Federal do Rio Grande do Sul (UFRGS) e a Empresa Brasileira de Pesquisa Agropecuária (Embrapa).

2014 GOAL:
REGISTER ON AVERAGE 1 IDEA PER EMPLOYEE AND DEPLOY 3% OF THE TOTAL VALID IDEAS.

From 2014, IRANI will have a corporate research laboratory located in Vargem Bonita (SC) which will be focused on developing solutions for surface applications of paper and packaging. There will also be a structure dedicated to research in the UFSC.

In 2013, the project helped some clients build their innovation strategies through sharing their experiences. Two patent applications were made in 2013. Since 2009, IRANI has eight registered patent applications.

In IRANI, the competitive intelligence for innovation is crafted through The Planeta Inovador, a computer program that provides knowledge of new technologies for employees, innovation management and cases of success.

The Lei do Bem (Good Law) creates tax incentives for companies that perform technological innovation research and development. Five years ago, IRANI has been structured to use the benefits of this law and registered during this period, an increase of 608% return on the declared value.

Innovation management is supported by management portfolio of innovative projects. This portfolio is managed through the innovation funnel and the projects with internal methodology based on best practices from the Project Management Body of Knowledge(PMBOK ®).

Risk management and internal controls

The identification and classification of IRANI Corporate Risks were carried out in 2012 considering the strategic, operational, financial and compliance perspectives. The assessment of these risks, including the environmental, takes into account criteria such as the frequency, the different types of impact and the various aspects of management.

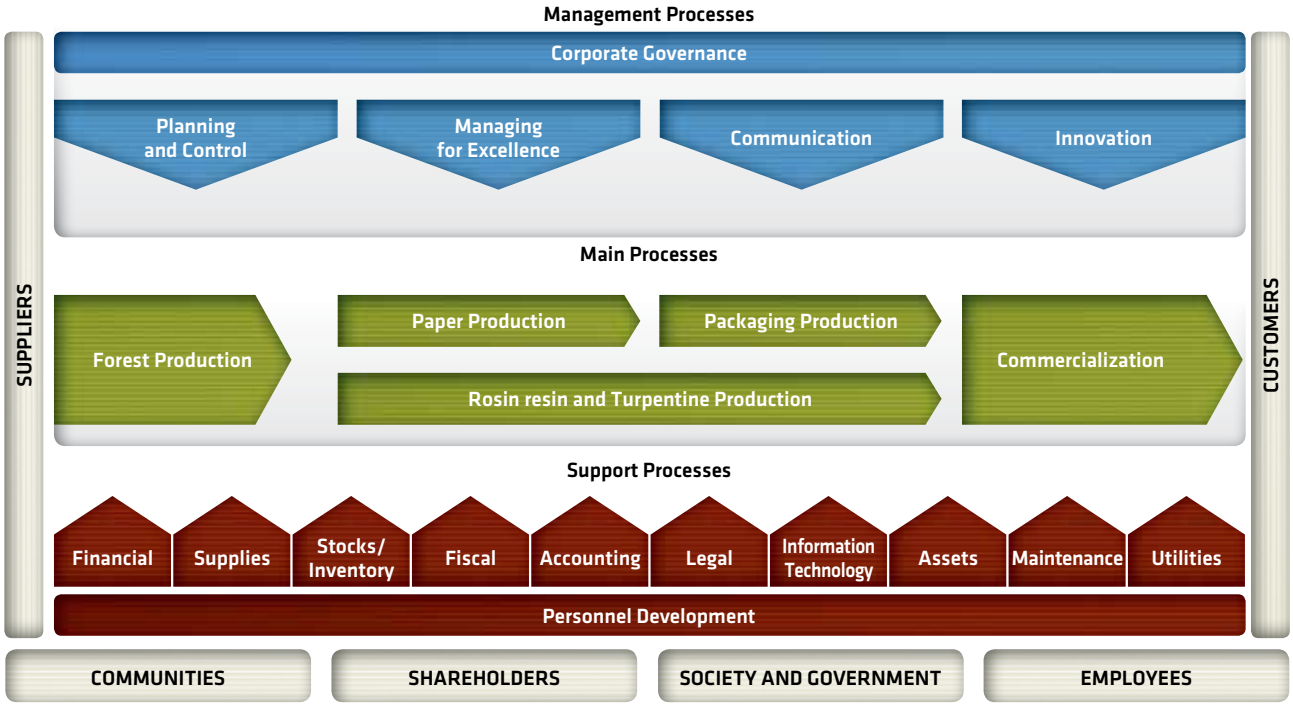
Unfavorable weather conditions were one of the risks assessed by the methodology that can lead to impacts such as financial losses and delays in the production cycle, The assessment of this at a moderate level, is classified as operational, and one of the risk factors is global warming.

Ethical issues are also considered by the risk management methodology. A case of compliance with these frauds would cause financial losses and damage to the image, presenting as risk factors corruption, extortion and inadequate formal procedures to conduct investigations.

Corporate risks will be reassessed, at least, with every revision of the Strategic Planning, which will occur in 2014.

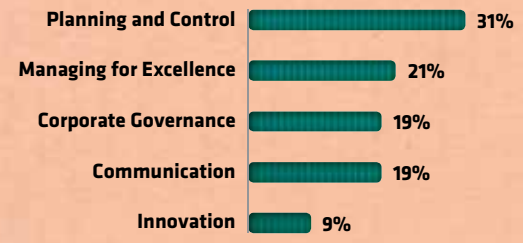
Risk management processes that was initiated in 2012 was continued in 2013, through the identification of the risks of the management, production, marketing and support activities. Based on this structure, vulnerability in the processes through the qualitative impact assessment of the risk and the calculation of the probability of their occurrence, considering the level of implementation of the controls was diagnosed.

Map of Celulose IRANI Processes

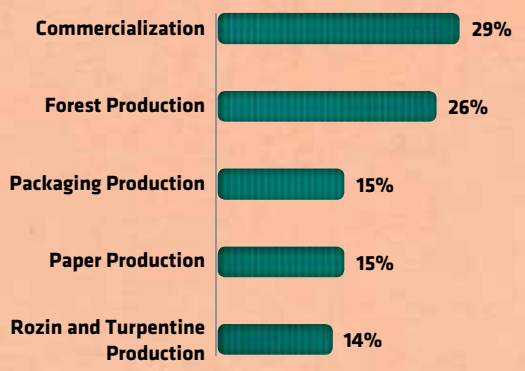


Identifies the representativeness of the quantity of risk management processes, principal ad supporting, as shown below:

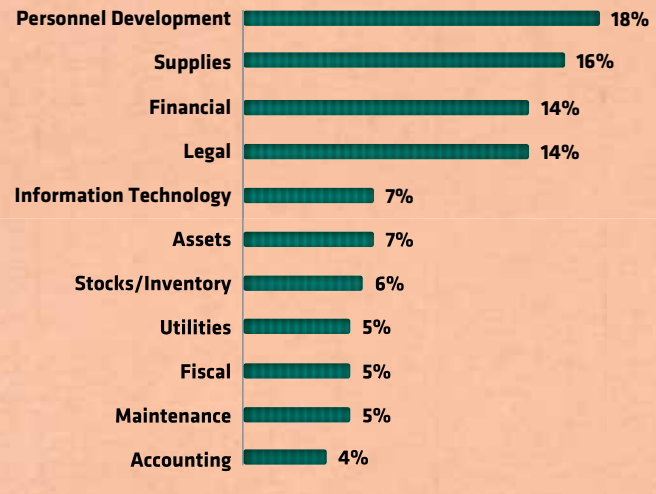
Process Management



Key Processes



Support processes



For the Planning of responses to risks, we adopted the periodic monitoring model of risk management, evaluating the effectiveness of established objectives and identifying possible needs for process improvements. This offers a cyclical and dynamic monitoring, which enables a proactive approach toward any new risks, any change in the potential of existing risks or in response to a specific fact. The risk management results are given to the Board for approval.

Methodology for Risk Management in IRANI

Sustainability Committee

The pursuit of high standards of governance based on transparency and ethics with the stakeholders is part of the mission of this committee which consists of seven employees representing different areas. It also encourages the promotion of innovative and everyday activities for the development of the company in an economically viable, environmentally correct and socially just way.

The main achievements in 2013 were the promotion of two workshops on sustainability reporting with suppliers in partnership with GRI through the Tell or Explain (Relate or Explique) initiative. The event included the participation of 131 people. Also carried out was a campaign allusive to Arbor Day, where 1,860 liters of used cooking oil were collected and 1,300 tree seedlings were distributed.

Ethics and integrity

In 2013, there were no lawsuits filed due to actions characterized as practices of unfair competition, anti-trust and monopoly. Ethics and integrity are part of the IRANI values, whose work is guided by transparency and a code of ethics that guides its relationships. In the company culture, the rejection of acts of corruption and/or extortion, which can cause, among others, financial losses and damage to its image in the area where it operates.

The revision in the structure of the ethics committee was in 2013 with the selection of new members for its composition that came to be appointed by the Executive Board. Its function is to monitor compliance with ethical commitments, examine cases of violation of the Code of Ethics and issue guidance and opinion to the Board. The revision of this document will provided for the assessment and validation of the Board and the Board of Directors in 2014. The challenge is to disseminate information in all units and subsidiaries, taking the opportunity to reinforce commitments with the adherence to Global Pacts and Business Pacts for Integrity and Against Corruption.

An electronic form is available on the IRANI website to receive internal and/or external manifestations. Confidentiality is respected and ascertainment of cases is treated in a confidential way.

The Code of Ethics, including the means of communication available to make a manifestation, is available to all interested parties on the *site* http://www.irani.com.br/en/info/ethical-guidelines.

Business

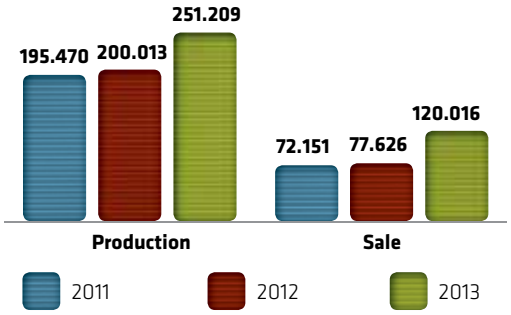
The commitment to sustainability and building ethical and transparent relations govern the business. The performance of IRANI is differentiated and focused on developing innovative solutions, reduction of raw material and process optimization.

Paper

The Group manufactures packaging paper from 30 to 200 g/m² in the following lines: FineKraft, FlatKraft, FlashKraft, FlexiKraft, and EnveloKraft and BagKfrat suitable for flexible packaging and Kraftliner, TestLiner, Cores and Recycled for rigid packaging.

The use of certified and controlled raw materials in the manufacturing process has given the plant located in Vargem Bonita (SC) the Chain of Custody – FSC certification.

Total production and sale of paper (in tons)



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

According to the Brazilian Association of Pulp and Paper (BRACELPA), the market share in 2013, considering the production of packaging paper, was 4.68%.

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

The paper produced with 100% virgin fiber meets the requirements of ISEGA, the ANVISA analysis of Ordinance no. 177/99 and the RoHS Directive, and are suitable for direct contact with food. Recycled paper is produced from wooden chips .

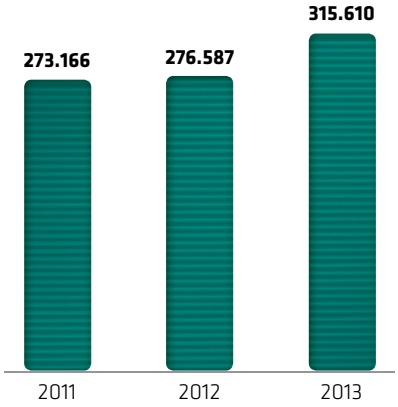
Information relating to the content, including substances that may generate environmental impacts, as well as instructions for the safe use and forms of disposal are part of the labeling of IRANI papers.

Packaging

The technologies used in the paper that is used for the production of corrugated boxes and sheets provides products with lighter weights and greater resistance. The Company also produces the Hard System that allows large sizes of packages with a high mechanical strength.

The production is located in IRANI located in Vargem Bonita (SC), Indaiatuba (SP) and in the Sao Roberto subsidiary. The units are certified with the FSC Chain of Custody. In accordance with the requirements is the monitoring from the forest to the marketed product.

Growth of packaging sales (thousand m²)



Note: Data for 2013 considers the IRANI packaging units in the period and the Sao Roberto subsidiary from October.

The packaging serves the food market such as oils and fats, meat, dairy, fast food, pastas and biscuits. It also sells to the beverage, plastics, rubber, textiles, leather, footwear, clothing, pharmaceuticals, perfumery and chemical industries. It also has a share in the sheets market that are sold to independent converters.

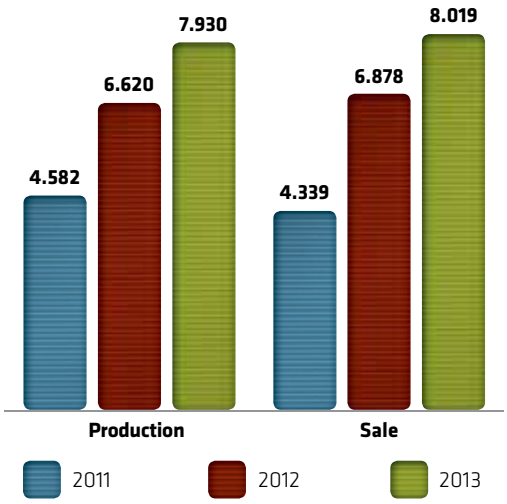
The IRANI market share, measured in square meters of corrugated board, was recorded to be 85% according to the Brazilian Association of Corrugated Cardboard (ABPO).

Packaging Production - Indaiatuba Unit (SP)

Resins

From the natural extraction of Pinus according to environmental management standards, the Company produces rosin resin and turpentine, raw materials with a great versatility of applications in products such as varnishes, paints, adhesives and enamels. This is located in Balneário Pinhal(RS). In 2013, the Company was granted the ISO 9001:2008 certificate. In that same year, the Company became the first producer of rosin resin and turpentine in the world to receive a recommendation for certification from the FSC Chain of Custody.

Production and total sales of paper (in tons)



In 2013, IRANI was the first Company producing rosin resin and turpentine in the world to receive the recommendation for the FSC Chain of Custody certification.

Forestry

In Santa Catarina, the business focuses on the assurance of the timber supply, making the production process of paper at competitive costs, with quality of fiber and operational safety. Through the management of pine and eucalyptus forests, the Company seeks to supply the production process of industrial units for Paper and Packaging and the production of energy from biomass. It also operates in the timber trade in the regional market through the transactions relating to buying and selling.

In Rio Grande do Sul, investments in the forest-based business and assets of the Company is the primary goal. The management of pine forests supplies of the industrial unit with resins for the production of rosin resins and turpentine. The other part is supplied with resin from the regional market. The Company purchases wood for energy production and sale of small logs and logs in the market.

In 2013, a platform with several strategic lines of research was created. In Santa Catarina, opportunities for specific lines of energy yield and fiber quality were sought. In Rio Grande do Sul, the specifics are related to the development of new products. Some topics are common to forestry areas in both states such as forest productivity, genetic improvements, improvement of techniques and forestry operations and biodiversity.

In Santa Catarina and Rio Grande do Sul the Company has forests that are certified by FSC ® The correct management of planted forests contributes to the preservation of native forests and the maintenance of local biodiversity.

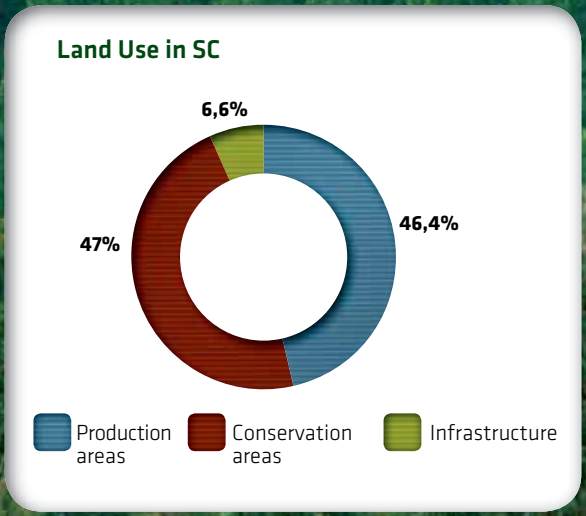
Forestry areas in Santa Catarina

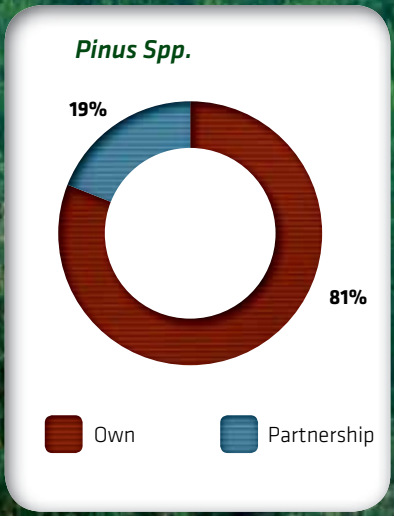
Part of the property is adjacent to or is partially inside the Araucárias National Park (PARNA), a federal conservation unit that was created in 2005 by a federal decree. IRANI is part of the Advisory Board of the location and helped with the preparation of its Management Plan.

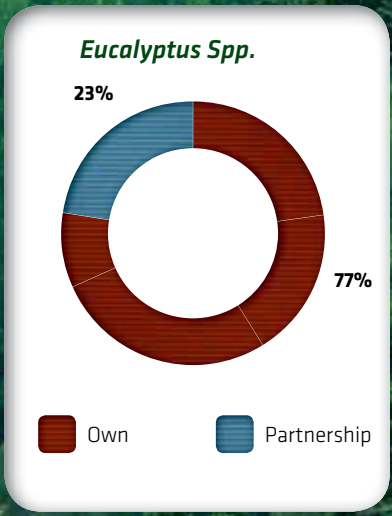
For 2014, we intend to perform the removal of exotic vegetation that is in an IRANI uncompensated area and Buffer Zone (ZA). A request for direct authorization to the ICMBio for carrying out direct forestry operations in these areas and the mitigation of potential impacts will be prompted, always respecting the criteria set forth in the PARNA Management Plan.

By 2013, about 60% of the wood used for pulp production was from the Company´s own planted areas. In 2014, that percentage should increase to 80%, allowing for a reduction in the cost of the timber and expected quality gains in the pulp manufacturing process causing an increased stability of the raw material. The main impacts of this change are related to the adequacy of processes and the better use of the own wood as a function of forestry management, harvesting and transportation efficiency.

With this change, it is expected that there will be an increase in the percentage of FSC certified timber from the forestry areas located in Santa Catarina for pulp production. By 2013, this percentage was about 85%







and, for 2014, it is expected to be above 95%. The remainder is considered as raw material from a controlled source and are evaluated by the compliance to the corporate buying wood policy relating to, origin and environmental requirements.

The generation of income to surrounding communities is encouraged by the Forestry Partnerships Program. In 2013, the search for new partners was resumed and new contracts were signed, totaling a planted area of approximately 168 ha. In 2014, there is an intention to establish new contracts.

The asset management is performed based on the continuous updating of land use in a Geographic Information System (GIS). This type of tool allows the coupling of a vector base to a database that contains the information of the entire forest registry. Besides the registry base, forest growth is continuously monitored based on the forestry inventory data and mathematical models of growth, which indicate the productivity and mortality in stands by species and location. To improve these estimates, IRANI signed an agreement with the Forest Research Center (CEPEF), which in addition to the findings on forest productivity, work with the Company in monitoring project watersheds, an important environmental control developed by IRANI.

A Fire Brigade is responsible for controlling and fighting fires in IRANI areas, providing support in case of accidents in partner or neighboring properties. For this purpose, it has a firefighter truck, a tower for monitoring the forest, and other appropriate equipment to assist in these procedures. In 2013, R$ 10,200.00 was transferred to the Irani (SC) Volunteer Fire Department in the form of an agreement to support the Company in case of incidents, training and educational activities.

Aiming to meet the standards for the FSC Forest Management certification, a questionnaire was sent to key stakeholders about the definition of the areas mapped as High Conservation Value Forests, which have features such as: significant concentration values for biodiversity; extensive areas with populations of species and natural areas within rare, threatened or endangered ecosystems.

The Company has, since 2003, two processes underway in the Federal Court relating to events that occurred more than a decade ago: a civil action and a criminal action. Both are to indicate the occurrence of alleged environmental damage. In 2013, IRANI was acquitted in the criminal action and formalized an agreement in a Public Civil Action. The agreement was signed with the purpose of terminating the process, since studies have indicated that the area involved in the subject of the action is an example of forest conservation with high environmental richness.

IRANI and its subsidiary Iraflor Comércio de Madeiras Ltda. signed a Terms for the Adjustment of Conduct (TAC) in 2011, because of the planting of exotic species in permanent preservation areas. The companies have committed to undertake the recovery of these areas, supporting the environmental suitability of the property maintaining forest partnerships and initiating the creation of a Private Natural Heritage Reserve (PRNP). The obligations assumed by the TAC have been fulfilled within the time limits set out in that document. The area proposed for the PRNP has 285 hectares of preserved native forest and is located in Vargem Bonita (SC), in the Fazenda Campina da Alegria. The approval process is in progress in the environmental agency. In this space, besides the conservation of biodiversity, environmental research and education activities will be carried out.

In 2012, IRANI received 10 labor fines referring to forestry service providers in Santa Catarina. These were issued in the name of IRANI due to labor inspections in this state that understands that these activities should use IRANI labor and not be outsourced. The Company appealed the decisions issued by the Ministry of Labor and Employment (DRT-SC), but the court upheld its decision. Understanding that outsourcing of forestry activities is legal, the Company elected to make payment of fines that totaled the amount of R$ 238,087.16 since this does not imply recognition of the alleged irregularities pointed out by the MTE.

Despite knowing the legality of the Service in 2013, the Company conducted a study that based its decision to prioritize forestry activities, concluding that its own management enable could obtain increased productivity, modernization and standardization in the implementation of the operations. In early December 2013, the Company informed the service providers about its decision allowing them the organization to terminate the contract. Since February 2014, the activities of nursery, forestry and surveillance became The Company´s in SC and RS, keeping outsourced jobs mechanized for tillage, maintenance of roads and logging.

EXCLUSIVE *ONLINE* CONTENT

Monitoring of the fauna and flora

The research to monitor the local flora and the planted forests are aimed at improving practices and management methods as well as the identification and definition of environmental indicators.

In the flora and fauna studies that have been made in the IRANI areas Santa Catarina, identified 125 plant species, five of which are on the IBAMA list of endangered species, which are: Araucaria angustifolia (Parana pine), Ocotea porosa (Brazilian walnut), Dicksonia sellowiana (Tree Fern), Butia eriospatha (Wooly Jelly Palm) and Quillaja brasiliensis(Soap tree). Similarly, the 2011 fauna study, identified three species that are classified as vulnerable on the IBAMA list these are, the Puma concolor (Cougar), the Leopardus pardalis (Ocelot) and Leopardus spp.,and five other species are considered as threatened species.

In 2013, IRANI joined the NGO Espaço Silvestre-Instituto Carijós, supporting a project that aims to reintroduce the purple breasted Puffin in the Araucaria National Park (PARNA) and the socioeconomic development of communities surrounding the park. The IRANI Forest Guards assist in sighting of parrots that have a radio collar for monitoring those that inhabit the forest areas of the Park and its surroundings, in areas where IRANI has a direct confrontation.

It also supports other projects nature conservation projects in the state of Santa Catarina. Examples of projects are the monitoring of Wild Boars and the Capuchin Monkey, the latter in partnership with Embrapa. Moreover, IRANI also supports research projects in partnership with universities to conduct the completion and the Master's and Doctoral Theses.

In 2013, it completed the mapping of soil properties with the purpose of improving the handling and give the correct direction for the genetic material used, seeking the greater productivity and better use of resources.

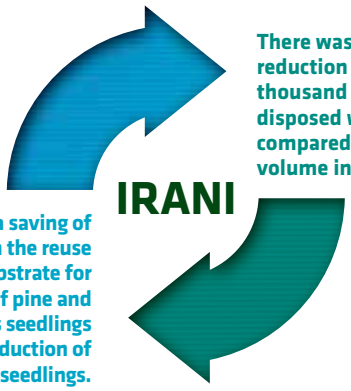
In 2013 it implemented, the genetic improvement project of Eucalyptus for the purpose of selecting superior quality genetic material and to meet the energy demand from the biomass productivity of the Company. The genetic improvement of Pinus project is expected to start in 2014, in partnership with Embrapa Forestry, that aims to map the material used by IRANI, develop the classical genetic improvement and the creation of its own Seed Production Areas (SPA).

In 2013, it established a partnership with the Federal University of Santa Maria (UFSM) for the development of the mapping of the wood quality of the wood used by IRANI. We seek to contribute to the integration of forestry and industrial operations, with the analysis of the processes used in the production of wood, pulp and power generation, identifying opportunities and defining actions for continuous improvement and maintenance of processes, stability, and innovation and/or the technology upgrade.

Forestry nursery

The production capacity of the IRANI forestry nursery is about 6 million seedlings per year. In 2013, 2,547,961 seedlings of Pinus spp were produced. and 633,299 seedlings of Eucalyptus spp.

In the same year, approximately 10,800 units of native seedlings were produced at the native seedlings forestry nursery. Of these, more than 2.400 were Araucaria and Imbuia, endangered species. To encourage the recovery of areas and environmental education, Irani made a donation of over 11,000 native seedlings and the planting of over 2,550 for the recovery and enrichment of Permanent Preservation Areas.



There was a reduction of 22 thousand liters of disposed waste compared to the volume in 2012.

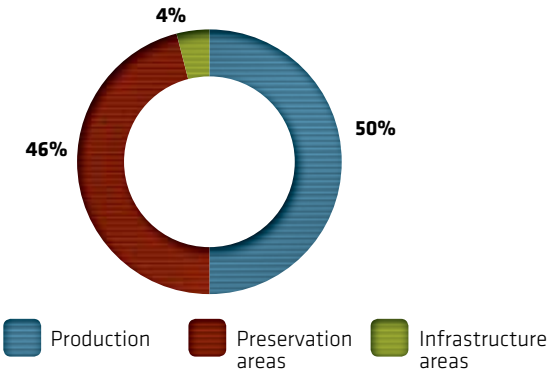
There was a saving of R$ 3,500 from the reuse of the actual substrate for the production of pine and eucalyptus seedlings for the production of native seedlings.

The Public Summary of the Forest Stewardship Plan contains information about the activities of the IRANI forest and is available at the *link* **http://www.irani.com.br/en/info/forest.**

Forestry areas in Rio Grande do Sul

Forestry operations are interspersed with areas of permanent preservation and native vegetation in environments characterized by the formation of dunes and salt marshes near the coastal environments. The Company´s own forestry areas comprise a total of 16.597 hectares, distributed across five municipal areas. Awaiting review and approval of the State Department of Forests and Protected Areas (DEFAP) regarding the definition of Legal Reserve areas.

Land use in Rio Grande do Sul



EXCLUSIVE *ONLINE* CONTENT

Monitoring of the fauna and flora in Rio Grande do Sul

In 2013, two years of monitoring wildlife in forest farms were completed in Rio Grande do Sul The campaigns were carried out at quarterly intervals, covering all seasons of the year in order to obtain a significant sampling of the fauna. The wild bird species were the most significant group of wild animals with 98 species recorded, distributed in 38 families. Medium and large mammals such as the tuco-tuco as the capybara were identified from remains and the Pampas fox and the Brown Hare from photographic records. Furthermore, eight species of amphibians, and nine species of reptiles have been identified.

In 2013, we started monitoring the flora aimed at initial characterization of floristic formation in preserved areas, the basis for further studies. Two areas of high conservation value were determined: one in Cidreira (RS) and another in São José do Norte (RS).

The Cidreira area has a Salazar bathed spring and displays ecosystems near to and next to each other, including, pioneer formations of marine influence denominated coastal salt marshes. In this area there are copies of the Ficus organensis, at an advanced age forming galleries forests that house specimens of species representing families of the Bromeliaceae and Orchidaceae . Among the ecosystems that are members of the groups of this landscape, is a spring that supplies an area of bathed cord leading to lakes in the region. These lakes, in turn, have a watershed, a source of water for the community.

The area of São José do Norte (RS), known as Bojuru, is situated on the shores of the Paura Lake, separated from the sea by a line of dunes. On site is a gallery forest with characteristic species of dense tropical rain forest formed by the Coussapa microcarpa, Scutia bruxifolia,Sebastiania commersoniana, Psidium araca, Londina rhombifolia, Myrsine umbellata, which harbor species of orchids and bromeliads. The Cereus spp. also occur fairly frequently, and large individuals, showing their old age, were found. Surrounding this gallery forests were dunes and coastal fields. Both areas have species that are immune to cutting Erythrina cristagalli and Ficus organensis , besides related species that are on the list of endangered species.

EXCLUSIVE *ONLINE* CONTENT

Environmental investments with a forestry focus

Type	Action/Design	Environmental Benefits	Investiments
Environmental Training	FSC Forest Certification Training	Resource capacity team building and awareness of the environmental benefits of the FSC forest management standard.	R$ 2.850,00
Forestry Certification	Survey and audit for FSC recertification	Adapting international sustainability, standards, viability and certification of management actions for the conservation and sustainability of the forestry business.	R$ 84.100,00
RPPN Creation	Process of creating a RPPN	Biodiversity conservation and environmental education.	R$ 6.434,48
Disposal of Solid Waste.	Transfer Plastics Waste and Resin to the Landfill.	Correct Disposal of Solid Waste Generated by Forest Activities for the Correctly Licensed Landfill.	R$ 40.000,00
Licensing and environmental adaptations	Environmental permits	Environmental regulation of the property together with regulatory agencies.	R$ 66.371,51
Environmental monitoring	Hiring a service provider	Leveling and updating of environmental laws with forestry operations.	R$ 13.177,70
Environmental Research	Biodiversity monitoring	Knowledge of the dynamics of dispersal and management of Pinuscomo forests tool for mitigating actions.	R$ 16.853,94
	Monitoring and research with capuchin monkeys in commercial and conservation forests	Understanding the dynamics and behavior of primate species to provide the proper management of the native and commercial flora, as well as the local fauna.	R$ 20.900,00
	Monitoring of the Fauna	Qualitative and quantitative monitoring of the existing fauna in the tree nurseries of the Company during the seasons of the year.	R$ 91.104,00
	Classification AAVC	Study for the characterization and classification of the High Conservation Value areas of the Company.	R$ 15.300,00
	Study of the Flora	Phytosociological survey of Natural Areas Located in tree nurseries of the Company.	R$ 10.000,00
Environmental Recovery	Removal of exotic species, marking, planting and the regeneration in APPs	Maintenance and preservation of biodiversity along with fitness for environmental restrictions.	R$ 18.627,75
	Removal and regeneration in natural areas	Removal of the regeneration of Pinus in APP´s, natural areas and bordering areas.	R$ 10.053,00
		TOTAL	**R$ 395.772,38**

Iraflor Comércio de Madeiras Ltda.

Operates in the administration and marketing of timber and plantation forests for IRANI and for the market.

Habitasul Florestal

Performs exclusively in Rio Grande do Sul, the extraction and marketing of pine woods. It is a supplier of raw resins to IRANI.

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

In 2013, a partnership was signed to the viability of the Parque Eólico Pinhal (Pine Wind Farm), located in the municipality of Palmares do Sul (RS), with an installed capacity of 22.0 MW. The Installation License and other requirements have been requested.

IRANI Sustainable Energy Generation Ltda. (IRANI – Geração de Energia Sustentável Ltda)

Created at the end of 2013, this aims to develop two wind energy projects, which together have an installed capacity of 138.60 MW.

- The agreement to enable the Cidreira Complex undertaking, located in Cidreira (RS) is still in progress. The project has an installed capacity of 67.2 MW and has the Preliminary License suspended because of a precautionary measure. There is also a civil action in progress;
- The Cidreira-Pinhal Complex, located in the municipalities of Cidreira and Balneário Pinhal (RS), has an installed capacity of 71.4 MW. The Fundação Estadual de Proteção Ambiental (Fepam) has not yet completed the analysis for issuing the Preliminary License.

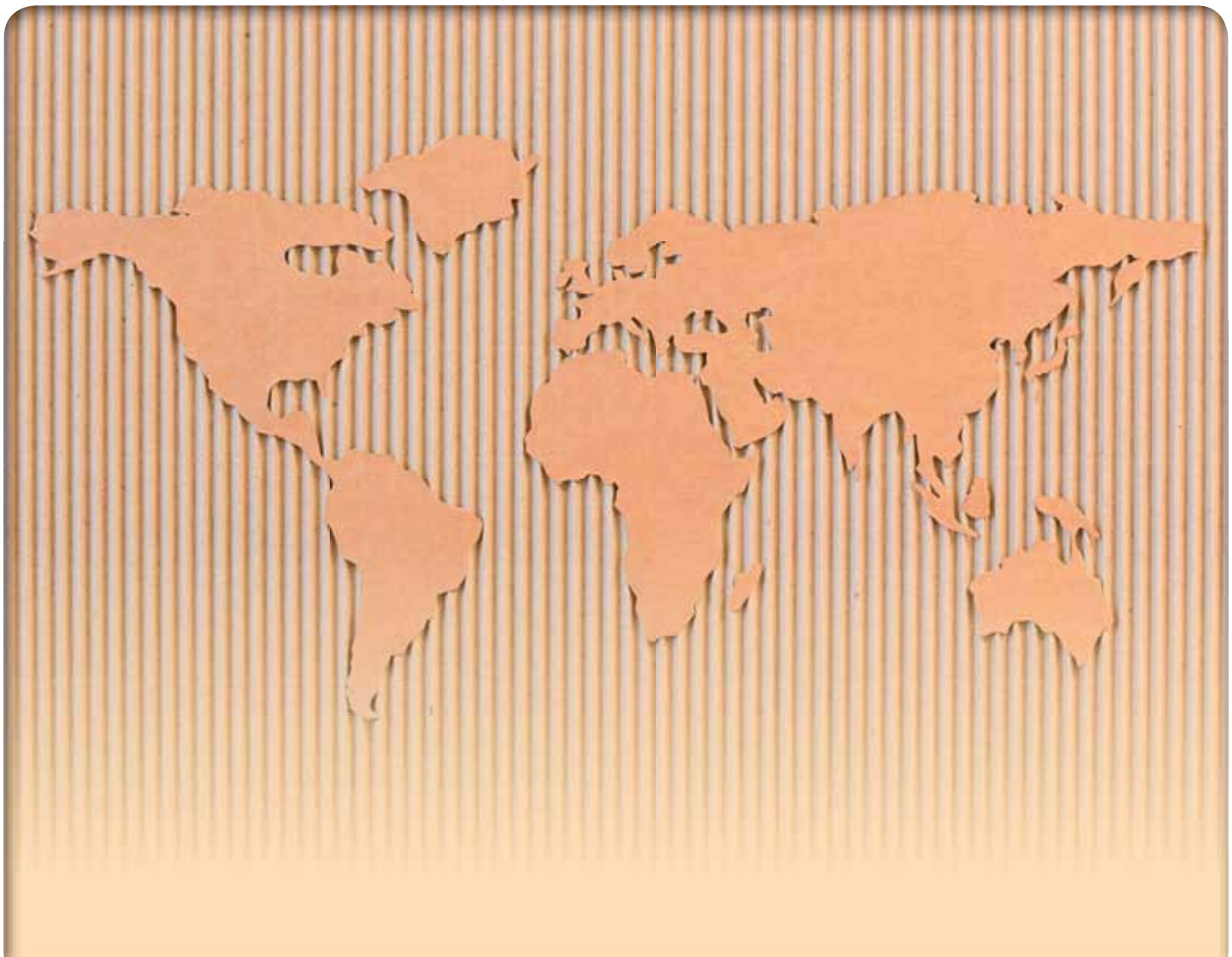
IRANI Trading S.A.

IRANI is the main customer of this subsidiary that exports, on their own or for third party´s goods, products and merchandise. It also has a real estate activity

Indústria de Papel e Papelão São Roberto S.A.

Headquartered in Sao Paulo, it is a traditional company in the corrugated packaging sector in the country that produces packing paper, boxes and corrugated board sheets. It develops products according to the needs of each client, studying the characteristics of their products, such as handling, stacking, transport and storage in order to give maximum strength and protection. Since October 2013 it became a part of the subsidiary group of companies of Celulose Irani SA.

Go to **http://www.irani.com.br/en/info/external-initiatives** to see the commitments to external initiatives



Major markets served

Paper

Foreign Markets

South Africa, Germany, Saudi Arabia, Argentina, Austria, Bolivia, Chile, Singapore, Colombia, United Arab Emirates, Netherlands, Israel, Jordan, Nigeria, Pakistan, Paraguay, Peru, Portugal, Taiwan, Trinidad and Tobago, Turkey, Uruguay and Venezuela.

Domestic Markets

Amazonas, Bahia, Ceará, Distrito Federal, Espírito Santo, Paraná, Pernambuco, Goiás, Minas Gerais, Rio de Janeiro, Rio Grande do Sul, Rondônia, Santa Catarina e São Paulo.

Packaging

Acre, Amazonas, Bahia, Ceara, Distrito Federal, Espirito Santo, Goias, Mato Grosso, Mato Grosso do Sul, Maranhão, Minas Gerais, Paraná, Pará, Pernambuco, Rio de Janeiro, Rio Grande do Norte, Rio Grande do Sul, Santa Catarina and Sao Paulo.

Resins

Foreign Markets

Canada, Chile, China, Spain, France, Holland, India, Japan and Portugal.

Domestic Markets

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

Corporate Governance

Governance Structure

The main governance bodies are the General Meeting of Shareholders, the Board of Directors and the Executive Board. The administration is conducted by the Board of Directors, who have deliberative functions, and the Executive Board, with executive and representative functions. The companies Habitasul Forestry SA and Irani Trading SA, controlled by Irani, have are separate Boards, each consisting of three members who are also part of the Celulose Irani SA. Board of Directors.

At the Extraordinary General Meeting held on October 16, 2013, the capital increase of the Company was approved in the amount of R$ 12,918,356.62 with the issue of 4,630,235 common shares. Accordingly, on December 31, 2013, the Company's share capital, subscribed and paid was R$ 116,894,847.81, consisting of 166,720,235 shares, of which 92% (153 909 975) were ordinary shares, entitled to vote and 8% (12,810,260) preferred shares without voting rights. Preferred shares are entitled to dividends on an equal basis with ordinary shares and have priority in the payment of capital, without premium, at the equity value in the event of liquidation of the Company, the refund is assured to the majority shareholders to receive 100% of the paid up values in the case of transfer of control (tag along).

IRANI adopts corporate governance that is guided by its values and committed to the best practices in the market, offering transparency in the relationship with shareholders and other stakeholders.

	2011	2012	2013
Number of members of the Board of Directors	7	5	5
Non-executive Directors	5	4	4

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

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

Information regarding executive renumeration and those responsible for the governance and how this compensation is related to performance in the short, medium and long term is disclosed in the Reference Form, available on the Investor Relations site (www.irani.com.br/en/ri/home/index), at the *link* Financial Information/CVM Archives on the Securities Commission (CVM) website.

EXCLUSIVE *ONLINE* CONTENT

The structure of Corporate Governance encompasses the General Meeting of Shareholders, the Board of Directors and the Executive Board who all act in unison in the pursuit of results and sustainability in business. The Company does not currently have a functioning Audit Committee or advisory committees to the Board.

The implementation of decisions is the responsibility of each director and their teams through projects, budget reviews, prioritisation of needs and the implementation of controls and organizational modifications. Process management for sustainability is the responsibility of management of the Management for Excellence, which reports to the Superintendent of Strategy and Management. This, in turn, reports to the Chief Executive Officer of IRANI.

Corporate Office – São Roberto (SP)

General Assembly

The supreme body of the Company is the General Assembly, which gathers its shareholders and meets in ordinary or special meetings, upon call, as provided in the Corporations Act and the Company's Bylaws.

The Annual General Meeting is held in the first quarter of each year for the analysis, discussion and voting on the financial statements presented by the directors, decision on the allocation of net income from the period, dividends and the election of members of the Board of Directors. The meetings are always held at the company headquarters and the Call Notice contains a description of all issues to be addressed and the necessary procedures for shareholders wishing to be represented at the Meetings. According to current law, the Management Proposal containing information about the subjects that will be brought to vote are always available.

The Extraordinary General Meeting shall be held when called to consider relevant materials that are not the competence of the Annual General Meeting, and also will be made available, according to current law, the Management Proposal containing information about the subjects that will be brought to a vote.

Board of Directors

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

Elected by the General Assembly for a term of 2 years with the possibility to be re-elected, the Board consists of five members, one independent, with representation from shareholders. Women and/or other minorities are not represented on the Board.

> **Péricles de Freitas Druck** – President;
> **Eurito de Freitas Druck** – Vice president;
> **Paulo Sérgio Viana Mallmann** – Director;
> **Péricles Pereira Druck** – Director.
> **Paulo Rabello de Castro** – Independent Director.

Since April 2012, the Chairman of the Board no longer has the position of Managing Director and since then, does not exercise executive functions in the Company. Similarly, the composition of the Board includes the participation of an Independent Director. This enhancement in terms of management demonstrates a constant search for adherence to best corporate governance practices in the Company.

In the selection and appointment of members to the Board of Directors, the participation of at least 20% independent directors, is taken into account, as provided in the Bylaws. There is the participation of stakeholders (shareholders belonging to the controlling block) and are taken into account knowledge related to economic, environmental and social aspects, according to the area of expertise of each Board member.

The Reference Form makes public information regarding conflicts of interest such as the cross-participation in management bodies, cross share holding control with suppliers and other stakeholders; existence of major shareholder and dissemination of information on related parties. In this form information is provided on relevant shareholding (greater than 5%) to the individual and there is no existing shareholders agreement. Transactions between the Company and its related parties are all based on existing business operations that are in practice and use market values. It has no formal rule or policy for these transactions, following the rules and laws applicable to each subject. All operations are regularly evaluated by the management, it is recognized and widely disclosed in the financial statements (quarterly and annual) and in the Reference Form of the Company.

The Board of Directors is responsible for the validation of the Company's Code of Ethics, which prohibits conflicts of interest. Conduct that is in disagreement with this Code will be subject to disciplinary action, according to the employment contract, the Rules of the Company and based on civil or criminal labor law.

The measures taken to develop and enhance the knowledge of the highest governance body on topics related to sustainability, mainly involves the continuous participation in external events, conferences, lectures, class associations and Representative entities.

The Company does not have a structured process for determining a sustainability and self-assessment qualification for the highest governance body.

The Board of Directors performs the management of inherent risks in decision making. Currently, the diagnosis, management and approval of the Company's risk tolerance strategy has the participation of the Executive Board and CEO, who are part of the IRANI Board of Directors. The formal involvement of other Board members is expected to occur after the construction of the new cycle of strategic planning of the Company in 2014.

The process used to communicate critical concerns to the highest governance body, is performed by the Executive Board and the consolidated figure of the CEO, who directs the discussions and decisions, Monthly, attending the ordinary meetings of the Board. There is no formal survey of the nature and the number of critical concerns brought to the Board of Directors.

The Corporate Disclosure Policy and Use of Information and Trading of Securities, approved by the Board of Directors and disclosed under current legislation seek to ensure fairness, transparency and immediate dissemination of information to all interested parties without any public privileges. These cover issues such as the disclosure of decisions of the controlling shareholder, resolutions of the General Assembly or the management bodies and the restrictions on trading with the Company's securities during certain periods, among other issues considered relevant.

Statutory Board

The Executive Board shall meet, ordinarily, to face every month way, and by videoconference when necessary, it is their competence to make decisions related to economic, environmental and social aspects and the practice of all acts necessary for regular operation the Company which are not within the competence of the General Meeting or the Board of Directors, in accordance with the duties set out in Article 14 of the Bylaws of the Company. The members are elected by the Board for a term of two years, with reelection permitted. The Board, will complete the current administration in May 2015, and it is composed of the following members:

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

Remuneration of the Board of Directors and the Statutory Board

IRANI adopts a remuneration policy that establishes guidelines to be observed as to the compensation of key management personnel, composed of members of the Board of Directors and Executive Officers. The global remuneration of the management is set annually by the Annual General Meeting, and consists of: i) fixed fees and benefits and ii) short term variable remuneration linked to the goals to be achieved.

The practice of remuneration of directors of the Company seeks to:

i) align the interests of managers with those of shareholders;

ii) direct the behavior and encourage the short and long-term vision of the directors;

iii) encourage a sense of ownership and commitment;

iv) attract, retain and motivate the directors.

The remuneration of the Board of Directors and Executive Officers is based on three parts:

	Portion	Application
A	Fixed fees	All directors and directors
	Benefits	President and Vice President of the Board of Directors and directors
B	Short-term variable compensation (Quarterly bonus)	President and Vice President of the Board of Directors and directors
C	Long-term variable remuneration (Upside and/or profit sharing scheme)	All members of the Board of Directors and Statutory Board

Each renumeration element fulfills the short, medium and long-term role. As there is a strong relation with the results, the Company ensures coherent compensation, without affecting any other investments.

- **Fixed compensation:** base salary (Board of Directors and Executive Directors). Purpose: To recognize and reflect the value of the position internal (Company) and external (market);

- **Benefits:** Health Insurance, Dental Plan, Life Insurance and Car (executive board and CEO and vice president of the Board) Objective: Complement social assistance benefits;

- **Short Term Incentives:** Quarterly Bonus (executive board and CEO and vice president of the board). Purpose: To reward the reach and exceed targets related to the financial performance of the company, individual areas, aligned to the budget, strategic planning and competition;

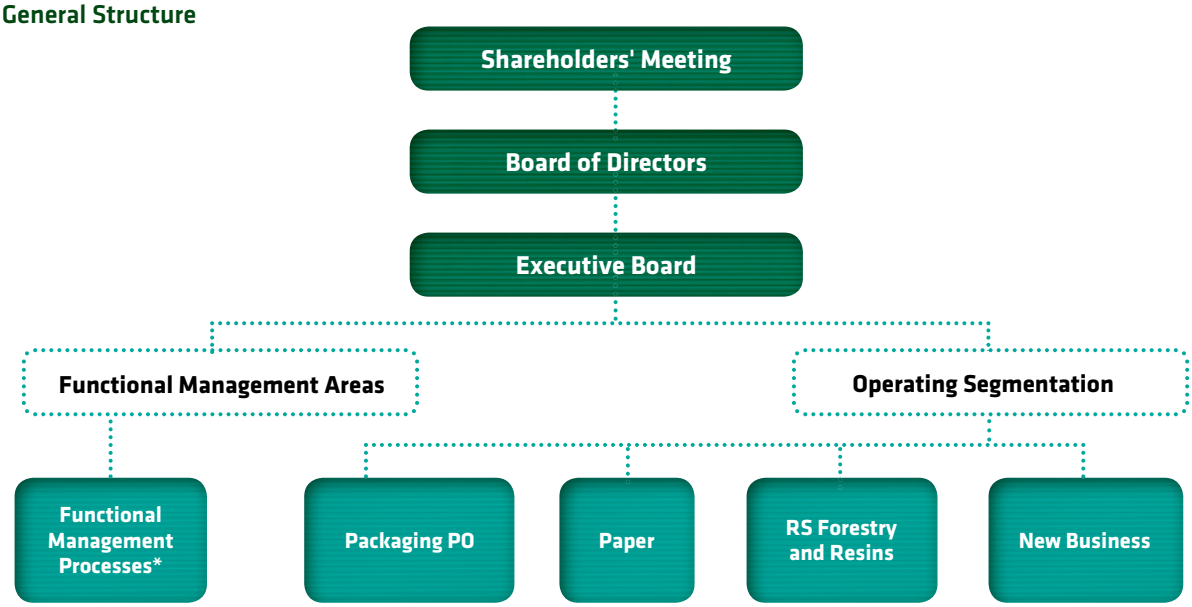
- **Long-Term Incentives:** Upside Program, which has the premise the theoretical value of the shares in the year of its implementation and planned future, and that gives each participant a fee based on the theoretical number of shares, and should take payment in cash on the verification date; and/or a Share in the Expected Statutory Profit (executive officers and members of the board). Objective: To enhance the retention of executives and directors and align interests with those of shareholders to create value for the business in a sustainable manner in the long term

The expenses with management fees, without payroll taxes totaled R$ 8.175 thousand in the fiscal year of 2013 (R$ 6.954 on Dec 31, 2012). The total remuneration of directors was approved by the Ordinay General Assembly held on April 29, 2013 in the maximum value of R$ 10,000 thousand.

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

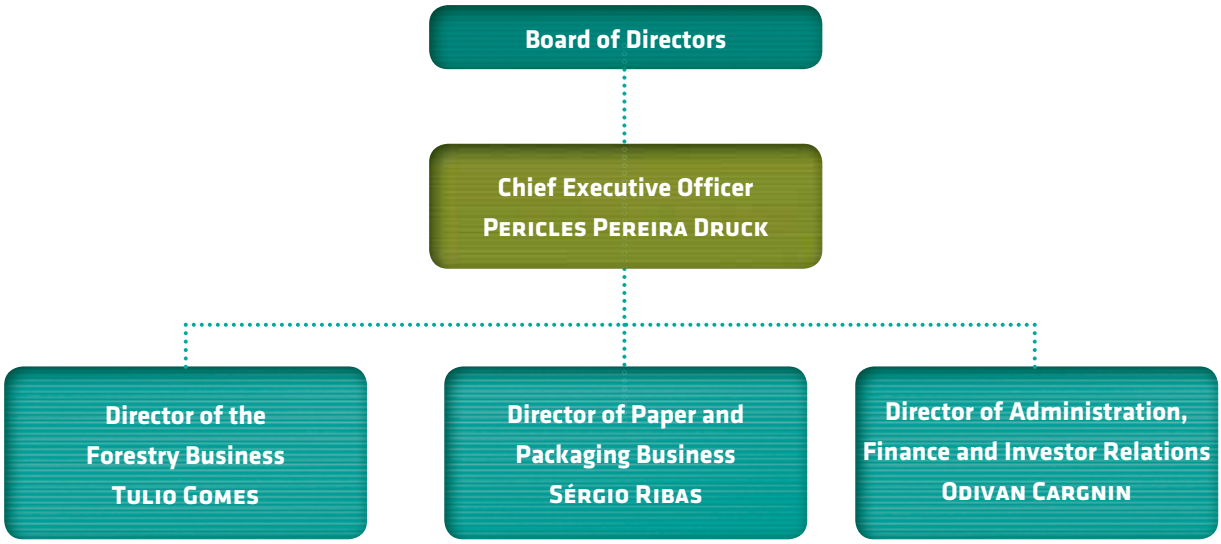
To send suggestions, questions, recommendations, or request more information visit the Investor Relations site (www.irani.com.br/en/ri/home/index), use the contact link> Fale Conosco. If you prefer to speak directly with the Director of Investor Relations his e-mail is available in the Investor Shareholder Services link.

General Structure



* Finance, Accounting, IT, Procurement, Personnel Development, Communication, Control, Market Intelligence, Innovation, Legal, Managing for Excellence, Strategic Projects, Project Management Office, Risk Management, Continuous Improvement, Investor Relations and Institutional Affairs.

Chart



Relationships

Shareholders

Celulose Irani belongs to the traditional segment of the BM & FBOVESPA, with shares listed under the RANI3 (Ordinary) and RANI4 (Preferred) codes.

The percentage of the capital stock in circulation (free float) was 9%, and Habitasul Group, Controller of the Company held 88% of the total capital of the company in December 2013.

Shareholding structure - 12/31/2013						
Shareholders	Shareholders	%	Preferential Shares	%	Total Shares	%
Controllers	138,898,087	90.24%	8,582,660	67.00%	147,480,747	88.46%
Treasury shares	24,000	0.02%	2,352,100	18.36%	2,376,100	1.43%
Shares of directors	1,444,923	0.94%	711,060	5.55%	2,155,983	1.29%
Shares in Circulation	13,542,965	8.80%	1,164,440	9.09%	14,707,405	8.82%
Total de ações	**153,909,975**	**100%**	**12,810,260**	**100%**	**166,720,235**	**100%**

Channels of communication

IRANI offers shareholders, investors and professionals in the capital market a site Investor Relations (www.irani.com.br/ri), available in Portuguese and English, with various contents that keeps the market informed of their activities and their results.

The Dialog with shareholders and potential investors also occurs through the following channels:

- Direct channel to the Director of Investor Relations and the Investor Relations team by e-mail ri@irani.com.br;
- There is a Contact Us Tool on the IR site;
- E-mail Alert;
- Disclosure of Annual Financial Statements and Quarterly Information (ITR);
- Ordinary and Extraordinary General Meetings, and
- Sustainability Report.

Distribution of dividends

Celulose Irani shall, in accordance with law, provide a minimum mandatory dividend payment of 25% of adjusted net income.

The Annual General Meeting held on April 16, 2014 approved the distribution of dividends for the financial year 2013, amounting to R$ 19,516 thousand, equivalent to R$ 0.118749 per ordinary and preferred share. Given the interim dividend approved by the Board of Directors on January 31, 2014 and distributed to shareholders on February 25, 2014 in the amount of R$ 17,000 thousand, corresponding to 0.103441 per share, leaving R$ 2.516 million, corresponding to R$ 0.015308 per share, which was distributed onMay 29, 22014. Income tax will not impact on these values.

Customers

Committed to sustainability and driven by the concept of customer focus, seeks to share their values and knowledge through stable trade policies, clear rules of trading and long-term commitments. Advocates transparency, ethics and open competition, not with accepting illicit attitudes in their operations. These factors have enabled the steady growth of IRANI in the market. In 2013, there was no record of fines for violation of the laws governing the market, including antitrust and unfair competition practices.

Customer focus also underlies the development projects of products covering all stages of the process, from the seed to the final product. Efforts are directed towards the development of inputs, raw materials and new lines of Kraft paper and recycled in the Paper Business while in the packaging business the focus is on reducing costs and seeking innovative packaging.

The development of innovative packaging seeks design proposals for reducing the area or the thickness of the packaging while maintaining or increasing the performance of the product. Observe a reduction of production costs and CO_2 emissions due to the logistics gains, and benefits in the storage of products. In the Packaging SC and Packaging SP units, the improvements are recorded and are the basis for the designation of projects and return through the use of the Lei do Bem (Good Law).

Preventive technical assistance and the development helps to anticipate needs and points to opportunities in the customers productions lines, creating value for its clients and IRANI. Several clients have received technical training conducted by IRANI. In 2013, in order to strengthen partnerships and provide a forum to exchange information and to find joint solutions, 23 training courses were offered by the Packaging SP team and nine by the Packaging SC team.

Since 2012, through a partnership between the Commercial areas and Sustainability area, IRANI developed the Sharing Value project with the aim of contributing to the growth of its customers, creating a competitive advantage through the dissemination of sustainability practices of the Company and its transparent management for customers to recognize them as a differential purchase. This project also encourages the use of Carbon Neutral and FSC seals. In 2013, 18 meetings were held with active and prospective clients, four of which resulted in the use of the recommended seals.

The 2nd R & D Workshop was held, which brought together employees, customers and university´s, for the presentation of research work carried out throughout the year, as well as projections for 2014.

Customer Satisfaction Survey

An annual achievement cycle, that assesses general aspects and specific topics related to business, research and development areas, logistics, financial, product and production planning and IRANI Onlinesoftware. The Resins business conducted a customer satisfaction survey for the first time in 2013.

Paper Customers	Resins Customers	Packaging Customers	São Roberto Customers
Customers surveyed **117**	Customers surveyeds **14**	Customers surveyed **432**	Customers surveyed **249**
Total Answers **82** (32 complete and 50 summarized)	Total Answers **14**	Total Answers **184** (44 complete and 140 summarized)	Total Answers **102** (30 complete and 72 summarized)

Average Satisfaction Index

	Domestic Resin Market	Foreign Resin Market	Domestic Paper Market	Foreign Paper Market	Packaging SP	Packaging SC	São Roberto
2011	–	–	4,3	4,4	4,2	4,1	–
2012	–	–	4,5	4,3	4,2	4,1	–
2013	3,6	4,4	4,5	4,3	4,2	4,2	3,8

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

Evaluated Items	Resins						Paper						Packaging						São Roberto		
	Domestic market			Foreign market			Domestic market			Foreign market			Packaging SC			Packaging SP					
	2011	2012	2013	2011	2012	2013	2011	2012	2013	2011	2012	2013	2011	2012	2013	2011	2012	2013	2011	2012	2013
Influence of sustainable actions in the purchase decision of the customer	–	–	4	–	–	4.5	4.1	4.4	4.4	4.5	4.2	4.2	3.7	4	3.9	3.9	3.9	3.8	–	–	–
Contribution to the business customer	–	–	4.7	–	–	4.5	4.3	4.6	4.6	4.3	4.2	4.1	4.1	4.3	4.2	4.1	4.1	4.1	–	–	3.8
Product quality (average indices)	–	–	3.7	–	–	4.8	4.5	4.7	4.6	4.7	4.8	4.6	4.2	4.2	4.2	4.4	4.3	4.4	–	–	4
Service quality (average indices)	–	–	3.3	–	–	4.6	4.3	4.5	4.5	4.4	4.3	4.3	4.1	4.1	4.3	4.2	4.3	4.3	–	–	3.8
If the customer indicates IRANI to other companies	–	–	4.3	–	–	4.6	4.6	4.6	4.8	4.4	4.2	4.3	4.6	4.6	4.5	4.3	4.4	4.5	–	–	4.2
If timely delivery is better than the competitors	–	–	3	–	–	4.3	4	4.2	4.1	4	4.2	4.1	3.6	3.6	3.9	4	4	4.2	–	–	3.7
If differential services are provided compared to those offered by competitors	–	–	3	–	–	4.4	4.2	4.3	4.3	4	4.1	4.1	3.8	3.7	3.9	4	3.9	4.2	–	–	3.6
If the cost-benefit of buying with IRANIi is the best in the market	–	–	3.3	–	–	4.2	4	4.2	4.1	4.2	4.2	4	3.4	3.4	3.4	3.3	3.5	3.4	–	–	3.2

Employees

For IRANI, a company is essentially formed by people and beliefes that it is possible to achieve excellence by investing in programs and activities that provide, a pleasant working environment, conditions that offer personal and professional development for its employees.

The labor relations are guided by the Universal Declaration of Human Rights, the International Labour Organisation (ILO) and the Consolidation of Labor Laws (CLT). Ensure decent working practices that respect the privacy and the diversity of employees, not allowing discriminatory attitudes or that may interfere with the freedom of association and collective bargaining agreements. The Code of Ethics, Corporate Social Responsibility Policy and joining the Global Compact and the Business Pact for Integrity and Against Corruption also underlie their relations.

In 2013, we performed a cycle of training on labor liabilities with the objective of disseminating knowledge related to laws governing labor relations, giving greater support to managers in conducting employer-employee relationships.

Employees Remuneration

Standards and existing laws are fully complied with by the IRANI salary structure and the benefits granted to its employees, it also considers as fundamental components in this context the valuing of people, the sense of justice, motivation and commitment. Periodically IRANI conducts salary surveys in order to adjust the compensation of employees to the market reality in which they live.

Proportionally, the highest paid individual in the organization receives 39.83 salaries higher than the average of other employees. To compile this data, the total annual remuneration the following composition was considered: base salary + 13° salary + vacation.

Considering the data from 2012 and 2013 and analyzing the percentage increase relative to the values practiced with the total compensation of the highest paid individual in the organization and the average increase in the average renumeration of employees, the highest paid individual received, proportionately, an increase of 21.37% above the others.

The average of the lowest remuneration offered is equivalent to 1.34 of the minimum wage in force in Brazil, on December 31, 2013. In the Corporate Unit, 2.56% of employees fall into this remuneration in relation to the total number of employees; in the Paper Mill in SC, they are 11.23%; in the MG Paper Mill they are 6.70%; Packaging in SC, they are 39.53%; Packaging in SP, 31.46%; and the Resins Division, 40.32%. In Habitasul Florestal they are 94.27% and 30.93% in Sao Roberto.

The following table shows the ratio of average wages paid to men and women.

	2011		2012		2013	
	Male	Mulher	Male	Mulher	Male	Mulher
Leadership	1	0.75	1	0.69	1	0.83
Administrative	1	0.82	1	0.84	1	0.80
Technicians	1	0.92	1	1	1	0.83
Operational posts	1	0.79	1	0.82	1	0.78

The commission responsible for defining the criteria of the Profit Sharing Plan (PPR) of each unit with the participation of representatives elected by the employees.

Variable remuneration (in thousand of reais)	2011	2012	2013
Profit Sharing – PPR*	3,229	2,979	4,605
Programa Supera**	2,155	2,627	4,592

* Amount paid in January 2013, corresponding to the program for 2012.
** The value was considered in the Company result in 2014.

Benefits (in thousands of reais)			
	2011	2012	2013
Food	4,647	3,959	4,796
Transport	2,649	3,450	3,842
Life insurance	160	155	165
Health plan	3,034	3,084	4,529
Daycare Help	–	24	56
Total	**10,490**	**10,672**	**13,388**

A major restructuring took place in the Personnel Development (DES) area in 2013, reorganizing the activities of the Corporate DES and DES cores in industrial units. The corporate core focused on strategic issues of the area and the alignment of actions, defining a unique language for the Company, while the cores installed in industrial units dedicated their efforts to meet specific local needs, providing more agility to processes, generating synergy, focus and a better performance.

The actions in the People Development area is organized into five major programs: GERA, GROW, CARE, MOTIVATION and EXCEL. The first two cover material issues identified in the stakeholder panels made in 2012 and are described in the following.

GERA Program

Focused on attracting, selecting, hiring, the continued employability of employees and management until the enf of the career through specific techniques, training and outplacement projects, where applicable.

The target of 75% annual retention for the period of 2013 was not met. The verified result records the moment of transition of the Company, considering the period of cultural adaptation of the integration of the Paper Mill MG and the Sao Roberto subsidiary. With the increase in the market, with the installation of new businesses in the regions near the units located in São Paulo and Santa Catarina, also instigated resignation requests by employees.

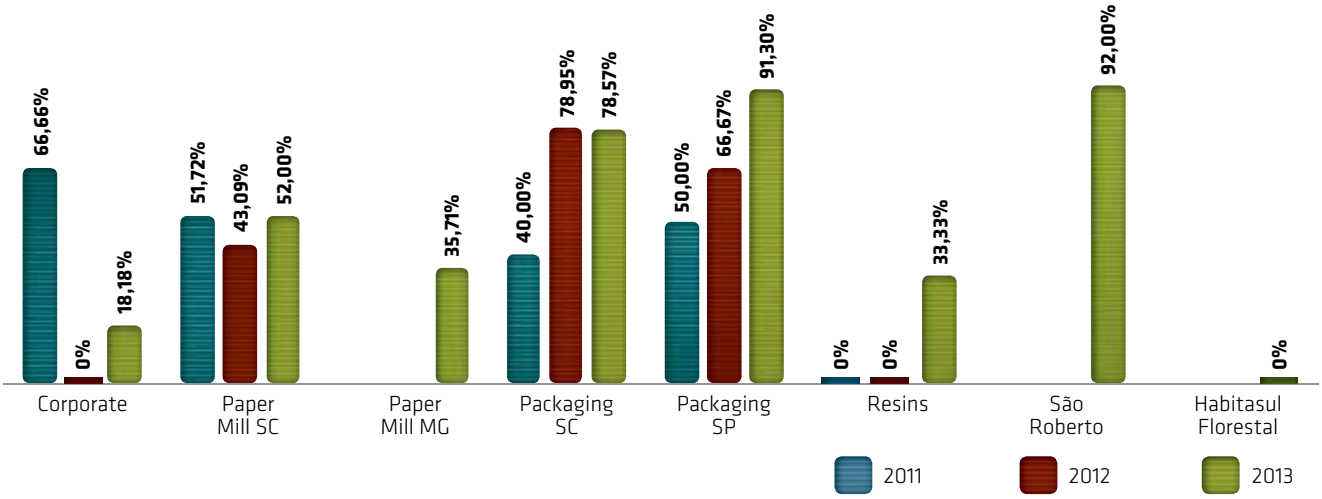
Partnerships with educational institutions and retaining talent is also encouraged by the IRANI Internship Program. Seek the professional development of young participants. From the trainees IRANI in 2013, 62% were hired as permanent employees. This index was calculated at 65% in the previous year.

Internal recruitment

In IRANI, the internal recruitment processes are preferred and opportunities are only open to external recruitment when the requirements of the vacancies are not attended by the employees. Considerable progress in the calculation of this index can be seen when compared to the rates in previous years.

EXCLUSIVE *ONLINE* CONTENT

Percentage of positions filled through internal recruitment (per business unit)



CRESCE PROGRAM

IRANI believes that people in continuous development are the main driver for achieving the goals and objectives of the Company. Therefore, it promotes and subsidizes training and development opportunities, external or in-company and work-related events in order to qualify employees for the challenges of the Company. The actions seek technical and behavioral refinement. In 2013, the competencies were reviewed in the light of the new cycle of strategic planning of the Company, which are described below:

- **Basic Skills:** Leadership; Communication; Planning, organization and control; Focus on results; Culture of Excellence and Teamwork.

- **Differentiating skills:** Customer focus; Entrepreneurship; Self-development; Building relationships and Innovation.

The work conducted internally were continued in 2013 with the completion of behavioral and management courses as well as the preparation and recycling of applicable standards. A target of 94% of compliance of the expectations in the evaluations to the reaction of the training conducted by internal staff was achieved.

In 2013, an agreement was signed with the Federal University of Viçosa (MG) for doing a, in company, Lato Sensu Post-graduate course in Pulp and Paper. The completion of the course work will be submitted by mid-2014.

Investment in Training (in R$)

	2011	2012	2013
Training and Development	1,786,599.55	1,759,331.00	1,406,966.16
Educational incentives through subsidies	646,305.37	848,124.05	763,436.38

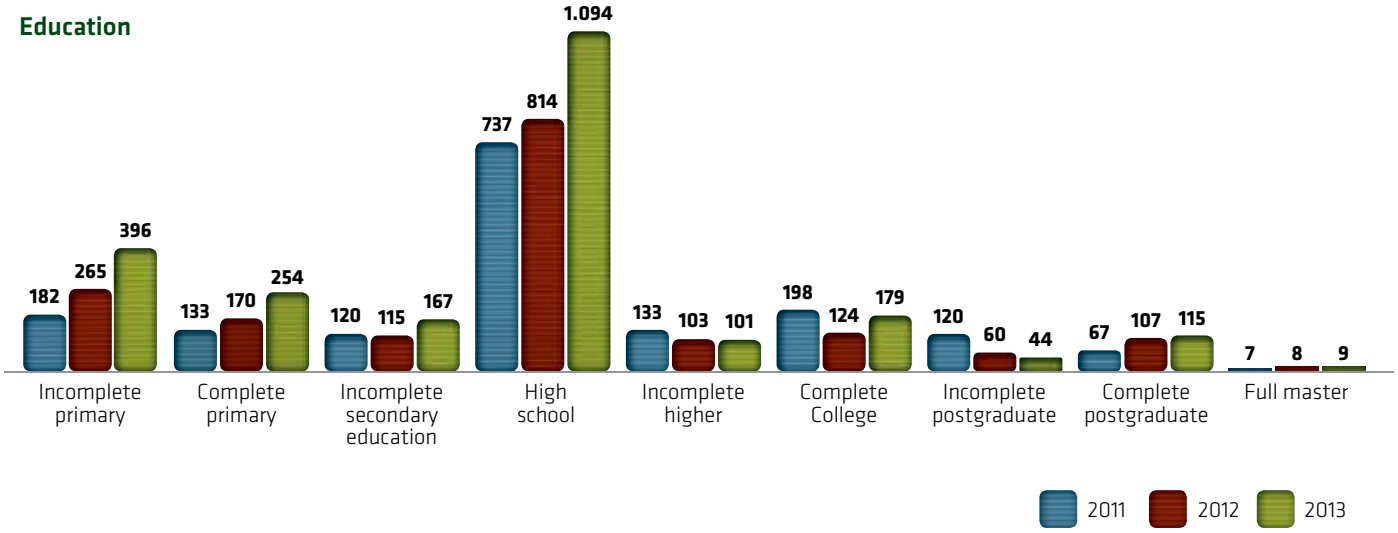
A lower investment in training and development was seen because the training sessions were conducted internally.

Average hours of training per employee category

Categoria		Total hours			Number of employees			Average hours of training		
		2011	2012	2013	2011	2012	2013	2011	2012	2013
Leadership	**Executive Board**	612	768	104	6	5	4	102	154	26
	Superintendency and Management	2,112	4,215	1,137	27	33	38	78	128	30
	Coordination and Supervision	5,000	6,322	7,730	141	126	150	35	50	52
Administrative		5,607	5,987	13,950	212	246	313	26	24	45
Technical		4,286	5,352	7,700	198	207	264	22	26	29
Operational		26,845	28,341	28,882	1,138	1,149	1,590	24	25	18
TOTAL		**44,462**	**50,985**	**59,503**	**1,722**	**1,766**	**2,359**	**26**	**29**	**25**

From 2014, the monitoring of this indicator will be stratified also by genre.

Education



EXCLUSIVE ONLINE CONTENT

The number of employees receiving educational incentives.

	MBA/Postgraduate			Graduation			Technical			Languages		
Unit	2011	2012	2013	2011	2012	2013	2011	2012	2013	2011	2012	2013
Corporate	27	40	66	17	15	29	1	0	2	22	24	48
Paper Mill SC	54	42	67	50	56	103	93	61	91	4	11	21
Paper Mill MG			1			8			3			0
Packaging SC	19	14	24	19	18	32	68	43	57	3	6	10
Packaging SP	15	12	21	34	36	50	3	1	1	10	14	16
Resins	0	1	1	2	3	7	1	0	0	0	8	8
São Roberto			3			20			0			2
IRANI Trading	0	0	0	4	3	3	0	0	0	3	4	3
MMM	2	2	0	4	2	6	0	3	3	1	1	1
TOTAL	117	111	183	130	133	258	166	108	157	43	68	109

Note: The Paper Mill MG and the São Roberto subsidiary joined the Company in 2013.

2014 GOAL:
ACHIEVE 88% SATISFACTION IN THE RATINGS OF THE REACTIONS OF THE PARTICIPANTS IN THE 2020 PROJECT LIDERA.

LIDERA 2020

Created in 2013, the program is one of the main challenges for 2014 and is focused on the improvement of leadership, which unfolds in two projects:

- **Talents:** aims to ensure the process of the succession of leaders, to support the challenges of growth and competitiveness of the Company in the future, forming leaders based on Lean Manufacturing, behavioral issues, arts, philosophy and history, innovation, DES programs and Company strategies. Altogether, this will include 804 hours of training over four years.
- **Development project coordinators and supervisors:** aims to develop today's leaders to ensure the sustainability of the Company, with admirable profits, supporting the challenges of growth and competitiveness. The guiding principles are a knowledge of Leanculture, in alignment with the project to develop potential leaders; training in management techniques and the development of behavioral skills. This action covers an internal process, because most of the actions will be conducted by IRANI´s own managements. Altogether, this will include 236 hours of training over three years.

ELIDA DE FREITAS E CASTRO DRUCK LIBRARY

The activities of the Library were continued and, in 2013, they were strongly involved with the I Elida de Freitas e Castro Druck Literary Contest, encouraging employee participation and lending books.

MOTIVA Program

Groups the actions that ensure a good organizational climate in a stimulating and motivating environment as a way to encourage a shared responsibility between employees and the Company.

AThe main tool of this program is the Organizational Climate Survey, conducted every two years in all units and subsidiaries. The latest round of research was carried out in 2012 and recorded a rate of return of 84% of the questionnaires and rate of 75% employee satisfaction, ten percentage points above the previous research cycle.

In 2013, the work of the Management Groups for the Support of the Climate Survey was continued and plans were carried out in order to follow the necessary actions related to the opportunities for improvement identified in the 2012 survey. In 2014, a new survey will be held, through which you can observe the effectiveness of actions taken. In this cycle, the research universe will be expanded to include the Paper Mill MG and Sao Roberto.

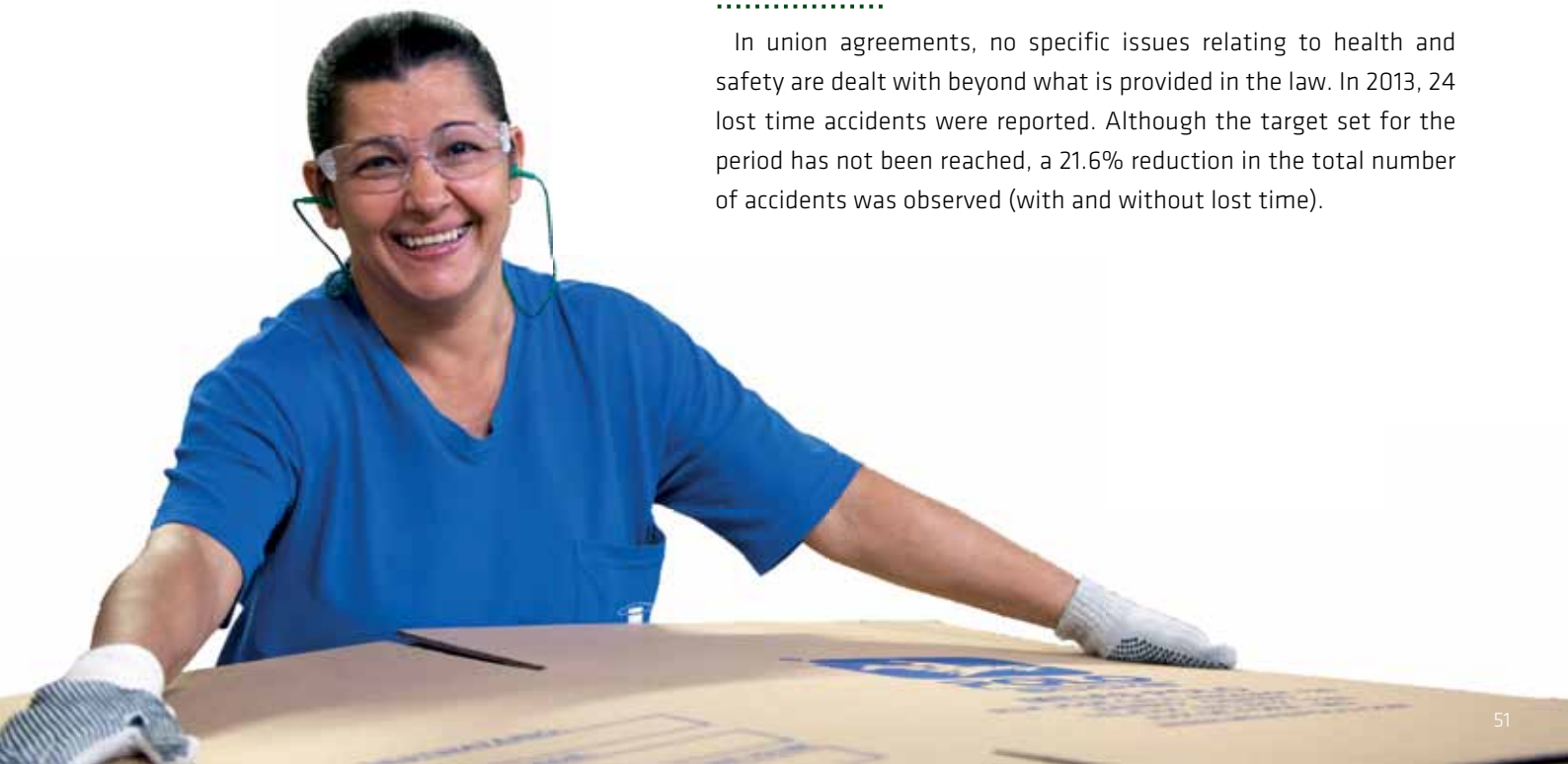
CUIDA Program

Responsible for the planning, the technical support and guidance relating to the policies, guidelines and strategies for the Health and Safety at Work of employees and service providers, the Specialized Security Services and Medicine at Work (SESMT) in partnership with the Internal Commissions Prevention of Accidents (CIPA) of the units.

Establishes an integrated management model in health and safety with the aim of reducing the number of accidents. Campaigns focused on health and quality of life of the employee and the study of working conditions are part of the strategy of the program to achieve the proposed objectives. Altogether, there are more than 20 studies related to health and safety activities to be held before 2016. The studies that have been undertaken, approved and/or in progress, discuss electrical services, working at heights, accident investigation, emergency and contingency, blocking hazardous energy, confined spaces, forestry work, unhealthy activities and operations.

EXCLUSIVE *ONLINE* CONTENT

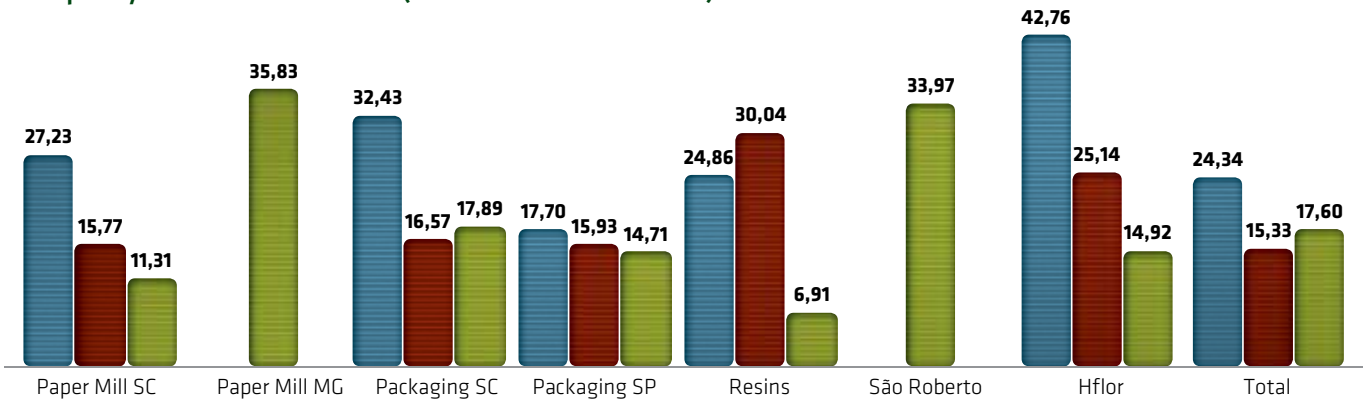
In union agreements, no specific issues relating to health and safety are dealt with beyond what is provided in the law. In 2013, 24 lost time accidents were reported. Although the target set for the period has not been reached, a 21.6% reduction in the total number of accidents was observed (with and without lost time).



From the integration of the Paper Mill MG and the subsidiary Sao Roberto to the Company in 2013, the monitoring of health and safety indicators have been enhanced, with the goal of making the management more effective and establish a positive culture is addressing these issues and relevant management information shall be disclosed as follows:

2014 GOAL:
KEEP THE RATE OF FREQUENCY OF TOTAL ACCIDENTS (WITH AND WITHOUT LOST TIME) LESS THAN OR EQUAL TO 17.16.

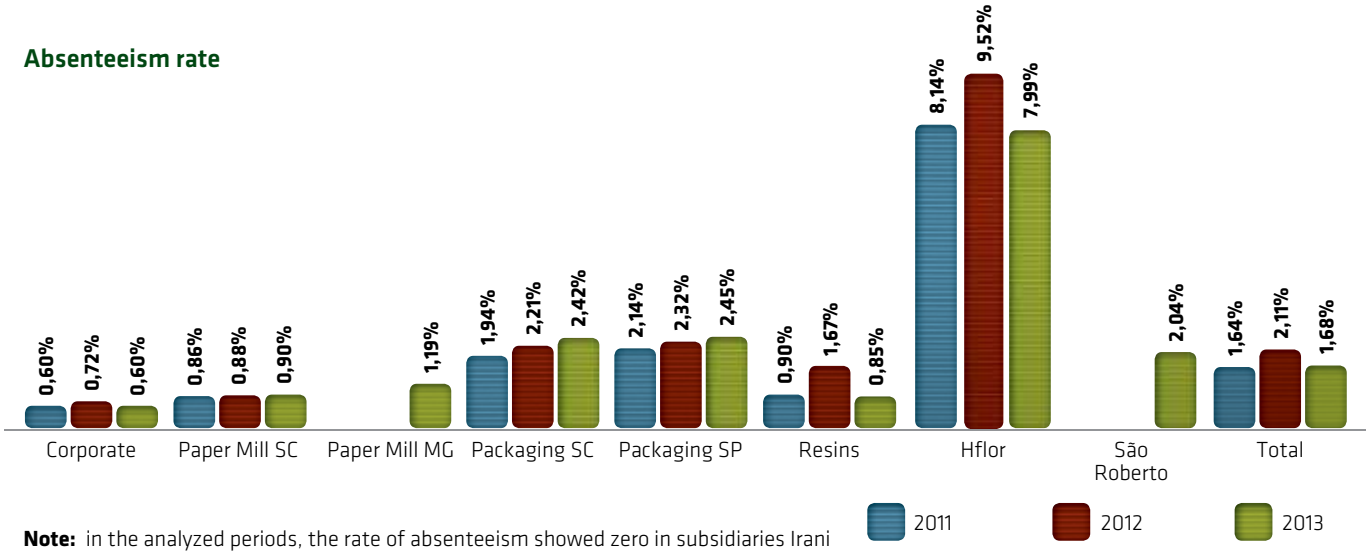
Frequency Rate of total accidents (with and without lost time)



Note: in the periods that were analyzed, the frequency rate of total accidents showed zero index in the Corporate Unit or its subsidiaries IRANI Trading and Iraflor.

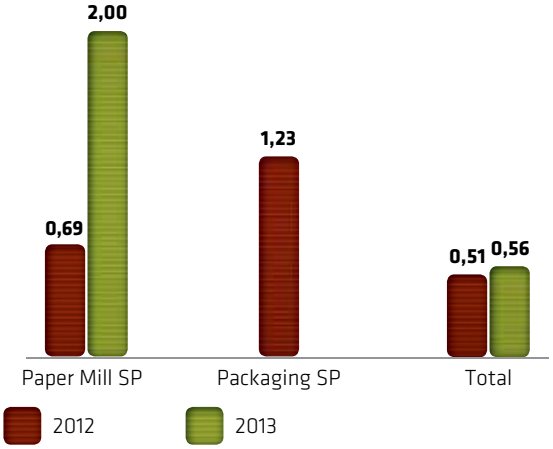
2011 2012 2013

Absenteeism rate



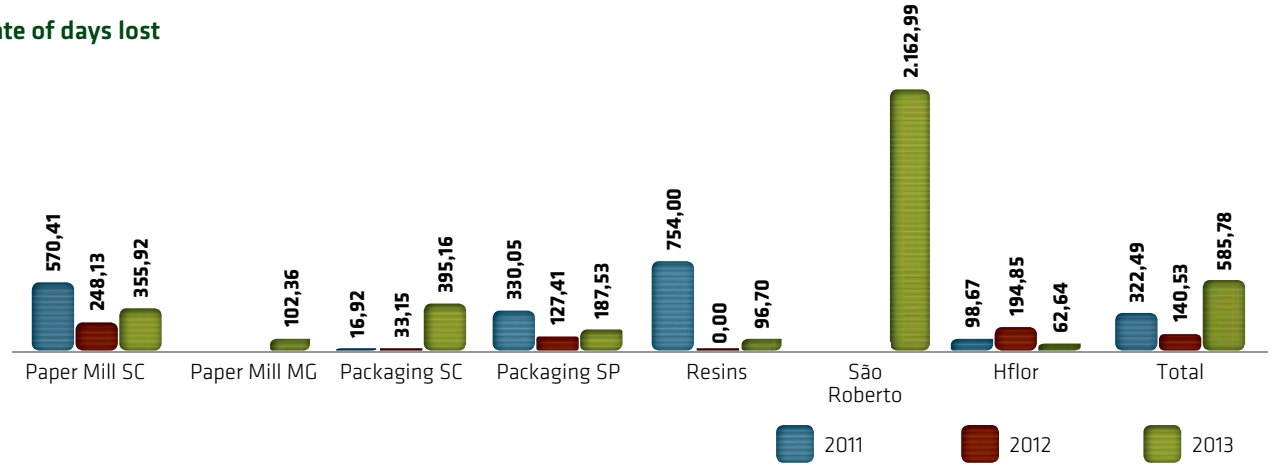
Note: in the analyzed periods, the rate of absenteeism showed zero in subsidiaries Irani Trading and Iraflor index.

Rate of occupational diseases



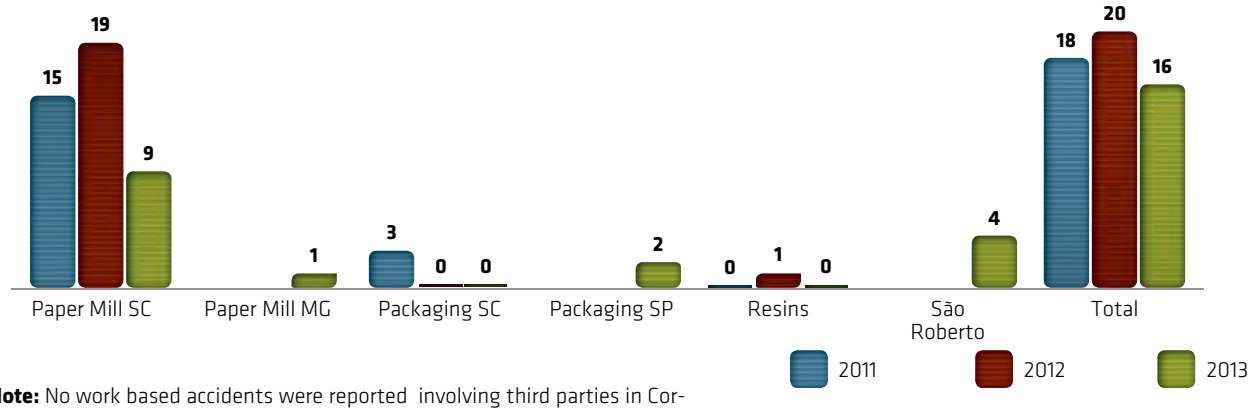
Note: in the periods that were analyzed the rate of occupational diseases showed a zero index in the Corporate, Paper Mill MG, Packaging SC, Resins and the Sao Roberto, IRANI Trading and Iraflor subsidiaries

Rate of days lost



Note: in the periods that were analyzed the rate of days lost was zero in the Corporate Units and IRANI Trading and Iraflor subsidiaries. We saw an increase if the rate of days lost in Sao Roberto due to accidents between 2008 and 2012 that influenced the calculation, due to the dismissal of the employees involved. With the integration of this company controlled by IRANI, a commitment was made to reduce accidents. For this, the focus was on the recruiting of a technician to work with safety and accident prevention strategies.

Total number of accidents involving third parties



Note: No work based accidents were reported involving third parties in Corporate Unit or its subsidiaries IRANI Trading, Iraflor and Habitasul Florestal

No deaths of employees and/or service providers were registered in the period 2011-2013.

EXCLUSIVE *ONLINE* CONTENT

Blood Donation Campaign

Guided by the Volunteer Policy, this encourages its employees to be blood donors. These actions are held in partnership with the Concordia Blood Bank (SC) and the Santa Catarina Hematology Center (Hemosc) - Joaçaba Unit.

Vaccination Campaign Against Influenza

The new Campaign held in 2013, covering all units and encouraging employees to be vaccinated against common and H1N1 flu free of charge. In all, 1,237 employees were immunized.

Emergency Brigade

This is made up of volunteer employees who receive training on first aid, care when working at a height and in confined spaces and are responsible for coordinating the abandonment of the units in case of emergencies. In 2013, rescue teams were formed for all shifts in the Paper Mill and Packaging SP units. In other units, the focus was on the retraining of already established training teams.

Safety and Excellence Dialogs (DSE´s)

Rapid training with the goal of sharing information about the risks of the workplace and the ways indicated for prevention. The frequency of these trainings accompany´s the schedule of each area and may be held daily or weekly.

Gymnastics in the Company

Gymnastics in the workplace is offered to employees as a preventive way to avoid occupational diseases, and encourage the quality of life of the employees. In the Packaging Unit SC, this is accomplished through a differentiated work where IsoSteching techniques are implemented and physical therapy approaches, considering the work activity of each group of employees. In 2014, theses action are due to be implanted in the Paper Mill MG and resin units.

Worker Hearing Quality Program (PQAT)

Focused on the adoption of initiatives for the conservation of the hearing health of employees, the program is based on NR7, through periodic evaluations by professionals specializing in audiometric services.

Integrated Noise and Ergonomics Committee (CIRE)

Seeks to improve the working conditions and production optimization in Paper Mill, taking into consideration aspects like physical, noise and ergonomic hazards. All IRANI plants have specific ergonomics report, which assesses the physical, cognitive and organizational loads applied, considering the environmental, labor and cultural differences of each person.

Respiratory Prevention Program

Aims to ensure the conditions for respiratory health of employees and caters a request from the MTE. In the Paper Mills SC, Packaging SC and Resins SC units, evaluations were conducted in the environments where employees have contact with chemicals in order to ensure air quality and adequacy of control measures and the use of the safety equipment used.

Anti-smoking Plan

Since 2012, smoking on IRANI premises is prohibited and subject to the application of disciplinary rules described in the Internal Regulations. In 2013, the program was extended to the Paper Mill MG. In this unit, of the 20 employees identified as smokers, only seven were willing to participate in the program. The others reported a reduction in consumption and no employee is permitted to smoke on the premises of the Unit.

Committee/ Commission	Number of participating employees																								Percentage of employees represented
	Paper Mill SC				Paper Mill MG				Packaging SC				Packaging SP				Resins				São Roberto				
	L	A	T	O	L	A	T	O	L	A	T	O	L	A	T	O	L	A	T	O	L	A	T	O	
CIPA	8	2	5	7	1	2	0	5	3	1	1	2	1	0	0	7	2	2	0	4	2	1	0	5	100%
Control of Noise	10	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	50%
Emergency Brigade	5	2	10	51	4	0	3	24	0	1	1	18	1	0	5	46	1	1	1	9	10	3	2	30	100%
DSE	16	6	15	338	6	4	3	98	10	19	15	320	10	25	3	288	0	0	0	0	0	0	0	0	100%
CUIDA Program	9	1	2	2	2	1	2	1	8	1	1	2	10	1	2	2	8	1	2	2	2	1	2	1	100%

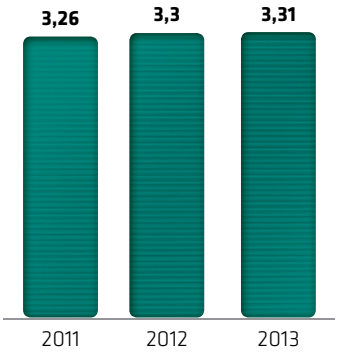
Key: L (leadership); **A** (Administrative/Commercial); **T** (technical) and **O** (operational)

SUPERA Program

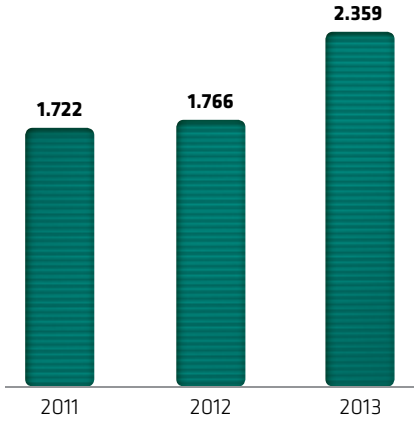
Through the Supera Program, annually, employees are evaluated based on Skills and Results. This program allows a deep analysis of the performance and career development of each one. After evaluation, individual action plans are developed and implemented that are focused on employee development, for maintenance six monthly feedbacks are held. At the end of the cycle, the evaluation result enables employees get paid a portion which may vary between 20% and 150% of the salary.

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

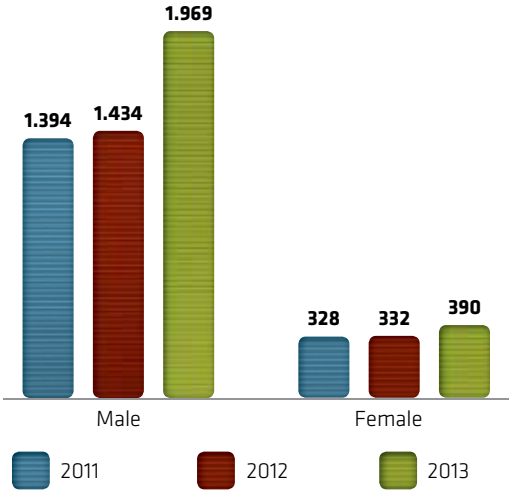
Overall average of competency assessments of the SUPERA Program



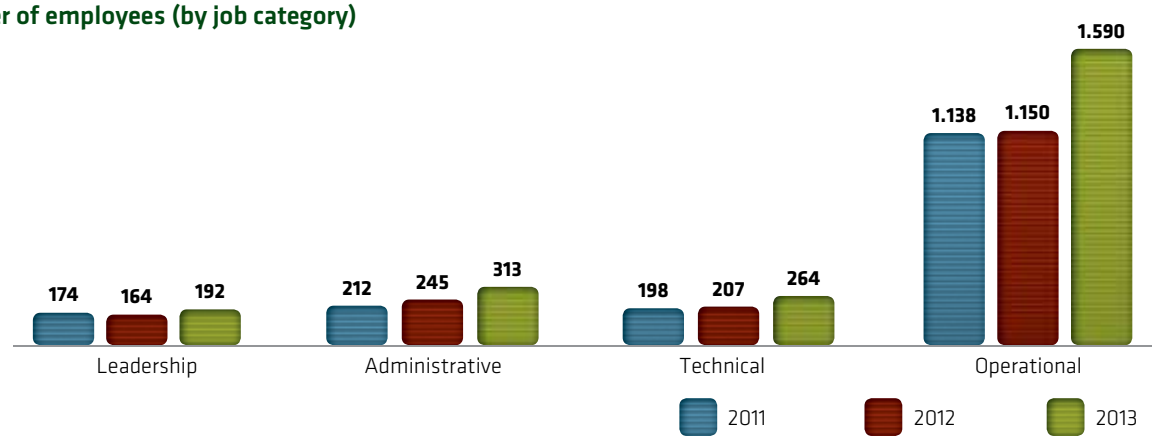
Quantity of employees (consolidated)



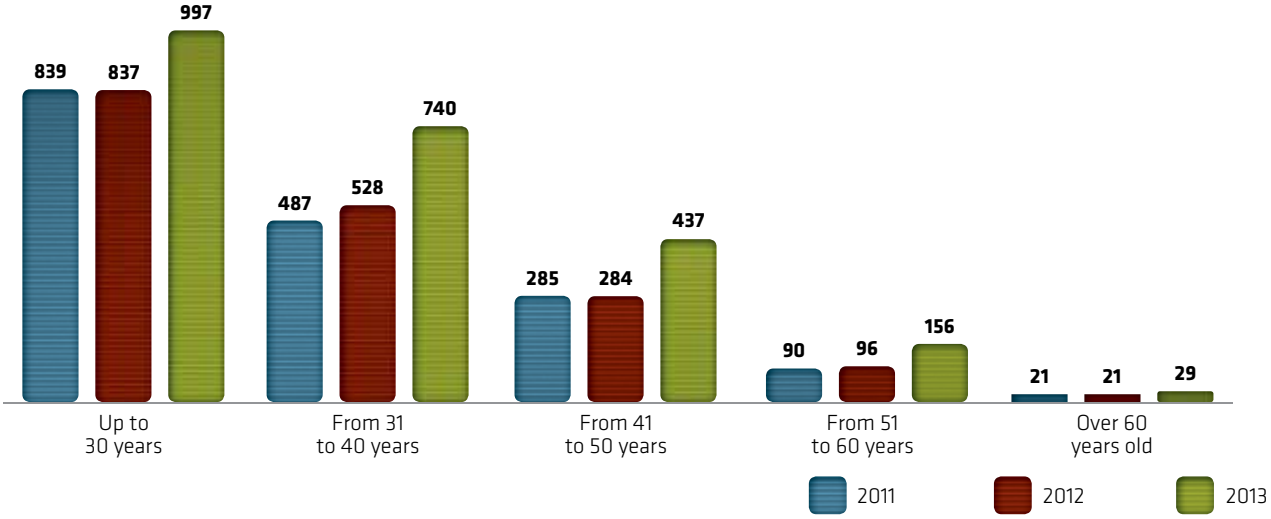
Number of employees (by gender)



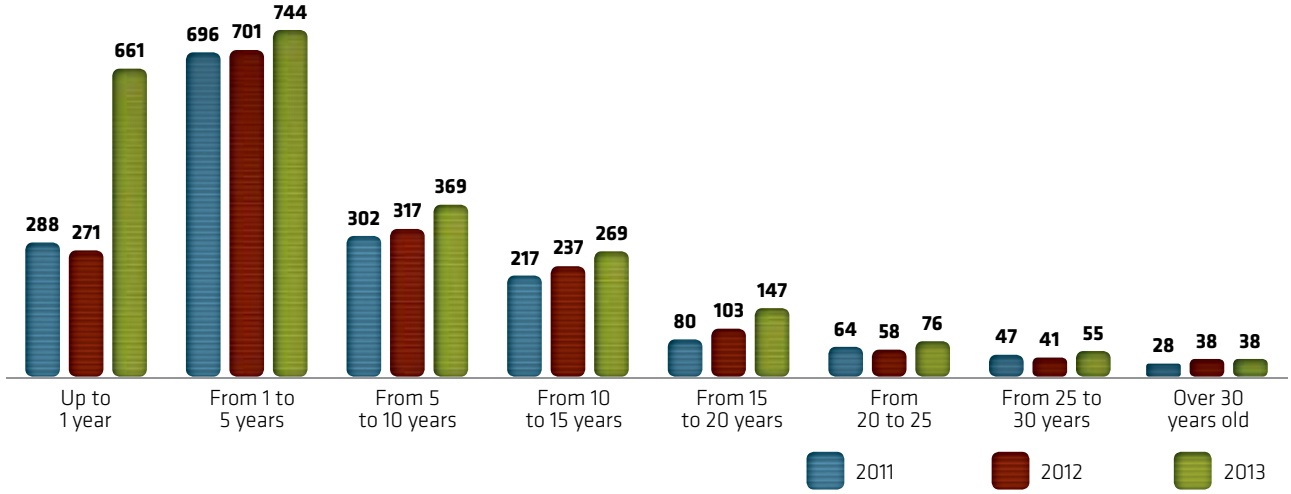
Number of employees (by job category)



Age group (consolidated)

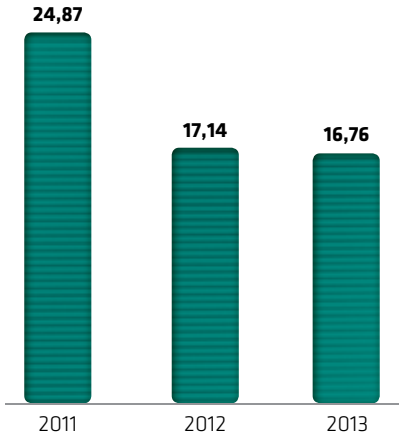


Time in the company (consolidated)

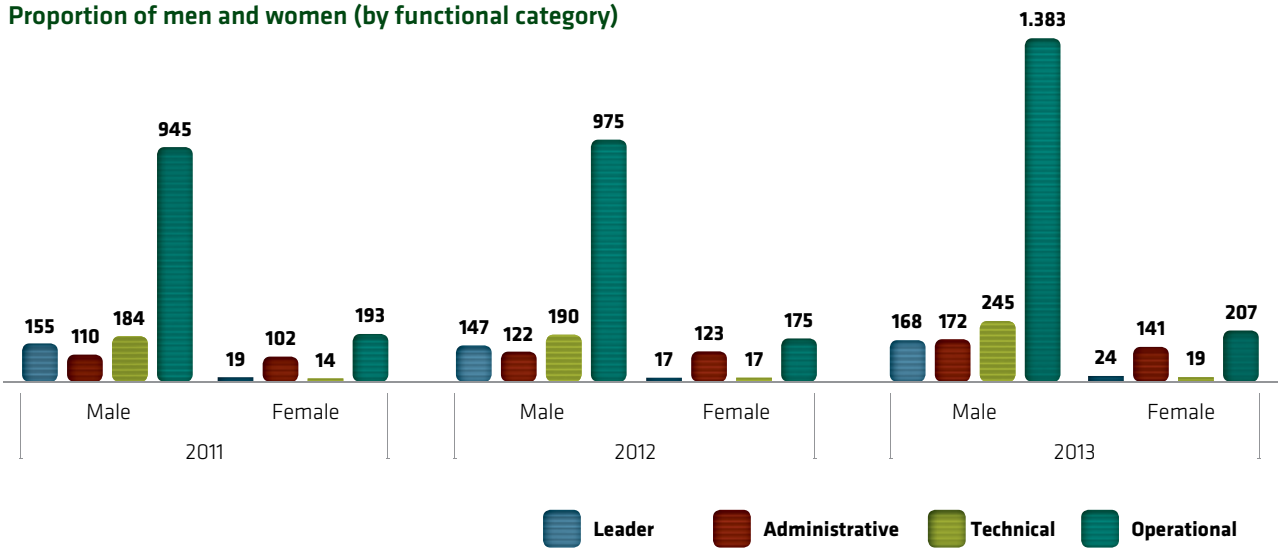


The goal related to the turnover of the Company has been reached, as recorded in the following chart. In 2013, the Unit Mill SC also hit the target set for the period, recording a rate of 9.48% of turnover.

Turnover (%)

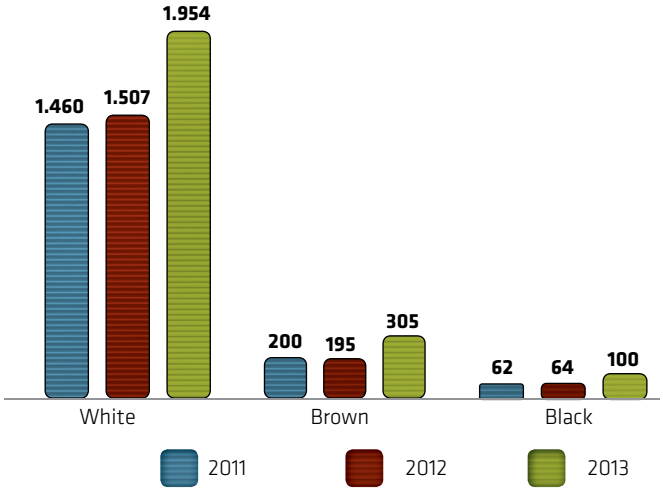


Proportion of men and women (by functional category)

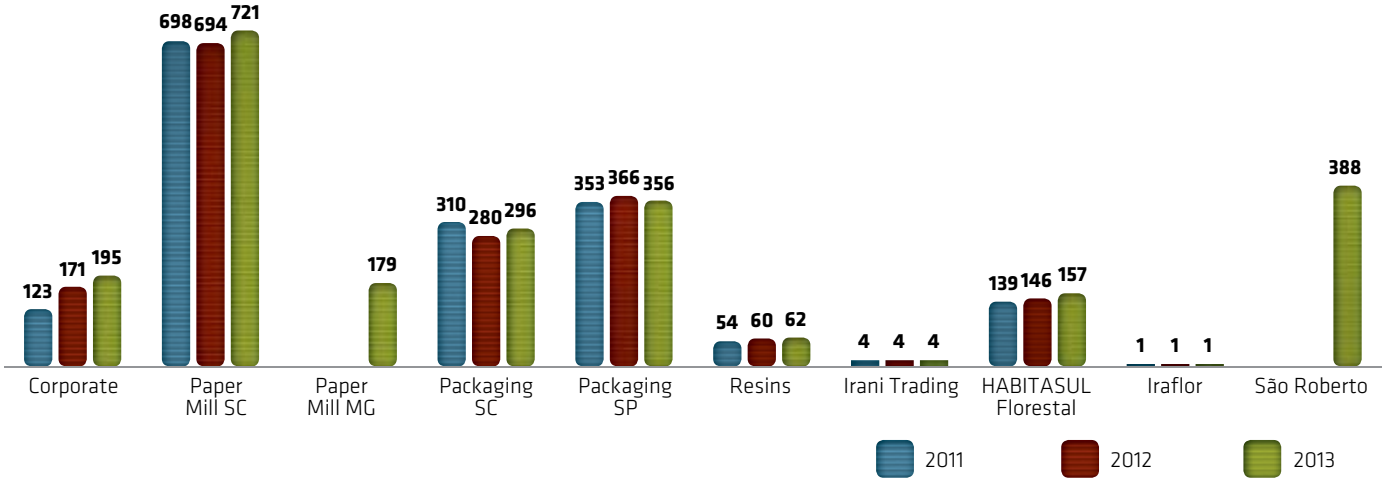


EXCLUSIVE ONLINE CONTENT

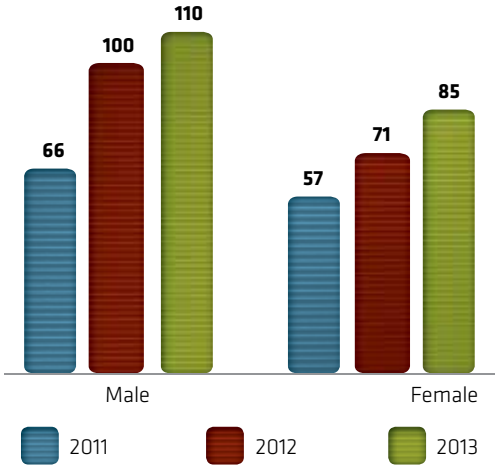
Number of employees by race (consolidated)



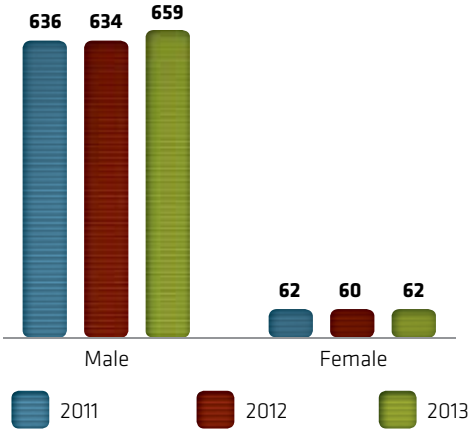
Number of employees (by business unit)



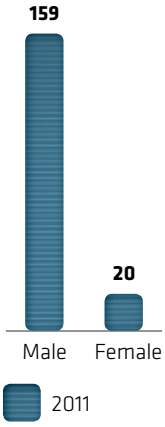
Corporate



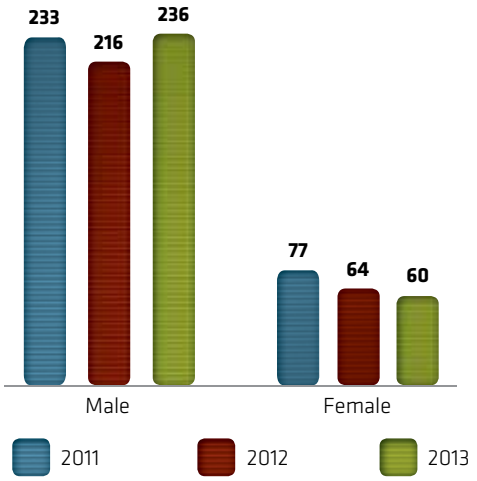
Paper Mill SC



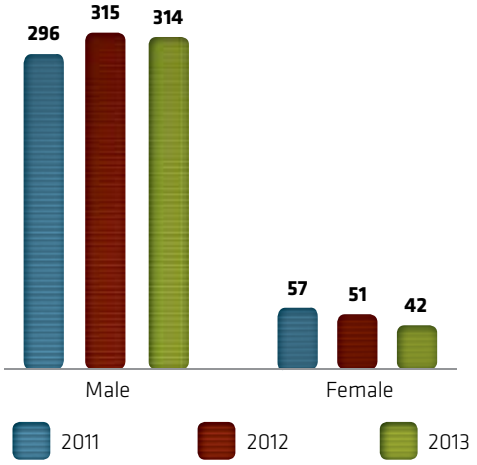
Paper Mill MG



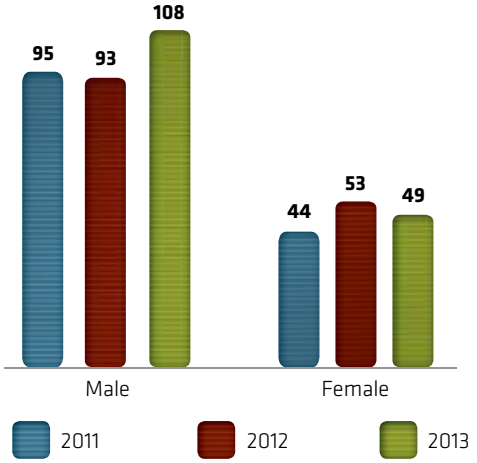
Packaging SC



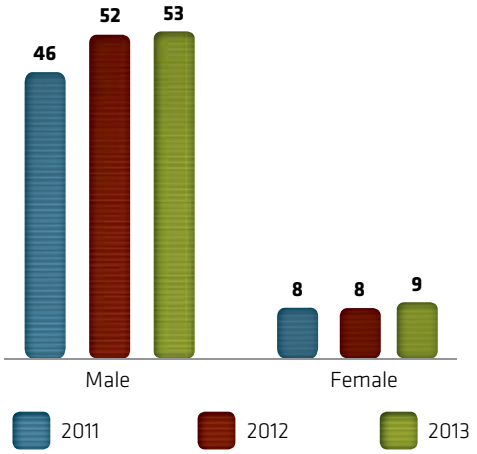
Packaging SP



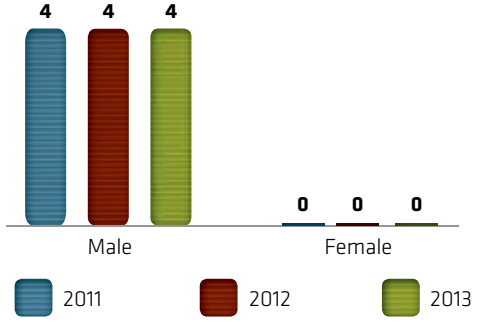
HABITASUL Florestal



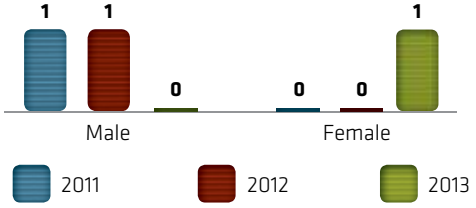
Resins



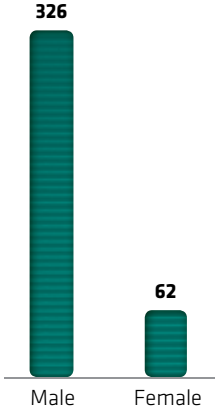
Irani Trading



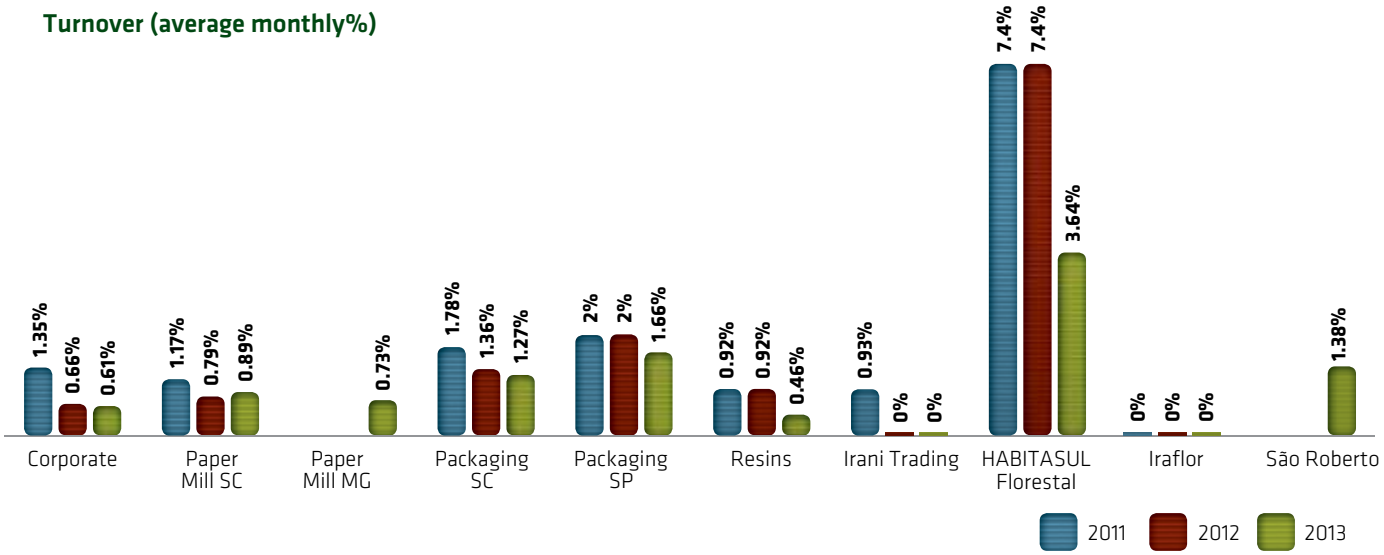
Iraflor



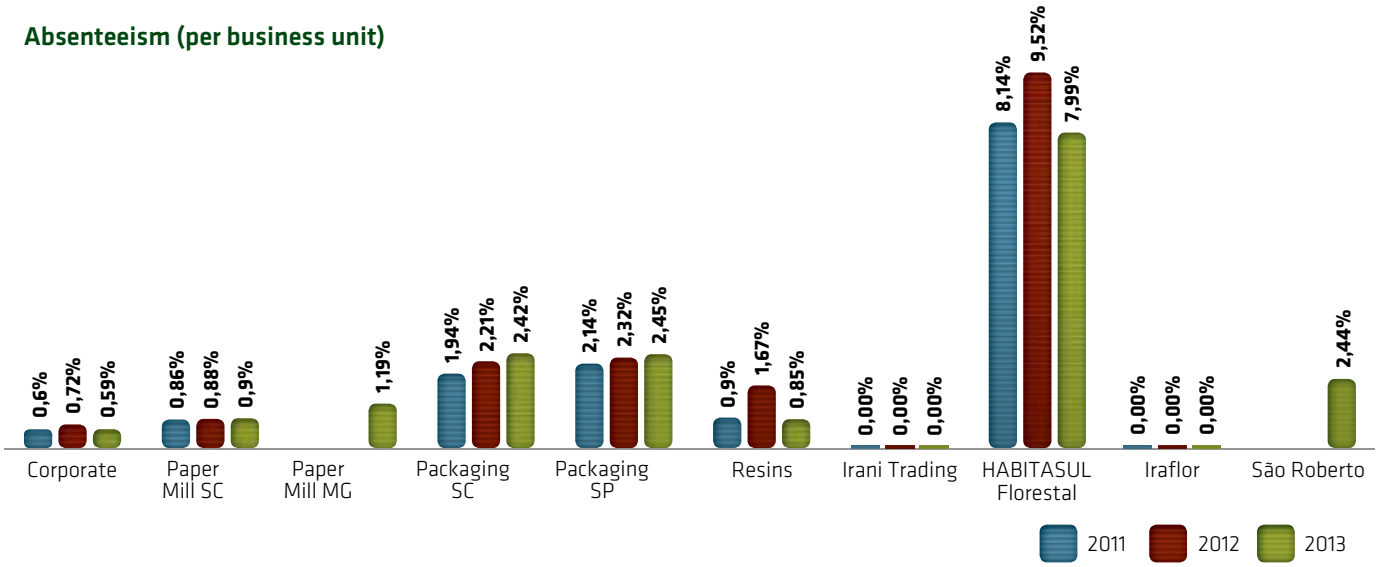
São Roberto



Turnover (average monthly%)

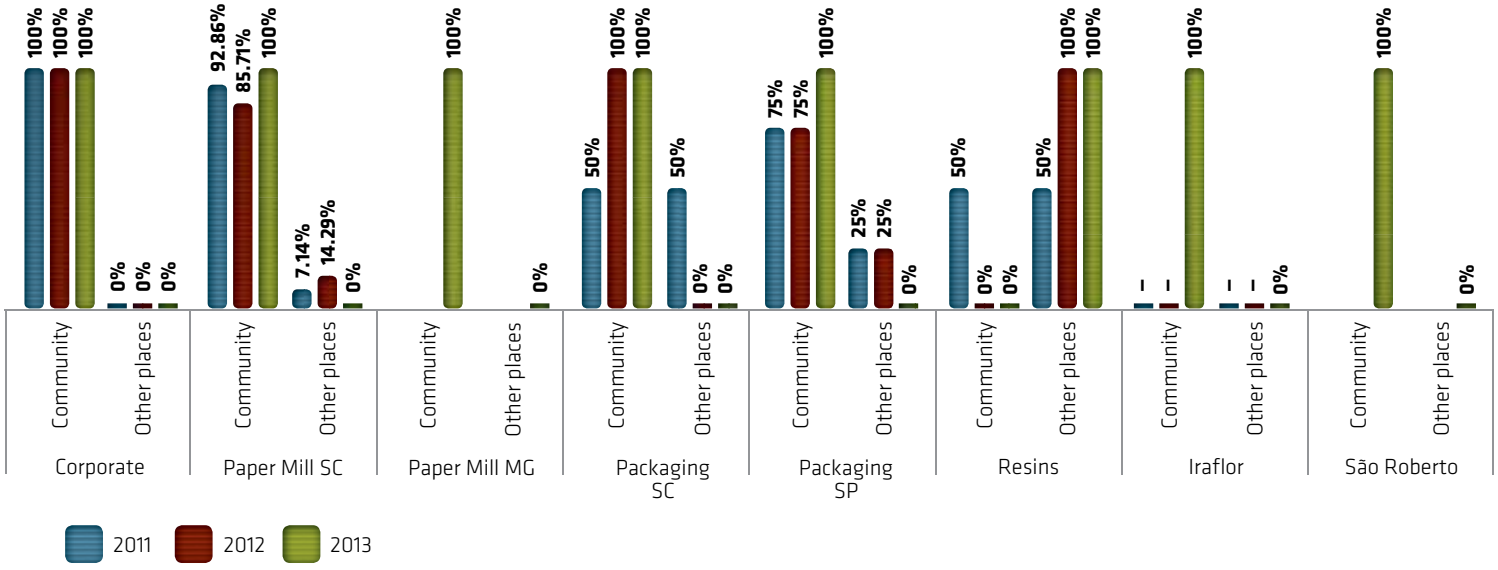


Absenteeism (per business unit)



The prioritization of hiring employees from the surrounding communities is demonstrated in the graph below, although there is no formal procedure involving this criteria.

Members of senior Maleagement from the local community (by %)

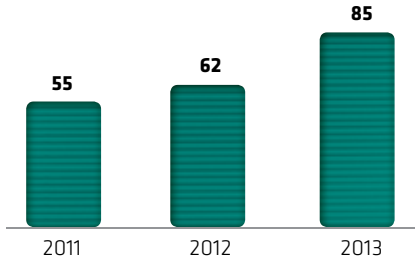


Efficient Diversity Program

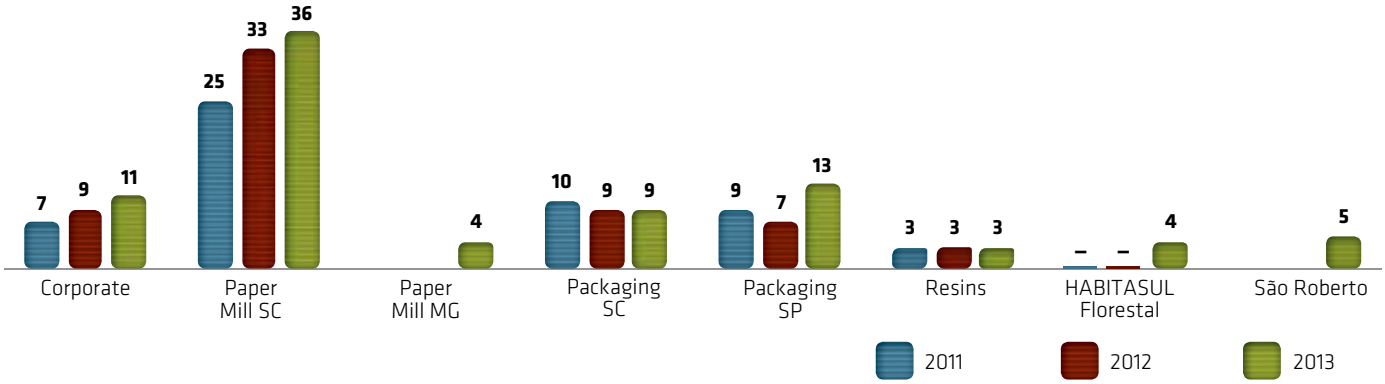
This was implanted in 2004 and has since extended to all IRANI units, the program considers diversity issues and equal opportunities for people with disabilities. Issues such as individual responsibility, professional qualification and the excellent performance are the big goals.

The program includes actions to adapt the work environment, adaptation and integration of employees with disabilities. It also aims to meet Article 93 of Law # 8.213/91 concerning the legal reserve for positions for People with Disabilities (PWD).

Number of employees with disabilities. (Consolidated)



Number of employees with disability´s (per business unit)



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

- **Rio Grande do Sul:** oportunidadesrs@irani.com.br
- **Santa Catarina:** oportunidadessc@irani.com.br
- **São Paulo e Indaiatuba (SP):** oportunidadessp@irani.com.br
- **Minas Gerais (MG):** oportunidadesmg@irani.com.br

Surrounding Communities

The following are considered to be Surrounding Communities, the municipalities where the IRANI employees live with some form of impact as a result of the Company's activities, whether adverse or beneficial.

Neighbors of industrial units in Santa Catarina, the Campina da Alegria community is comprised of properties owned by Irani Trading SA meant for renting to direct employees, traders, civil servants and contractors. The management of rents is done with a computerized system. There are also other buildings used for providing services to the community, that are owned by the institutions installed in them.

In Santa Catarina, where it has been located for more than 70 years, IRANI is recognized as a provider of jobs and income for residents of the surrounding communities, it is reputable and committed to sustainability.

Being located in IRANI´s own areas, Vila Campina da Alegria has a high degree of dependence on IRANI on topics such as incentives for the community in the form of environmental projects, incentives for local businesses focused on the beautification of the location and actions were identified as material during dialog cycles and confirmed by the Company's internal analysis.

With a population of approximately 700 residents, the local businesses in Campina da Alegria are dedicated to meeting the basic needs of the community with products and services offered by bakeries, grocery stores and market, snack bars, gas station and auto repair shop and clothing and bazaar items.

IRANI, to meet the units installed in this community, tries to encourage the development of trade by making purchases in the local market, filling and washing its automotive fleet, besides contracting coffee breaks and buying food items for employees staying at the Company inn or who work in the forestry areas. With these actions, IRANI helps facilitate community trade and directly influences the quality of life of residents, especially traders and their direct employees.

The presence of the Company´s industrial units in this community generates positive impacts such as holding activities in partnership with the government for improvement of common interest, and specialized educational institutions, offering residents opportunities for training and development without cost or at the lowest possible cost.

In 2013, the Company prepared a registry of all residents in Campina da Alegria with the objective of raising the demographic profile of the community, meeting the target released in the last sustainability report.

That same year, a survey was conducted with the objective of evaluating various aspects related to community and environmental projects carried out, promoting events and satisfaction with the management of the area, as well as involving the community in initiatives such as recycling cooking oil and food composting.

Services related to construction are recorded by means of a specific document, which is signed by the resident of the house who is also responsible for assessing the services provided. The quality of the services performed and the degree of satisfaction of residents in relation to them are monitored monthly.

It has, since 2007, the Revitalization of Campina da Alegria Project, which aims to promote activities for the well-being and the quality of life of residents. IRANI is the interface with the Residents Association of Campina da Alegria (AMOCA) and the local government. These partnerships translate into actions of historical recovery of the community and encourage integration of residents through social, cultural, religious, and sport activities, besides doing works.

Difficulties such as the distance between Campina da Alegria and the surrounding communities increases the cost of civil works of the Revitalization Project. Therefore, a team of employees was hired to devote to exclusively dedicate themselves to the renovations. Hiring of service providers from the surrounding areas was prioritized to build seven new homes. The new homes have a system for the capture and reuse of rainwater. The target set for the delivery of the nine new homes was not achieved during the year.

Investment in works for Campina da Alegria (In R$)

2011	2012	2013
1,746,713.00	1,556,036.18	925,000.00

The construction of a Basic Health Unit was started in Campina da Alegria aiming to offer the community a better and more suitable space for providing medical and dental services. The funds were transferred by the Federal Government to Vargem Bonita (SC) and the project is scheduled for completion in December 2014.

The interface between AMOCA and the local government also provides revitalizing the community infrastructure in public and private projects. These last items are the responsibility of the planning and the inspectorate of the Company and the contracting of services and buying material should be from the surrounding communities whenever possible.

The optimization of human and material resources of the Company and the local government and the voluntary work of the members of the community have made possible the realization of various social, cultural, religious, sporting, educational actions and collaborative cleaning efforts.

2014 GOAL:
DELIVER TWO NEW BUILDINGS AND CIVIL REFORM IN FIVE OTHERS, COMPLETING THE COMMUNITY MASTER PLAN.

Campina da Alegria Community
– Vargem Bonita (SC)

Incentives to the surrounding communities

Residents of the surrounding communities, employees and their families, partners and service providers participate in theater and choir workshops offered by IRANI in Campina da Alegria (SC). Social benefits are perceived as personal development and the integration of participants as well as the ability to make joint decisions and leadership empowerment. In 2013, the total investment was R$138,000, with R$ 96,000 for the theater and R$ 42,000 for choir

A partnership with the Military Police provided the implementation of the National Drug Resistance Program in Campina da Alegria (SC), benefiting 17 young people from the 5th year of the Galeazzo Paganelli Basic School.In order to recognize the five best students in the Galeazzo Paganelli School of Basic Education and encourage them to continue their studies in an excellent manner, IRANI launched the Featured Student Project. The selected students were evaluated according to their academic performance, attendance and behavioral aspects and received monthly scholarships. Participants underwent vocational tests and the activities are monitored by an educator who is dedicated exclusively to the project, applying activities to develop each ones potential. In 2013, R$ 30,000.00 was invested in this project.

Through a partnership with the City of Vargem Bonita (SC), the Citizenship Week of Campina da Alegria was held. The program offers lectures on healthy living and quality of life, motivation, entrepreneurship and education, traffic safety and family, retirement and pension benefits. The community could also rely on the offer of public utility services such as guidance from the municipal Council of Guardianship, health-care services and issuing documents.

In 2013, IRANI donated an ambulance to the City of Vargem Bonita (SC). In partnership with AMOCA the Company also donated machines and equipment for the installation of a dentists office for the exclusive use of Campina da Alegria residents and Company employees.

EXCLUSIVE *ONLINE* CONTENT

In 2013, a pilot project for basic sanitation form the Santa Catarina Company for Water and Sanitation (CASAN) was implanted in Campina da Alegria in order to ensure collection points for analysis of the water supplied to the residents. The project also aims to comply with the Ordinance 2.914/11, focused on monitoring the water quality.

The program "Renewing Campina: IRANI and your family doing this together" was continued, forming bonds of partnership with 22 families in the community for the painting of buildings. Families enrolled in the program receive a technical visit from the IRANI engineering Dept. which quantifies the materials necessary for painting. These materials are purchased by the Company and delivered to the family, who assumes the responsibility for the execution of service within an agreed time period between the parties. The closure takes the form of a small get together party with the family.

In 2013, the "Family Horta program: cultivate health at home", encouraged growing organic food and the quality of life of residents, attending 46 families. The seeds are donated by the Secretaria de Estado do Desenvolvimento Rural e da Agricultura (Secretary of State for Rural Development and Agriculture) of Santa Catarina.

The partnership with the residents association and local organizations made possible the development of diverse and free courses to the community, including short-term with a focus on empowering local merchants.

In 2012, the amount of R$ 430,755.52 was transferred to the City of Vargem Bonita (SC) relating to the Services Tax (ISS). The amount represented 2.16% of the total collected by the municipality. In 2012, the value was R$ 430,755.52, relating to 2.75% of the total collected, and in 2011, the value and percentage of the total contributions amounted to R$ 399,424.28 and 2.35%, respectively .

In 2002 a complementary law was passed in the municipality of Vargem Bonita (SC) in which the responsibility was transferred to IRANI to withhold the payment of 3% from payments to its providers in cases of ISS payments. This percentage, 2.5% is allocated to the municipality and 0.5% is for the Campina da Alegria Residents Association (AMOCA) as a way to encourage the development of this community. The contribution totaling R $ 73,307.95 in 2013, provided the performance of several actions in the community such as conducting courses, revitalizing the recreation area CTG of the Silver Spur, acquisition of materials for Campina Fitness Gym, and the support for events in general. In 2012, the value was R$ 82,603.16.

Communication with the community of Campina da Alegria is performed through the management of the Village, an area of the Company dedicated exclusively to the demands of the community. The Open Conversation Journal is a monthly communication channel recognized by the locals as well as the notice board installed in the central square. These tools are available to the community for content suggestions, including environmental issues and the dissemination of actions. When necessary meetings with the AMOCA board and residents are held.

In other surrounding communities around Rio Grande do Sul, Sao Paulo and Minas Gerais, communication is made through contact with community leaders and the press. Local development is encouraged through the participation of the leadership of the Company in representative associations.

In 2013, the first round of external research in surrounding communities near the units in Rio Grande do Sul was held to identify environmental impacts due to the presence or IRANI operations and Habitasul Florestal. This study contributed to the FSC certification process for strengthening relationships with the consulted stakeholders.

The results of this study indicate a positive image in relation to the Company. Despite the difficulty in understanding the relationship between the two companies, the community recognizes them by the generation of employment and direct and indirect income in the region, with good working conditions and delivering on the signed contracts. The communities also recognize as positive the planting of Pinus in the region, which represents an alternative to the economy, previously devoted to the cultivation of onions.

The service providers and owners of neighboring lands had a greater degree of satisfaction in relation to the form of relationship and communication. The location of the industrial plant in Túnel Verde positively influences local commerce. There are opportunities to approach stakeholders as public administrators and social organizations.

The internal analysis of social impacts on the surrounding communities was reviewed with the help of managers throughout the Company. Besides promoting the alignment of practices to the expectations of the communities, this methodology contributes to the assertive decision making for the implementation of projects and continued investment. This is a preventive measure, especially in operations that are most likely to cause any significant negative impact.

Based on the Social Responsibility Policy, the Company conducts social investments and specfic donation focused on surrounding communities, providing opportunities for income generation and productive occupations, as well as programs focused on training young people and the access to culture.

Social investments (in R$)

	2011	2012	2013
Direct Investment	199,601.49	202,534.62	182,542.38
Rouanet Law	170,000.00	100,000.00	100,000.00
SP Cultural Action Program	–	11,371.41	56,550.00
Sports Incentive Law	5,000.00	–	–
Municipal Rights Fund of the Child and Adolescent	5,900.00	–	–
Timely donations	10,350.00	25,958.94	47,517.90
Total	390,851.49	339,864.97	386,610.28

To find out more on the projects and social activities encouraged by IRANI, visit: http://www.irani.com.br/en/info/managing-for-sustainability

Suppliers

Negotiations with suppliers meet specific procedures for the identification, qualification and evaluation. Suppliers are prioritized, besides the appropriate conditions of quality and price, they present sustainability practices.

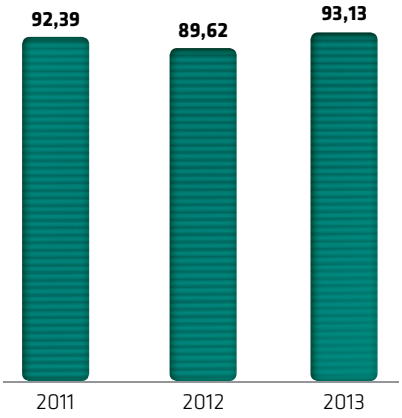
Periodically, the purchasing processes undergo internal and external audits, critical reviews meetings to monitor the monitoring indicators and assessments based on the Management Excellence Model (GEM®). IRANI believes this is an important step to engage their suppliers in the commitment to sustainability.

In 2013, workshops were held in Vargem Bonita (SC) and Indaiatuba (SP) in order to share the first steps for the preparation of sustainability reports as well as practical activities for the familiarization with the GRI methodology. The initiative involved the participation of 131 people.

To strengthen partnerships and ensure the continuity of business relationships, IRANI evaluates its critical suppliers, through a tool that measures the quality of the products and services as well as the effective communication and business process. The result of this analysis is translated in the form of the performance index of suppliers (IDF). All suppliers receive feedback about their performance. In 2013, the practice was enhanced in order to map the critical points in reviews and improving communication for the implementation of action plans with suppliers who had an index below the minimum score.

Specific criteria are applied according to the buying groups distributed as: provision of critical services, usage and consumption and external services materials, critical and chemical products, transportation and logistics service for shipping, and FSC and forestry products.

Growth index score of suppliers performance (IDF)



The main suppliers that comprise the supply chain are the raw materials for the forestry area, pulp and paper, wooden chips, and other chemical inputs, use and consumption of logistics, services and energy. The number of suppliers per group, the total purchase value and the approximate percentage of the total purchase amount is given below:

Type of supplier	Region	Number of Suppliers	2013 Total Amount (in R$ million)	% of total purchases
Energy	MG, SP e SC	14	13	3%
Chips	MG, SP e SC	87	88	17%
Forestry	PR, SC e RS	88	42	8%
Pulp and Paper	MG, SP, PR, SC e RS	43	54	10%
Chemicals and other inputs	SP, PR, SC	95	49	10%
Logistics	SP, PR, SC	63	32	6%
Services	MG, SP, PR, SC, e RS	1,121	31	6%
Consumables	MG, SP, PR, SC e RS	4,900	22	4%

Whenever possible, IRANI prioritizes making purchases with suppliers from the surrounding communities as a way to stimulate local development. In 2013, we saw a substantial increase in purchases of local communities due to the integration of the Unit Paper MG and the Sao Roberto subsidiary.

	2011	2012	2013
Total purchases from local suppliers (in reais)	54,063,036	58,001,810	108,680,257
Percentage of total purchases made by the Company	15.49%	16.74%	17.07%

EXCLUSIVE *ONLINE* CONTENT

Shopping with suppliers in the surrounding communities (in R$)

Municipality	2011	2012	2013
Balneário Pinhal (RS)	821,307	128,363.	453,026.
Catanduvas (SC)	2,877,178	2,397,261	5,386,233
Cidreira (RS)*	–	361,782.	794,958.
Concórdia (SC)	4,209,350	4,941,349	7,775,772
Guarulhos (SP)**	–	–	166,384.
Indaiatuba (SP)	1,538,744	963,667.	960,266.
Irani (SC)	17,768,631	17,529,533	21,428,460
Joaçaba, Herval d´Oeste and Luzerna (SC)	7,402,222	9,125,582	9,386,954
Mostardas (RS)**	–	–	2,594,220
Ponte Serrada (SC)	10,148,332	10,983,463	11,595,679
Porto Alegre (RS)**	–	–	5,045,880
Rio Negrinho (SC)***	139,825.	48,434.	–
Santana de Parnaíba (SP)***	1,179,421.	–	–
Salto (SP)*	–	307,622.	1,329,748
Santa Luzia (MG)**	–	–	1,154,556
São Bento do Sul (SC)***	540,265.	257,599.78	–
São José do Norte (RS)*	–	2,470,072	4,350,922
São Paulo (SP)****	–	–	4,776,590
Tavares (RS)**	–	–	903,429.
Vargem Bonita (SC)	7,437,762	8,487,083	9,689,515
Total	**R$ 54,063,036**	**R$ 58,001,811**	**R$ 87,792,592**

* Monitoring of purchases at these locations commenced in 2012.
** Monitoring of purchases at these locations commenced in 2013.
*** Operations in this district were closed, and the community ceased to be regarded as an IRANI surrounding environment.
The amounts recorded in Guarulhos (SP) and São Paulo (SP), only includes purchases made to meet the subsidiary Sao Roberto. In Porto Alegre (RS), purchases registered were for the head-office.

The 2nd Meeting of Resin Producers was held in Mustardas (RS) with the aim of bringing the Company closer to the pine forests owners, resin producers and reinforce commitments with these audiences.

In 2013, the Forest Workshop was held with all the leaders of IRANI for the presentation of business activities. Actions of the Wood Technology Committee were performed that was created to contribute to the integration of forestry and industrial operations by analyzing processes, identifying opportunities and defining actions for the continuous improvement, maintenance of processes, technological innovation and stability.

All forms of child labor or slave labor are repelled. In companies responsible for conducting forestry service, regular inspections are carried out. Aligned with the FSC standard is applied the evaluation of suppliers of wood and paper. Audits including wood suppliers to ascertain compliance with the Purchasing Policy Wood and FSC principles, including aspects related to human rights are also held.

In supply and/or services contracts signed from 2009 certain clauses relating to human rights, quality of services and the environment were contained. Upon registration of all providers, the black list of the Ministry of Labor and Employment (MTE) is consulted. In 2013, 10 suppliers were identified in these conditions. Their registers with IRANI were blocked and may only resume trade relations with the Company after the legalization of the affairs. The information is updated whenever the MTE publishes an update to the site.

The contracting of suppliers, is impartial, transparent and ethical. The Company declares itself in favor of the Anti-Corruption Law and encourages this behavior with their suppliers. The Company seeks to share its commitments to external initiatives with suppliers disclosing the Global Business Pact for Integrity and against Corruption. About 60% of providers have access to the content of these pacts through a link available on IRANI Online, sending along with the purchase orders, and also accessing the Company's own website. For 2014, IRANI undertakes to disclose these commitments to the leaders of its 300 largest suppliers.

In 2013, the integration of suppliers and service providers has been strengthened through a specific procedure that aligns the internal issues, health and safety, environment and documentation standards required by law.

Legal and related environmental health and safety information as well as feedback and issues of common concern are addressed through regular meetings with forestry services providers.

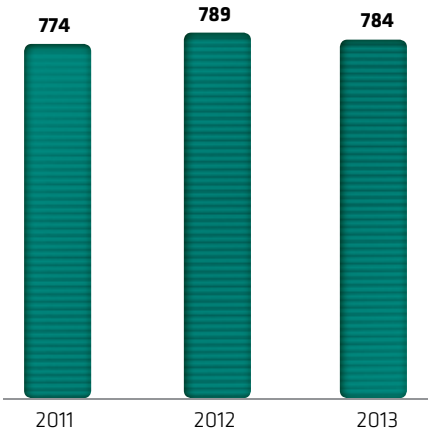
The IRANI Supplier Program showed indices recorded in 2013, 2012 and 2011 of 54.57%, 52.67% and 40.70%, respectively. Despite the significant growth, the 60% target set for 2013 was not achieved. The main factors influencing this outcome were the difficulties encountered in the market and reducing the volume of contractual purchases of some important items for the composition of this indicator.

Urban Forest Project, projected for 2013, the target of maintaining 80% of wooden chip purchases from suppliers with stable supplies. The index reached during this period was 70.75%. In 2012, it was 72.41% and in 2011, 61.76%. Throughout the year, the availability of chips in Rio Grande do Sul was reduced and, as a result, the Company reduced, with due consent of the partner, the quantities taken from existing contracts with some suppliers to ensure the economic balance of this raw material.

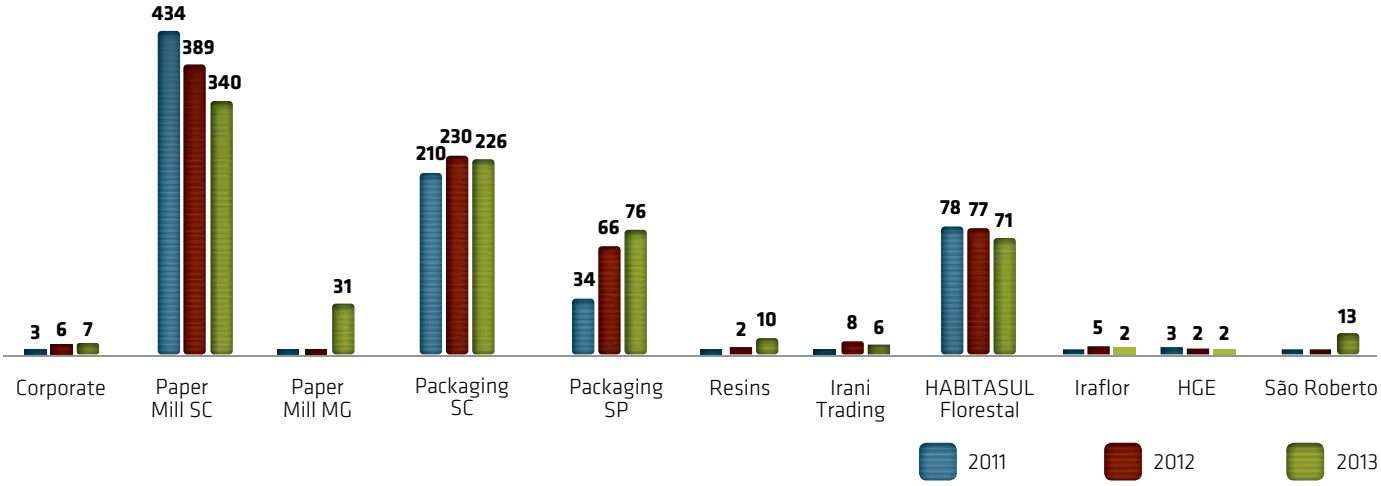
The direct contact with the negotiating team and the IRANI Quotes Online portal, besides events, the corporate site and the sustainability report are the main forms of communication with suppliers.

2014 GOAL:
MAINTAIN 60% OF SUPPLIERS WITH LONG-TERM CONTRACTS IN THE IRANI SUPPLIER PROJECT AND THE URBAN FOREST PROJECT, KEEP 80% OF THE SUPPLIERS OF CHIPS WITH STABLE PURCHASING CONTRACTS.

Number of service providers (consolidated)



Number of employees (per business unit)



Governments and Society

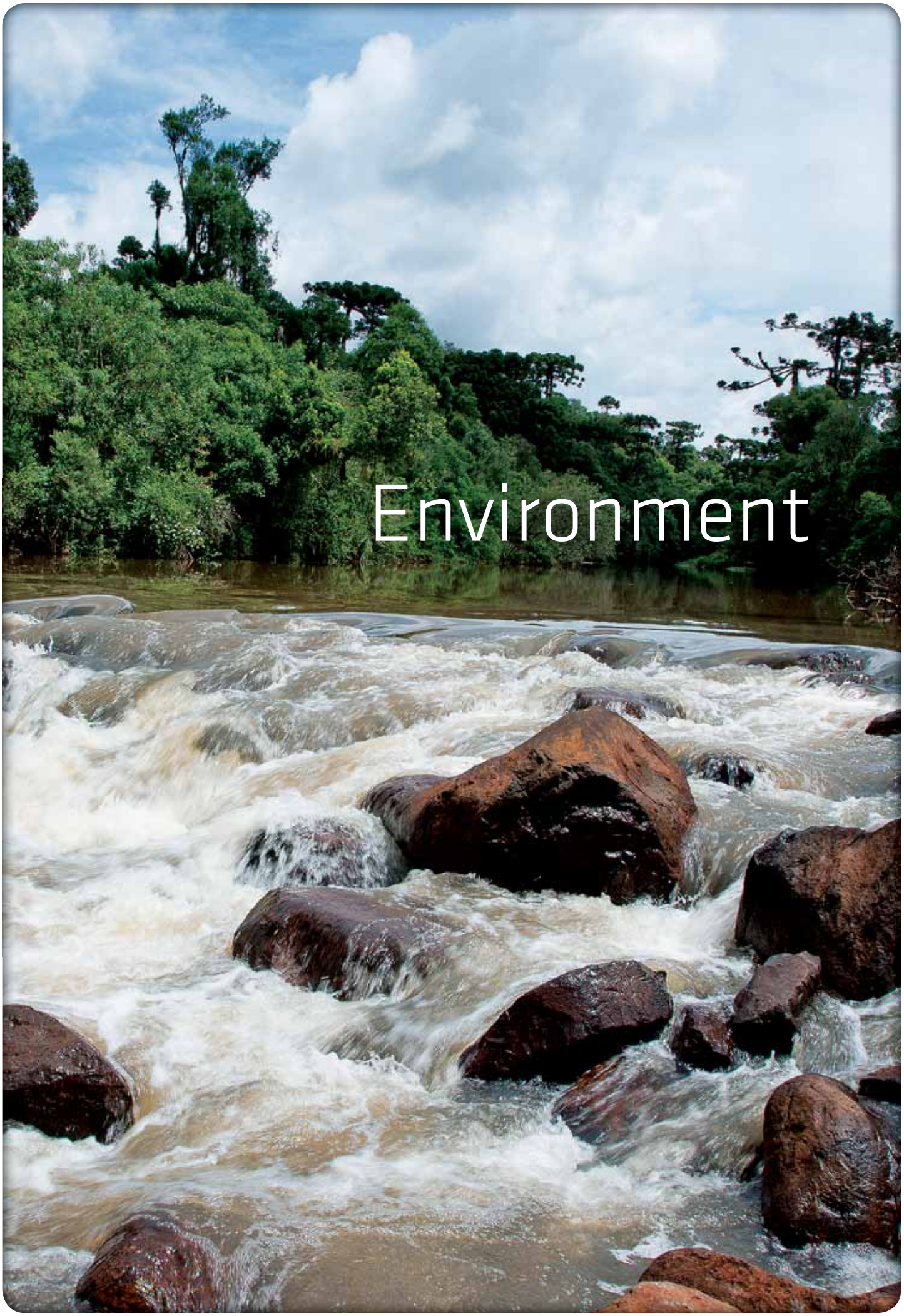
In 2013, IRANI created in its governance structure, the Institutional Relations department, responsible for the narrowing of communication with government leaders and social organizations representative of the society. Along with other IRANI leaders, this new field supports and forwards processes and relationships with representatives of local, state, federal governments and social agencies.

Pro-actively it develops and supports social programs and actions in the surrounding communities. Whenever possible, it has the support of local governments for the development of socio-environmental projects. In 2013, it received an honorable mention for the contribution to the development of Vargem Bonita (SC).

The Company has projects for the expansion of existing units and the establishment of new industrial plants in the country, whose main direct social impacts are linked to the generation of employment, income and the recovery of taxes. These projects are presented and discussed with governments and entities, striving for influence in public policy, increase the economies and social development, among other impacts that may occur in communities where IRANI is installed or may be installed.

The Company believes that the extension of benefits to dependents of employees provides quality of life and significantly contributes in reducing the burden of public services.

In Santa Catarina, which this is present in the Midwest region for 73 years ago, a certain degree of socio-economic dependence can be seen by some municipalities in relation to the Company. To transform this scenario, the IRANI leaders actively participate in representative bodies in the region, encouraging through various actions, the sustainable development of communities and municipalities in the surrounding areas.



Environment

IRANI conduz suas atividades de acordo com as melhores práticas de gestão ambiental, comprometendo-se, por meio de sua política ambiental, a atender à legislação vigente, a promover a melhoria contínua e a buscar a prevenção da poluição. Pautada nos critérios da legislação, monitora os pontos de impactos ambientais decorrentes da atividade industrial como efluentes líquidos, emissões gasosas, resíduos sólidos e sua disposição final.

IRANI conducts its activities in accordance with the best environmental management practices, undertaking, through its environmental policy to meet the current legislation, to promote continuous improvement and seek the prevention of pollution. Guided by the criteria of legislation, monitors the points of environmental impacts of industrial activities such as liquid effluents, gaseous emissions, solid wastes and their final disposal.

The Environmental Management System has a number of programs and monitoring processes to minimize the potential impacts for the purpose of undertaking business in order to contribute to a healthy and balanced environment, reinforcing its commitment to sustainability. In 2013, all programs and environmental monitoring were replicated for the Paper Mill MG and the subsidiary Sao Roberto.

Several steps are taken to minimize the environmental impacts of the Company´s activities. Among the projects developed in 2013, the highlight is the achievement of ISO 14001:2004 by the Packaging Unit SP, which demonstrates their commitment to environmental issues and practices focused on sustainability, as well as to consolidate the credibility of IRANI with stakeholders. The units in Santa Catarina are undergoing a suitability process for the deployment of this certification, intensifying environmental controls through monitoring wells, soil surveys and performing the suitability of restraints to prevent the contamination of soil and water resources.

In 2013, we completed the first stage of the Life Cycle Analysis of the FineKraft 35g paper and corrugated cardboard packaging, considering a scenario that covers activities from the planting to shipping the products. This work enabled the identification of 19 detailed impacts generated by the product throughout its chain. The second phase will be held in 2014 to extend the scope of the study as far as the final disposal of the product, enabling a more complete review of the entire production chain.

Revalidation in the United Nations (UN) of the Clean Development Mechanism (CDM) Project of the CHP was effectuated after seven years as well as the maintenance of the CDM for the Wastewater treatment station.

2013

> Realization of Life Cycle Assessment of Products

> Certification of the Packaging SP Unit by NBR ISO 14001

> Revalidation of the CDM Co-generation Plant by the UN

> Evolution of environmental management in industrial units

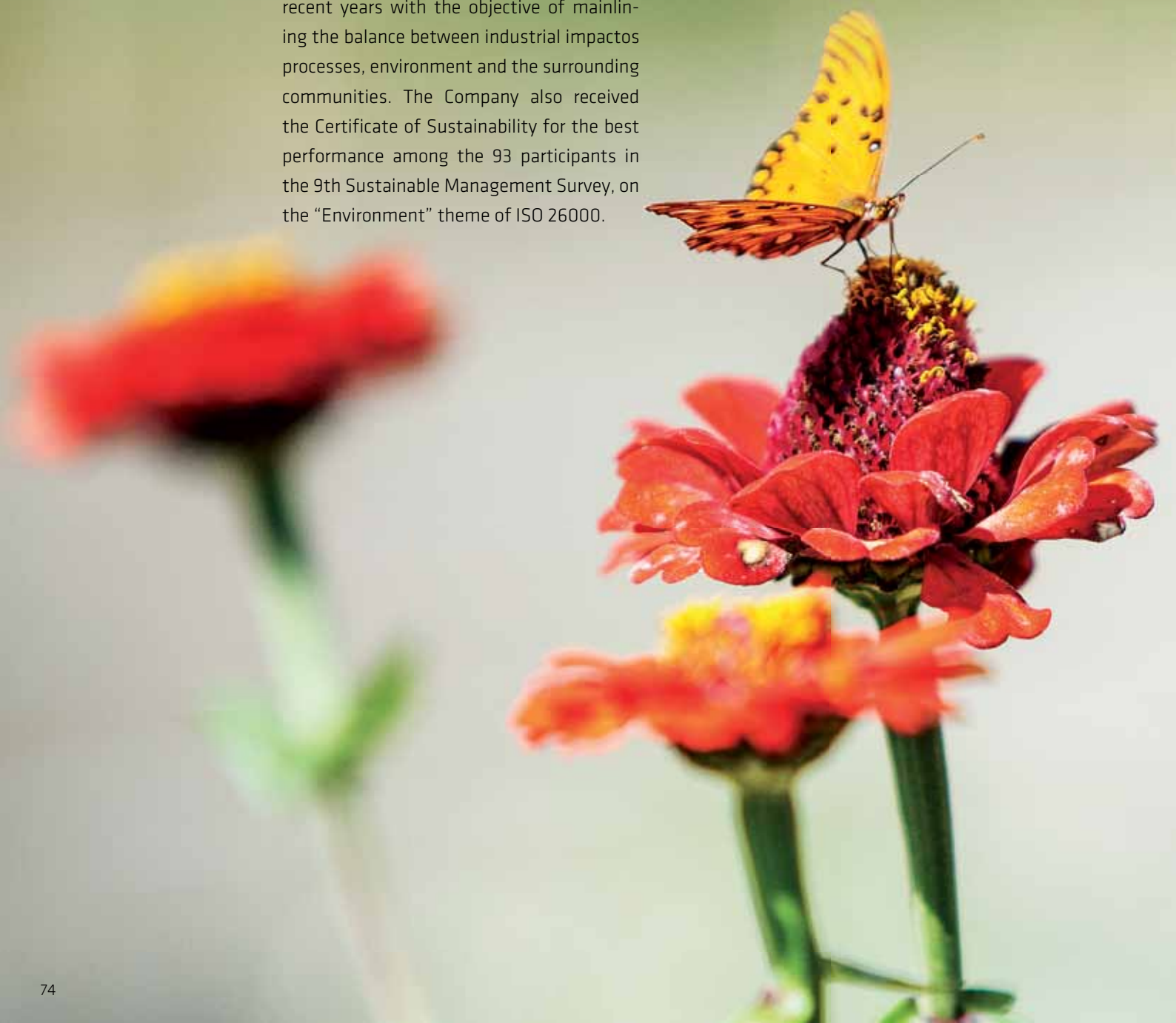
Actions with an environmental focus promoted by the Company resulted in several recognitions in 2013. For the seventh consecutive year, the actions have been recognized by the Environmental Benchmarking Program with the case-study "Water Resources Management". With the scope and international recognition, the Program aims to spread, the strengthening and incentive to the adoption of best socio-environmental practices in Brazilian companies and institutions.

The Company was awarded the trophy for the 20th Green Wave Ecology Award in the Environmental Management category. The award recognized a project developed over recent years with the objective of mainlining the balance between industrial impactos processes, environment and the surrounding communities. The Company also received the Certificate of Sustainability for the best performance among the 93 participants in the 9th Sustainable Management Survey, on the "Environment" theme of ISO 26000.

The Brazilian Technical Association of Pulp (ABTCP) promoted the Pulp and Paper Highlight award, nationwide, that recognized IRANI as a reference in the Sustainability category.

Environmental information that covered the Paper Mill MG and the Sao Roberto began to be cleared-up in April 2013.

In 2013, no claims or complaints related to environmental impacts were recorded.

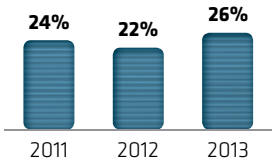


Material Management

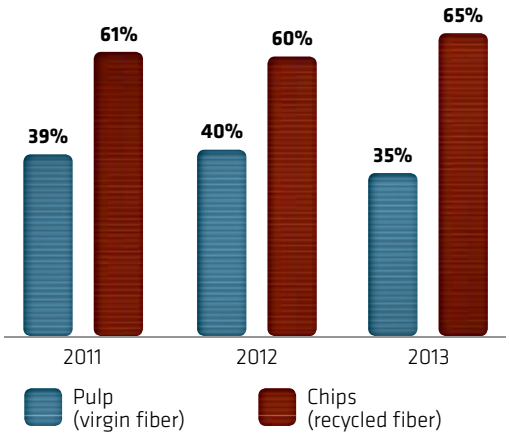
IRANI in its production process, uses a lot of recycled paper, enabling economic and social benefits, as it provides the recovery of raw materials and relocates these in the consumption cycle, generating employment and income for chip suppliers and cooperatives. Environmentally, this action reflects a significant reduction in paper waste in landfills.

To answer the Notice of Public Appeal from the Ministry of Environment (MMA) about the implementation of the National Policy on Solid Waste (PNRS), IRANI participated in discussions of the Coalition to construct a document that was sent for the analysis of the MMA, which will give an opinion as to the responsibilities of packaging paper producers in the process of the selective collection for the promotion of reverse logistics. Currently, recycling of packaging paper promoted by sector has reached an average of 70%. IRANI is strongly engaged in this initiative, aligned to PNRS.

Percentage of recycled materials – Paper Mills SC and MG

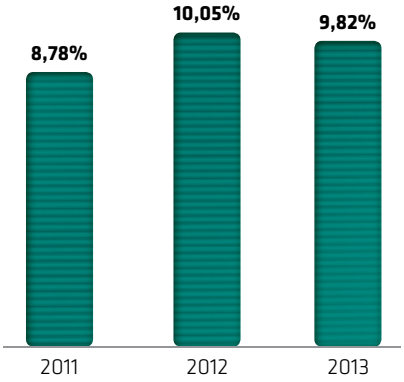


Percentage of recycled fiber -- Paper Mills SC and MG



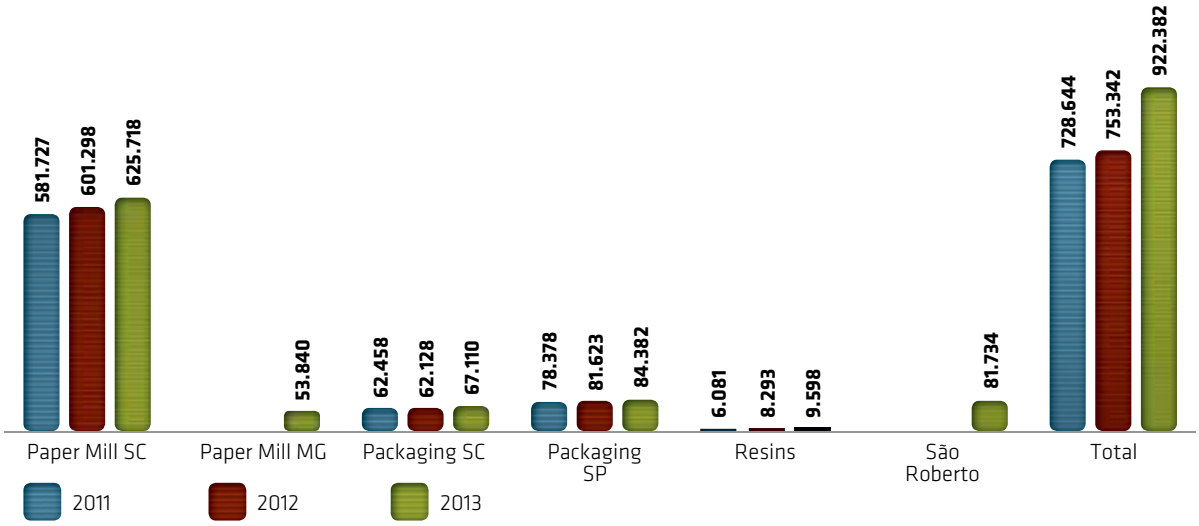
Whenever possible, the Company recycles its products after they are sold and used by the Packaging SC and Packaging SP units. The chips generated from these units are reprocessed by the Paper Mill SC and reinserted in the production process. In 2013, 9.82% was recycled of all paper sold to these units. This practice is used only between IRANI units to ensure the traceability of the product, since there is no evidence that can prove its validity when the chips are purchased in the market.

Percentage of chips recovered from the Packaging SC and SP by the Paper Mill SC



The Material consumption in 2013 was equivalent to 922,382 tons which is represented by inputs and raw materials such as wood, pulp, chips, ink, glue, soda, borax, paper, wax and resins. Consumption during this period was higher than the previous year due to the integration of the Paper Mill and the Sao Roberto subsidiary in the determination of information.

Materials used in the production



Of the total materials consumed, approximately 98% comes from renewable sources, according to the following table.

Volume of renewable and non-renewable materials (tons)

Unit	Source	Period 2013
Paper Mill SC	Renewable	614,973.82
Paper Mill MG		52,813.69
Packaging SC		66,490.28
Packaging SP		83,725.62
Resins		81,425.85
São Roberto		9,598.40
Total renewable materials		**909,027.66**
Paper Mill SC	Nonrenewable	10,744.48
Paper Mill MG		1,026.81
Packaging SC		619.38
Packaging SP		656.27
Resins		307.83
São Roberto		0,00
Total non-renewable materials		**13,354.76**

Specific consumption of material (tons) per ton produced

Unit	Specific consumption/ gross production			Specific consumption/ net production		
	2011	2012	2013	2011	2012	2013
Paper Mill SC	2.78	2.81	2.87	2.98	3.01	3.07
Paper Mill MG			1.20			1.25
Packaging SC	1.02	1.02	1.01	1.17	1.05	1.05
Packaging SP	1.07	1.07	1.08	1.12	1.14	1.15
Resins			1.21			1.21
São Roberto			1.11			1.18

Lake of the Flor do Mato Mill – Ponte Serrada (SC)

Effluent Management

Effluent management is based on current legislation, the National Water Resources Plan and reducing losses and waste. The reviews regarding the management of this are directly linked to the achievement of internal and external audits of certification standards. The main impact of wastewater generation is related to the eutrophication of the aquatic environment in the Chapecó River Basin.

Documented procedures are available that are based on environmental laws that define and guide the monitoring of liquid effluent, by which the frequency of analyzes, parameters, responsibilities, records and specifications of the characteristics of the effluent are established.

The monitoring includes analyzes of various parameters and constants actions are developed in order to reduce the volume of effluent. By using daily worksheets, we can proceed to the monitoring of physical, chemical and microbiological parameters of the effluent in compliance with applicable environmental legislation. Periodic monitoring reports are sent to environmental agencies as evidence of meeting the standards set out in legislation .

The IRANI history in relation to the reduction in water consumption, effluent generation and loss of fiber shows that the actions of closing the circuit implemented in recent years have been effective.

Volume of effluent generated (m^3/year)

Unidade	2011	2012	2013
Paper Mill SC	4,761,352	4,497,216	4,186,864
Paper Mill MG			Closed circuit
Packaging SC	4,629	13,034	10,890
Packaging SP	9,655	10,844	10,094
Resins	2,001	3,671	4,871
São Roberto			Closed circuit
Total	**4,777,637**	**4,524,765**	**4,212,719**

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

Specific volume of effluent (m³) per ton produced

Unit	Specific/gross production			Specific/net production		
	2011	2012	2013	2011	2012	2013
Paper Mii SC	22.76	21.02	19.18	24.36	22.48	20.56
Packaging SC	0.08	0.21	0.16	0.09	0.22	0.17
Packaging SP	0.13	0.14	0.13	0.14	0.15	0.14
Resins			0.62			0.62

Notes: In the Paper Mill MG and the Sao Roberto subsiduary the generation of effluent is done in a closed circuit and therefore it is not destined to the water resources.

2014 GOAL:
REDUCE THE AMOUNT OF EFFLUENT TO 19.30 M³ PER GROSS TON PRODUCED.

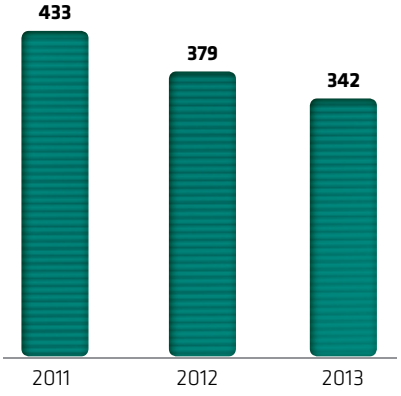
Destination of treated effluent

Unit	Water bodies affected	Size of the water body
Paper Mill SC	Disposal in the Rio do Mato, in Santa Catarina, complies with the parameters of CONAMA 430/2011. This river is not designated as a protected area.	71.2 km long
Paper Mill MG	Closed circuit	The effluent is not intended to be sent to any water resource.
Packaging SC	Disposal in the Rio do Mato, in Santa Catarina, complies with the parameters of CONAMA 430/2011. This river is not designated as a protected area.	71.2 km long
Packaging SP	Disposal is intended for the WWTP Indaiatuba (SP), complying with the parameters of the Decree 8468/76. Is subsequently released in Jundiaí River. This river is not designated as a protected area.	110km long
Resins	Disposal is released in the Arroio Rancho Velho in the city of Balneario Pinhal, complying with the parameters of CONSEMA Resolution No. 128/2006. This river is not designated as a protected area.	5.8 km long
São Roberto	Closed circuit	The effluent is not intended to be sent to any water resource.

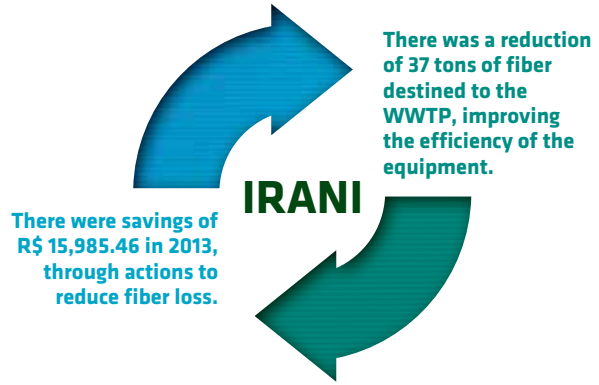
The number of fish found in the area of the Mato River, where the effluent is released from the Santa Catarina units, is formed generally by generalist species (e.g. Astyanax scabripinnis, A. bimaculatus, O. brevioris, G. brasiliensis) which have some degree of flexibility as to their food and reproductive needs, adjusting easily to varying resources and the alternation of common environmental conditions for the region due to the altitude. According to the International Union for Conservation of Nature (IUCN) Red book of species threatened with extinction in Brazil and the State of Santa Catarina, the threat of extinction is nonexistent for fish in the region.

In the Paper Mill SC there is a specific job to monitor the fiber loss. As a result of actions taken in 2013, it was found that there was a reduction of 37 tons of fiber loss compared to fiscal year 2012.

Fiber loss (monthly average)



In 2013, there were no spills that had a significant environmental impact on IRANI industrial units.



Solid Waste Management

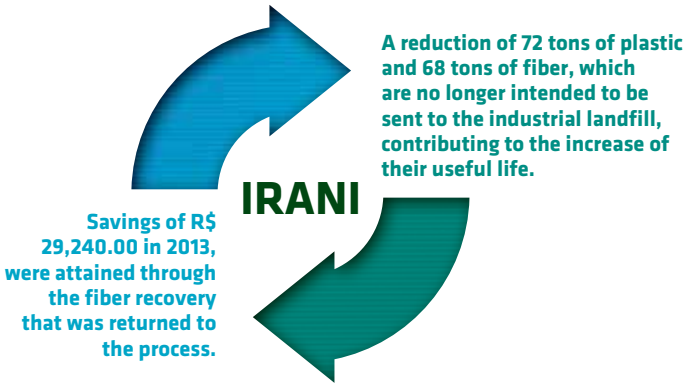
2014 GOAL:
REDUCE THE TRANSFER OF WASTE TO THE LANDFILL TO RATES BELOW 11% IN THE PAPER MILL SC.

The solid waste management is guided by the IRANI Solid Waste Management program, which prioritizes the reduction, recycling and reuse of waste and is in line with the current National Policy. Through this program, there is a strict control of waste generated in the production process.

Specific procedures guide the collection, storage and proper disposal of all waste generated in the Company. The separation is performed in accordance with NBR 10.004/2004 in Class I (hazardous) waste, Class II-A (non-inert) waste and Class II-B (inert) waste. The storage of this material is carried out in appropriate locations according to the characteristics of each waste product in order to avoid contamination of the soil, groundwater and water resources.

The management is increasingly more rational, increasing the rates of reuse and recycling and reducing the volume of material disposed of in landfills. Only 9.46% of the total waste generated in 2013 in the Paper Mill SC were sent to the industrial landfill. The remaining waste was recycled and reused internally or externally.

As a contribution to reducing the percentage of external recycling and the percentage of waste sent to landfill, the Company has developed an innovative project that consists of a separation plant for plastic and fiber. Plastic can be used in various applications like pole cross-arms, pallets, railroad sleepers, plastic wood, ecological tiles, among others.



Hazardous waste received specific treatment performed by specialized companies that perform the collection and promote the transport and treatment. The lamps are decontaminated and recycled, oil is refined and reused, batteries and ambulance room waste are transported to a Class I landfill . The contractors have an environmental permit for transportation, as well as for the handling of the waste to meet the requirements of the environmental agency.

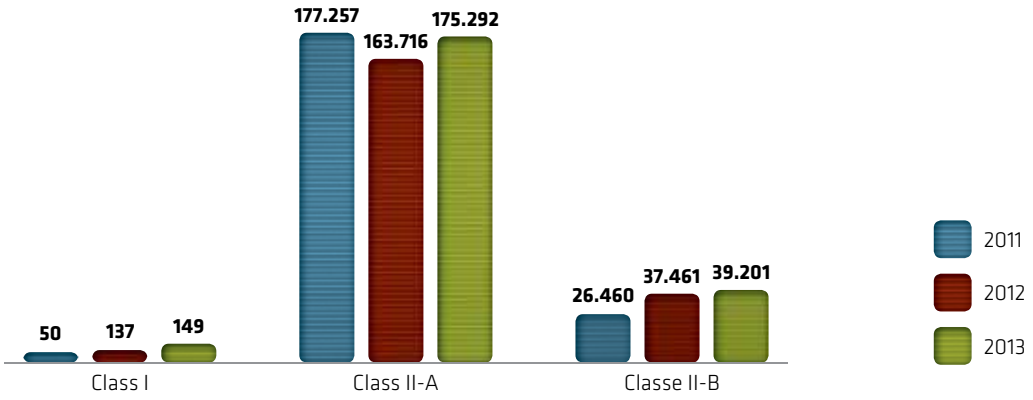
Hazardous waste (tons)

Unit	Waste generated and treated		
	2011	2012	2013
Paper Mill SC	17,43	115,27	119,07
Paper Mill MG			2,46
Packaging SC	31,46	21,06	25,48
Packaging SP	1,00	1,12	1,18
Resins	0,00		0,90
São Roberto			No hazardous waste generated in the period..
TOTAL	**49,89**	**137,45**	**149,09**

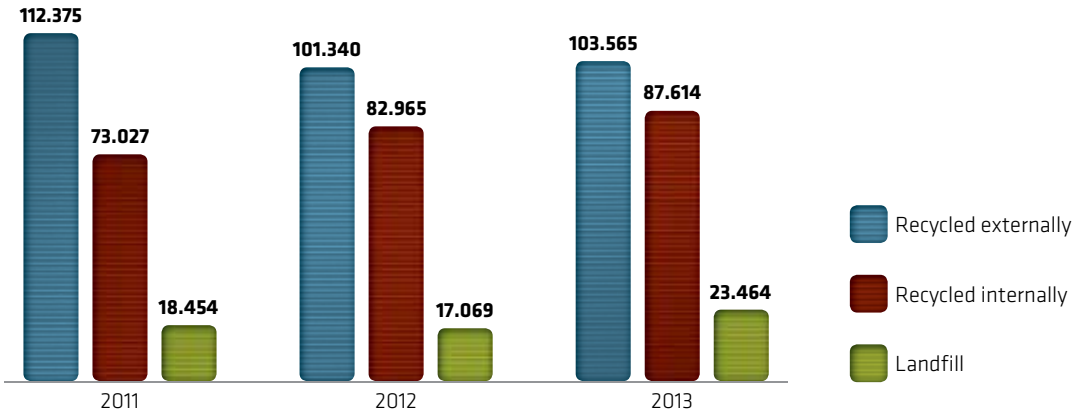
Total waste generated by the units (tons)

Period	Paper Mill SC	Paper Mill MG	Packaging SC	Packaging SP	Resins	São Roberto	TOTAL
2011	185,742		9,500	8,416	198		203,856
2012	182,838		9,029	9,044	462		201,374
2013	187,275	2,405	10,119	9,573	2,321	2,950	214,643

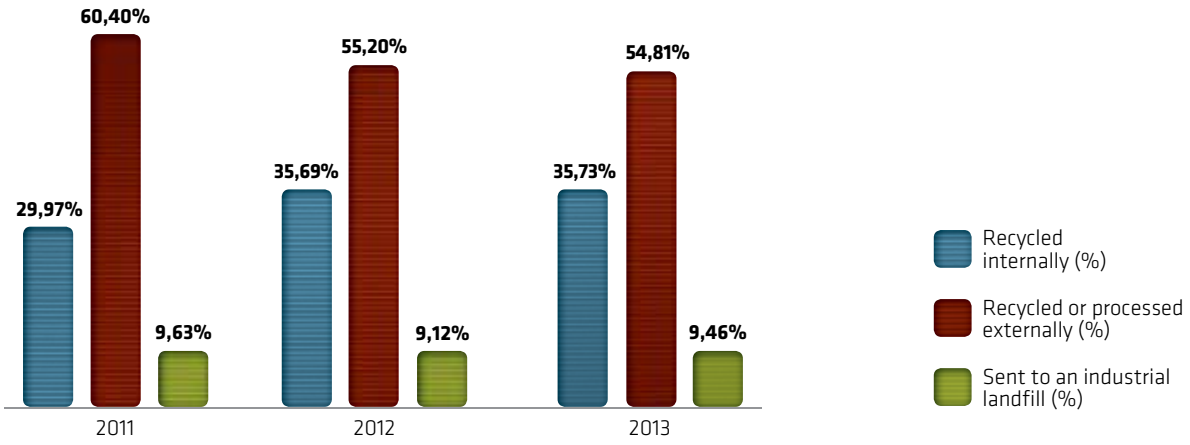
Total weight of waste generated (by type)

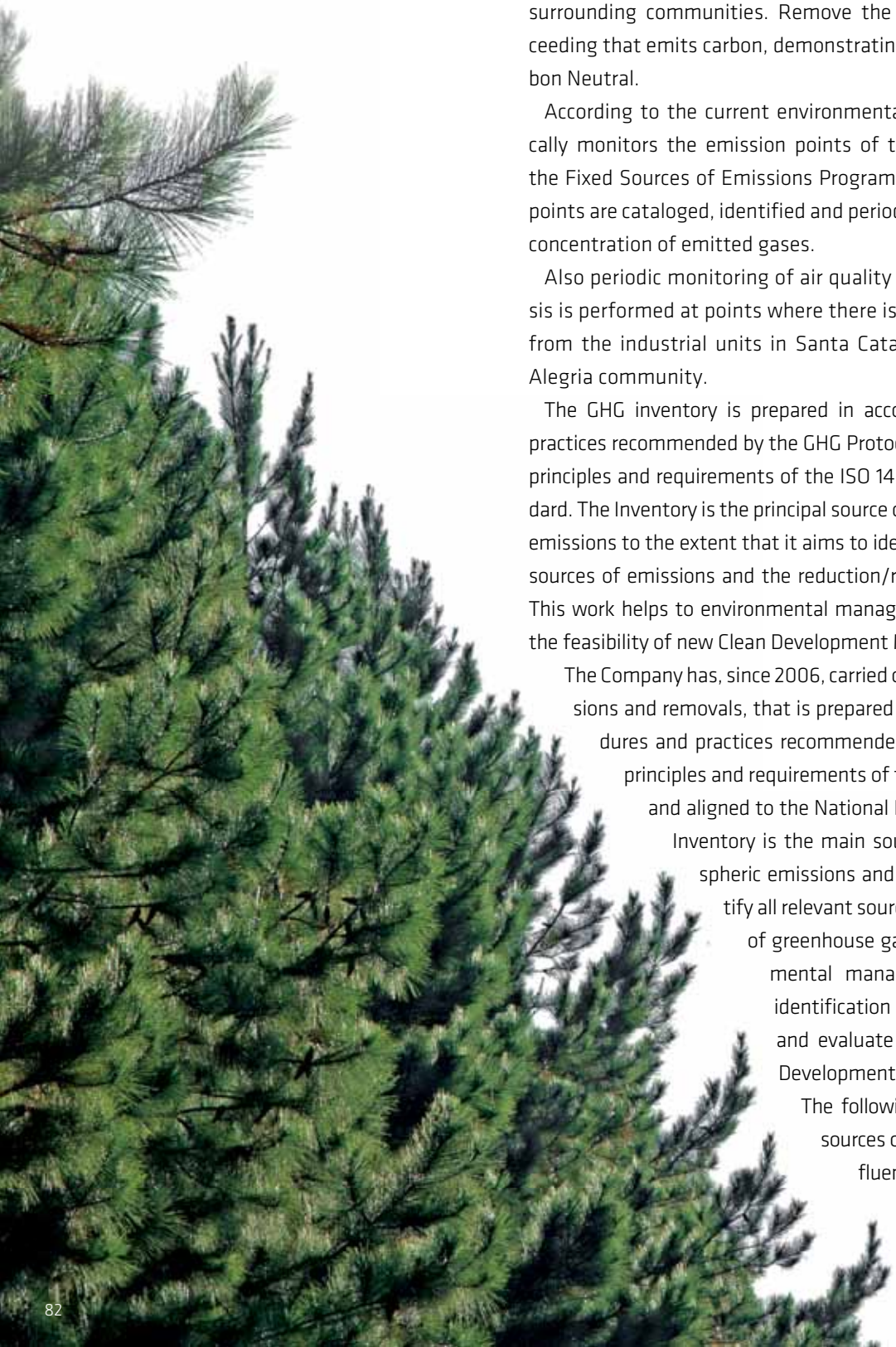


Total weight of waste by disposal method



Total weight of waste by disposal method – SC Unit Paper





Management of atmospheric emissions

Atmospheric emissions are characterized as one of the main environmental issues because of industrial operations. The emission of Greenhouse Gases (GHG) is directly related to global warming. The emission of non-condensable gases (GNCC and GNCD) can cause a characteristic odor and soil acidification. Over the years, Irani has devoted efforts to mitigate the impact caused by emissions into the environment and surrounding communities. Remove the atmosphere an amount exceeding that emits carbon, demonstrating that their activities are Carbon Neutral.

According to the current environmental regulations, IRANI periodically monitors the emission points of their industrial units through the Fixed Sources of Emissions Program from Stationary Sources. All points are cataloged, identified and periodically they have to define the concentration of emitted gases.

Also periodic monitoring of air quality is performed, and the analysis is performed at points where there is a large movement of people from the industrial units in Santa Catarina and in the Campina da Alegria community.

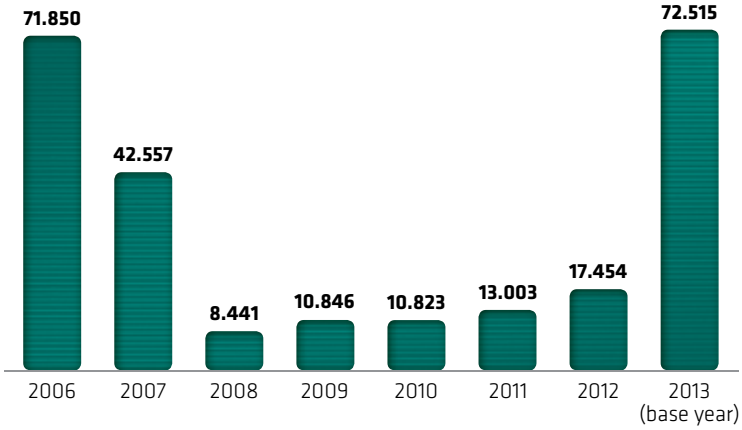
The GHG inventory is prepared in accordance with procedures and practices recommended by the GHG Protocol and in accordance with the principles and requirements of the ISO 14.064:2006 International standard. The Inventory is the principal source of information on atmospheric emissions to the extent that it aims to identify and quantify all relevant sources of emissions and the reduction/removal of greenhouse gases. This work helps to environmental management to identify and assess the feasibility of new Clean Development Mechanism (CDM) projects.

The Company has, since 2006, carried out the GHG inventory of emissions and removals, that is prepared in accordance with the procedures and practices recommended by the GHG Protocol as the principles and requirements of the ISO Standard 14.064:2006 and aligned to the National Policy on Climate Change. The Inventory is the main source of information on atmospheric emissions and it aims to identify and quantify all relevant sources of emissions and removals of greenhouse gases. This work helps environmental management and allows for the identification and quantification to identify and evaluate the possibility of new Clean Development Mechanism (CDM) projects.

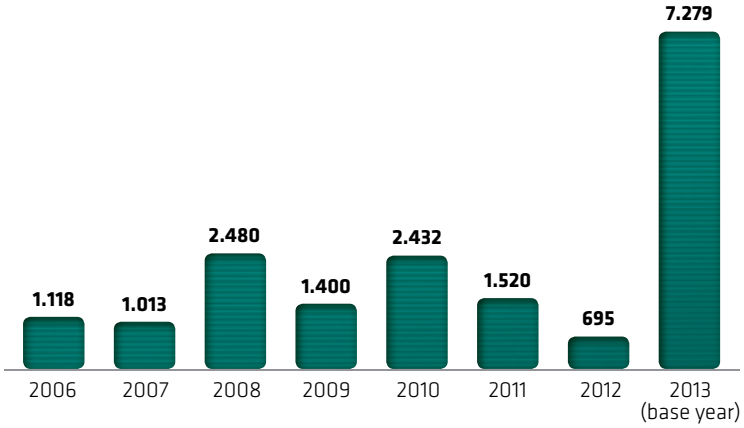
The following are considered as Scope 1 sources of fuel, reagents, waste and effluents, Scope 2 includes purchased energy and Scope 3 covers waste combustibles.

The new base year for information regarding the GHG Inventory became 2013. This is due to the incorporation of the Paper Mill MG and Sao Roberto, as well as changes in the GWP - Global Warming Potential parameters and the increased use of thermoelectric power stations in Brazil. These variables influenced the recording of the information presented below.

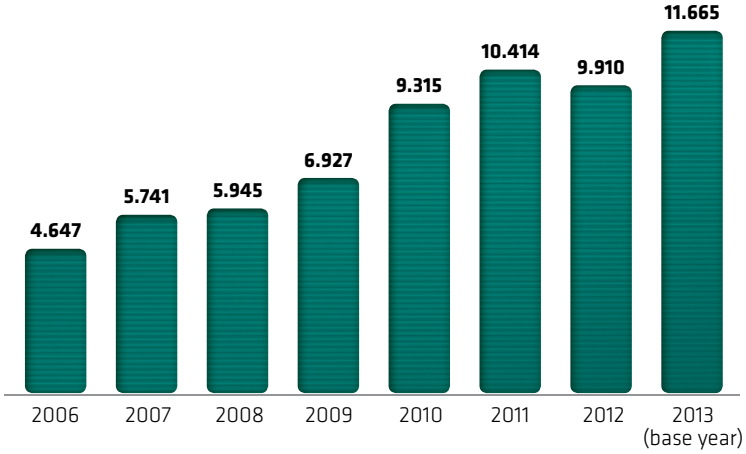
Scope 1 - Direct GHG Emissions (in tons of CO_2e)



Scope 2 - Indirect Emissions by Energy (in tons of CO_2e)



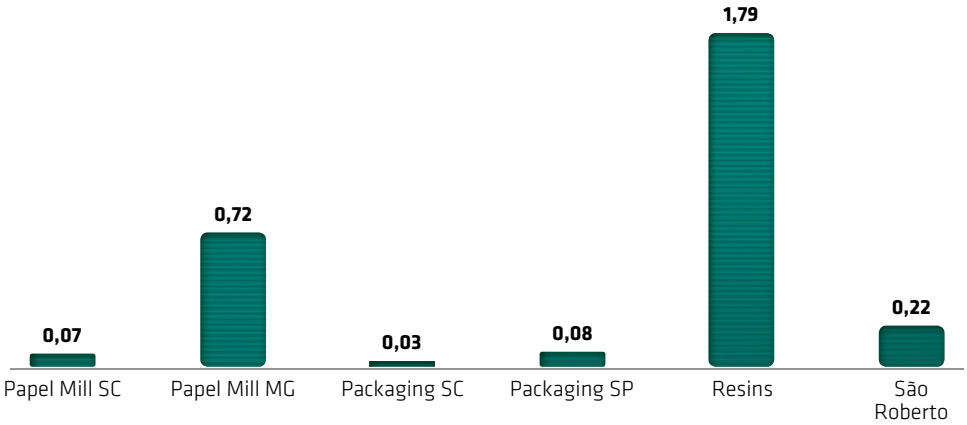
Scope 3 - Other indirect GHG emissions (in tons of CO_2e)



The mapping of emissions at the Paper Mill MG and Sao Roberto will be improved in 2014.

Throughout 2013,the Resins Unit presented operational problems in the Wastewater Treatment Plant. A new treatment plant will be implemented to rectify the situation. The following chart includes all sources of emissions.

Tons of CO_2e per ton produced in 2013



Notes: The chart considers the gases CO_2, CH_4 and N_2 converted into CO_2e.

Since 2009, IRANI has had a partnership with the National Transport Confederation (CNT), Federation of Transport Companies Freight and Logistics in the State of Santa Catarina (Fetranscesc), The Union of Cargo Transportation Companies of the West and Midwest od Santa Catarina (Setcom) and the Union of Cargo Transportation Companies of Catanduvas and Region (Setccar) in the Clean-Up Program, in the Vargem Bonita units. Based on Scope 3 of the GHG inventory, the objective is to reduce air pollutants emitted by vehicles, mitigating the environmental impacts of transporting products, contributing to improved air quality and the rational use of fuels. It also promotes environmental education for carriers, aiming to make them vigilant and to disseminate good environmental practices.

IRANI joined the monthly measurements program on all vehicles, internal and outsourced, performed by a qualified technician. If they are within the correct parameters, the vehicles are approved and given a specific seal. Between 2009 and 2013, 2,088 measurements were performed. The average percentage of approved vehicles was 82%.

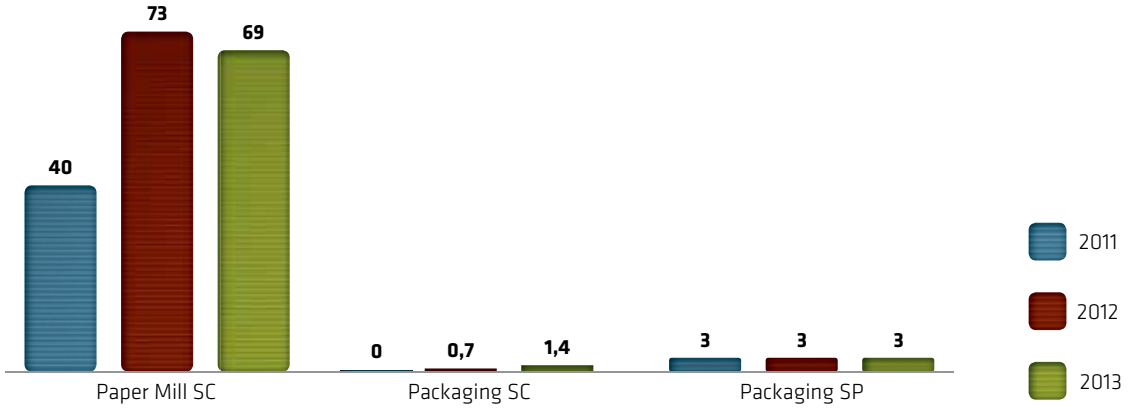
Atmospheric emissions (mg/Nm³)

Unit	MP/gross production			NOx/gross production		
	2011	2012	2013	2011	2012	2013
Paper Mill SC	4.79	11.85	12.08	2.23	2.42	1.27
Paper Mill MG			0.37			0.91
Packaging SC			0.01			0.03
Packaging SP			–			0.07
Resins			5.32			1.22

Notes: Prior to the 2013 periods they did not include conducting atmospheric tests in Packaging SC, which is supplied by a boiler in the Paper Mill SC. The boiler installed in this unit is turned on a few times a year and has low air emissions, as shown in the table. In the Packaging SP, the analysis of particulate does matter because of the fuel used in the boiler; this monitoring will be extended to the Sao Roberto subsidiary in 2014.

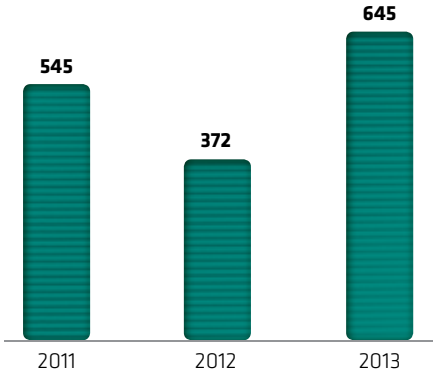
From 2013, IRANI began to adopt the CML-IA methodology to monitor emissions from the refrigerant R-22, also known as HCFC-22 or chlorodifluoromethane, used for the maintenance of air conditioners. The characterization factor is 0.05 kg of CFC-11eq for each kilogram of HCFC-22.

Emissions of substances that destroy the ozone layer (in kilograms of CFC-11 eq)



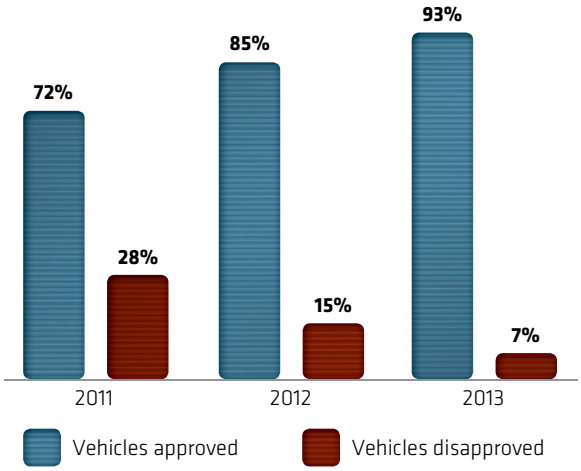
Note: The information in this monitoring of the units Packaging MG and Resins and in the Sao Roberto subsidiary will be implanted in 2014

Number of measurements taken in trucks from the Paper Mill SC and Packaging SC



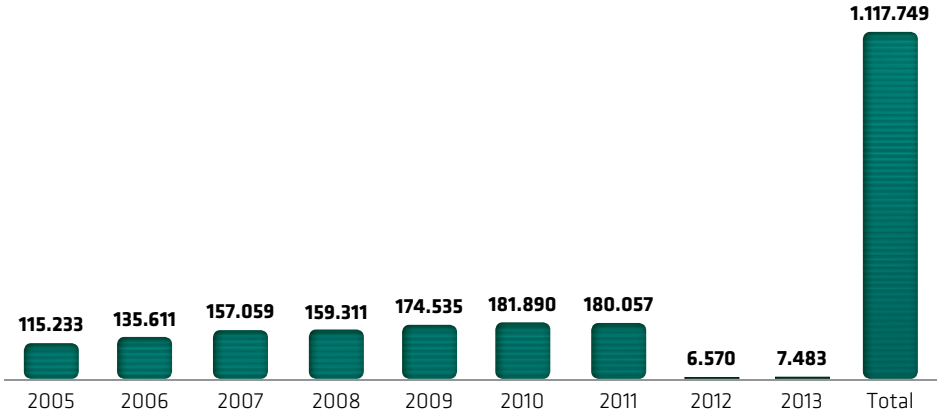
Note: In the Packaging Unit SP, monitoring was initiated in late 2013 and is made internally using the Ringelmann Scale. The data will be compiled and published in 2014. The Paper Mill MG and the Sao Roberto subsidiary wll initiate monitoring in the coming years.

Vehicle from the Paper Mill SC and Packaging SC approved in the vehicle inspection

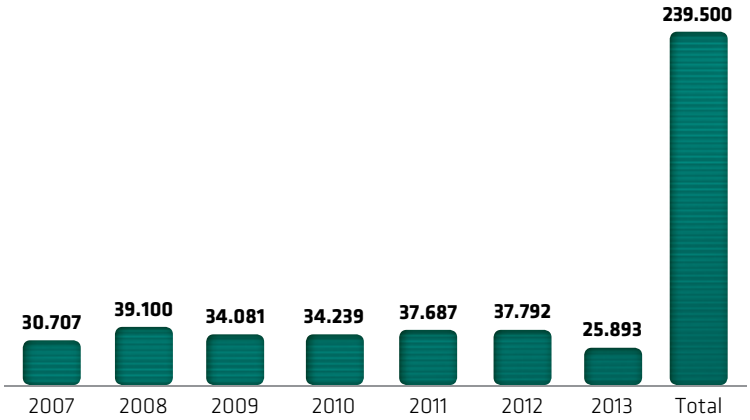


IRANI has two CDM projects, the Co-generation Boiler and the Modernization of the Wastewater Treatment Plant. These projects replace old sources of methane emission for carbon dioxide and contribute to minimizing global warming and the reduction of GHG emissions.

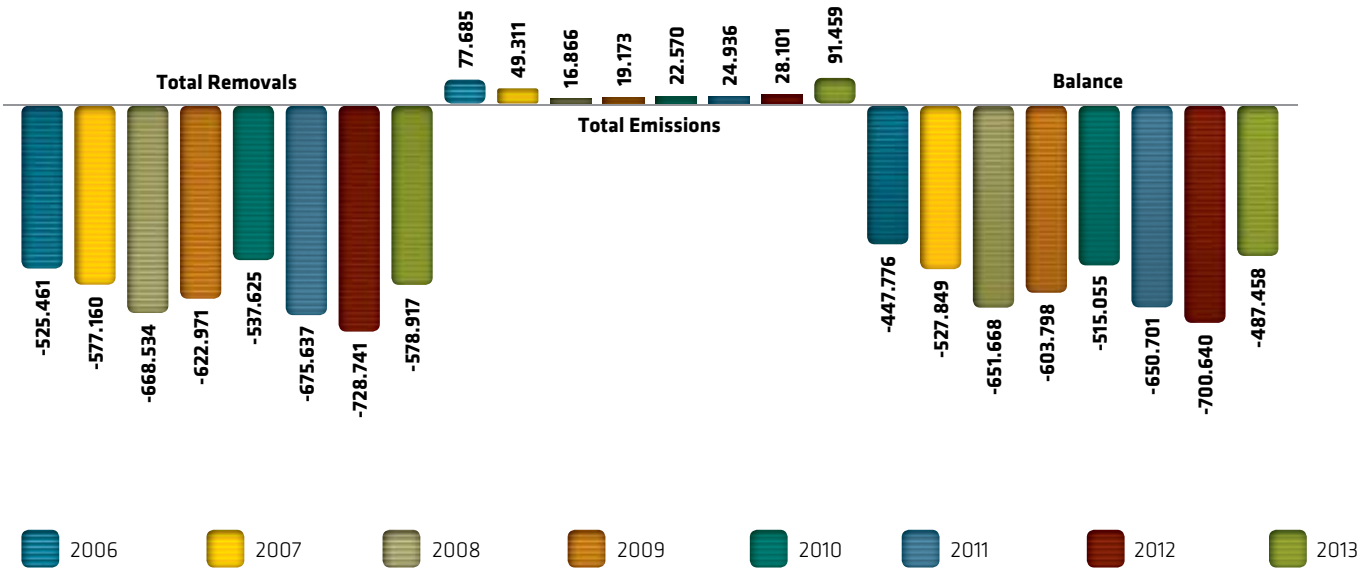
Certified reductions in emissions from the Cogeneration Plant (in tons of CO_2e)



Certified reductions in emissions from the WWTP (in tons of CO_2e)

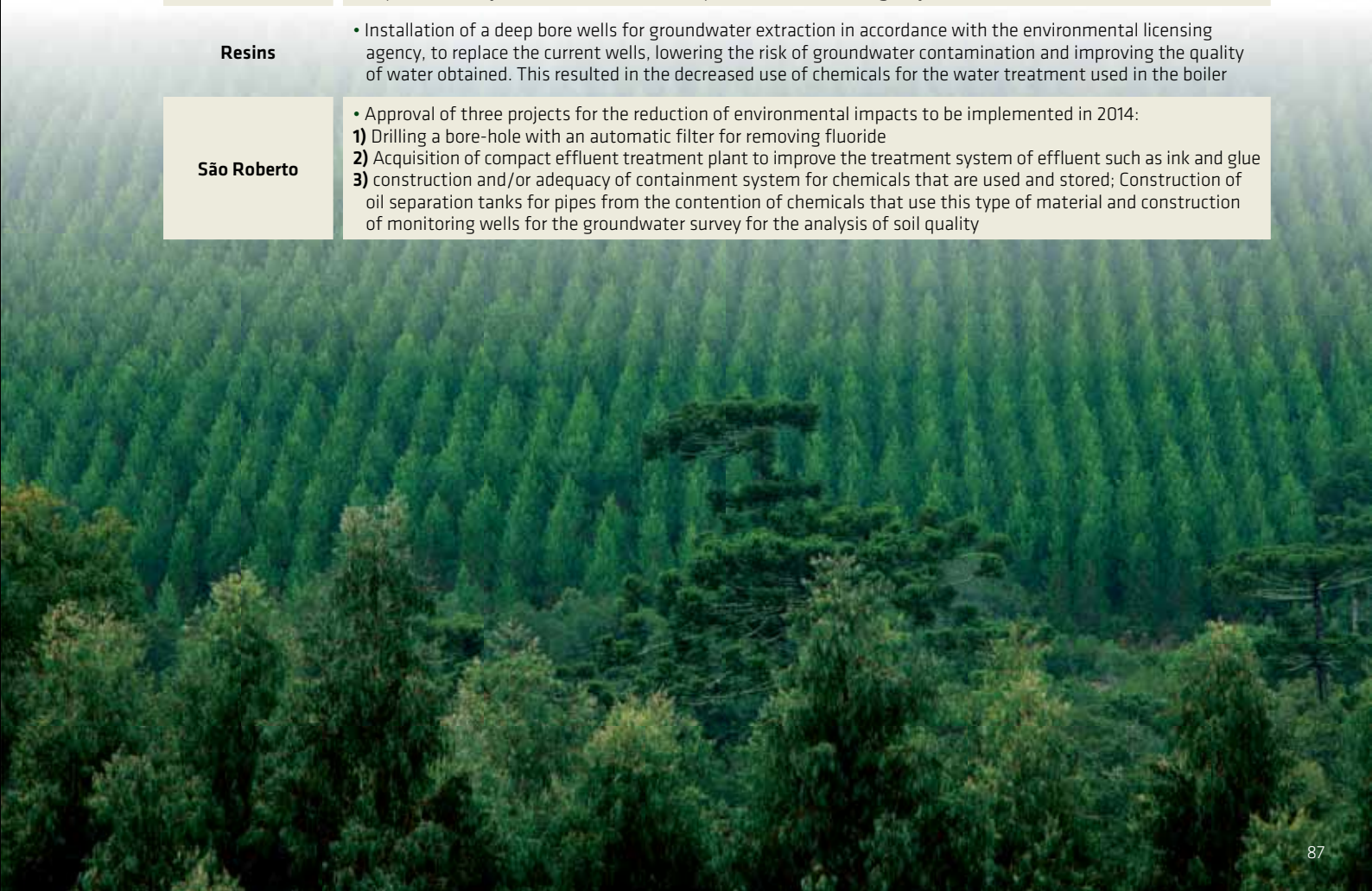


Total Emissions (tons CO_2eq)



Extent of mitigation of environmental impacts of products and services

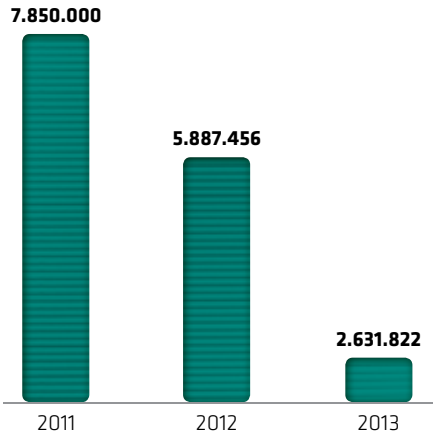
Unit	Description
Paper Mill SC	• In 2013, 72 tons of plastic and 68 tons of fiber were no longer to be sent to the landfill because of the implantation of a plastic recycling plant, and fiber recovery plant. This measure allows for increased service life of the landfill and conserves natural resources. • Construction of wells for groundwater monitoring and probing for the analysis of soil quality. • Approval of the investment for the containment of transformers and enclosures in the warehouse, which helps to avoid soil contamination.
Paper Mill MG	• Disposal of waste from the manufacturing are to be co-processed in cement kilns, serving as fuel. This action prevents the destination of 268 tons to the industrial landfill • construction of an oil containment wall around the boiler to prevent soil contamination
Packaging SC	• Acquisition of approximately 80% of used pallets, reducing the consumption of raw materials • Construction of contention embankments and interconnection network of chemical effluents in all areas that use chemicals, the building splitter boxes for the areas that use them/or generate lubricating oil • Waterproofing of all contention areas for chemicals. • Construction of wells and groundwater monitoring for the analysis of soil quality. • Buffering the decanter, cleaning and covering the unused biological tank from sewage treatment station and drilling of artesian well, contributing to the reduction of environmental impacts and obtaining the ISO 14.0001 certificate. • Replacement of pipework to supply of drinking water from the water treatment station to the tank (water tank) • Waterproofing the internal reservoir for legal compliance
Packaging SP	• Aquisição de, aproximadamente, 80% de paletes usados, reduzindo o consumo de matérias-primas • Construção de diques de contenção e rede de interligação de efluentes químicos em todas as áreas que utilizam produtos químicos, construção de caixas separadoras para as áreas que usam e/ou geram óleo lubrificante • Impermeabilização de todas as contenções de produtos químicos • Construção de poços de monitoramento do lençol freático e sondagem para análise de qualidade do solo • Tamponamento do decantador, limpeza e cobertura do tanque biológico desativado da estação de tratamento de efluentes e perfuração de poço artesiano, contribuindo para a redução dos impactos ambientais e obtenção do certificado ISO 14.0001. • Substituição das tubulações de adução de água potável da estação de tratamento de água para o reservatório (caixa d'água) • Impermeabilização interna do reservatório para atendimento à legislação
Resins	• Installation of a deep bore wells for groundwater extraction in accordance with the environmental licensing agency, to replace the current wells, lowering the risk of groundwater contamination and improving the quality of water obtained. This resulted in the decreased use of chemicals for the water treatment used in the boiler
São Roberto	• Approval of three projects for the reduction of environmental impacts to be implemented in 2014: **1)** Drilling a bore-hole with an automatic filter for removing fluoride **2)** Acquisition of compact effluent treatment plant to improve the treatment system of effluent such as ink and glue **3)** construction and/or adequacy of containment system for chemicals that are used and stored; Construction of oil separation tanks for pipes from the contention of chemicals that use this type of material and construction of monitoring wells for the groundwater survey for the analysis of soil quality



Environmental investments in 2013

Type	Action/project	Environmental benefits	Unit	Investments
Costs of waste disposal, treatment of emissions, and remediation costs	Maintenance of permanent preservation area	Restoration of the area around the lakes and the Anta Stream	Paper Mill SC	R$ 14,824.89
			Packaging SP	R$ 48,744.61
	Waste Disposal	Suitable disposal of waste generated in the process	Paper Mill SC	R$ 1,206,999.82
			Packaging SC	R$ 78,577.58
			Packaging SP	R$ 49,919.52
			Resinas	R$ 18,914.00
			São Roberto	R$ 151,698.20
	External analytical laboratories	Monitoring of Water Resources, Air and Soil, Wastewater, construction and analysis of water from wells, tank cleaning.	Paper Mill SC	R$ 28,396.74
			Packaging SC	R$ 38,367.00
			Packaging SP	R$ 33,100.00
			Resinas	R$ 12,791.00
			São Roberto	R$ 29,481.00
	Basic sanitation for the Vila Campina da Alegria	Adequate disposal of waste	Paper Mill SC	R$ 11,119.89
	Construction of retaining walls	Prevention of accidents which may cause environmental contamination	Packaging SC	R$ 57,340.00
Costs with the prevention and environmental management	FSC Certification	Audit and FSC annuity	Paper Mill SC	R$ 13,040.07
			Packaging SC	R$ 13,040.06
			Packaging SP	R$ 24,775.22
			Resins	R$ 5,566.00
	Advice relating to environmental management processes	Quality and environmental monitoring improvements	São Roberto	R$ 13,420.00
	ISO 14001 Certification	Investment in infrastructure and ISO 14001 certification	Packaging SP	R$ 118,400.00
	ACV	Analsis of Life Cycle Assessment of Products	Paper Mill SC/Packaging SC	R$ 36,749.90
	Environmental Education	Sensibilização e motivação de stakeholders para o desenvolvimento de ações conscientes e favoráveis ao meio ambiente	Paper Mill SC	R$ 12,462.93
			Packaging SC	R$ 6,685.46
	Ichthyofauna Project	Awareness and motivation of stakeholders to develop conscious and environment friendly actions	Paper Mill SC	R$ 47,955.00
	Environmental Law/ Licenses	Monitoring of relevant environmental l and environmental licensing legislation and acquisition of the applicable standards	Paper Mill SC	R$ 286,560.72
			Paper MG	R$ 30,563.21
			Resins	R$ 11,149.00
	CDM project	Validation and reducing of emissions via the CDM projects (CERs)	Paper Mill SC	R$ 28,105.26
	Plastic Separation Plant	Reuse the plastic reducing the percentage of waste sent to the landfill	Paper Mill SC	R$ 59,101.50
	Installation of monitoring wells	Environmental monitoring of the quality of the soil and groundwater	Paper Mill SC	R$ 48,150.00
	Regularization of Tubular Well	Regularization of the tubular well avoiding contamination of groundwater and licensing by the State environmental agency.	Resins	R$ 66,250.00
	Renewal of Operating License, CADRI's, CRQ, CRBIO, City Hall	Regulation and compliance with laws in force in the state of SP	Packaging SP	R$ 29,573.41
Total				**R$ 2,631,821.99**

Environmental investments (R$)



Note: In 2011 and 2012, major projects such as the step-down substation and effluent treatment in the MPV system were implemented, raising the value of environmental investments in these periods.

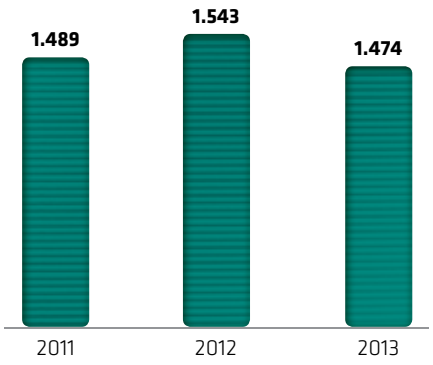
Environmental education program

IRANI aims to spread environmental education to a wide audience that includes employees and residents of the surrounding communities.

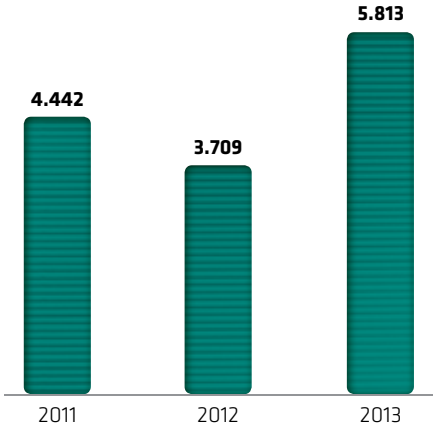
Develop environmental education and support projects for environmental purposes in conjunction with schools and community groups seeking to involve the various stakeholders. To do so, carry out actions throughout the year emphasizing holidays that are consolidated in the calendar such as Water Day, Environment Day, Arbor Day and Day of the River

In 2013, 1474 hours environmental education for employees were provided During this about 5,813 people became involved, including employees, students from surrounding schools, suppliers, customers and the community.

Hours available for environmental education



People involved in environmental education



Life cycle analysis (ACV)

The ACV of the FineKraft 35g paper and corrugated cardboard packaging was initiated in 2012 by the Life Cycle Analysis Research Group, from the Federal University of Santa Catarina (UFSC). The first stage of the study was completed in 2013. This research aimed to describe and analyze the main processes of pulp and paper that create environmental impacts, a scenario that contemplates from the production of raw materials to shipping the finished product (cradle to gate) using the SYMAPROsoftware associated the CML model of the Linden University, the Netherlands. The tool allows measuring of any point along the supply chain, the impacts associated with the product and/or the manufacturing process to the delivery of the product to the final consumer, as well as to evaluate various scenarios.

At all stages analyzed were data on chemicals, origin, quantity, inputs, energy consumption, production and transportation. Data was entered into the software and then the different analyzes were performed, according to the 19 categories of impacts presented in the following table:

Impact Categories	Unit	Bread bags	Paper	Cardboard box	
		1,000 units	1 ton	1,000 units	1 ton
Climate changes	**Kg CO_2eq**	**-29**	**-4.002**	**-26**	**-31**
Depletion of the ozone layer	Kg CFC-11eq	0.0000001	0.0001	0.00002	0.00003
Human toxicity	**Kg 1,4-DB eq**	**4.8**	**657**	**106**	**126**
Formation of photochemical oxidants	Kg NMVOC	0.04	6	2	2.2
Particle formation	Kg PM 10 eq	0.02	3	0.9	1
Ionizing radiation	Kg U235 eq	0.8	109	34	41
Terrestrial acidification	**Kg SO_2eq**	**0.04**	**6**	**2**	**2.3**
Aquatic eutrophication	**Kg P eq**	**0.002**	**0.32**	**0.07**	**0.08**
Marine eutrophication	Kg N eq	0.02	3	1.2	1.4
Terrestrial ecotoxicity	Kg 1,4-DB eq	0.01	0.8	0.4	0.5
Aquatic ecotoxicity	Kg 1,4-DB eq	0.06	8	1.6	2
Marine ecotoxicity	Kg 1,4-DB eq	0.05	7	1.5	2
Occupation of agricultural land	**m^2a**	**12**	**1.587**	**123**	**146**
Occupation of urban land	m^2a	0.2	27	2	2.7
Transformation of natural land	m^2	0.004	0.54	0.17	0.2
Depletion of water	m^3	0.33	46	4	5
Depletion of metal	Kg Fe eq	0.5	65	17	20
Fossil Depletion	Kg oileq	2	242	107	127
Cumulative energy demand	**MJ**	**97**	**13.332**	**6.490**	**7.699**

Note: the impact category "climate change" shows negative results, which means that carbon sequestration from forest plantations is greater than the emission of greenhouse gases.

Actions Related to the mitigation of these impacts are being studied as a way to reduce the environmental impacts. With preliminary results, some possible solutions to reduce environmental impacts were listed as:

- Perform purchase of 100% renewable energy, helping to reduce GHG emissions associated with non-renewable sources emissions that contribute to climate change;
- Deploy collection of non-condensible gases that aid soil acidification;
- Deploy the closure of the effluent circuit in industrial units in Santa Catarina,reusing them in the process. Thus, the environmental impacts on water resources will be reduced.

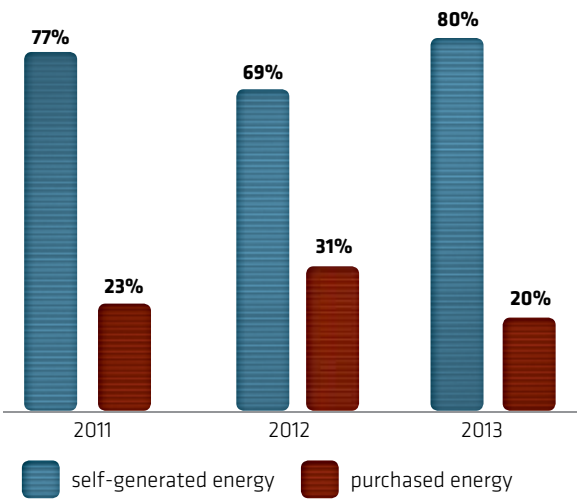
In 2014, the ACV study will consider the universe from the cradle to the cradle, ie, the production of raw materials to the stage of recycling or disposal of the product in landfills.

EXCLUSIVE *ONLINE* CHAPTER

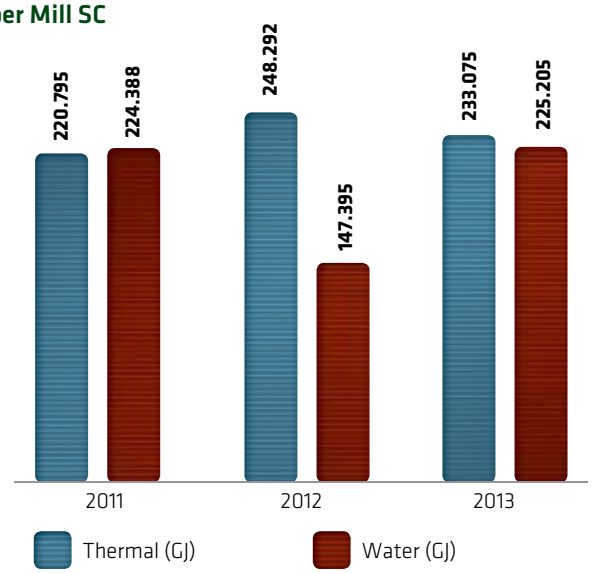
Energy Management

In 2013, 80% of the energy demand of the Paper Mill SC was supplied by the Company´s own production from three hydroelectric plants located in the vicinity of this unit, and a thermoelectric units powered by biomass.

Percentage of self-generated and purchased power in the Paper Mill SC

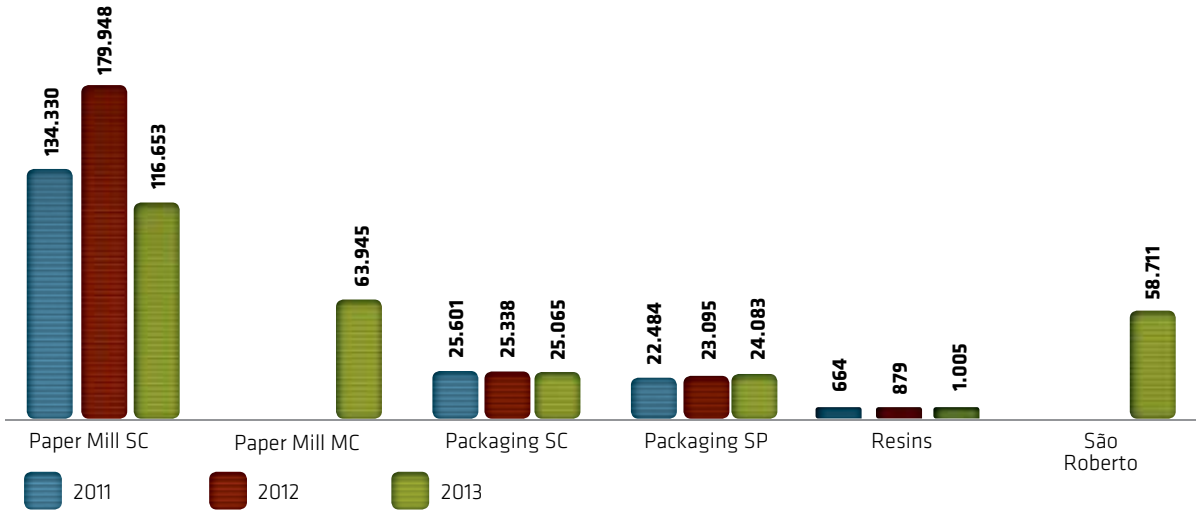


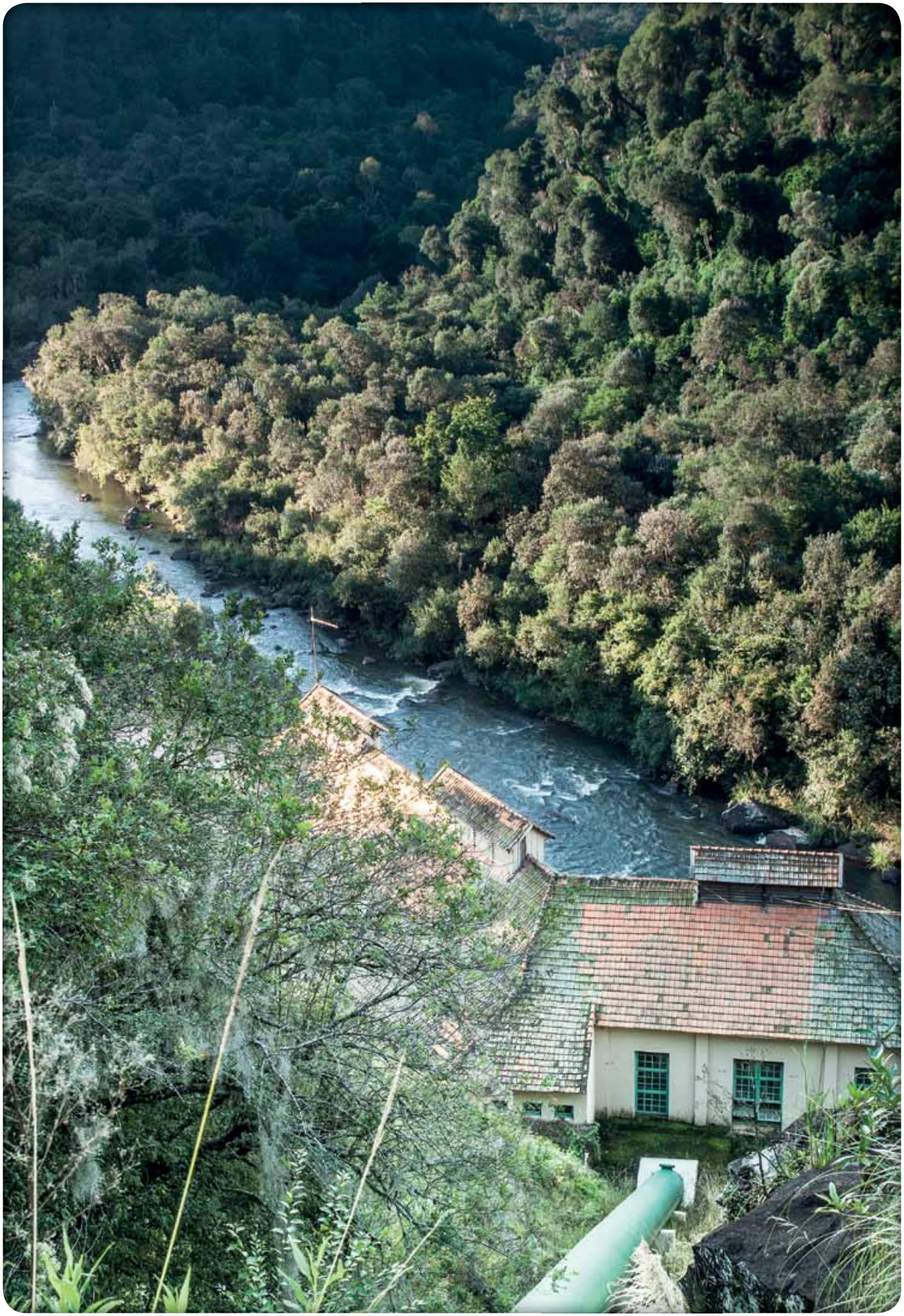
Thermal and hydro power generated in the Paper Mill SC



Over the years it has been possible to obtain a reduction in power consumption due to the investments in preventive and corrective maintenance, as well as in the generation and transmission of energy. In 2013, the Packaging SC deactivated Corrugator I, an old machine that had a high power consumption. With this, the Company reduced the energy consumption calculated in the year by 75.77 MW. In the Paper Mill SC, several actions were undertaken in the areas that resulted in the reduction of 45.908MW in the period . Energy consumption was stipulated as one of the overall goals for the evaluation of the results on the structure of the Unit in the SUPERA Program.

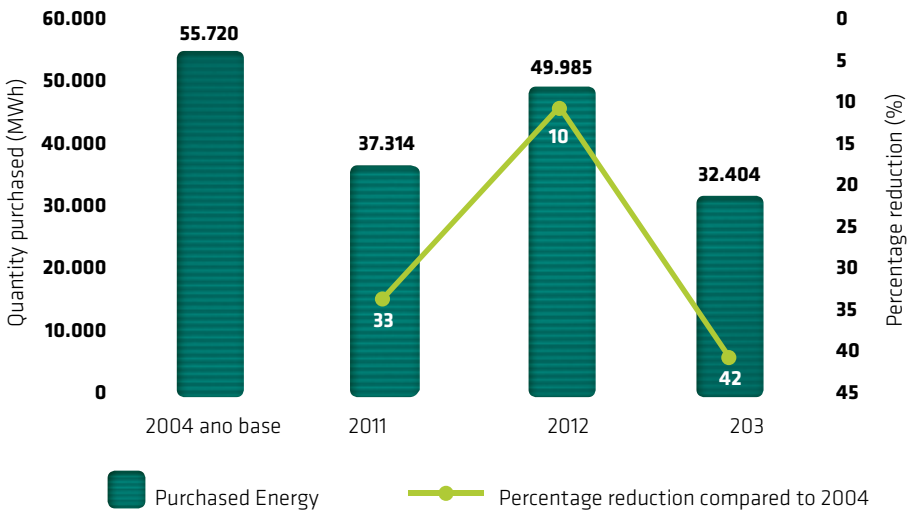
Purchased energy (in GJ)





The amount of energy purchased by the Paper Mill SC, in 2013, decreased 42% to the base year 2004, as is shown in the following graph:

Amount of energy purchased and the respective percentage of reduction (MWh) – Paper Mill SC



Note: We defined 2004 as the base year because the date marked the installation of the Energy Co-generation boiler, that uses biomass.

The specific energy consumption has been decreasing over the years, at the Paper Mill SC. In 1995, the consumption that was calculated was 1.30 MWh of energy per net ton produced. In 2013, this consumption was 0.78 MWh of energy per gross ton produced, representing a decrease of 40%.

Specific energy consumption (in MWh) per ton produced

Unit	Specific consumption/ gross production			Specific consumption/ net production		
	2011	2012	2013	2011	2012	2013
Paper Mill SC	0.77	0.75	0.73	0.82	0.80	0.78
Paper Mill MG	–	–	0.40	–	–	0.41
Packaging SC	0.11	0.12	0.11	0.12	0.12	0.11
Packaging SP	0.09	0.08	0.09	0.09	0.09	0.09
Resins	–	–	0.04	–	–	0.04
São Roberto	–	–	0.22	–	–	0.23

2014 GOAL:
MAINTAIN THE SPECIFIC ENERGY CONSUMPTION AT 0.80 MWH /NET TON PRODUCED AT THE PAPER MILL SC.

The main fuels for the production of thermal energy used by the Paper Mill SC and Packaging SC is forest waste from their own areas and planted forests, and pine and eucalyptus from suppliers in the region, that covers the timber sector and is encouraged.

Fuel consumption

Unit	Fuel	Source	2011		2012		2013	
			Quantity	Gigajoules GJ	Quantity	Gigajoules GJ	Quantity	Gigajoules GJ
Paper Mill SC	Biomass (tons)	Renewable	422,207	2,932,413	403,827	2,804,758	419,534	2,913,848
Paper Mill MG	BPF oil (tons)	Norenewable					396.14	16,004
	Natural gas (m³)	Norenewable					13,060,85	509,504
Packaging SC	BPF oil (tons)	Norenewable	71.09	2,872	90.3	3,648	100,719	4,069
Packaging SP	Natural gasl (m³)	Norenewable	1,481,760,54	57,803,479	1,955,353,92	76,278,356	1,605,288	62,622,285
Resins	Biomass (tons)	Renewable					1,850	7,338
São Roberto	Natural gas (m³)	Norenewable					5,607,615	218,753,052

Steam consumption

Unidade	2013	
	Toneladas	GJ
Paper Mill SC	1,182,155	2,361,946
Paper Mill MG	62,572	123,267
Packaging SC	27,159	54,264
São Roberto	18,831	36,288
TOTAL	1,290,717	2,575,764

EXCLUSIVE *ONLINE* CHAPTER

Management of water resources

The main environmental benefits in the implantation and continuity of water management are: ensure the community and employees that the rivers, springs and streams located in areas close to the company are protected according to existing laws, maintain the permanent preservation areas, and ensure that the effluent is dispersed in the appropriate conditions. This suggestion includes the reuse of water and the reduced generation of waste by means of closed circuits in productive areas. Water consumption is one of the global targets set for the period in the review of Unit results in Supera Program.

Total water withdrawal by source (m³)

Unit	Source	Water consumption					
		2011		2012		2013	
		Total	Percentage	Total	Percentage	Total	Percentage
Paper Mill SC	Surface - River	5,597,552	99.77%	5,525,973	99.81%	5,079,414	99.79%
	Casan	12,701	0.23%	10,732	0.19%	10,822	0.21%
Paper Mill MG	Well	–	–	–	–	105,717	100%
Packaging SC	Surface - River	9,381	60.59%	11,815.82	70.18%	11,168	65.92%
	Casan	6,101	39.41%	5,020.85	29.82%	5,773.71	34.08%
Packaging SP	Well	29,172	100%	27,365.90	100%	29,504.80	100%
Resins	Well	–	–	45,763	–	39,537	96.94%
	Corsan	–	–	788	–	1,247	3.06%
São Roberto	Well	–	–	–	–	96,153	99.78%
	Sabesp	–	–	–	–	216	0.22%
Total			**5,654,907**		**5,627,458**		**5,379,553**

Specific water consumption (in cubic meters) per ton produced

Unit	Specific consumption/ gross production			Specific consumption/ net production		
	2011	2012	2013	2011	2012	2013
Paper Mill SC	26,81	25,87	23,32	28,70	27,68	24,99
Paper Mill MG	–	–	2,35	–	–	2,46
Packaging SC	0,25	0,28	0,26	0,29	0,29	0,27
Packaging SP	0,40	0,36	0,38	0,42	0,38	0,40
Resins	–	–	5,16	–	–	5,16
São Roberto	–	–	1,30	–	–	1,39

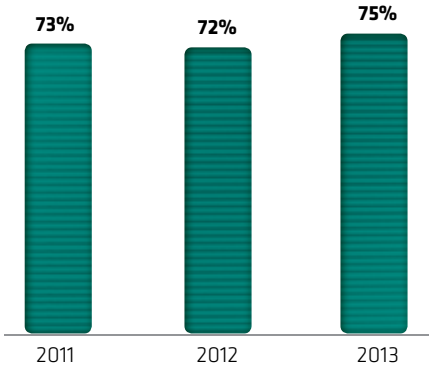
The specific water consumption has been reducing over the years. The technologies deployed in Paper Mill SC allowed the reuse of water in some cases using closed circuits. These measures meant that the Company failed to capture, on average, the equivalent of 15,602,850 m³ in one year.

Analyzes, parameters, responsibilities, records and specifications for the control of the characteristics of water resources have a given frequency and occurs by monitoring water quality, addressing all the physiochemical and microbiological analyzes, and through monitoring of all species of fish present in the areas examined. The monitoring of fish populations is performed, since 2011, by authorization of the Brazilian Institute of Environment (IBAMA) in the area of influence of the reservoirs of Small Hydroelectric Units at São Luiz, Cristo Rei and Flor do Mato. Based on the results obtained, could it be possible to define in the future, the conservation and management measures of the fish community suitable for community tanks.

Amount of recirculated water

	Equipament	m³/h	m³/year	m³/year
2013	ETE HPB	300,00	216,000.00	2,592,000.00
	TG1	450,00	324,000.00	3,771,612.72
	TG2	450,00	324,000.00	2,820,344.51
	TG3	250,00	180,000.00	2,098,893.60
	Torres	500,00	360,000.00	4,320,000.00
	Total	**1.950,00**	**1,404,000.00**	**15,602,850.83**

Percentage of reused water – Paper Mill SC



Results of Fish sampling in Small Hydroelectric Power Units (SHP) Reservoirs – 2012

SHP Reservoir	Number of families	Number of species	Number of Copies
São Luiz	5	8	338
Cristo Rei	6	7	198
Flor do Mato	5	9	279

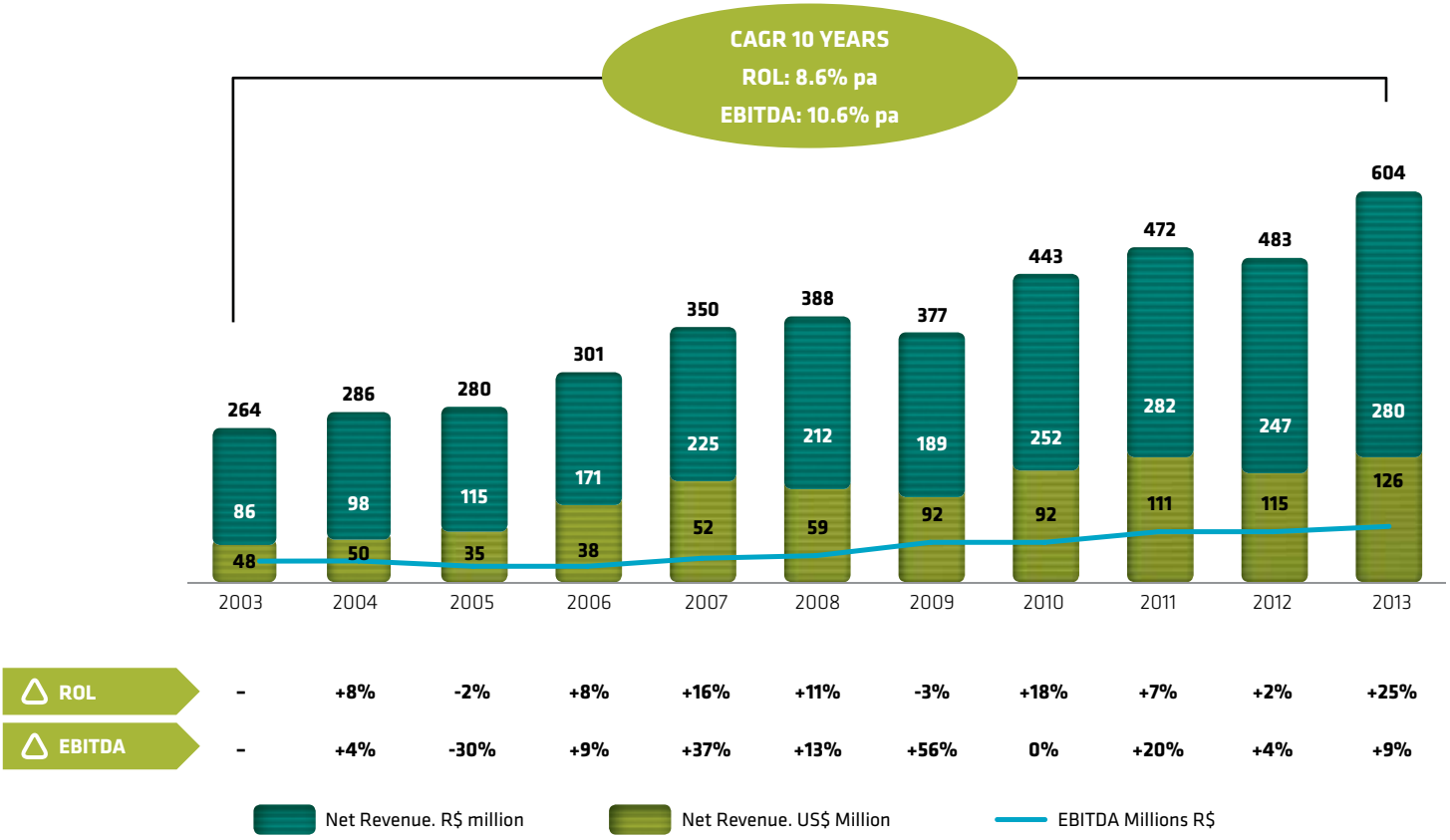
Water sources significantly affected by the withdrawal of water

Paper Mill SC	The uptake occurs in the watershed of the Rio Chapecó, Santa Catarina, belonging to the Uruguay Basin. A draw-off point is the Anta Stream, a tributary of the Rio Mato, where the most important capture point is located. IRANI made the user registry at the Sustainable Development Secretariat (SDS) and filed a request for the use. The agency is not giving grants for industrial purposes, but there are no restrictions on water draw-offs.
Paper Mill MG	The draw-off comes from artesian wells that are duly approved by the Mining Institute of Water Management (IGAM) and are complemented, when necessary, with the water draw-off from surface sources. It is part of the Rio das Velhas watershed, belonging to the São Francisco River Basin.
Packaging SC	The water comes from a surface source in the Anta Stream belonging to the Uruguay Basin. IRANI made the user registry at the Sustainable Development Secretariat (SDS) and filed a request for the use. The agency is not giving grants for industrial purposes, but there are no restrictions on water draw-offs.
Packaging SP	The capture is performed in three shallow wells located on the Company's site duly authorized by the Department of Water and Power (DAEE), according to case number 9807880, according to the decree No. 3221 of 12/19/2013.
Resins	The collection comes from artesian wells. The Unit is arranging a usage request from the State Environmental Protection Foundation (FEPAM).
São Roberto	Power is supplied from a single bore hole located within the company, duly authorized by DAEE according to the case number 9901925, in accordance with decree No. 1505 of 05/13/2013, which supplies productive areas for non-potable purposes and is intended for human consumption after undergoing appropriate treatment. Moreover, it is also supplied by SABESP, the local utility.

Economic Performance

IRANI evolved consistently on economic indicators, the result of the consolidation strategy adopted over the years.

Consolidated Net Revenues evolved to an annual average of 8.6% over the last ten years. In this same period, adjusted EBITDA showed an average annual growth of 10.1%, from R$ 48 million in 2003 to R$ 126 million in 2013.



CAGR: *Compound Annual Growth Rate*

Economic context and principal results

In 2013, the economies of the United States and Europe showed signs of recovery, albeit moderate, highlighting the improvement in leading economic indicators in the last quarter of the year and an indication of the proximity of the withdrawal of economic stimulus in the United States. In Brazil, the consequences of this scenario have been experienced in the last months of the year with the strengthening of the dollar, administrated by the intense action of the Central Bank in the foreign exchange market. Inflationary pressures returned to worry all, leading the Central Bank to a sequence of high interest rate raising the Selic to 11% per year at its meeting in April 2014. Whereas the economic activity in the country has being showing signs of weakness, registering a GDP in 2013 of 2.3 %, below initial expectations.

On the other hand, the indicators showed high levels of domestic consumption, which favored the paper and packaging industry, as highlighted by the Brazilian Association of Corrugated (ABPO). Total sales of boxes, accessories and corrugated cardboard sheet reached 3.4 million tons accumulated in 2013, 2.9% higher than in the same period last year. In other words, the sector's performance was slightly above that recorded for the GDP, demonstrating the more favorable dynamics of the corrugated cardboard packaging sector than the economy as a whole. The performance of the sales volume of the IRANI Market increased more that the ABPO Market in the year when compared to 2012.

Internally, 2013 was highlighted by the integration to the operations of Indústria de Papel e Papelão São Roberto S.A., which became a wholly owned subsidiary of the Company from October 17. At the Extraordinary General Meeting held on October 16, 2013, the capital increase of Celulose Irani on the value of R$ 12,918 thousand, with the issue of 4,630,235 ordinary shares, which were paid by the shareholder Irani Participações SA was approved, through the contribution of 100% of the shares issued by Wave Participações SA This in turn holds a 100% interest in Indústria de Papel e Papelão São Roberto S.A... With the consolidation of the Sao Roberto operations, Celulose Irani is among the leaders of Corrugated Cardboard sector in the country.

In the last sustainability report, IRANI committed to seek, in 2013, the maintenance of operating leverage (net debt/EBITDA) less than or equal to 3 times. The result, however, was recorded at 3.61 times due to rising levels of debt assumed with the consolidation of the subsidiary's operations Sao Roberto SA and is adjusted for the present situation of the Company. Its reduction will be gradual as the results are captured in the operations of this subsidiary.

				PROFORMA*	
KEY INDICATORS - CONSOLIDATED	**2013**	**2012**	**Var. 2013/2012**	**2013**	**2012**
Economic and Financial (R$ thousand)					
Net Operating Income	604.241	483.449	25,0%	697.436	646.444
Domestic Market	527.527	421.303	25,2%	620.722	618.298
Foreign Market	76.714	62.146	23,4%	76.714	62.146
Gross Profit (* included)	186.256	167.965	10,9%	203.622	195.631
(*)Variation in the fair value of biological assets	20.107	36.767	-45,3%	20.107	36.767
Gross Margin	30,8%	34,7%	-3,9p.p	29,2%	30,3%
Operating Income before Taxes and Interests/Stakes	56.109	24.895	125,4%	42.793	(1.008)
Operating Margin	9,3%	5,1%	4.2p.p	6,1%	-0,2%
Net Result	67.408	26.381	155,5%	55.361	478
Net Margin	11,2%	5,5%	5,7p.p	7,9%	0,1%
Adjusted EBITDA [1]	126.210	115.422	9,3%	137.355	129.155
Adjusted EBITDA Margin	20,9%	23,9%	-3,0p.p	19,7%	20,0%
Net Debt	495,8	310,4	59,7%	495,8	310,4
Net Debt / Adjusted EBITDA (x)[2]	3,61	2,69	34,2%	3,61	2,69
Operating Data (t)					
Corrugated cardboard packaging					
Production / Sales	148.486	126.340	17,5%		
Packaging Paper					
Production	251.209	200.013	25,6%		
Sales	120.016	77.626	54,6%		
RS Forestry and Resins					
Production	7.930	6.620	19,8%		
Sales	8.019	6.878	16,6%		

[1] EBITDA (earnings before interest, taxes, depreciation, amortization and depletion)
[2] The Net Debt/EBITDA indicator for 2013 is being calculated considering the proforma EBITDA, which includes the operations of the subsidiary Sao Roberto SA, as if it was already consolidated in the Company from January 2013.
* Proforma: considers the outcome of the subsidiary's operations Sao Roberto SA, as if they were already consolidated from the beginning of the periods for comparison purposes.

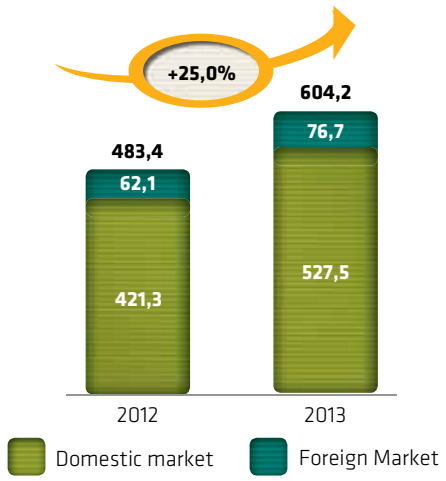
Net Operating Income

In 2013, net operating revenue totaled R$ 604.241 thousand, an increase of 25% compared to the revenue for the same period in the previous year, reflecting the increase in revenue from paper sales from the leased plant in Santa Luzia (MG) and sales revenues from the packaging of Sao Roberto SA.

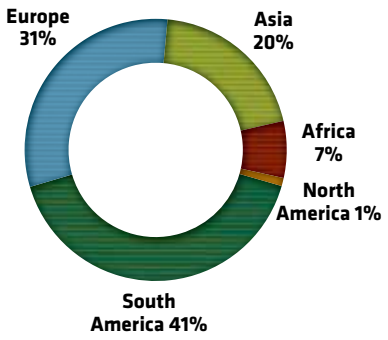
In the domestic market, the net operating income was R$ 527.527 thousand, an increase of 25.2% compared to 2012. The revenue from the domestic market accounted for 87% of total IRANI revenues in 2013, which is the largest market in the Company.

Exports in 2013 totaled R$ 76,714 thousand, an amount 23.4% higher than in 2012, representing 13% of total net operating revenues, the result of a higher exchange rate. South America was the main destination of exports, concentrating 41% of export revenues.

Net Revenue (R$ million)

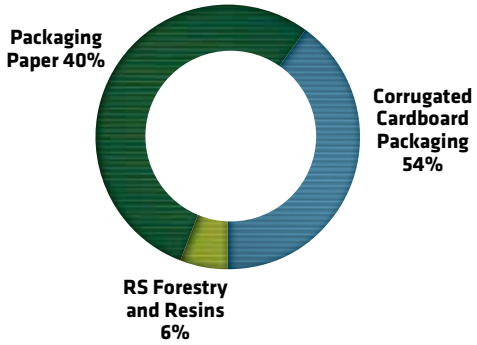


Net Revenue Foreign Market by Region in 2013



The composition of net revenue per segment is shown as follows.

Net Revenues by Segment (2013)



Gross profit

Gross profit increased by 10.9% compared to 2012 and reached R$ 186.2 million, with gross margin of 30.8%, the increase in net revenue was the main factor for this increase.

Net Income of R$ 67.4 million in 2013, an increase of 155% in relation to 2012.

Evaluation of Fair Value of Biological Assets (Forests)

As of 2010, the Company has measured the fair value of its biological assets (forests) periodically, as determined by CPC 29. The variation in the fair value of its biological assets produced effects on the Company's results of 2013, as shown below:

Effects of the variation of the fair value of biological assets

R$ thousand	2013	2012
Variation in the fair value of biological assets	20,107	36,767
Depletion in the fair value of biological assets	(17,887)	(15,851)

The change in fair value of biological assets was less than the variation in 2012, this was mainly due to the stability seen in the in timber prices in 2013, while in 2012 there was an increase and also by the increase in the discount rates used in determining the fair value of biological assets.

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

Operating Income Before Taxes and Interests/Stakes

In 2012, operating income before taxes and interest amounted to R$56,109 thousand, higher when compared to 2012, recorded at R$ 24,895 thousand. The growth in operating income is positively affected by operational performance and mainly by gains in adhering to the Tax Recovery Program (REFIS) in the Sao Roberto subsidiary.

Net Result

In 2013, net income was R$ 67,408 thousand compared to R$ 26,381 thousand recorded in 2012. The main factor that impacted this result was an increase in sales volumes and the consequences of joining the REFIS program of Law 11.941/09 in the Sao Roberto subsidiary.

Operating Cash Flow (Adjusted EBITDA)

Consolidated (R$ thousand)	2013	2012	Var. 2013/2012	PROFORMA* 2013	PROFORMA* 2012
Operating Income before Taxes and Interests/Stakes	56.109	24.895	125,4%	42.793	(1.008)
Depletion	21.386	19.220	11,3%	21.386	19.220
Depreciation and Amortization	34.415	40.729	-15,5%	40.180	50.978
Financial Results	52.928	50.351	5,1%	63.840	79.738
EBITDA	**164.838**	**135.195**	**21,9%**	**168.199**	**148.928**
EBITDA Margin	**27,3%**	**28,0%**	**-0,7 p.p.**	**24,1%**	**23,0%**
Adjustments conf Inst. CVM 527/12					
EBITDA from Discontinued Operations [1]	–	7.002	–	–	7.002
Variation in the fair value of biological assets [2]	(20.107)	(36.767)	-45,3%	(20.107)	(36.767)
Stock Option / Participation of Directors [3]	8.073	3.308	144,0%	8.073	3.308
Non-recurring events [4]	(26.594)	6.684	–	(18.810)	6.684
Ajustated EBITDA	**126.210**	**115.422**	**9,3%**	**137.355**	**129.155**
Ajustated EBITDA Margin	**20,9%**	**23,9%**	**-3,0 p.p.**	**19,7%**	**20,0%**

[1] EBITDA of discontinued operation: refers to the EBITDA generated by the discontinued operations of the subsidiary Meu Móvel de Madeira – Comércio de Móveis e Decorações Ltda.
[2] Variation in the fair value of biological assets did not mean a cash generation in the period;
[3] Stock option/management participation: the Stock option corresponds to the fair value of the instruments and has a counterpart in the reserve capital in the net equity: the participation of the directors is related to the distribution of the Company's results, and none of them represent a cash disbursement in the period.
[4] Non-recurring events refer to the loss by impairment to machinery worth R$ 4,590 thousand, a positive result for adhering to the REFIS program in the controlled Ind. Papel e Papelão São Roberto SA amounting to R$ 33,432 thousand, and other investments in subsidiaries amounting to R$ 2,248 thousand.
* Proforma: considers the outcome of the subsidiary's operations Sao Roberto SA, as if they were already consolidated from the beginning of the periods for comparison purposes.

The operating cash generation, as measured by the Adjusted EBITDA in 2013 amounted to R$ 126,210 thousand with margin of 20.9% and 9.3% higher than 2012, calculated as R$ 115,422 thousand, due to the improved operating performance, albeit negatively affected by lower margins in the Sao Roberto SA subsidiary, incorporated into the Company's operations in the last quarter of 2013.

Financial Results

In 2013, the financial result was R$ 52,928 thousand negative, an increase of 5.1% compared to 2012 which amounted to R $ 50,351 thousand negatives. Financial expense was R$ 72,619 thousand compared to R$ 69,889 thousand in 2012. In 2013, the financial income was R$ 19,691 thousand versus R$ 19,538 thousand in 2012.

The bottom line is distributed as follows:

R$ thousand	2013	2012
Financial Income	19,691	19,538
Expenses	(72,619)	(69,889)
Financial Results	(52,928)	(50,351)

Nas receitas e despesas financeiras apresentadas, estão inclusas as variações cambiais ativas e passivas, conforme segue:

R$ thousand	2013	2012
Active exchange variation	7,858	12,457
Passive exchange variation	(9,495)	(17,744)
Net exchange variation	(1,637)	(5,287)

The exchange rate changes negatively impacted the results of the Company by R$ 1,637 thousand in 2013, explained by the depreciation of the real against the dollar.

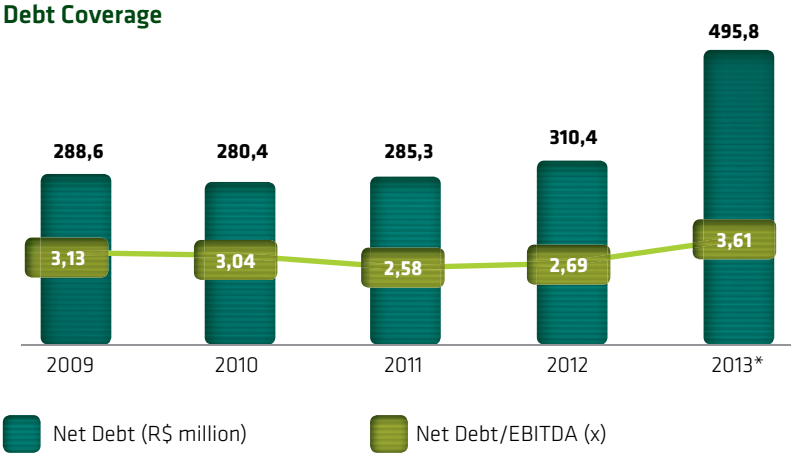
The financial result without exchange rate variation is shown as follows:

R$ thousand	2013	2012
Financial Results without foreign exchange	(51,291)	(45,064)

Net Debt

Consolidated net debt at December 31, 2012 totaled R$ 495.8 millions, compared to R$ 310.4 millions at December 31, 2011. The net debt indicator/EBITDA increased from 2.69 times at the end of 2012 to 3.61 times at the closure of 2013. The variation of this indicator was influenced by higher levels of debt assumed with the consolidation of the subsidiary's operations Sao Roberto SA. The management monitors this indicator and considers that it is suitable for the current situation of the Company, and that its reduction will occur gradually, by capturing the results of the operations of the subsidiary Sao Roberto SA, in synergy with the operations performed by the parent Celulose Irani SA.

Debt Coverage



* The Net Debt/EBITDA ratio is being calculated considering the EBITDA proforma for 2013, which includes the operations of the subsidiary Sao Roberto SA, as if they were already consolidated in the Company from January 2013.

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

The statement of added value (DVA) shows the figures for the wealth generated by the Company and its distribution between the parties that contributed to the generation of this wealth, such as employees, government, financial intuitions and shareholders. In 2013, the total value added, 32% was distributed to employees, 18% to the government, 29% as compensation for debt (lenders) and 21% distributed as compensation for equity (shareholders).

	Consolidated			
	31.12.13	%	**31.12.12**	%
1. REVENUE	820.248		630.083	
1.1) Sales of goods, products and services	783.003		621.536	
1.2) Other revenues	38.006		8.921	
1.3) Provision for doubtful accounts - constitution	(761)		(374)	
2. SUPPLIES PURCHASED FROM THIRD PARTIES	448.632		343.669	
2.1) Cost of goods and services sold	385.895		310.127	
2.2) Materials, energy, outsourced services and others	58.147		33.542	
2.3) Loss/Recovery of assets	4.590		-	
3. GROSS ADDED VALUE (1-2)	371.616		286.414	
4. DEPRECIATION, DEPLETION AND AMORTIZATION	55.801		60.028	
5. VARIATION IN THE FAIR VALUE OF ORGANIC ASSETS	(20.107)		(36.767)	
6. NET ADDED VALUE PRODUCED BY THE UNIT (3-4-5)	335.922		263.153	
7. ADDED VALUE RECEIVED IN TRANSFER	19.691		19.538	
7.1) Financial income	19.691		19.538	
8. TOTAL VALUE ADDED TO DISTRIBUTE (6 +7)	355.613		282.691	
9. DISTRIBUTION OF ADDED VALUE	355.613	100,00%	282.691	100,00%
9.1) Staff	113.813	32,00%	88.174	31,19%
9.1.1 - Direct Remuneration	92.695		72.130	
9.1.2 - Benefícios	15.980		11.921	
9.1.3 - F.G.T.S.	5.138		4.123	
9.2) Taxes and contributions	63.018	17,72%	69.470	24,57%
9.2.1 - Federal	43.595		44.765	
9.2.2 - State	18.709		24.060	
9.2.3 - Municipal	714		645	
9.3) Remuneration of third party capital	103.884	29,21%	95.735	33,87%
9.3.1 - Interest	72.620		69.800	
9.3.2 - Rents	31.264		25.935	
9.4) Remuneration on equitys	74.898	21,06%	29.312	10,37%
9.4.1 - Dividends	19.516		9.789	
9.4.2 - Profits (losses) from the retained exercises	47.894		16.594	
9.4.3 - Minority interest in the retained earnings	(2)		(2)	
9.4.4 - Directors Participation	7.490		2.931	

Balance Sheets (in R$ thousand)

ASSETS	Consolidated	
	31.12.13	31.12.12
CURRENT		
Cash and cash equivalents	135.005	96.922
Accounts receivable from Customers	129.970	96.781
Stocks/Inventory	60.838	38.110
Recoverable taxes	7.721	4.083
Banks linked account	2.730	931
Other assets	11.672	12.845
Total current assets	347.936	249.672
NON CURRENT		
Recoverable taxes	3.625	2.766
Judicial Deposits	1.122	632
Other assets	7.542	9.218
Related parties	1.005	1.553
Biological assets	268.725	263.292
Total realizable assets over the long term	282.019	277.461
Fixed Assets	888.403	679.734
Intangibles	113.163	1.223
Total non-current assets	1.283.585	958.418
TOTAL ASSETS	1.631.521	1.208.090

LIABILITIES AND STOCKHOLDERS 'EQUITY	Consolidated	
	31.12.13	31.12.12
CURRENT		
Funding	119.705	79.225
Debentures	53.041	39.026
Suppliers	90.575	43.747
Social security and INSS liabilities	32.534	23.657
Tax liabilities	13.591	6.684
Tax and social contribution payable	761	891
Tax installments	10.260	5.235
Advances from customers	1.618	975
Dividends payable	19.772	9.957
Other accounts payable	15.518	10.485
Total current liabilities	357.375	219.882
NON CURRENT		
Funding	350.855	209.001
Debentures	109.885	80.978
Provision for civil, labor and tax risks	44.078	38.037
Tax installments	40.159	6.379
Tax liabilities	16.911	16.005
Other accounts payable	1.344	–
Income tax and differed social contributions	222.673	183.803
Total non-current liabilities	785.905	534.203
TOTAL LIABILITIES	1.143.280	754.085
EQUITY		
Capital	116.895	103.976
Capital reserve	960	377
Profit Reserve	151.280	106.405
Adjustments for equity valuation	219.094	243.241
Net equity attributable to controlling interests	488.229	453.999
Participation of non-management	12	6
Total equity	488.241	454.005
TOTAL LIABILITIES AND NET EQUITY	1.631.521	1.208.090

Statements of Income (in R$ thousand)

	Consolidated	
	31.12.13	**31.12.12**
Continued operations		
NET SALES	604.241	483.449
Variation in the fair value of biological assets	20.107	36.767
Cost of goods sold	(438.092)	(352.251)
GROSS PROFIT	186.256	167.965
(EXPENSES) INCOME		
With sales	(53.097)	(42.897)
General and administrative	(44.971)	(40.653)
Other operating income	38.006	2.952
Other operating expenses	(9.667)	(9.190)
Participation of managers	(7.490)	(2.931)
INCOME BEFORE FINANCIAL RESULT AND TAXES	109.037	75.246
Receitas (despesas) financeiras, líquidas	(52.928)	(50.351)
Receitas financeiras	19.691	19.538
Despesas financeiras	(72.619)	(69.889)
OPERATING PROFIT BEFORE TAXES	56.109	24.895
Income Tax and Social Contribution	(1.284)	(997)
Deferred income tax and social contribution	12.585	(2.052)
NET INCOME FROM CONTINUING OPERATIONS	67.410	21.846
Discontinued operation		
NET INCOME FROM DISCONTINUED OPERATIONS	-	4.537
EARNINGS IN THE PERIOD	67.410	26.383
Profit attributable to:		
Controlling shareholders	67.408	26.381
Non-controlling shareholders	2	2
	67.410	26.383
BASIC AND DILUTED EARNINGS PER ON SHARE - R$	0,4201	0,1652
BASIC AND DILUTED EARNINGS PER PN SHARE - R$	0,4201	0,1652

Disclosure of Annual Financial Statements

The full text of the Annual Financial Statements is available on the Company Investor Relations website (www.irani.com.br/ri). The full report covers the Financial Statements, the Explanatory Notes, the opinion of the Independent Auditors and the Management Report, prepared in accordance with the Brazilian Corporate Law and its amendments, and with the standards established by the Securities Commission (CVM). The release of the report took place on February 28, 2014, in newspapers with a large circulation where IRANI discloses its corporate documents, as well as in the CVM and BM&FBOVESPA sites.

Learn More

The Sustainability Report 2013 is available in English, Portuguese and Spanish at http://www.irani.com.br/en/info/sustainability-report. To request a printed version in Portuguese, send an e-mail to faleconosco@irani.com.br

For questions or to make suggestions for future reports, the channel faleconosco@irani.com.br is available.

GRI Index for option 'Compliance' - Comprehensive

CONTENT OF THE GENERAL REPORT

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G4-2	6, 10, 16, 42, 66		
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G4-3	11		
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G4-5	11		
G4-6	11		
G4-7	11		
G4-8	31		
G4-9	56		
G4-10	68		
G4-11	100% of employees are included in collective bargaining agreements		
G4-12	68		✓
G4-13	11		
G4-14	16		✓
G4-15	http://www.irani.com.br/pt/info/iniciativas-externas		
G4-16	36		
Material aspects identified and limits			
G4-17	8		✓
G4-18	8		✓
G4-19	8		✓
G4-20	8		✓
G4-21	8		✓
G4-22	52, 85		✓
G4-23	Not applicable		
Engagement of stakeholders			
G4-24	8, 67		✓
G4-25	8		✓
G4-26	8, 9		✓
G4-27	8		✓
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G4-28	8		
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Relevant aspects	Page	Omissions	External Verification
Market presence			
DMA	44		✓
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G4-EC7	62, 63, 64, 65, 71		✓
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DMA	69		✓
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DMA	48		✓
G4-LA9	49	The monitoring of stratified data by gender will be monitored from 2014.	
G4-LA10	48, 50		✓
G4-LA11	55		✓
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G4-SO7	18, 42		Outside the scope of external verification
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DMA	82		✓
G4-EN15	82, 83		
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G4-EN17	82, 83		
G4-EN18	84		
G4-EN19	85, 86		
G4-EN20	85		
G4-EN21	84		
Effluents and waste			
DMA	78, 80		✓
G4-EN22	78, 79		✓
G4-EN23	81		✓
G4-EN24	78		
G4-EN25	80		
G4-EN26	78, 79		

Assurance Statement

BSD Consulting carried out the independent verification process of the preparation process of the IRANI Sustainability Report, which was prepared in accordance with the guidelines of the 2013 Global Reporting Initiative, version G4. The verification process took place for the seventh consecutive year and aims to provide IRANI stakeholders with an independent opinion on: the quality of the report, the process of engagement with stakeholders, compliance with the principles of AA1000AS 2008; and the sustainability management in the company.

Independence

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

Our Expertise

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

The responsibilities of IRANI and BSD

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

Scope and Limitations

The scope of our work includes the information in the complete version of the IRANI 2013 Sustainability Report, in the period covered by the report from January 1, 2013 to December 31, 2013 report.

The independent verification process was conducted in accordance with the standard AA1000AS 2008 (AA1000 Assurance Standard 2008), verification Type 1, providing a moderate level of assurance. The objectives of the Assurance Statement are to inform stakeholders about the findings of the BSD process encompassing adherence assessment to process accountability of the IRANI accounts to three principles: Inclusion, Materiality and Responsiveness. The verification of financial data was not the object of the work of BSD Consulting.

Methodology

The approach to the verification of AA1000AS process consisted of:

- Evaluation of the content of the Sustainability Report 2013;
- We understand the flow of procedures for obtaining and generating information for the Sustainability Report;
- Search for public information about the company and the sector (press, websites and legal bases);
- Interviews with managers from key areas in relation to the relevance of the information for the reporting and management of sustainability;
- When relevant, confirmation of information on sustainability performance with the understanding of the governing body of the company;
- Review of the evidence of consultations with external stakeholders;
- Analysis of the relevance of the information in the Sustainability Report from the standpoint of external audiences.
- Based on sample testing, confirmation of details of the Sustainability Report with support documentation, internal management reports and official correspondence;
- The activities of this assurance process were carried out at the corporate offices in Joaçaba – SC, the Sao Roberto packaging unit in Sao Paulo – SP.

Key Findings on the adherence to the AA1000AS 2008 Principles

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

> In 2013 there was no process of stakeholder consultations nor evaluation and further review based on secondary sources. We recommend establishing a process of engagement with stakeholders comprising: a way of engaging, periodicity, and stakeholder groups that should be involved. The process should be conducted based on clear criteria for selection and prioritization of stakeholders, as described in previous years, to ensure the inclusion of strategic groups in a balanced way. It is important o mention that the assessment limits of the impacts of IRANI can contribute to the structuring of stakeholder engagement strategy.

> The Superintendence of Strategy and Management, created in 2013 to promote the alignment between the IRANI strategy and management processes, may contribute to the improvement of the engagement and materiality process with the area of sustainability, as well as establishing relationships with other areas so that opportunities for improvement can be identified through the processes of engagement.

> The process of engagement supports the structuring of the sustainability report. It is important that the process evolves to a strategic approach beyond the report, by strengthening relationships with strategic public for IRANI, such as customers, universities, and representations from the Vila Campina da Alegria.

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

> The sustainability report 2013 follows the standard of the new GRI G4 guidelines, however, it presents a lot of non-material aspects and indicators. It is necessary that the process for determining materiality is conducted consistently following the G4 guidelines, so the content of the report is focused on the material aspects. The use of external sources for review of material issues can contribute to the identification and confirmation of the relevance of the topics.

> Materials issues addressed in the sustainability report include sectoral issues in a clear and objective manner. However, as previously recommended, the process of stakeholder consultation can be enhanced in ways that ensure that other topics addressed by the sector, such as, occupational health and safety, management and monitoring of the supply chain and biodiversity are assessed, considering the sectoral sustainability context.

> The process of defining materiality focuses on structuring the content of the sustainability report. To strengthen this process it is important that the results of the material issues provide strategic and practical knowledge to other areas of IRANI.

> The identification and evaluation of the limit of the impacts, positive and negative, (inside or outside the organization), was conducted by the Sustainability area. However, the process should be conducted based on clear criteria and with the involvement of other areas related to materials topics to arrive at a consistent result.

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

> The area of Risk Management grew in 2013 by identifying risks in IRANI operational processes, which resulted in the establishment of an action plan and to control and mitigate the identified risks. It is important that the new units, Paper Mill (MG) and Packaging (Sao Roberto), pass through this analysis of operational and business risks.

> Studies of health and safety related to the CUIDA Program, refer to the operating procedures of job security. It is recommended to incorporate the management of health and safety, procedures such as the internal audit, critical analysis, corrective and preventive actions in the units.

- The Value of Ideas program goes beyond encouraging creativity to employees. The program has a consistent structure of sending, analysis and validation of ideas aligned with IRANI´s strategic objectives, ie, ideas that generate greater efficiency in production processes and product improvements.

- The Resins unit (RS) improved its management system, resulting in the ISO9001 certification and FSC certification (in progress) from forestry activities. Much of the production comes from small producers not included in the custody of the FSC certification. It is recommended that the IRANI develop a policy of inclusion for the adequacy of legal requirements, considering the level of risk associated with the producers and the commercial and strategic interest to IRANI.

- The management processes of the Vila Campina da Alegria are consolidated, facilitating synergy with AMOCA (Residents Association of Campina da Alegria) in carrying out the practices and events in the community. It is recommended that the management of Vila Campina da Alegria establish strategic objectives (medium and long term), aligned to the growth and strategy of IRANI, for example, the IRANI Project 2020.

- The area of Personnel Development has undergone restructuring that favors corporate management. In 2013 the Projecto Lidera was created for the improvement of the leadership, with a broad training matrix. It is recommended that this training matrix includes items related to the sustainability strategy, such as: reverse logistics, education for sustainability and the chain of value.

- The initial analysis of the impacts limit the review process of the materiality approach reflected in the account of the ways of managing the material aspects. For the next sustainability report, it is recommended to improve the description of impacts (actual and potential), with the ratio of the relevance of appearance and way of managing the respective impacts.

Final Thoughts

We would like to highlight IRANI´s efforts in the sustainability reporting process in 2013, using the GRI-G4. As the G4 focus is on the aspects and material topics, it is important that the company establish a consistent process for determining materiality, incorporating the impacts of value chain (delivery and post-consumption). This strategic analysis must take into account the objectives of the IRANI Project 2020 IRANI and the impacts for the company and its stakeholders.

Sao Paulo, April 7, 2014.

BSD Consulting – Brasil

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