



2007 SUSTAINABILITY REPORT



Celulose Irani S.A.



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Seedling Nursery - Forest Unit, Vargem Bonita (SC)



1 STRATEGY AND ANALYSIS

Celulose Irani constantly tries to reaffirm its commitment to sustainability throughout the whole production chain. Under the pillars of sustainable development, in 2007 the Company carried out investments to update technological and activities focused in the search for high financial development. The Company also idealized and supported projects that are aimed at education and environmental conservation. The Greenhouse gas Inventory for the Company's activities in 2006 can be seen as a highlight, this is a pioneering project in Brazil because of obtaining certification in relation to the International norm ISO 14.064.

1 Message from the president

Our qualification agenda for corporate governance, in Celulose Irani S.A., has been developing in accordance to the goals that we established. Starting from, above all, the moment when we moved forward, in depth and extension, in the concept of sustainable development.

Sustainability is the basic modern parameter of administration, an effective instrument of competition and competitiveness, of improvement of the performance of the business, in its economic, social and environmental objectives, within a market that is ever more regulated, besides the new and sophisticated economic-financial models, with governance imperatives, transparency, ethics, eco-efficiency, partner-efficiency, widespread, and sincere relationships with the stakeholders.

Sustainability is not just talk; it is the concrete and collective action towards equilibrium, to the correct relationship of cost-benefit of the financial and social-environmental impact caused by the indispensable interventions to production, to work, development, prosperity, well-being and the quality of life, today and always. Sustainability contains the sense of self-propulsion, of continuous movement, where the engine is the market, the customer, their needs, their desires, its perceptions of added value or, perhaps, the anticipations of usefulness or convenience, induced by the innovation and for the search for profit, that reveal new needs or synergies between the business and the society.

The dilemma between sustainability and competitiveness does not exist: this is part of a short sighted and old-fashioned perception of the entrepreneurial activity. Private interests in profit and public interests in social justice and the preservation of the environment are completely compatible. They are the same faces of the coin, un-severable forces of the same sustentation effort, of development, of organized and dignified life. Production, work, income and wealth, continuous flow of resources and results has to be generated, with which one can meet the social demands and challenges - from feeding, health, and en-

vironmental education, with products that are suited to basic needs, clean, ecologically correct, fruits of the rational use of natural resources, especially earth, water and energy. If each one does his part, they will be contributing to the general equilibrium around their space of influence whatever its size.

The true proposal of sustainability is to reinvent production models and businesses, from contemporary business administration parameters. The effects of an "understanding epidemic" relating to sustainability - that does not just try to avoid losses, but innovate and obtain sustainable profits - will induce, without any doubt, a wide qualitative change in the obvious situations of economic unbalance, both socially and environmentally, a challenge that is in the order of the day and is a recurring topic.

It is treated, as a change of attitude, of a process of innovation that is implanted by continuous education, with the formation of a specific culture - the culture of sustainability -, first of all aimed at the collaborators then all of the partners in the production chain, with the objective of mobilizing, to create a conscience, to alter paradigms and to form a critical mass.

It is necessary to follow on by offering practical content to the speech, making the policies clear, establishing objectives, goals and indicators that allow all to see the sustainability in the context of the business and its ordinary activities, to measure them according to one's own methodologies and to evaluate the results for the Company. Insist: the tempestuous materialization of our best purposes is what has been guaranteeing that our Celulose Irani gains force in the public perception of pioneering attitudes, innovation and leadership, expressed in the countless awards and recognitions received from important entities, both Brazilian and international, of the 1st, 2nd and 3rd sectors.

Our Sustainability Report, which has been published ever since 2006, follows the example of the Global Reporting Initiative (GRI), liable to certification and systematic accompaniment by



Pine Forest – Forestry Unit, Vargem Bonita (SC)

the internal and external public, in 2007 it was submitted to AA1000AS (Account Ability 1000 Assurance Standard), and conducted by BSD Consulting, the Company that operated in the evaluation of models of sustainability administration. In its Declaration of Warranty of the Celulose Irani S.A. 2007 Sustainability Report, BSD highlights the integration of the sustainability concept at all of the operational levels in the Company and the refinement of transparency with its publics of interest, verified, with a panel that has the participation stakeholders. As well as, of course, certifying the classification of the Report (GRI - G3 guidelines) in the B+ grade as intended by the Company.

I would like to highlight, the group of actions that reflect the attitude and the positioning of Celulose Irani S.A., by way of its directive and functional administration:

- (i) the certification, by BRTÜV - Quality Evaluations, of the positive CO₂ balance of the company, indicating the effective neutralization of greenhouse gases, after the industrial, forest and services activities inventory of the Company in all their business units, in Rio Grande do Sul, Santa Catarina and São Paulo, according to the ISO 14064 norms;
- (ii) the level of clarity of the Financial Statements that are available, that already show important revisions in the accounting practices that accelerate the convergence to the norms and international procedures, as proclaimed in the recent Law 11.638, of 12/28/07;
- (iii) the institutionalization, after ample debate and internal contributions, to the Company's Code of Ethics, with the consequent implantation of the Ethics Committee, more adhesion to the Business Pact for Integrity and Anti- Corruption led by the Ethos Instituto – Companies and Social Responsibility, and the UN Global Compact, commitments that reflect the Company's mature decision, represented by the totality of their human resources, and the widening of the full existence of its Principles and Values, and its Mission;
- (iv) certification by the FSC (Forest Stewardship Council), received in 2007, of the forestry areas of Celulose Irani and of the chain custody (wood pulp factories and paper units), con-

firmed the sustainable management of the forests, integrated into native forests according to the more advanced recommendations;

- (v) generation of the Company's own, clean and renewable energy, for hydroelectric and thermoelectric biomass based, in an expansion process to reach 100% of its own consumption (today this is 85%).

These are the pioneering and leadership manifestations, that become parts of the CDM (Clean Development Mechanisms) projects of energy co-generation, with the use of biomass, or by the effluent treatment station, that has already generated and will continue generating carbon credits in accordance with the Kyoto Protocol, that are regularly negotiated in the specific market.

I would like to place on record, that Celulose Irani S.A., in 2007, increased its revenue by 16.6% and EBITDA by 38%, greater than the average increase in the market sector. The profit added value, propitiating profitability of 16.2% on the net equity, and the actions of the Company had, in 2007, showed a valorization significantly greater than the average Bovespa index during that same period. This in a fiscal period in which the Company's expansion program– 'Overcoming Challenges Project', will increase the paper production capacity by 20% and of packaging PO by 90%, with expressive quality and productivity gains- reached its largest level of investment, still without the appropriation of the projected returns, that will be obtained from the second semester of 2008, when the new machines and equipment are operational or resized.

As one can see, Celulose Irani is ready, substantial and formally ready, to access and to compete in the most demanding markets, and to live together, at the same level, with the most modern administration and governance practices.


Péricles de Freitas Druck

12 Mission, vision, principles **and** values

MISSION

To generate value for our clients, by furnishing excellent and secure services as well as renewable forestry products, with absolute respect towards both environment and people, and guaranteeing sustainability of our business, by increased growth, fair and lasting return for our investors.

VISION

To be among the 5 (five) largest and best Brazilian companies in the segments in which we deal in as well as among the best 100 companies to work for in Brazil. To be recognized and chosen by our clients, our suppliers partners and to be attractive to our investors, by always seeking the highest level of operational effectiveness and innovation in terms of our products and services.



PRINCIPLES & VALUES

Social and Environmental Responsibility

We are promoters and multipliers of economical, social, environmental, community and personal development.

Ethics, Courage, Transparency and Cordiality

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

Pioneering and Innovative

We have cultivated and pioneered innovation in the business, processes, products and services.

1.3 IRANI sustainability

The essence of the IRANI business lies in the use of renewable resources and the harmonious relationship with the environment, IRANI uses as raw materials products from the pine forests and wood chips. The water used is collected and treated by the prescribed methods. The energy that is used is from renewable sources. The final products are acts of environmental responsibility.



Planted Forests

The pine forest are handled according to the best environmental procedures and they help to preserve the native forests. Each hectare of these forests removes approximately eight tons of carbon per year from the atmosphere.



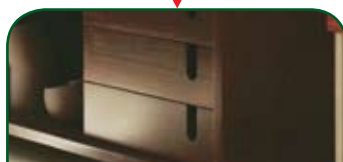
Resins

The resin making process is carried out with selected trees, according to the environmental handling norms.



Biomass

Biomass (forestry waste) is used to generate energy in the Co-Generation plant, this is responsible for reducing greenhouse gas emissions. The Co-generation project was certified by the Kyoto Protocol methodology.



Furniture

When buying furniture made by IRANI, the consumers are contributing to the reduction in the deforestation of the native species. The furniture has a long useful life. Holding the carbon sequestered by the planted forest for a long period.



Wood Pulp

The additives and other products used in the production of wood pulp and controlled from their weighing through to their use and final disposal, minimizing the environmental impacts of the process.



Energy

Most of the energy used by IRANI is from a renewable source, such as hydro and thermoelectric generators, they use biomass. The remainder comes from the local utility that use hydroelectric generators as their source.



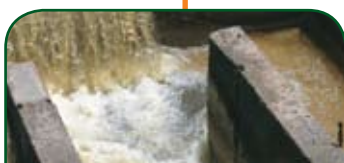
Paper

IRANI provides 100% virgin fiber KRAFT paper, for direct contact with food, and paper that uses recycled paper as a raw material. These are produced in weights from 30 to 200 g/m².



Water

The largest part of the water used by IRANI, is recycled and returns to the process to be re-used. The Effluent Treatment Station cleans the residual water from the production processes.



Power Stations

IRANI uses its three hydroelectric generating plants with six generators in the area around its paper and packaging plants in Vargem Bonita - Santa Catarina state.



Packaging

Corrugated Cardboard sheets and boxes are produced among other special products. All packaging is recyclable and it can be re-used in paper manufacture.



Wood Chips

A large part of the raw material used by IRANI is wood chips or wood cuttings. As with recycling, the carbon that is sequestered by the forest remains retained for a greater time in the paper and it is not released into the atmosphere.

1.4 Main impacts, risks and opportunities

Celulose Irani S.A. endeavors, during its operations, to reaffirm its commitment with sustainability. Based on this principle, IRANI administers its business and seeks positive and durable results from all the interested parties.

In 2007, the Company intensified its actions and it went ahead searching for a high financial performance, with daring goals to conquer new customers and markets. For these objectives to be maintained over the next years, the Company set out on two large projects: the 'Overcoming Challenges Project' and the *IRANI Customer Program*.

OVERCOMING CHALLENGES PROJECT

The principal objective of this project is the profitability of the Company and the differentiation of the products. This situation, developed with paper machinery, wood pulp and packaging suppliers, will allow IRANI to maintain its competitiveness in the local and International markets where it operates.

The objectives of the Overcoming Challenges Project consists of increasing the paper production capacity by 18% of the production capacity of corrugated cardboard packaging by 87% by June 2008. The Project also calls for the modernization of Paper machines I and V; this will provide a quality improvement in the paper that is produced, besides the expansion in the dispatch area and a new causticizing plant. In the corrugated cardboard packaging area, a new industrial plant was inaugurated in the City of Indaiatuba (SP), which began operations in the second fortnight of January 2008. This unit will have a production capacity of 8,000 tons/month of corrugated cardboard, and this will be manufactured using the latest generation equipment. The Packaging Unit in Santana de Parnaíba, São Paulo state, Will be closed in 2008.

The development of physical sales, after the total implantation of the Overcoming Challenges Project, can be seen next.

Sales Volumes

Products	Units	2007	2008
Paper*	t	98,409	78,639
Corrugated Card (SP Plant)	t	46,301	64,820
Corrugated Card (SC Plant)	t	33,170	45,096
Furniture**	m³	5,414	6,552
Wood	m³	1,600	-
Resins	t	5,815	5,730

* The reduction in the sales volume at the Paper Unit projected for 2008 is due to the larger internal use of that product at the units Packaging Units SC and SP.

** In the Furniture Unit, the 2007 and 2008 values refer to the Company's own production.

After the installation of the projects, IRANI seeks improvements in some of the main productivity indicators.

Targets for productivity indicators (Paper Division)

Indicators	Before	After the Project
Production (tons/month) /collaborators	20.72	23.52
Production (tons/day)	480.55	552.88
Use per ton of raw material/ton of paper	1.07	1.07
Set up time (min/month) *	1300	1300

* The set-up time refers to the times involved in a product change (the statistics do not change with this Project).

IRANI CUSTOMER PROGRAM

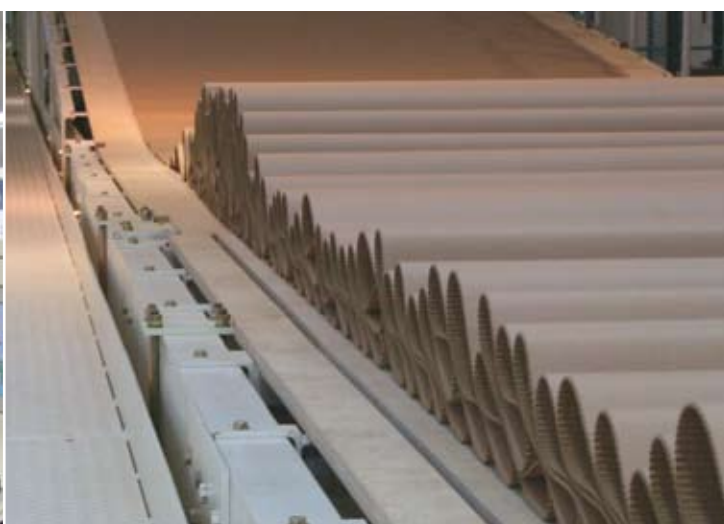
Besides the technological updates and the investments that were made, another fundamental factor for IRANI to achieve the planned results is the Company's capacity to create value for the customer with a focus on the customer's focus. The IRANI Customer Program seeks to reinforce the market interfaces with the customer to generate value between both in the relationship and to develop comple-

mentary skills. The Program was developed in a partnership with CTM Industrial Marketing in February 2007.

The main objectives of this project are to develop skills and to create perceived value for the customers, besides working on future projects, seeking results that reinforce loyal and durable relationships.



Corrugating Machine
Packaging Unit,
Indaiatuba (SP)



MAJOR ACCOMPLISHMENTS IN 2007

In 2007, the Company expressed a concern relating to environmental subjects. The Company's commitment to the environment is reflected in the business, from the handling of the forests to the final selling of the products. The Company's production has as a renewable raw material base (planted forests) or recycled (chips). The used water is appropriately collected and treated. The electrical energy used in the Company's production processes comes from renewable sources (hydroelectric and thermo-electric, using a biomass base). The Company endeavors to reduce environmental impacts and to develop activities that transform the business into a virtuous circle of preservation and environmental conservation.

In the same year, the Company prepared its Greenhouse Gases inventory (GEE) of the production activities. This is an innovative project in Brazil for certifying the inventory by the International norm ISO 14.064 in 2006. The inventory showed that IRANI had net removals (removals less emissions) of 425,617 tons of carbon equivalent (CO_2e) from the atmosphere, in 2006, and 515,622 CO_2e tons, in 2007. The large volume of the removals that was achieved by the Company is due to the amount of forests that it maintains.



Seedling production, start of IRANI's forestry handling

Of the total of 33,064 hectares of land located in the State of Santa Catarina and the 13,646 hectares located in the State of Rio Grande do Sul, the Company has 14,369 hectares of native forests in Santa Catarina and 4,496 hectares of preserved areas in Rio Grande do Sul. Both native areas are integrated into a total of 24,616 hectares of forests, in the two states, and about 93% are of the pine gender. The integrated production of the planted forests with native forests, through the appropriate use of forestry handling processes, it contributes to the preservation of the

Santa Catarina and 33% the total of the recently-acquired areas in Rio Grande do Sul.

In Santa Catarina, there are 8,306 hectares, 25% of the total of the Company's areas, correctly recorded with real estate registrations as a Legal Reservation, being greater than the 20% that is demanded by the legislation. With the 3,645 hectares of Areas of Permanent Preservation and 2,313 hectares with other areas of conserved native forests, in accordance with the best practices of forest handling, it prioritizes the formation of ecological corridors.

The integrated production of the forests with native forests contribute to the preservation of the biodiversity, generate economical development and also reduce the levels of greenhouse gases

biodiversity, it also generates economical development, because of the high levels of productivity of the forests, and it also reduces the levels of greenhouse gases in the atmosphere, by sequestering the carbon.

To manage the impacts caused by the monoculture of exotic species in the biodiversity is a challenge for many companies in the wood pulp and Paper sectors. With a perfect knowledge of the relevance of pines cultivation, given its productivity, the Company provides differentiated treatment for the adequacy & adaptation, guaranteeing their harmonization with the native species. Therefore, with respect to biodiversity, IRANI has large areas of forests and native vegetation that are conserved and preserved, representing approximately 44% of the total areas it owns in

In this way, the impacts are mitigated relating to the biodiversity coming from the plantation and from the pines cultivation, which is a raw material source and renewable energy.

The concerns relating to sustainability is constant in IRANI, from the essence, in the use of sustainable raw materials, in the production of energy through renewable sources and in recycling. The high yields of the raw material production, obtained by increasing the pine forests, provides a large competitive advantage for IRANI. The efficiency of the forest production, added to a modern production process has positive effects for the perennality of the businesses.

Currently, 83% of the electric power consumed by IRANI, in units at Vargem Bonita (SC), come from its generation through the hydroelectric plants and thermo electrical boilers that use renewable fuels (biomass). The demand for thermal energy (steam) it is supplied, in its totality, also by boilers that use renewable fuels.

The highlight in the steam and electrical energy generation system is the co-generation of energy, which allows for, besides providing electrical and thermal energy, the recognition of IRANI as the first Brazilian company in the Paper and Packing sector and the second company in the world to have carbon credits issued by the Kyoto Protocol. In 2007, IRANI implanted the second Clean Development Mechanism (CDM) project that relates to the modernization of the Effluent Treatment Station that has been registered in the United Nations (UN) on January 18, 2008.

The availability of wood is guaranteed by the Company's own reforestation and through regionally developed partnerships in the fomentation system. IRANI, over recent years developed an important regional market to supply combustible biomass, therefore the company can offer warranties for current and future demands, besides maintaining its own planting of energy forests (eucalyptus).

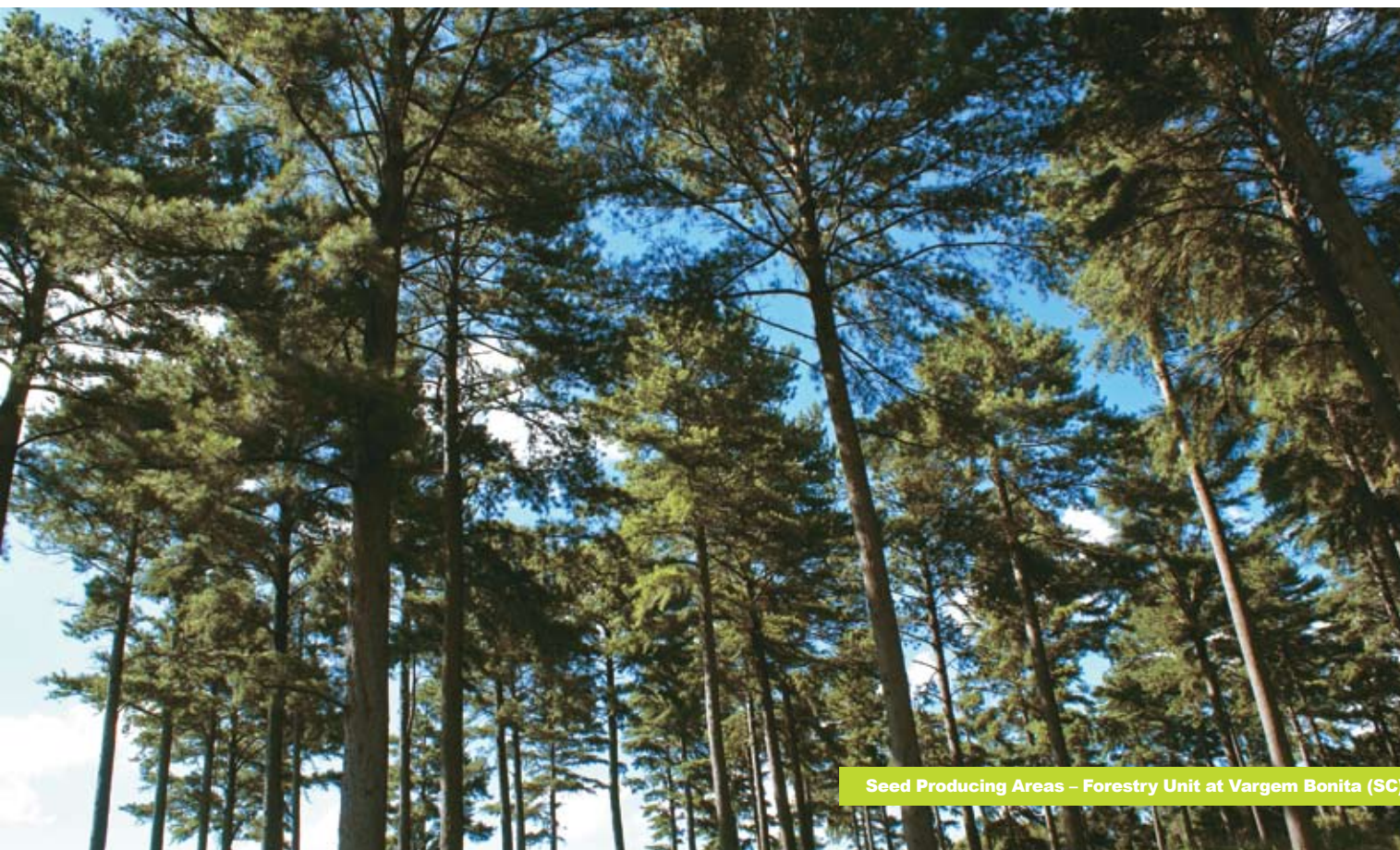
IRANI is committed to the development of the communities around its operations, IRANI leverages the growth and the social development of these areas, under the pillars of environmental, social and economic sustainability. Based on the principles, the Company stimulates their collaborators so that they carry out voluntary work.

Highlights 2007

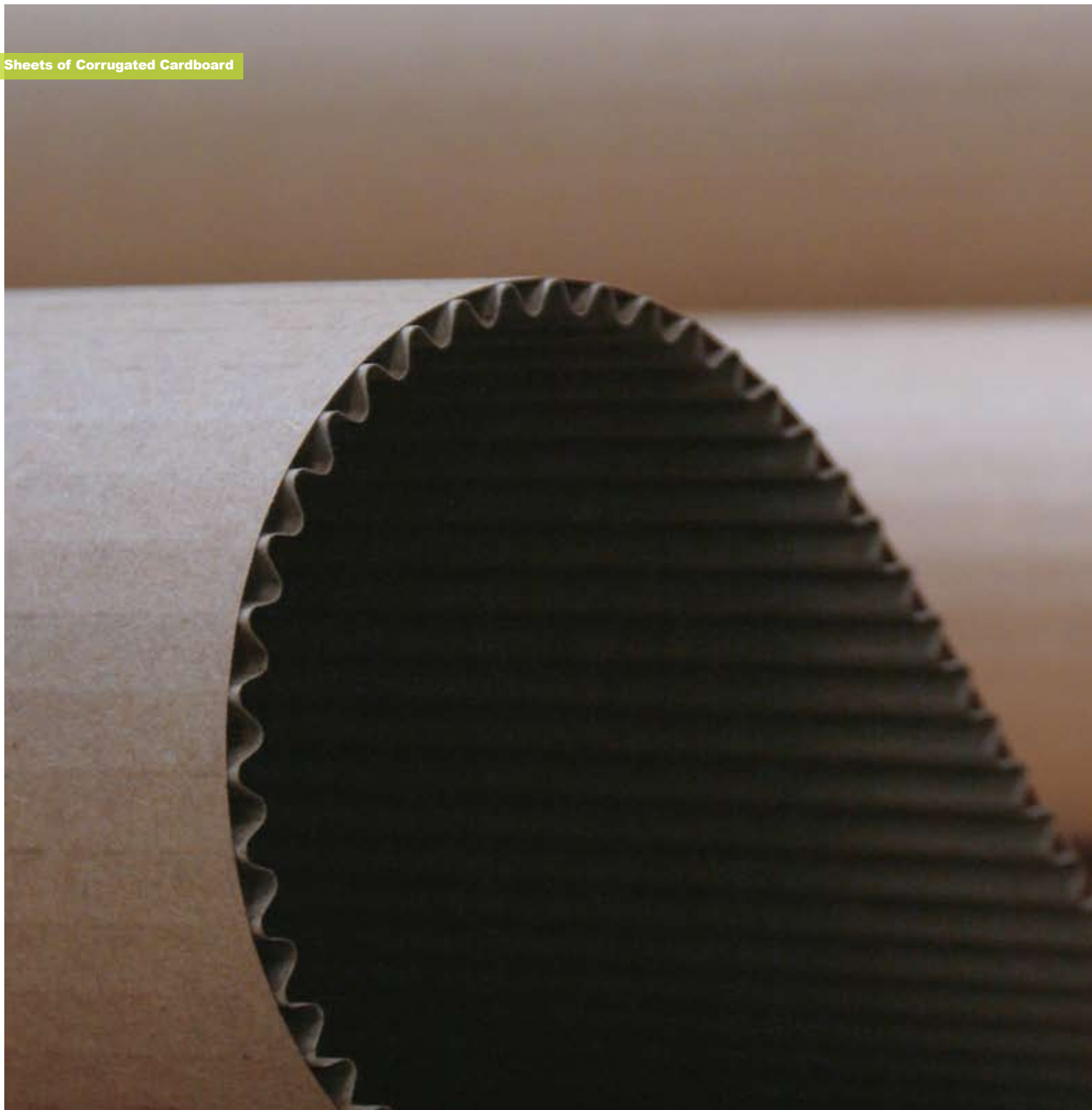
2007 was a growth period for Celulose Irani. Productivity increases were observed in the paper unit and the sales from the of packaging factories.

IRANI stood out for a series of recognitions in the area of social-environmental responsibility. These are certificates and awards that made the Company even still more recognized.

As a highlight IRANI certified its Greenhouse Gases inventory by the international standard ISO 14.064:2006, unpublished initiative in Brazil. This inventory, besides guiding in the reduction of environmental impacts, tries to identify opportunities for new projects that generate carbon credits.



Seed Producing Areas – Forestry Unit at Vargem Bonita (SC)



Paper



Packaging



Furniture



2 ORGANIZATIONAL PROFILE

Resins



The company was started in 1941, Celulose Irani S.A. is a joint stock company. It has business units in the states of Santa Catarina, Rio Grande do Sul & São Paulo. It manufactures cellulose, Kraft paper, corrugated cardboard sheets and cartons, wooden furniture and resins. In its activities, the Company has an absolute respect for the environment and people. In 2007, several awards and prizes were granted to the Company, in the social, environmental, market and human resources areas.

2.1 The Company



Paper Unit in the 40's, Vargem Bonita (SC)

Founded in 1941, Celulose Irani S.A. is a joint stock Company. Today it has 1,799 collaborators, in the following business divisions: Paper, Packaging, Furniture, Resins and Forests, distributed in Vargem Bonita (SC), Santana de Parnaíba (SP), Indaiatuba (SP), Rio Negrinho (SC) and Balneário Pinhal (RS). It has offices in São Paulo (SP) and Joaçaba (SC), the head office is in Porto Alegre (RS) and it has two subsidiaries, Meu Móvel de Madeira, (My Wood Furniture) in Rio Negrinho (SC), and Brastilo Inc., in Miami (United States), as well as the controlled companies Irani Trading S.A. and Habitasul Florestal S.A.

The Company generates, approximately, 4,600 indirect jobs in the regions where it operates. Besides, in 2007, it employed 3,187 direct collaborators (among own and outsourced) that carried out activities in the Company.

The Company produces pulp wood and wood pulp, Kraft paper, corrugated cardboard sheets and cartons, resins and wooden furniture, assuring the supply of high quality products from its renewable forest base.

The Company has been in business for 66 years, and it expanded its activities and it became recognized nationally and internationally. With an integrated production, its own forest base, machines and equipments that are constantly updated, IRANI has an installed capacity and operational effectiveness for the delivery of high quality products in accordance with the needs of the global customers.





Sales Office
São Paulo (SP)



Packaging Division
Indaiatuba (SP)



Paper Unit
Vargem Bonita (SC)



Administrative and Financial Office
and Investor Relations
Joaçaba (SC)



Furniture Unit
Rio Negrinho (SC)



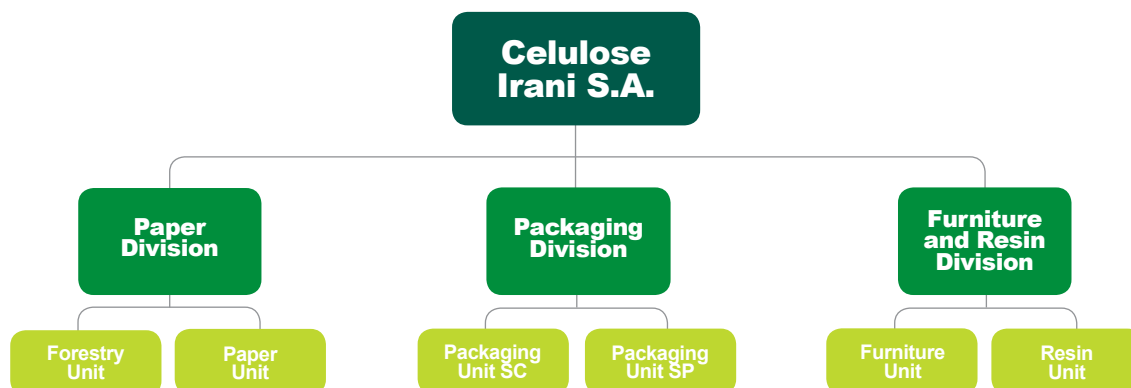
Head Office
Porto Alegre (RS)



Resins Unit
Balneário Pinhal (RS)



OPERATIONAL STRUCTURE



2006 & 2007 Assets

2006 & 2007 Consolidated (in thousands of Reais)

	2007	2006
Current Item		
Cash	59,542	1,523
Account receivable from clients	47,655	40,686
Inventory	31,346	23,922
Tax credits	5,996	3,498
Other accounts receivable	3,862	7,131
Total Current	148,401	76,760
Non Current Item		
Long Term Assets		
Tax credits	6,845	3,744
Income tax and differed compulsory contributions	17,506	13,564
Contributions	210	327
Investments		
Subsidiaries	-	-
Premium	37,736	41,660
Fixed assets	-	-
Tax credits	265,191	189,980
Deferred charges	4,102	867
Total Non Current	331,590	250,142
Total Assets	479,991	326,902

Liabilities and Net Worth 2007 & 2006

Consolidated 2007 & 2006 (thousands of Reais)

	2007	2006
Current Item		
Loans & Financing	64,858	49,249
Suppliers	34,224	26,492
Social Security	6,944	4,386
Taxation	3,645	4,716
Tax Installments	3,451	3,287

Advances to customers	426	1,807
Related parties	5,638	6,530
Dividends payable	74	776
Other accounts payable	6,888	5,458
Total Current Assets	126,148	102,701
Non Current		
Long Term Liabilities		
Loans and financing	174,303	51,617
Suppliers	-	949
Related parties	14,623	20,678
Provision for contingent liabilities	46,400	39,306
Tax installments	15,105	17,608
Deferred taxes over re-evaluation	2,472	3,112
Total Current Assets	252,903	133,270
Minority Share	4	1
Net Worth		
Capital stock	63,381	39,090
Advance for future capital increase	-	24,291
Shares in treasury	(321)	-
Reevaluation reserve	16,476	17,724
Legal reserve	2,698	2,102
Income retention reserve	18,702	7,723
Net Worth	100,936	90,930
Total Liabilities and Net Worth	479,991	326,902

INVESTMENTS

IRANI continues its strategy of investing in the modernization and automation of its production processes. The investments in 2008 totaled R\$ 98.1 million, distributed in the following way:

Distribution of investments in 2007 & 2006 (thousands of Reais)

Equipments and installations	R\$ 91,397 (thousand)
Forestation and reforestation	R\$ 5,526 (thousand)
Buildings and constructions	R\$ 1,201 (thousand)
Total	R\$ 98,124 (thousand)

During the year, the main investments were the Overcoming Challenges Project, in the Paper Division, at Vargem Bonita (SC) and in the Packaging Division, in Indaiatuba (SP). Capital was also made available for the Packaging Division, in Vargem Bonita (SC), and this should continue throughout the first semester of 2008.

From the total of R\$ 127 million earmarked for the Overcoming Challenges Project, including working capital requirements, until December 31, 2007, R\$ 59.0 million was destined, this was split into R\$ 31.6 million for the Paper Unit, R\$ 27,3 million for Packaging SP and R\$ 90 thousand for Packaging SC.

Corrugating Machine
Packaging Unit,
Indaiatuba (SP)



2.2 Products

IRANI endeavors to provide the market with customized and innovative solutions, these are created by constant investments in new technologies and constant research to develop new products. Governed by the concept and the practice of sustainable development, it also contributes to the training and development of their collaborators.

PAPER

To meet the market demands, IRANI manufactures brown and white Kraft paper from 30 to 200 grams in the following lines:

FineKraft - Made in the weights of 30 to 60 g/m², mono-lucid, virgin fiber, brown and white, is indicated for the production of light bags for fast food restaurants and bakeries, masks for painting, molds for seams and for plotters.

FlashKraft - Produced in weights from 70 to 125 g/m², mono-lucid, virgin fiber, brown and white, this product is indicated for paper bags, industrial sacking, adhesive tapes and packaging.

FlatKraft - Produced in the weights from 70 to 200 g/m², smoothed, long virgin fiber, brown and white indicated for manufacturing industrial bags and wrapping paper. The white FlatKraft from 70 to 110 g/m² and the FlatKraft 70 to 200 g/m² are approved for contact with food.

FlexiKraft - Produced in the weights from 70 to 125 g/m², extendible, long virgin fiber, brown and white is indicated for manufacturing industrial bags.

Envelokraft - Produced in weights from 75 to 110 g/m², brown and gold, indicated for the production envelopes.

The Company manufactures Kraft Liner, Test Liner, Internal Partition and covers for the production of corrugated cardboard sheets and cartons

The IRANI FineKraft papers have been certified by the Adolfo Lutz Institute and by the Foods Technology Center (CETEA) and they are approved for direct contact with foods.

The principal external markets that are serviced by IRANI with the Paper product is concentrated in South America (Argentina, Paraguay, Chile, Uruguay, Colombia, Peru, Bolivia, and Venezuela), Central America (Costa Rica), North America (United States, Mexico), Africa (South Africa, Nigeria, Ghana), Europe (Ireland, Belgium, Germany, Italy, Poland, Netherland, Spain, Portugal, England), Middle East (Egypt, Arabia Saudi, Bahrain, United Arab Emirates) and Asia (Malaysia, Singapore, Indonesia, India).

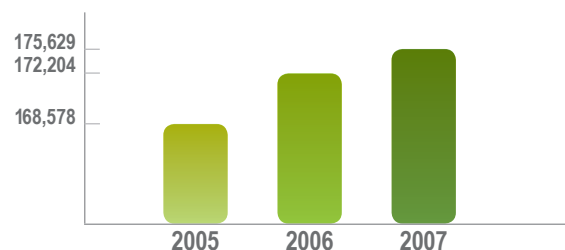


Reels of IRANI Kraft Paper

Celulose Irani offers support to its customers, from the suggestion of alternatives to requirements, to the development of product, besides maintaining permanent support to customers through preventive technical support.

IRANI was placed in 11th position in the ranking of the largest Brazilian paper producers In 2007, according to the Brazilian Pulp and Paper Industries Association and 5th in the Paper for Packaging sector.

Total Paper Production (in tons)





PACKAGING

IRANI is one of the most active Brazilian companies in the corrugated cardboard sheet and carton sector, with an invoicing that equals 44% of its income.

The line of products runs from light weights through to container type cartons, made from single, double or triple layer corrugated cardboard, besides outsized HardSystem system of packaging that has increased mechanical resistance.

80% of the Packaging Units customers are located in the State of São Paulo and the remaining 20% in the states of Minas Gerais, Goiás and Mato Grosso do Sul. In the Packaging Unit SC, 55% of sales are destined for the State of Santa Catarina, 14% for Paraná, 23% Rio Grande do Sul and 8% go to the states of São Paulo and Mato Grosso. The sectors that have the largest demand for the products are the food, horticulture, ceramic, fast food, dairy products and textile sectors.

In 2007, the Packaging Division held its share of the Brazilian market, with a rate of 3.5%, the same as in 2006, according to with the sales data from the Brazilian Association of Corrugated Cardboard (ABPO).

The production of packaging increased if the two units in 2007 by 3%, in comparison to the previous year.



Production of corrugated cardboard packaging
Packaging Unit, Vargem Bonita (SC)

FURNITURE

The furniture is manufactured under order for export and the demands of the Brazilian market are met through the site www.meumoveldemadeira.com.br. The Furniture Division has capacity to produce up to 650 cubic meters monthly. It uses pine wood as the basic raw material, which is handled in accordance with the international standards and demands for environmental preservation.

The production profile is made up of furniture for bedrooms, rooms and auxiliary pieces of furniture made from solid pine wood, meeting the demanding world markets. In November 2007 the subsidiary Brastilo Inc. was created, with its Head Office in Miami, USA. It operates through a distribution center and the furniture sales are done exclusively via the site: www.brastilo.com.

RESINS

The Resin Division, is located at Balneário Pinhal (RS) it produces rosin and turpentine, using natural resin that is extracted from pine trees. The process is done using selected trees in accordance with the environmental handling



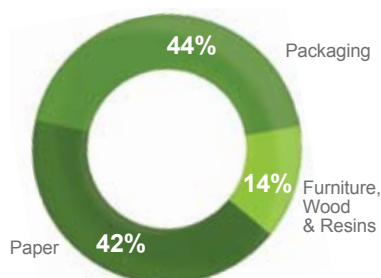
Rosin produced in the Resin Unit,
Balneário Pinhal (RS)

norms. The products obtained from the extraction of resin process are sold for making varnishes, paints, soaps, glues, adhesives, enamels, disinfectants, insulating materials and perfumes. In 2007, 5,969 tons of rosin and turpentine were produced. The sale of these products corresponded to 5,815 tons which was destined for the overseas market. The difference between what was produced and what was sold represents the stock in the factory.

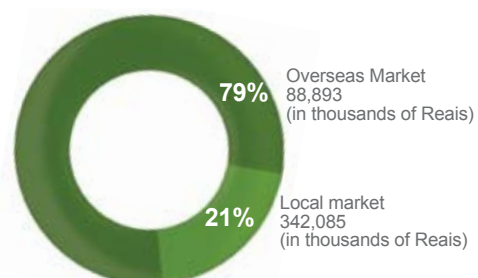
The main external markets for rosin and turpentine are Argentina, Chile, USA, Holland, Spain, Portugal, Mexico, Germany, Belgium and France.

IRANI Sales distribution in 2007

SHARE OF SALES
BY BUSINESS DIVISION



SHARE OF SALES BY
BRAZILIAN & OVERSEAS SALES



2.3 Awards 2007

2007 was a special year for Celulose Irani regarding external recognition. The Company received 11 social, environmental, marketing and human resources awards, from the activities and the projects carried out during the year.



CITIZEN FIRM AWARD FROM THE ADVB 2007

Highlights social, environmental and cultural initiatives developed by entities from Santa Catarina. **IRANI** conquered the prize in the categories Cultural Development, Community Participation and Environmental Preservation categories

● **Realization:** Associação dos Dirigentes de Vendas e Marketing do Brasil, de Santa Catarina



MOST REMEMBERED SUPPLIER IN THE FOOD INDUSTRY

Research carried out with food manufacturers to choose the Most Remembered Supplier to the Food Industry. **IRANI** was identified as the most remembered in the category of Products and Services for the Food industry, item Paper or Cardboard Carton / Packaging in general.

● **Realization:** Revista *Indústria da Alimentação*, Editora Segmento



300 BIGGEST COMPANIES IN THE SOUTH AWARD

Research carried out by the FGV highlighting the 300 biggest companies in southern Brazil. **IRANI** was in 2nd place in the ranking of the Pulp and Paper sector and 105th in the General Classification.

● **Realization:** Anuário *Expressão*, Editora Expressão



SOCIAL MANAGEMENT PRIZE

A survey on the social-environmental business responsibility in the Southern Area of the country, based on Ethos indicators. **IRANI** was one of the highlights, in the category Community, for its Relationship with the Communities - Campina da Alegria Project.

● **Realization:** Anuário *Expressão*, *Gestão Social*, Editora Expressão



EXPORTATION MERIT PRIZE

The 100 biggest companies, by volume and quality in exports in the Wood, Furniture, Pulp and Paper sectors. The **IRANI** – Furniture Unit – was highlighted as being one of the 30 best furniture makers in the sector.

● **Realization:** *Revista da Madeira*

THE 50 MOST ADMIRED HR'S IN BRAZIL

Evaluation carried out with professionals from the Human Resources area in the 1000 largest Brazilian companies for the election of the most admired companies in personnel administration. **IRANI** is amongst the 50 most admired companies.

● **Realization:** *Revista Gestão e RH*



BEST OF DINHEIRO PRIZE

Ranking of the best 50 companies in Brazil. **IRANI** is 353rd position in the General classification. In the Paper and Pulp sector, it was placed in 2nd place in the classification of the following administration criteria: 1st in Social Administration, Environment and Innovation and Technology; 2nd in Governance and 3rd in Financial Administration.

● **Realization:** *Isto É Dinheiro* Magazine



SOCIAL VALUE PRIZE

Homage to the companies that have a commitment with society and with sustainable development. **IRANI** conquered the prize, judged by a popular jury, in the category - Relationships with the Community, because of its revitalization of the Vila Campina da Alegria (SC)

● **Realization:** *Valor Econômico* newspaper



5TH BRAZILIAN AMBIENTAL BENCHMARKING

Ranking of cases of companies that adopt practices that benefit the environment and the communities where they have influence. **IRANI** was recognized for its CDM - Co-generation Plant.

● **Realization:** *Empresa Mais Projetos*



FRITZ MÜLLER PRIZE

Recognizes companies that contribute to the preservation of the environment, with projects and activities that seek the quality of life and man's interaction with nature in a sustainable way. **IRANI** conquered the prize for the category Environmental Administration with the Co-generation of Energy Plant.

● **Realization:** *FATMA – Santa Catarina Environmental Foundation*



ECO PRIZE 2007

Awarded to companies that adopt socially responsible practices. **IRANI** was the winner in the Practical of Business Social Responsibility group, Environmental category, with the Clean Development Mechanism - CDM of the Co-generation of Energy Plant.

● **Realization:** *AMCHAM – American Chamber of Commerce*





3 GOVERNANCE COMMITMENT & ENGAGEMENT

Celulose Irani S.A. tries to build long term partnerships with its stakeholders, based on respect and transparency. Following these principles, the Company has adhered to some external initiatives, such as the Global Compact and the Business Compact for Integrity and anti-Corruption, making public its commitment and its social and environmental responsibility, ethics and human rights.

3.1 Corporate responsibility policies

To assure that the behavior that is aligned to the Company's culture and to improve its performance, IRANI has published its Corporate Responsibility Policies.

SOCIAL RESPONSIBILITY POLICIES

IRANI's Social Responsibility Policies endeavor to guarantee the fulfillment of its internal norms, in accordance with the applicable laws and full respect of the communities, the internal public, society and the environment, promising to:

1 guarantee that, in its Units and throughout the production chain there is no type of forced or child labor;

2 implant, in all Units, standards of excellence in health and safety, in accordance with the Health and Safety Policies, always seeking to eliminate accidents at work and guarantee that its sub-contractors adopt these same standards;

3 respect diversity, not accepting decisions based on: race, social class, nationality, religion, disabilities, sex, sexual orientation, age, membership of unions or political party;

4 ensure that, inside the Company, there is no type of physical abuse, harassment or sexual and/or moral abuse and to respect the employees, guaranteeing them the right to join trade unions, according to their free will;



5 work within the laws relating to working hours, maintaining the terms established in the working agreements, besides wages and benefits, guaranteeing access by collaborators, without any form of distinction;

6 build a better world, by supporting the communities with which the Company has direct contact, strengthening its sustainable development and form partnerships with reliable entities that help the development of children and adolescents or that are related to the Company's business;

7 responsibly manufacture products from sustainable and integrated forestry based production, guaranteeing the generation of value for customers and society, growth and sustainability through the preservation of the environment in accordance with the Environmental Policies.

ENVIRONMENTAL POLICIES

Celulose Irani S.A. is fully aware of the importance of preserving natural resources, exercising social responsibility, carry-out sustainable development, use clean technologies and reduce the impact on the environment. Deal with, on a daily basis, environmental and social subjects, quality, health and safety topics at work in an integrated way, seeking synergy, with an emphasis on planning and in the search for results. The Company promised to:

1 comply with the effective Environmental Legislation in our country and promote the responsible corporate performance at a local, regional and global level;

2 adopt in its activities measures and devices that provide technically proven and economically viable environmental protection;

3 stimulate sustainable handling of its forestry areas through nationally consecrated standards and pass on these concepts to their collaborators;

4 satisfy our customers and shareholders by adding value to our products and services, which are the results of healthy and socially fair environmental practices;



Waterfall, Fazenda Cadeado, Água Doce (SC)

A company becomes more competitive as it grows, and at the same time, provides an ethical business atmosphere, respecting people and the environment

5 consider the transfer of research and technology in all activities;

6 maintain a System of Environmental Administration that provides continuous improvement in all activities;

7 include environmental criteria in contracts and other activities with suppliers, service providers and other collaborators.



Check the Quality Policies, the Inclusion of Disabled People, Social Investment, Health and Safety and Business Volunteers at the site www.irani.com.br, sustainability link.

3.2 Corporate governance

On December 31, 2007, IRANI's Joint Stock consisted of 8,104,500 shares, being 7,463,987 ordinary shares and 640,513 preferential shares.

The administration of the Company is carried out by the Board of Directors, that has deliberative functions, and by the Management, with representative and executive functions. The Board of Director meets whenever necessary, focusing their attentions on the Company's strategic topics, such as risks to the business, market relations, Corporate policies, investments and the following of the results, in the Financial Statements. All of the attributes of the Board of Directors are in art. 12 of the Company's Articles of Incorporation. Among them, the inspection of the directors' administration, allowing that the Board Members examine, at any time, the Company's books and papers, information relating to contracts and any other activities.

The companies Forest Habitasul S.A. and Irani Trading S.A., controlled by IRANI, the Board of Directors is different, being made up of three members that are also part of the Celulose Irani S.A. Board of Directors

	2007	2006
The number of Board Members at Celulose Irani S.A.	8	8
Non executive board members* at Celulose Irani S.A.	6	6

* The non executive board member doesn't exercise functions in the company's executive management.

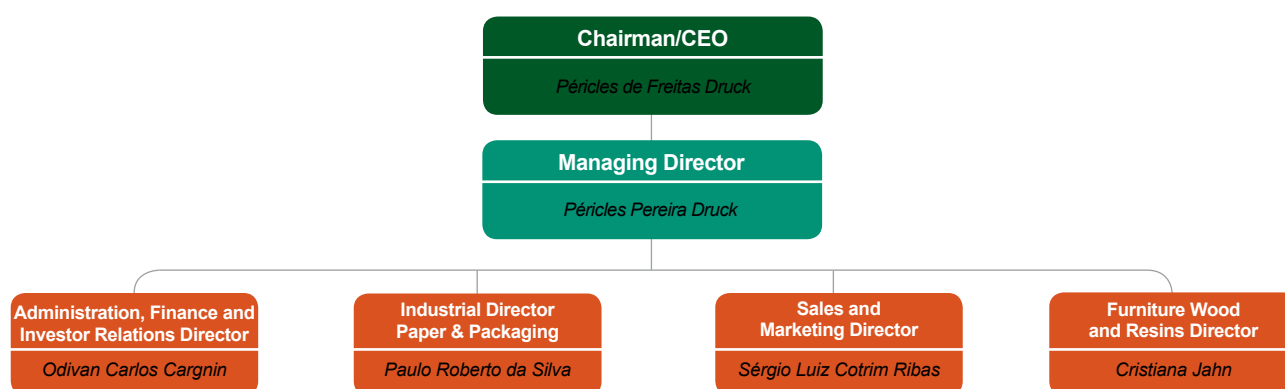
The Company does not have any thematic committees. The determination of the strategy is made together with the Executive Management, which is responsible for market studies, and by the Board of Directors, that conceptually revises the proposed strategy and it approves it for implantation. The Management meets personally every month.

The responsibility for the Administration of Sustainability in IRANI is designated to an area that is intended for this purpose, coordinated by the Administrative and Financial Director and Investor Relations, that works with the Board of Directors, defining the activities that are to be carried out in relation to sustainability and the activities that are to be implemented.

In 2007 the IRANI Sustainability Forum was created, of which all managers take part, including some members of the Board of Directors, besides collaborators from the support areas and sales area.

The sustainability performance is periodically evaluated by the highest governance organ, this is the time that activities are planned for the next period. Besides, all reports from awards and rankings in this area are passed onto the Board of Directors.

The position of Executive President (CEO) of the Company is held by the President of the Board of Directors (Chairman). however, the specific function of Executive President of the Company is performed by the Managing Director, who has the responsibility for coordinating Executive Management. In this case, the Executive President has as his principal function the following and guidance of the Executive Management in important topics.



The Company has a direct communications channel between collaborators and the Board of Directors through “Fale conosco” (Speak To Us). In the same way, the Company has, in its administration processes, the elaboration of the Organizational Climate Survey, applied to all of the business units, at all hierarchical levels, and the 360° Evaluation, which is applied in all of the units and to all leaders. In the Organizational Climate Survey, the collaborators can describe topics related to the eco-

nomi, social and environmental performance. The Executive Management is also evaluated by the 360° Evaluation, which is applied to all units and to all leaders. In the Organizational Climate Survey, the collaborators can describe topics related to the economic, social and environmental performance. The Executive Management is also evaluated by the 360° Evaluation. The results of these studies are made available to the Company’s Board of Directors.

Relationship between remuneration of the members of the highest organ of governance, executive management and the performance of the organization including social and environmental performance (expressed in R\$ thousands)

Remuneration of the Board of Directors	Executive Management Remuneration*	Social-environmental Investments	Gross Operational Revenue	Net Result
75.43	3,105	4,239	440,347	14,595

* Considering Executive Directors with elective positions, according to Articles of Incorporation.

The Company retains independent auditors for the verification of the consistence and integrity of its operations. These independent auditors are responsible for issuing the “Opinion of the Independent Auditors” quarterly and annually. In 2007, Deloitte Touche Tohmatsu Independent Auditors was responsible for this verification.

In the second semester of 2007, IRANI began to implant a Code of business ethics, through an Ethics Committee, elected by the collaborators, with representatives from all of the Company’s units. The Committee prepared the IRANI Code of ethics that, after being approved by the Executive

Management, was made available on the Intranet, for 60 days so that all collaborators had a chance to evaluate and make suggestions. The Code of ethics was approved by the Board of Directors in April of 2008.

After being approved, the collaborators can make accusations or provide suggestions directly to the Ethics Committee by Intranet or e-mail. The Committee is responsible for setting up an opinion for each complaint, directing them to the Executive Management and to the Board of Directors that will make the necessary decisions.

IRANI develops corporate education and administration programs by competence and recognizes the relevant role relating to education provided by the corporations

3.3 Commitment with external initiatives

In an attempt to disseminate Social Environmental Responsibility, Ethics and Human Rights, Celulose Irani S.A. took part in the Global Compact and the Business Compact for Integrity and Anti-corruption in 2007.

GLOBAL COMPACT

This compact is the result of an initiative by the United Nations (UN), aimed at the private sector, and it has the objective of the stimulation of the practice of Social Corporate Responsibility.



In accordance with the UN, the objective of the Global Pact is to Encourage the alignment of policies and business practices with the values and the applicable international objectives that are universally agreed on.

These principal values were separated into 10 key principles, being the areas of human rights, labor rights, environmental protection and the combat of corruption.

Human Rights Principles

1. To respect and to protect human rights.
2. To impede violations to human rights.

Labor Standards

3. Uphold the freedom of association and the effective recognition of the right to collective bargaining.
4. The elimination of all forms of forced and compulsory labor.
5. The effective abolition of child labor.
6. The elimination of discrimination in respect of employment and occupation.

Environmental Protection Principles

7. Support a precautionary approach to environmental challenges.
8. Promote greater environmental responsibility.
9. Encourage the development and diffusion of environmentally friendly technologies.

Anti-Corruption Principles

10. Businesses should work against corruption in all its forms, including extortion and bribery.

ENTREPRENEURIAL COMPACT FOR INTEGRITY AND ANTI-CORRUPTION



This compact is an initiative of the Ethos Institute that aims to spread good business ethics that can eradicate corruption. With this compact, IRANI is committed to reach the objectives proposed by the agreement to guide its collaborators in relation to the importance of accomplishing this Compact.

IRANI's objective when signing these agreements is to participate in the movements that seek a more sustainable and inclusive global economy.

Check the compacts on the www.irani.com.br, link ethics.



The concern with the quality of the collaborators life is one of the principles followed by IRANI

Participation in entities & trade institutions

Entities	Participant	Post in the Entity	Post in IRANI
APAE Joaçaba (SC)	Odivan Carlos Cargnin	Vice-President	Administration, Finance and Investor Relations Director
	Aristides Luiz Fuga	Financial Director	Administrative Manager
Associação Catarinense de Empresas Florestais (ACR)	João Batista Garnica	Second Secretary	Forestry Manager
Associação Catarinense de Empresas Florestais	Nicolay Cerkunvis	Member Technical Board in the Pulp and Paper area	Manager of Forestry Supplies
Associação Comercial do Oeste Catarinense (ACIOC)	Odivan Carlos Cargnin	Administrative Director	Administration, Finance and Investor Relations Director
Associação dos Engenheiros Florestais do Oeste de Santa Catarina	Dartagnan Reichert Gorniski	General Secretary	Forestry Supply Manager
Associação dos Funcionários da IRANI (AFI))	Amarildo Castanha da Silva	Managing Director	Supervisor Paper Machine
Associação dos Funcionários da IRANI (AFI)	Deive Junior Zambillo	Administrative Director	HR Assistant
Associação dos Funcionários da IRANI (AFI)	Nori Rampazzo	Director Financial	Inventory Analyst
Associação dos Funcionários da IRANI (AFI)	Claudio Roberto Biavatti	Support Director	Electrician
Associação dos Funcionários da IRANI (AFI)	Márcio Alex Schiling	Property Director	R&D Supervisor
Associação de Moradores do Bairro São Sebastião e Grupo Feminino	Terezinha Aparecida Dave	President of the Association and Secretary of the Group	Safety at Work Technician
Associação de Pais e Professores (APP) da E.E.B Galeazzo Paganelli	Ben-Hur Corrêa	President	PCP Supervisor
Associação de Pais e Professores (APP) da E.E.B Galeazzo Paganelli	Márcio Alex Schiling	Audit Committee	R&D Supervisor
Câmara Júnior de Joaçaba (SC)	Dartagnan Reichert Gorniski	Member	Forestry Supply Technical
Conselho Consultivo da Associação Gaúcha de Empresas Florestais (AGEFLOR)	Péricles Pereira Druck	Member	Managing Director
Corpo de Bombeiro Comunitário de Catanduvas (SC)	Valmir Antônio Prado	Community Firefighter	Wood Cutting Supervisor
Corpo de Bombeiros de Irani (SC)	Gilberto Pereira dos Santos	Volunteer Firefighter	Driver
Corpo de Bombeiros Voluntários de Irani (SC)	Joel Moraes dos Santos	Volunteer Firefighter	Reforestation Assistant
Instituto de Estudos Empresariais (IEE)	Péricles Pereira Druck	Member	Managing Director
Instituto Liberdade (IL)	Péricles Pereira Druck	Member	Managing Director
Junior Achievement (RS)	Péricles de Freitas Druck	President of Consulting Board	President
Junior Achievement (SC)	Odivan Carlos Cargnin	Member of Consulting Board	Administration, Finance and Investor Relations Director
Young Presidents' Organization – Capítulo Porto Alegre	Péricles Pereira Druck	Member	Managing Director

3.4 Stakeholder engagement

IRANI consciously responds in relation to the public with which it relates. It endeavors to build long term partnerships, based on respect and transparency. This way, it establishes efficient and reciprocal communication channels, building relationships of mutual trust, in order to recognize demands, contributing to its own growth, that of its partners and the areas where it is active.

COMMUNICATION CHANNELS BETWEEN IRANI AND INTERESTED PARTIES

Shareholders

The Company tries to provide its shareholders with suitable returns on their invested capital. Because of this, it maintains administration policies, such as the Cycle of Strategic Planning, Annual Budget Programs, permanent analysis of the market (Business Intelligence), macroeconomics analysis, amongst others. The rendering of accounts is done through the disclosure of the Quarterly Information, that is sent to the CVM and to BOVESPA, and, annually, for the disclosure of the Annual Financial Statements and for the Sustainability Report.

Collaborators

By focusing on the relationship with their collaborators using participative administration, the Company stimulates internal communication in all directions and through a series of channels, such as Intranet and the newsletter "Mundo IRANI", amongst others. The Company runs a Profit Sharing Scheme that intensifies the relationship by following the success factors, as well recognizing the collaborators for their efforts and in meeting the proposed goals throughout the year. The preparation of the Annual Budget is also done in a participative manner.

Customers

The Company systematically invests in the creation of activities and procedures that strengthen partnership relationship with their customers, the IRANI Customer Service (SIC), IRANI Online (an application that permits business to business relationship), the Technical Preventive Support service and the Technical Lectures cycle, the objectives of these is to strengthen the relationship and to motivate the development of their customers.

In 2007, the Satisfaction Survey was not carried out because the Company started an evaluation of that tool, so that, the next time it is used, it can supply more information relating to customer perception.

Suppliers

To establish reliable long term partnerships, to create reciprocal earning relationships and guarantee that the employees of outsourced service companies are adhering to legal standards of health and safety are some of the criteria that IRANI seeks in their suppliers. Also, the communication with suppliers was improved and speeded up through the IRANI Online application. This application was developed by the Company and has the objective of facilitating relationships with customers, representatives and suppliers. It is used with the Business to Business (B2B) and it allows for each user to access information and services from any place and at any time, by accessing the IRANI site.

Government and Society

IRANI is great lever in the growth and development of the regions around where it has production and administration units. This benefits the whole society and impacts directly on the employability of the residents of the cities and towns around the Company's industrial units. Besides, it provides financial proceeds through fiscal incentives and it monitors their application.

Communities

Besides financing social projects in the communities around the business units and in the benefit of children and adolescents, IRANI motivates its employees to exercise their rights of citizens by working as volunteers in the financed projects.



Celulose Irani S.A.
Cultural Center
Vargem Bonita (SC)

Besides the practices that shows its commitment to external initiatives, the Company uses the precautionary principle in all of the activities that it does. This principle consists of the identification of the possibility of damages occurring to the environment and the need for its evaluation.

In 2007, IRANI started on a process of transferring its corrugated cardboard Packaging Factory from Santana de Parnaíba (SP) to Indaiatuba (SP). To do this, the Company identified all possible risks involved in this process. A questionnaire was prepared to identify the interest of collaborators in staying on in the Company and the difficulty of moving to the new unit. Information was given to the employees relating to the town and realtors were identified that could enable the move of the collaborators residence. All expenses involved in the change of residence was paid for by Company. An agreement was established with the city hall to guarantee vacancies in schools for the collaborators children. Besides, the Company is prioritizing the recruiting of family members. Environmental aspects relating to the new factory were also analyzed.

This care and attention that the Company had occurred in 2007, with the deactivation of the Wood Unit, in Campina Redonda located in the town of Vargem Bonita (SC). Those collaborators that were interested in staying with the Company and had the profile that was suitable to take on a new job were transferred to the Paper and Packaging Units SC, located in the same town. In total, 63% of the collaborators were transferred.

Another example of how the Company applies this principle is in relation to the papers that are produced that are able to come into direct contact with food. IRANI identifies the risk of contamination and seeks responsible certifications for the quality of its products. In the case of paper that comes into contact with food, the certification was provided by Adolfo Lutz, that consisted of sensorial contamination analyses (odor and flavor) and the migration of metals. The Company also sought, in the Food Technology Center, the complete analysis of its papers because of the requirements of the Decree 177 of the National Agency for Sanitary Surveillance (ANVISA), that regulates the final use of these products.

Accuracy of the data

The measurement techniques of the environmental, economical and social data and the basis of calculations used are exact, based on data extracted from ERP (Microsiga System) used by the Company. Other environmental data, such as control of emissions, amount of destined residues and measurement of areas, they are monitored systematically by electronic spreadsheets in the responsible areas, besides the systems SIIMULA, BRISA & SIG & MasterBI.



4 MANAGEMENT APPROACH AND PERFORMANCE INDICATORS

The qualitative and quantitative information published in the report takes into account the economic, environmental and social dimensions. The disclosure of the ways of the Company's administration and of the performance indicators reflects IRANI's concern with the transparency of its actions and with the involvement of the stakeholders in their business.

4.1

Management of economic performance

In 2007 Brazil had a better financial performance than in the previous year, with an increase in the GDP, that was calculated by the IBGE, to be in the order of 5.4%. the IRANI gross consolidated revenue grew by 16.6% in this same period. This increase in growth verified by the Company occurred principally because of productivity improvements in the Paper Unit and because of the increase in sales by the Packaging Factories. The value of the dollar continued to decrease during the year, harming, in some ways, exports, which was compensated by an increase of prices in the international market. The year also offered a recovery in paper and packaging prices in the local market, reflecting a more intense financial activity, this allowed for the improvement in margins.

In 2007, IRANI obtained a US\$ 70 million loan through the Credit Suisse Investment Bank that, when added the other loans through national and international financial agents, that were earmarked for the implementation of the 'Overcoming Challenges Project. (as shown on to page 10).

Celulose Irani in 2007 carried out the retroactive audit of the 2006 fiscal period with Deloitte Touche Tohmatsu Independent Auditors, with the purpose of guaranteeing the comparability of the last two fiscal periods by using the same auditing criteria. The work relating to 2006 ended in the need of setting aside (of) provisions for that year, causing an impact on the result and the net worth of the Company.

Additional information relating to the Company's financial results can be seen in the Annual Report or in the site: www.irani.com.br, link investor.

ECONOMIC PERFORMANCE

The Company's Gross Revenue was 16.6% greater in 2007, totaling R\$ 440,347 thousand, when compared to R\$ 377,689 thousand in 2006. In dollars, the value of the Gross Income was 31% greater than in 2007, adding US\$ 227,619 thousand. The Net Operational Income was 16.6% greater in 2007, in relation to 2006. The Gross profit, in 2007, was R\$ 89,763 thousand, compared to R\$ 71,293 thousand of 2006 - there was a 25.9% growth. The Gross Margin remained stable in 2007, at 25.6%. The Net Operational Result, was R\$ 21,713 thousand, compared to the R\$ 11,182 thousand negative seen in the previous year.

The consolidated adjusted EBITDA Margin had an increase, going from 12.5% in 2006 to 14.9% in 2007. The absolute EBITDA value was verified to be R\$ 52,055 thousand, compared to R\$ 37,668 thousand in 2006. The financial result was positive in R\$ 1,883 thousand, compared to the R\$ 19,936 thousand negative in 2006. Of the R\$ 1,883 thousand in 2007,

R\$ 23,628 thousand represented the active exchange variation, R\$ 7,469 thousand financial receipts and R\$ 29,214 thousand corresponded to financial expenses (interests, bank expenses, CPMF and discounts).

The Net Result of the Company, in 2007, was R\$ 14,595, thousand, compared to a verified negative result of R\$ 3,114 thousand in the previous year. Additionally, a part of the assets were revalued by R\$ 1,460 thousand in 2007 (R\$ 1,489 thousand in 2006), that was not listed as income in the statements of the Fiscal Period result (DRE), deliberation 183/95 of the CVM, but will be added to the basis for the distribution of dividends, being added to the profit for the fiscal period.

The Company result, in 2007, will be destined for the distribution of the obligatory minimum dividends and the constitution of legal reserves, and the balance will be reinvested in the Company.



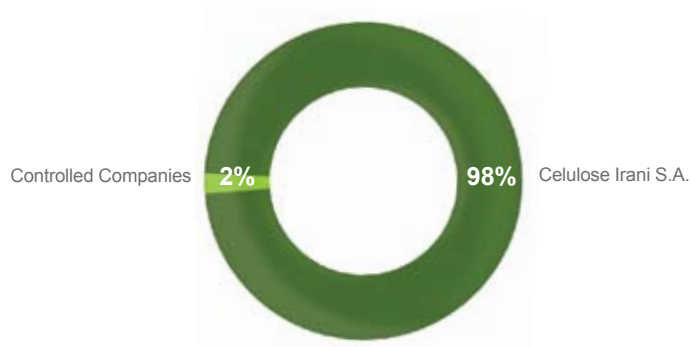
Principal economic indicators

<i>Consolidated (thousands of reais)</i>	<i>2007</i>	<i>2006</i>
Gross Operating Income	440,347	377,689
Local market	351,888	295,764
Overseas market	88,459	81,925
Operating income	350,400	300,569
Gross profit	89,763	71,293
Gross margin	25.6%	23.7%
Net operational result	21,713	(11,182)
Net result	14,595	(3,114)
Adjusted EBITDA	52,055	37,668
EBITDA Margin	14.9%	12.5%

EBITDA Earning Before Interest, Taxes, Depreciation and Amortization

<i>Consolidated (thousands of reais)</i>	<i>2007</i>	<i>2006</i>
Operational result	14,595	(3,114)
Income Tax & CSLL & the administrators' participation	7,471	(3,927)
Depreciation, exhaustion and amortization	27,911	18,736
Financial result	(1,883)	19,936
EBITDA	48,094	31,631
Provisions (IPI and contingencies)	3,961	6,037
Adjusted EBITDA	52,055	37,668
Variation of EBITDA	38.2%	-

Participation in the gross operational consolidated income in 2007



Demonstration of Added Value

Consolidated (thousands of reais)	2007	Vertical analysis	2006	Vertical analysis
1. Receitas	440,023		378,995	
1.1 Sale of merchandise, products & services	440,347		377,689	
1.2 Provision for doubtful debtors (reversion/constitution)	(677)		(2,835)	
1.3 Non operational	353		4,141	
2. Supplied Acquired by Third parties	298,351		258,372	
2.1 Consumed raw materials	209,716		184,071	
2.2 Costs of the goods and services sold	2,298		1,643	
2.3 Materials, energy, third party services and others	86,337		72,658	
3. Gross added Value (1-2)	141,671		120,623	
4. Retentions	24,735		17,246	
4.1 Depreciation, amortization and exhaustion	24,735		17,246	
5. Net Value added produced by the entity (3-4)	116,936		103,377	
6. Added value received in transfer	44,852		6,199	
6.1 Result of equivalent net worth	0		71	
6.2 Financial incomes	44,851		6,128	
7. Total Value added to distribute	161,788		109,576	
8. Distribution of the added value	161,788	100%	109,576	100%
8.1 Personal and responsibilities	51,866	32.06%	45,381	41.41%
8.2 Duties, taxes and contributions	43,872	27.12%	34,175	31.19%
8.3 Interests and rents	54,245	33.52%	31,808	29.03%
8.4 Interest on equity and dividends	6,383	3.95%	776	0.71%
8.5 Profits retained/loss on fiscal period	5,422	3.35%	(2,564)	(2.34%)

4.2 Management of environmental performance

IRANI's Environmental Management is structured to allow for a balance between the production activities and environmental performance.

Through its Environmental Policies, IRANI commits to maintain a System of Environmental Administration that seeks to comply with current legislation, to promote the continuous improvements and to avoid pollution. With that, the Company identifies, analyzes and monitors all environmental impacts caused by its production processes, such as liquid effluents, gas emissions, solid residues and their final disposal. The new enterprises are developed taking into account all of the environmental impacts, being avoided risks and instigating the populations understanding of environmental conservation. This allows for, each of the possible negative interactions with the environment, the Company develops preventive or corrective control measures, when necessary. Therefore, the coordination of Environmental Administration works integrated with all of the Company's management, supporting the identification and in the treatment of aspects and environmental impacts, constantly seeking a participative performance that stimulates all involved.

ENVIRONMENTAL PERFORMANCE INDICATORS

CARBON INVENTORY

The Greenhouse Gas Emissions Inventory carried out by Celulose Irani S.A. endeavors to verify the emissions and the sinks and to evaluate the Company's potential in relation to "Zero Carbon", in other words, to analyze if the Company is carbon dioxide neutral.

Amongst the main objectives of the Project is the identification and evaluation of the possibility of new Clean Development Mechanisms (CDM's) projects, increase of the transparency of environmental sustainability, the identification of direct emissions, identification of indirect emissions by the consumption of energy and by other sources, refinement of the transparency of information regarding the emissions by the organization and the identification and quantification of the reservoirs for the removal of greenhouse gases.



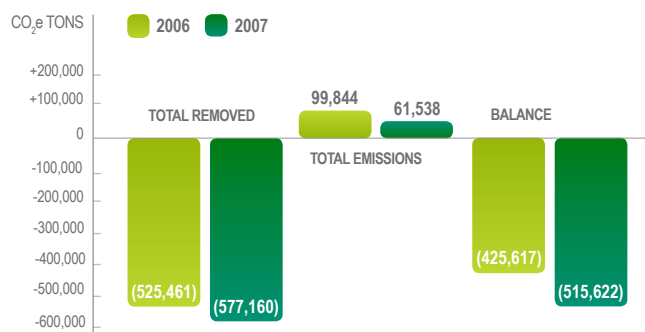
Celulose Irani S.A. is the first Brazilian company to certify its Greenhouse Gases Inventory in accordance with the international norm - ISO 14.064, 2006.

The certification was carried out by BRTÜV in January 2008 and it verified that IRANI emitted, in 2006, 102,473 tons of CO₂e and removed 638,630 tons of CO₂e from the

atmosphere resulting in the net removal of 536,152 tons of CO₂e.

Like this, IRANI's activities are considered Carbon Neutral, because of removing more carbon from the atmosphere than it emits. The inventory for 2007 indicated 61,538 tons emissions of CO₂e and 577,160 tons of CO₂e removals, giving a net removal of 515,622 tons of CO₂e. The inventory for 2007 is in the certification phase. (CO₂e = Carbon Dioxide equivalent).

Total emissions and removals

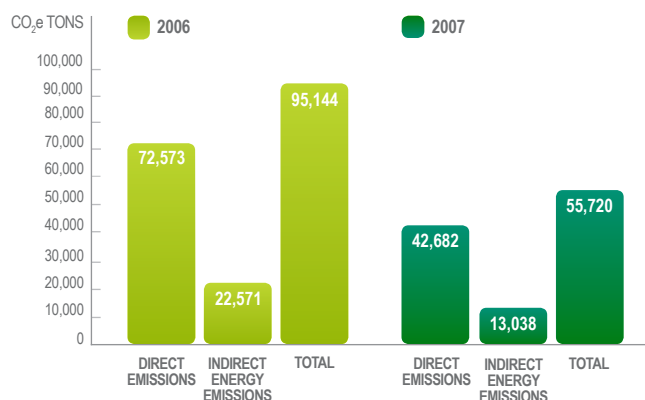


Some values shown in the graph relating to 2006 are different from the certificate granted by BRTUV because of improvements in data generation in 2007. The calculations for 2006 (base year) were recalculated following the standards of that improvement.

IRANI Target
2008
To increase the total removals to 600,000 tons of CO₂e

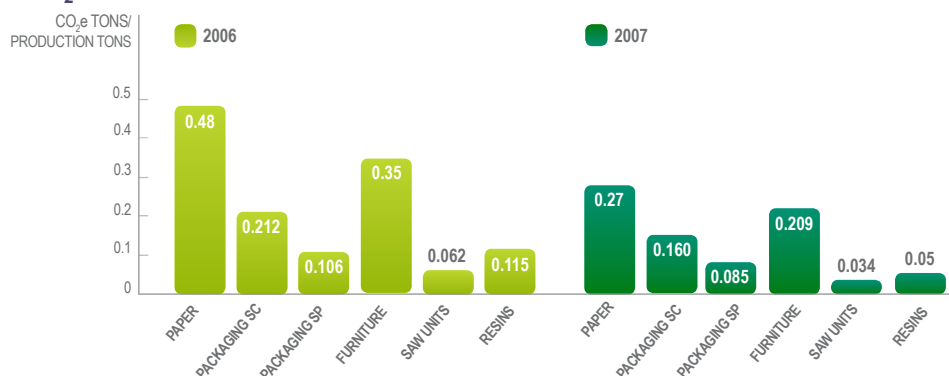
EMISSIONS, EFFLUENTS & WASTE

Total direct and indirect emissions - energy (CO₂e tons)



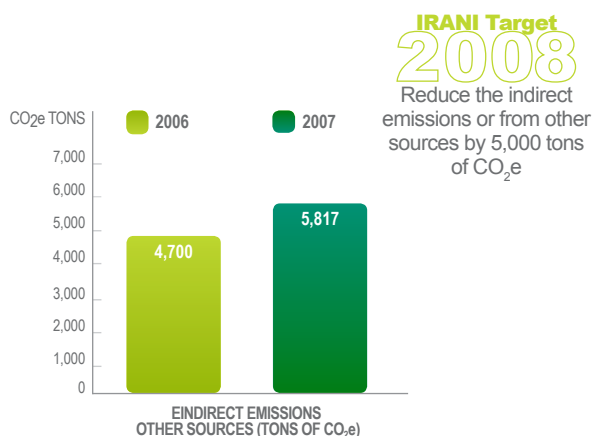
IRANI Target
2008
To reduce to 30,000 tons of CO₂e the direct and indirect emissions of greenhouse gases

CO₂e emissions / production (tons)



The Paper Unit, in Vargem Bonita (SC), emitted, in 2006, the equivalent of 0.48 tons of CO₂e per ton produced. In 2007, the emissions were 0.27 tons of CO₂e, being below the result shown in the National Inventory of Greenhouse Gas Emissions (relating to 1994), the emissions produced by the Paper and Celulose sector were 0.50 ton of CO₂e per produced ton.

Other relevant indirect greenhouse gas emissions, by weight



Celulose Irani S.A. has reduced its greenhouse gas emissions by the use of a Clean Development Mechanism projects, such as the Co-generation Plant and the Expansion of the Effluent Treatment Station.

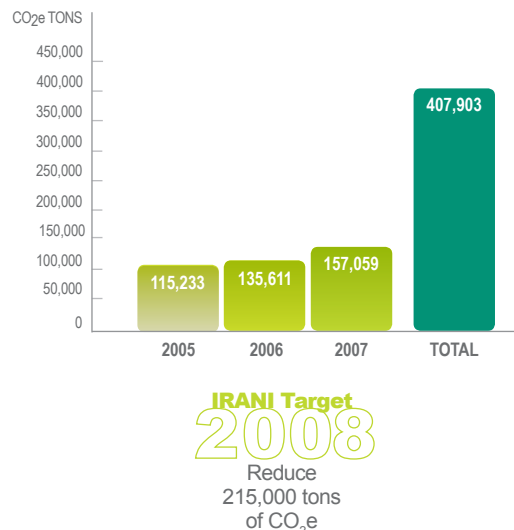
CLEAN DEVELOPMENT MECHANISM (CDM) CO-GENERATION PLANT

The Co-generation Plan provides a decrease in the emissions of greenhouse gases such as carbon dioxide and methane, because the products that are burnt in the process come from forest waste. This waste is no longer disposed of in landfills, therefore avoiding the decomposition process, consequently, avoiding the emissions of gases that cause the greenhouse gas effect.

The installation of the Co-generation Unit in the Paper Plant, in Vargem Bonita (SC), allowed for the development of a project aimed at selling of carbon credits, called the "Irani Biomass Electricity Generation Project" (available at: <http://cdm.unfccc.int/Projects/DB/DNV-CUK1146170596.51>, under number 0404). This work meets the criteria of eligibility proposed by the Kyoto Protocol and received the approval for the United Nations (UN) on July 7, 2006.

Celulose Irani S.A. was the first Brazilian company in the Paper and Pulp sector and the second in the world to have carbon credits issued by the Kyoto Protocol. The reduction in the emissions that were achieved by the project were calculated based on data generated during the monitoring that was carried out and they can be seen in the following graph.

Reductions in CO₂e certified via Kyoto Protocol



With the reduction in the use of energy from fossil fuels and the use of forest waste, that was not used and would pollute the environment, between 2005 and 2007 the Company avoided spilling into the atmosphere, an average of 135,968 tons of CO₂ gas each year. The estimate in the reduction of CO₂ emissions IRANI in 21 years, bearing in mind this average that was obtained, is approximately 2,855,328 tons.

The revenue from the sale and carbon credits in 2007, represented for IRANI a value of R\$1.85 million.

*Celulose Irani S.A. was **the first Brazilian company** in the Paper and Pulp sector and the second in the world to have carbon credits issued by the Kyoto Protocol*

Besides the reduction in greenhouse gas emissions, the Energy Co-generation Plant presents a system of scrubbing chimney gases that controls the emission of particulate material into the atmosphere (Fly Ash). This system uses a piece of equipment called a scrubber that is designed to remove the moist particles from the particles combustion process. The system operates in a closed circuit; the water is treated in the effluent system and reused in the scrubber.

CLEAN DEVELOPMENT MECHANISM (CDM) EFFLUENT TREATMENT STATION

The Effluent Treatment Station was constructed with the intention of substituting the anaerobic degradation of organic matter for aerobic degradation this way avoiding the emission of methane, a greenhouse gas that provokes global warming.

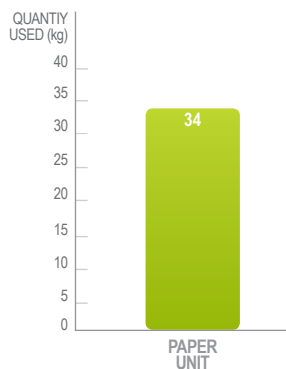
The project includes the implementation of a new treatment system, involving an aerobic system, called secondary treatment, using activated slurry with extended aeration. This process avoids the slurry from being deposited at the bottom of the ponds thereby generating methane gas.

The CDM project for the Effluent Treatment Station was approved by the UN on January 19, 2008 (documentation is available in the site <http://cdm.unfccc.int/Projects/DB/DNV/CIUK1194334826.24> / view - Project 1410: Irani Wastewater Methane Avoidance Project). This approval allows for the sale of carbon credits via the Kyoto Protocol.

The estimate in the reductions of emissions of the greenhouse gases that was obtained with the second phase of the Effluent Treatment Station expansion corresponds to, approximately, 55,553 tons of carbon dioxide equivalent per year. Considering the reductions over 21 years, this represents approximately 1,166,613 tons.

60.000 tons of CO₂e have been sold in the voluntary market, verified before the registration of the project with the UN.

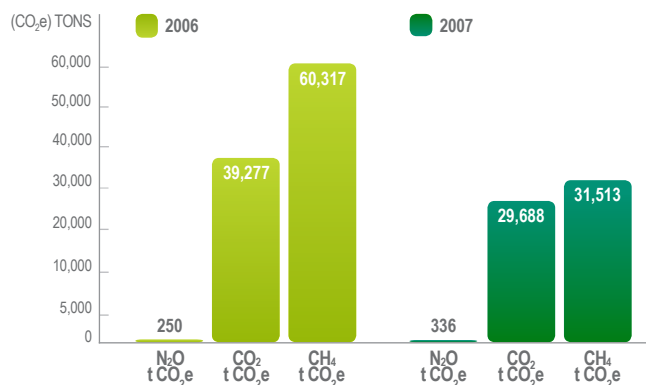
Use of substances that destroy the ozone layer (kg)



IRANI Target 2008
To reduce to 30 kg the amount of HCFC-22 (Chlorodifluoromethane)* in the Paper Unit, or to substitute this gas for another that is less polluting

* HCFC-22 (CHLORODIFLUOROMETHANE) CONTRIBUTES TO THE DESTRUCTION OF THE OZONE LAYER

Other significant atmospheric emissions, by type and weight



IRANI Target 2008
To reduce CH₄ to 5,000 tons CO₂e and to reduce CO₂ to 25,000 tons CO₂e



Effluent Treatment Station, Vargem Bonita (SC)

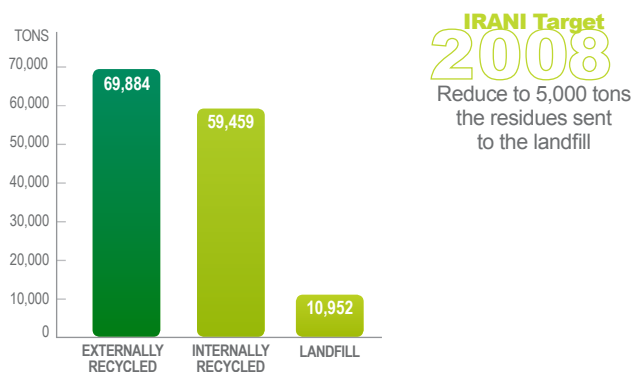
To reduce the impact on the environment, all waste liquids that are generated in IRANI are treated by the Effluent Treatment Station, where chemical, physical and biological treatments are carried out. Before the treatment begins and the waste is sent to the tanks it is monitored through parameters such as: pH, suspended solids, decanted solids, DBO, DQO, oxygen, temperature, sulfate, cyanide, iron, phosphorus, nitrogen and phenols.

Volume of effluents generated by IRANI

Unit	2006 Vol. (m ³ /year)	2007 Vol. (m ³ /year)
Paper	6,696,000	6,816,704
Packaging SC	-	8,064
Packaging SP	-	6,106
Resins	-	2,276
Furniture	-	126
Total	6,696,000	6,833,276

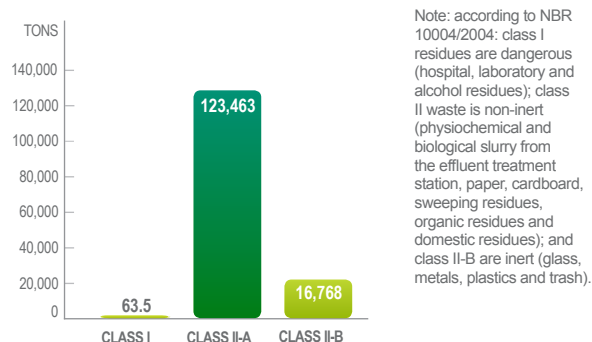


Total weight residues per disposal method in all units, in 2007 (tons)



A large part of the raw materials used by IRANI are wood chips

Total weight of all residues by type (all units)



Celulose Irani S.A. is increasing the percentage of recycled residues and reducing the percentage of residues sent to the landfill, which provides a reduction in the consumption of raw materials from natural resources, as well as minimizing current environmental impacts on the final destination.

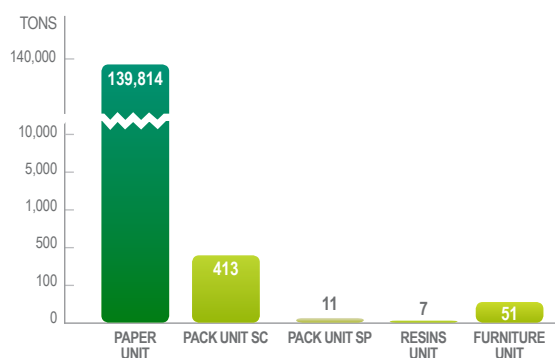


Percentage of residues by method of disposal (Paper Unit)



The total of solid waste generated in 2007 corresponded to 140,302 tons. In the following graph, the total shown is the waste generated per unit.

Total of waste produced per unit in 2007 (tons)

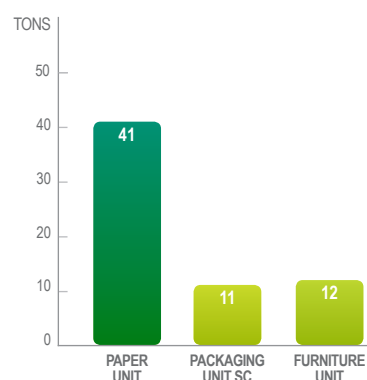


Besides the waste shown in tons, there was also generated by IRANI in 2007, 95 m³ of waste incorporated in reforestation areas belonging to the Company. Also, 177,955 m³ of waste was re-used and 240 liters of medical waste were sent to the class I landfill. Next year, the Company will analyze the possibility of standardizing these measurements.

In 2007, there were no spillages of products or substances that could compromise the quality of the soil or the superficial and/or underground waters in the production location ranch of the Company.

Dangerous residues generated during 2007 were represented by medical waste, oil residues, batteries, lamps, amongst others items. These residues received specific treatment by specialized companies. The lamps were decontaminated and recycled, the oil was refined and reused, batteries and the medical waste were sent to the class I industrial landfill.

Weight of dangerous waste (tons) - 2007

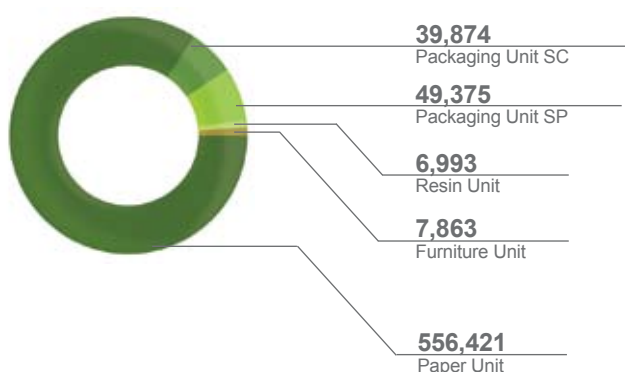


Water from the Paper and Packaging Units is disposed of into the Mato River, that it is connected to the Chapecó River Micro basin, in Santa Catarina, this is part of the Uruguayan Basin. At the Packaging Unit SP, the water is disposed of into the Tietê River, which is part of the of the Tietê Basin, São Paulo, and the Furniture Units, flows into the Negrinho River, which is part of the Rio Negro Micro basin, into the Negrinho River, in Santa Catarina.

MATERIALS

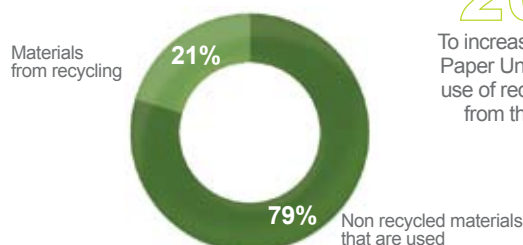
In 2007, the total use of materials was of 660,526 tons in the Paper Units, Packaging SC, Packaging SP, Resins and Furniture, and considering the main inputs to be, such as: paper, wood, wood chips, paint, glues, resins, amongst others things, according to following graph.

Materials used in production 2007 (tons)



The decrease in the demand for virgin material and the reduction of the environmental impact favors a process that is more and more sustainable for IRANI. In the Paper Unit, for instance, wood chips are used and in the Furniture Unit wood waste (stubs) are reused in the manufacture of furniture, according to graphs shown at the side.

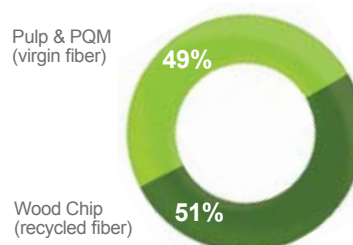
Percentage of recycled materials Paper Unit



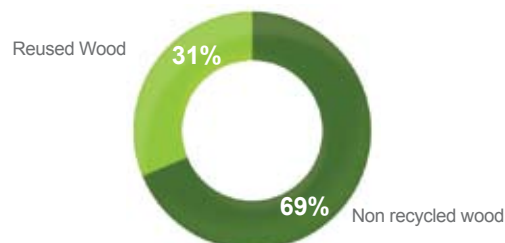
IRANI Target 2008

To increase the use in the Paper Units, by 30%, the use of recycled materials from the Paper Unit

Percentage of recycled fiber used in paper production in 2007 - Paper Unit



Reused wood – Furniture Unit



ENERGY

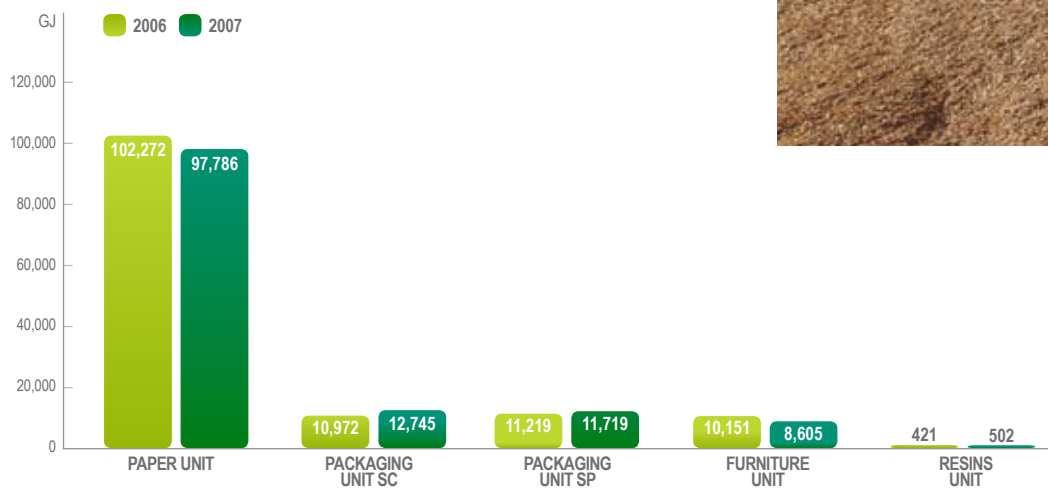
IRANI uses biomass as its main source of energy, this is made from forest residues that are generated by the Company and by industries from the furniture making sector in the region, and also wood from eucalyptuses forests. IRANI uses its own hydroelectric power stations, located around the manufacturing areas, in Vargem Bonita (SC).

There was an increase in the consumption of bought in energy bought in the Resins, Packaging SP and Packaging SC Units in 2007, because of the increase in annual production, besides the purchase of new machinery, as was the case in the Packaging SC and Packaging SP Unit.

Energy
Co-generation Plant,
Vargem Bonita (SC)

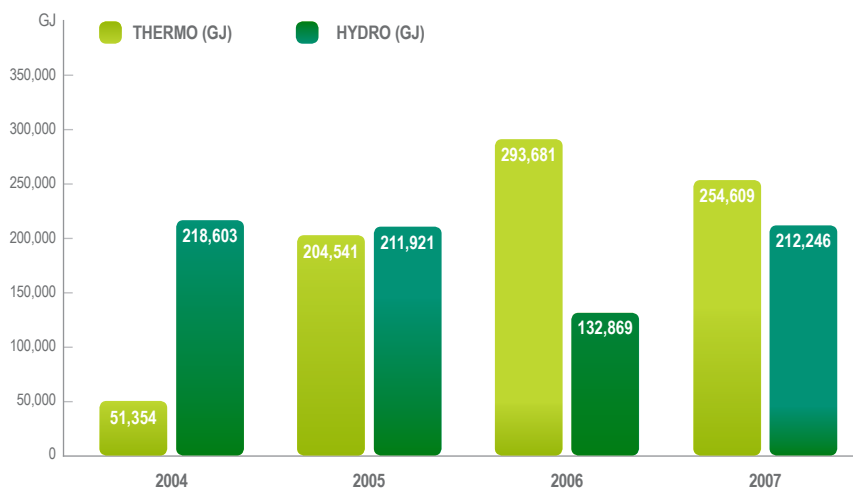


Energy bought during 2006 & 2007 (GJ)



The biomass used to generate energy in the Co-generation Plant reduces greenhouse gas emissions

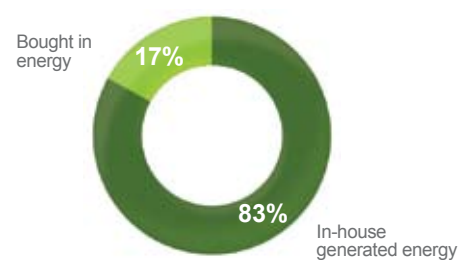
Consumption of thermoelectric and hydroelectric energy



Biomass consumption to generate energy Paper Unit

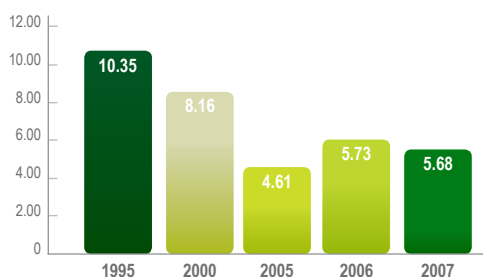
Period	Consumption of Biomass (t)	Energy generated from biomass (GJ)
2004	319,072	51,354
2005	354,755	204,541
2006	394,024	293,681
2007	415,585	254,609

In-house generated vs. bought in energy

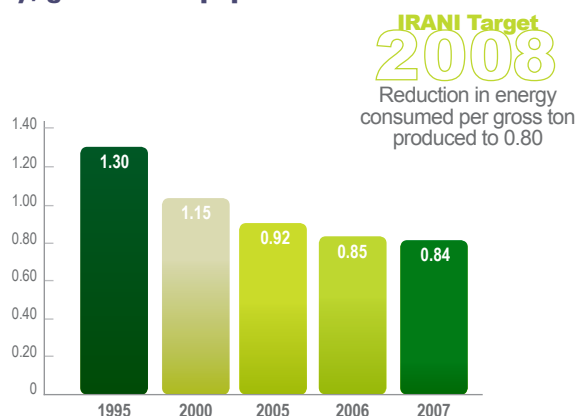


The Celulose Irani S.A. energy consumption per ton of paper produced has been reduced over the years, as can be seen in the following graphs. This reduction occurred because of investments in preventive and corrective maintenance that has reduced waste and steam losses and investments in preventive and corrective maintenances in the systems of generation and transmission of energy. Also the installation of the Paper Machine V (a machine with a greater efficiency), that allowed for a reduction in steam consumption and energy per ton of paper produced.

Steam consumption (gross ton of paper)



Electrical energy consumption (MW) / gross ton of paper



By monitoring and adjustments to production, it is possible to stop intermediate production equipment in the period from 6:30 pm to 9:30 pm (peak period), that allows for the supply of products with a lower energy consumption without compromising the final quality.

Reduction in the consumption of energy because of production adjustments

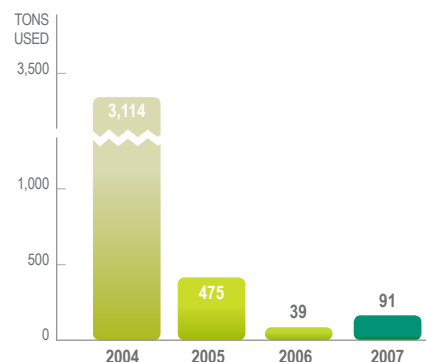
Average daily reduction (MWh)	Monthly Reduction (MWh)	Reduction in 2007 (MWh)
4,062	81,24	975

The energy generated by Celulose Irani S.A., in the Paper Unit in Vargem Bonita (SC), comes from a clean source, it is generated from fuels that come from, mainly, forestry waste. The use of these fuels allows for a reduction in the consumption of non-renewable natural resources and, still, avoids problems with the final disposal of the forestry waste. This waste is transformed into energy and this avoids the use of fossil fuel.

By using forestry waste, it has been possible to reduce the use of light oil, Bunker C oil (see the following graph) and eliminate the use of diesel oil generators. The energy consumption from the local utility Company reduced significantly over the years from 2004 to 2007, representing a decrease in the use of energy from non-renewable natural resources.

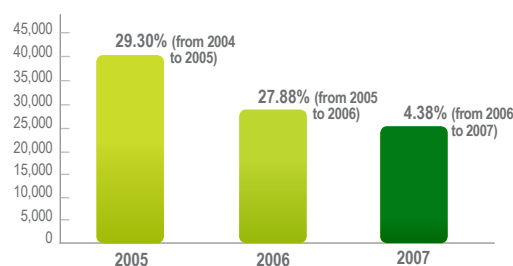
In 2007, the Gasa Boiler, at the Paper Unit, in Vargem Bonita (SC), was used one more time than in 2006, because of the high demand for steam. This caused an increase in the Bunker C oil consumption in 2007, as shown in the following.

Bunker C oil consumption



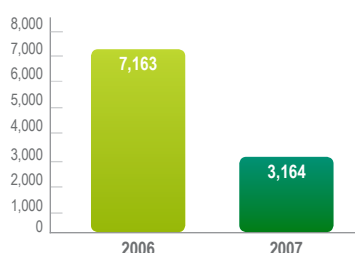
The implantation of the Co-generation Plant in the Paper Unit permitted a significant reduction in the energy purchased from Celesc and, consequently, this allowed for the reduction in the consumption of indirect energy. In the next graph the annual percentage reduction of purchases from the state utility Company can be seen.

Reduction in the energy bought (%) based on annual consumption



With the closure of the Wood Unit, in July 2007, the storage of reels, which was located in that unit, was vacated and the reels were then stored in the Paper Unit, reducing the transportation distance in the transfers between the Paper Unit and the Packaging Units SC and SP. This change allowed for an important reduction in the consumption of indirect energy. In the graph that follows, it is possible to note the reduction in the consumption of diesel oil.

Reduction in diesel oil consumption (liters)



At the Packaging Unit SC, a project was developed that had the objective of increasing the shipment capacity. This provided a reduction in the amount of trucks that were necessary for the transportation and consequent reduction in the consumption of fuel. The project provided an economy of 10,043 liters of diesel oil in 2007.

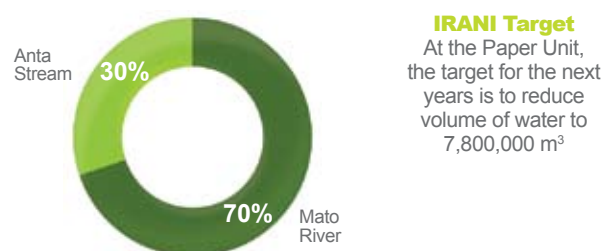
In 2007, 1,993 videoconferences were held between IRANI units. This helped to reduce the number of trips by collaborators because of encounters and meetings, minimizing the consumption of indirect energy.

WATER

Water collection at IRANI is done in different places. In the Paper Unit, Vargem Bonita (SC), this happens in two different places, both in the Chapecó River micro-basin, which is a part of the Uruguay River. A collection point is located in the Anta Stream and the other is in Mato River, and this is the most important collection point. At the Packaging Unit - SC, also in Vargem Bonita (SC), the collection of water is via a surface source from the Anta Stream, which is part of the Chapecó Rivers micro-basin. At the Packaging Unit SP, the water collection is taken from a lake at Santana de Parnaíba (SP) and, in the Furniture Unit, at Rio Negrinho, in the town of Rio Negrinho (SC).

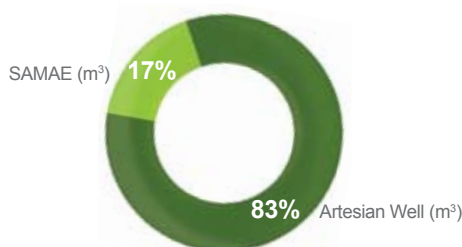
The total volume of surface water that was collected at the Paper Unit In 2007, corresponded to 8,362,375 m³. In 2006, the volume was 6,564,000 m³.

Percentage of water taken per source Paper Unit



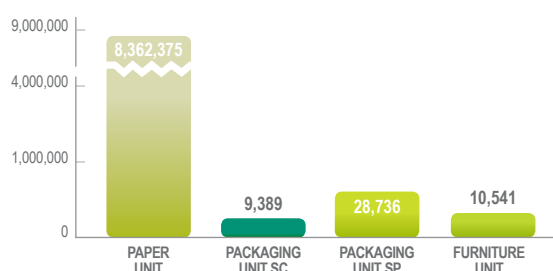
The Furniture Unit total volume of water taken from the artesian well, in 2007, was of 8,760 m³, the remaining water was acquired from the Serviço Autônomo Municipal de Água e Esgoto (SAMA E) (Local water and sewer service) of Rio Negrinho (SC), which corresponded to 1,781 m³.

Percentage of water taken per source Furniture Unit



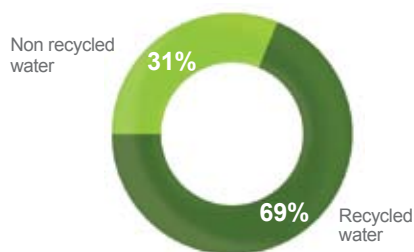
At the Packaging Unit SC, the total volume of surface water was, in 2007, equal to 9,389 m³ and, at the Packaging Unit SP, it was 28,736 m³.

At the Paper Unit, Packaging Unit SC, Packaging Unit SP and Furniture Unit, the use of water in 2007 was 8,411,041m³. In the following graph the total water consumption is noted in 2007, per unit.



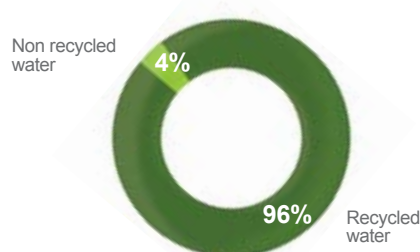
By understanding the importance of conserving the water resources, the Company constantly invests in technologies that allow for the recycling of water used in its production processes.

Percentage of recycled water at the Paper Unit



At the Furniture Unit, water recycling is possible because of the treatment of the effluent in the painting cabins, which, after being treated, is re-used in that cabin.

Percentage of recycled water at the Furniture Unit



Because of water being recycled in some systems, the Paper Unit did not collect the equivalent of 19,008,000 m³ of water in 2007.

BIODIVERSITY

The Celulose Irani S.A. forestry areas are located in the Western part of Santa Catarina and along the coast of Rio Grande do Sul, both are part of the Mata Atlântica Biome and characterized as Araucaria Pine Forest biome, in Santa Catarina, and Formations of Dunes and Sandbanks, in Rio Grande do Sul.

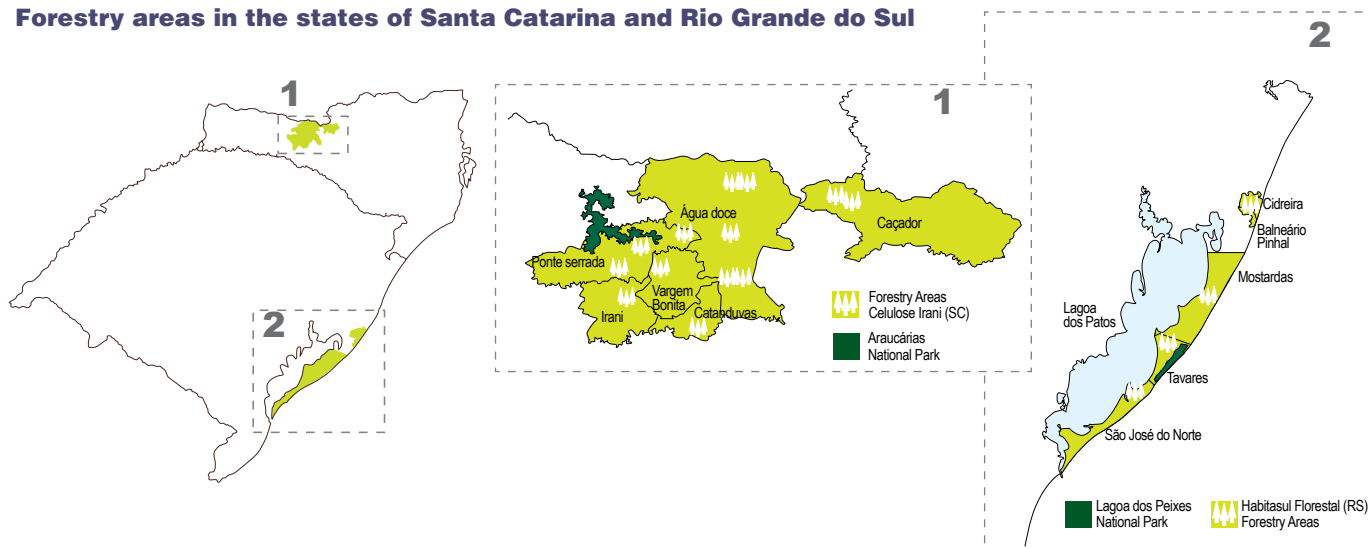
The reduction in the areas belonging to this Biome, has, over the years, culminated in the creation of some legal provisions that provide protection, such as the Ordinance 750/93 and,

more recently, the Law number 11.428/06 also known as the Law of the "Mata Atlântica".

IRANI, is aware of its role in the conservation of the biodiversity of ecosystems where it operates, it has significant areas that are typical remnants of those formations. It always seeks a balance between production areas, made up exclusively from forests, and the maintenance of native forests areas and existing natural formations that make up part of its properties.

Location of IRANI's Forestry Areas

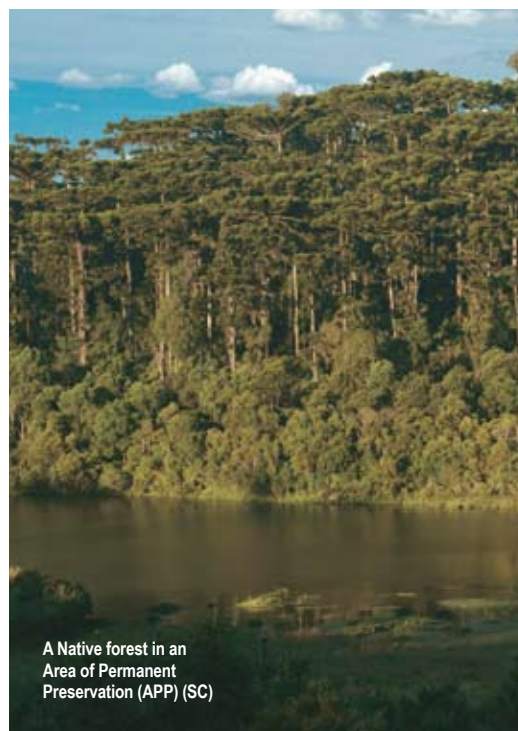
Forestry areas in the states of Santa Catarina and Rio Grande do Sul



SANTA CATARINA

In Santa Catarina, there are 33,064 hectares spread over six municipalities and 15 properties, the use of the soil is characterized in accordance with the following table.

Use of the Soil		Area (ha)	%
Areas of Production	Pines	14,442	43.7
	<i>Eucalyptus</i>	1,535	4.7
	Other Species	139	0.4
Areas of Preservation	APP	3,645	11.0
	Legal Reserve	8,307	25.1
	Other Preserve Areas	2,313	7.0
	Araucárias National Park	104	0.3
Infra-Structure		2,579	7.8
Total		33,064	100.0



A Native forest in an Area of Permanent Preservation (APP) (SC)

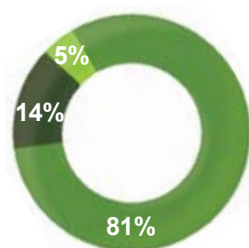
The production areas correspond to about 49% of the total and they are near or within preservation areas made up from Areas of Permanent Preservation (APP); Legal Reserves. Where the area exceeds the obligatory which is 5% or 1,695 hectares; as well as other areas of native forest, totaling about 43% of the total of the properties.

The Araucarias National Park was created in 2005. It is located in the municipal districts of Ponte Serrada and Passos Maia, it

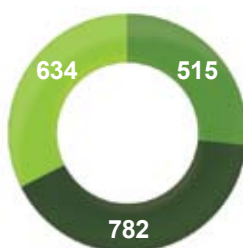
is adjacent to IRANI properties, and it Occupies an area of 104 hectares belonging to both farms of the Company.

With the commitment of collaborating in the development of the area, allied to the search for sustainable development, IRANI has as a strategy for supplying the growth demanded for the raw materials for industry the increase of its forest is achieved by partnerships with rural producers, denominated the Development and Partnerships Program.

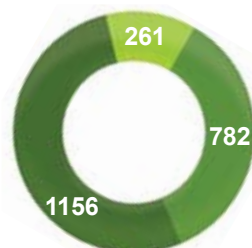
Total Planted Area - SC



Area planted in 2006 (ha) - SC



Area planted in 2007 (ha) - SC



PARTNERSHIP

OWN AREAS

DEVELOPMENT

RIO GRANDE DO SUL

The forest areas of Rio Grande do Sul were acquired in December 2006 with the acquisition of Habitasul Florestal S.A. and already during 2007 the mapping and characterization works relating to the use of the soil on these properties was started. The tool that is being used is the Geographic Information System (GIS) to seek the adaptations that are required to meet the full requirements of the current legislation and the Environmental Politics of the Company.

The areas are spread over five municipal districts, totaling about 13,646 hectares. The use of the soil is characterized according to the following table.

<i>Use of the Soil</i>		<i>Area (ha)</i>	<i>%</i>
Production Areas	Pínus	8,500	62.3
Preservation & Conservation Areas	Native Vegetation & Others	4,496	32.9
Infra-Structure		650	4.8
Total		13,646	100.0

Celulose Irani permanently tries to identify the possible sources of impacts occurring from their activities, carrying out preventive and mitigating actions to those impacts.

The basis of the forest management that is done by the Company consists of the use of pines & Eucalyptus forests for wood production, taking advantage of the growth potential of these species in the region and obeying the current legislation in relation to protected areas. Together with other measures of managing the impacts, IRANI endeavors to be a large ally in the conservation of the biodiversity in the areas where it is active.



<i>Principal Impacts on the Biodiversity</i>	<i>Mitigating measures (SC)</i>
Extensive monoculture with exotic species	Preservation of native forests areas, totaling 43% of the total of the properties Program of Development and Partnerships Studies of Fauna and Flora in protected areas Recovery of degraded areas Enrichment of fragments in initial stages of regeneration Protected areas forming corridors Production and distribution of native seedlings for employees and communities Utilization of species with high productivity
Use of species that easily disperse	Team trained to control the dispersion in areas of native forest

Among the preventive and mitigating activities carried out 2007, the following stand out:

FLORA AND FAUNA RESEARCH

- The Tufted Capuchin: study developed through an agreement with Embrapa - forests, with the objective of studying the species and the interactions with the planted and native forests belonging to Celulose Irani.
- Frog (anuro) Project: developed by researchers in the Masters degree Program in Animal Biology at Unesp; the general objective is to study the anuro fauna that is part of the forest fragments that belong to Celulose Irani.

Besides these projects, a new partnership agreement with Embrapa-forests was established for surveying the flora and fauna, this will begin in 2008.

PRODUCTION, PLANTING AND DISTRIBUTION OF SEEDLINGS OF NATIVE TREES IN THE AREA

In 2007, about 35,000 native species seedlings were produced, including some species that are in extinction, such as the Araucaria (Brazilian Pine) & Brazilian nut (Brazilian walnut) (for more information on the threatened species, access: www.mma.gov.br, www.ibama.gov.br and www.biodiversitas.org.br/floraBR/listas_flora.asp).

The seedlings are produced for planting and enrichment in the parts of the Company that are in regeneration, in areas undergoing environmental recovery, as well as being donated to collaborators, environmental organs, town halls and communities around the Company. In 2007 about 6,200 seedlings were donated to the community and about 9,500 seedlings were planted in the Company's areas.

MONITORING AND SURVEILLANCE

As a safety measure, IRANI has in some of its forestry areas, forestry guards, who monitor access to the properties, helping to avoid illegal activities such as hunting, predatory fishing and others. Besides this, a partnership with the Military Police Environmental Division has intensified the combat of these events.

To help in the prevention of fires in forestry areas, both native and planted, the Company periodically carries out maintenance to the clearings and verges, and it has a well equipped, and trained, fire brigade for fighting forest fires. The training is officiated by voluntary firefighters, through an agreement.

Another monitoring measure adopted by IRANI is the control of fishing in the reservoirs and rivers that pass through the Company's properties in Santa Catarina. Fishing is authorized on request and with the registration of visitor's to the Forestry Unit. In 2007, 2,151 fishing, authorizations were issued.

This attitude, besides providing the community with a leisure option, improves the users' understanding of environmental subjects. In 2007, during the piracema presentation, instructional pamphlets were given to collaborators and to the community.

ENVIRONMENTAL EDUCATION

In 2007, IRANI intensified its environmental education activities that are aimed at collaborators and students from the schools in the area. During the period, the Company offered time for collaborators to act as volunteers in events and environmental education activities.

Through the use of training and consciousness raising exercises, the individuals become involved in the search for a sustainable society, collaborating to minimize environmental degradation.

At the same time, a significant amount of knowledge is developed and a change in attitudes is provided, transforming those involved into conscious and participating citizens that are aware of the need for change to reach a sustainable society.



IRANI provides a seedling nursery area for environmental education projects

The activities that were carried during the year involved lectures, ecological walks, visits to the IRANI seedling nursery planting of native seedlings, donation of seedlings and distribution of pamphlets, according to the following table.

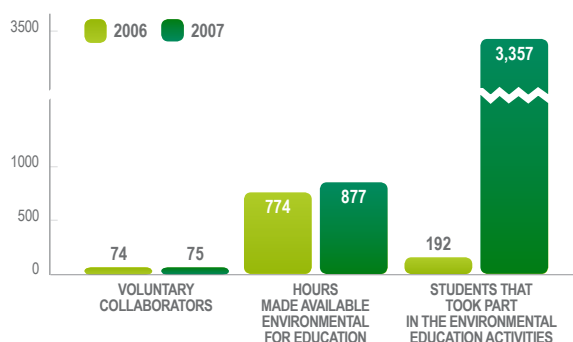
Summary of activities aimed at environmental education that was done in the western area of Santa Catarina

<i>Event</i>	<i>Activity</i>	<i>Location</i>	<i>Target Public</i>
Water Day	Distribution of pamphlets to help understanding	Vargem Bonita (SC Units)	Collaborators and Service Providers
Environmental policy training	Disclosure and explanation of Environmental Policies and System of Environmental Administration	Paper Unit, Packaging SC & Corporative	Collaborators and Service Providers
Environment Week	Lectures on the environment	Municipal Schools near to the Company	Students from the 5 th to 8 th class
	Lectures about the co-generation project and carbon credits	Universities from Western Santa Catarina	University students, entrepreneurs and community
	Lectures about environmental conservation	Auditorium - in the Company	Collaborators Vargem Bonita (SC) Units
	Ecological walks	Ecological Trail	Students from the 5 th to 8 th class collaborators & community
	Identification of native plants	Ecological Trail	Students from the 5 th to 8 th class collaborators & community
	Visit to the Nursery	IRANI's forestry nursery	Students from the 5 th to 8 th class
	Planting of native seedlings	IRANI's forestry nursery	Students from the 5 th to 8 th class
	Distribution of native seedlings	IRANI's forestry nursery	Students from the 5 th to 8 th class
Day of the Tree	Distribution of native seedlings	Vargem Bonita (SC) Units	Collaborators and service providers
	Planting of native seedlings in the APP	Vargem Bonita (SC) Units	Collaborators
	Visit to the Nursery	IRANI's forestry nursery	Students from the 5 th Class
	Activities in the APP	Area of Permanent Preservation (APP) of the Anta Stream	Students from the 5 th Class
Day of the River	Collective effort to clean the Anta Stream	Area of Permanent Preservation (APP) of the Anta Stream	Collaborators, schools and community
	Install informative signs	Flor do Mato Reservoir	Collaborators, schools and community
	Distribution of pamphlets to help understanding	Vargem Bonita (SC) Units, G. P. School and community	Collaborators, schools and community

The environmental education activities were carried out with the intention of passing on information for awareness raising and environmental understanding.

<i>Day of the River Activities</i>	<i>Ecological walks</i>	<i>Day of the Tree</i>	<i>Seedlings Distributed</i>	<i>Awareness Raising Lecture</i>	<i>Junior Environmental Protection Project</i>	<i>Training in the Paper Unit and Packaging Unit SC</i>	<i>Visits to the forest Nursery</i>
268 students	150 students	25 students	6,218 seedlings	2,610 students	24 Youths	1,682 collaborators	280 students

In 2007, a total of 877 hours were made available for environmental education, 75 volunteer collaborators were involved in these activities, there was approximately - three thousand students involved from communities around the business units. The schools and universities where the environmental education activities were carried out are located in the western part of Santa Catarina, namely in the towns of Vargem Bonita, Irani, Joaçaba, Ponte Serrada, Concórdia, Caçador, Videira, Jaborá, Campos Novos and Catanduvas.



PRODUCTS & SERVICES

In an attempt to mitigate the environmental impacts of products and services, the conclusion of the second phase of the modernization of the Effluent Treatment Station project was concluded in 2007. Besides reducing the gases that cause the greenhouse effect, the project also allowed a reduction in the biochemical oxygen demand (BOD), the reduction of suspended solids and the reduction of the environmental impacts created in the receiving tank.

Improvements in the water system of the receiving tank can be seen because of this project, this contributes to the survival of the fauna and flora, such as algae, protozoa, macro-invertebrates and ictiofauna (species of fish that exists in a certain bio - geographical area) The efficiency in the reduction of BOD can also be seen, which is achieving, on average, a reduction of 87.89%, previously this corresponded to an average reduction of 80%.

Besides these benefits, there was a reduction of suspended solids made up of organic substances. The suspended solids stop the penetration of light and they do not allow for photosynthesis in the deeper areas, reducing the production of oxygen and causing death to vegetables and aquatic animals. Thanks to this expansion, the efficiency of the reduction of suspended solids is achieving, on average, 93%, before the average reduction was 81%.



In the Packaging Unit - SC, 2007 saw the start of the construction of a pipeline that will allow for the interconnection of effluent that has been treated the Effluent Treatment Unit Lake (biological treatment) in the Paper Division. This project offers a greater efficiency of BOD, and removal of suspended solids, amongst others.

IRANI Target 2008

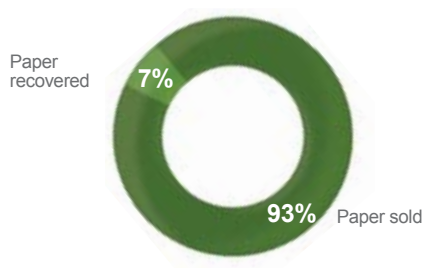
Finish the work on the new industrial landfill for the disposal of the waste generated in the project

IRANI Target 2009

Certify the Indaiatuba Packaging Division (SP), by the international ISO 14.001 norm

Celulose Irani endeavors to recover products that have been sold and to convert them into useful materials for new production processes. Therefore, the Paper Unit, in Vargem Bonita (SC), recycles the trimmings from the Packaging Units in SC and SP, to be reused as paper.

Recycling percentage - Paper Unit



Celulose Irani S.A. declares that, in 2007, it did not suffer any sanctions or fines because of non-conformity with laws and environmental regulations.

TRANSPORT

The transport used for the distribution of the products and the transport of the collaborators, in IRANI, is outsourced. In spite of this, the Company has quantitative data showing the emissions of greenhouse gases from the transport of raw materials that are transferred between the units, such as the transfer of paper from the Paper Unit to the Packaging SC and SP Units, cuttings from the Packaging Units SC and SP to the Paper Unit and wood from the Forestry Unit to the Paper Unit. This information is available in the Greenhouse Gases Inventory.



Total investments in environmental protection

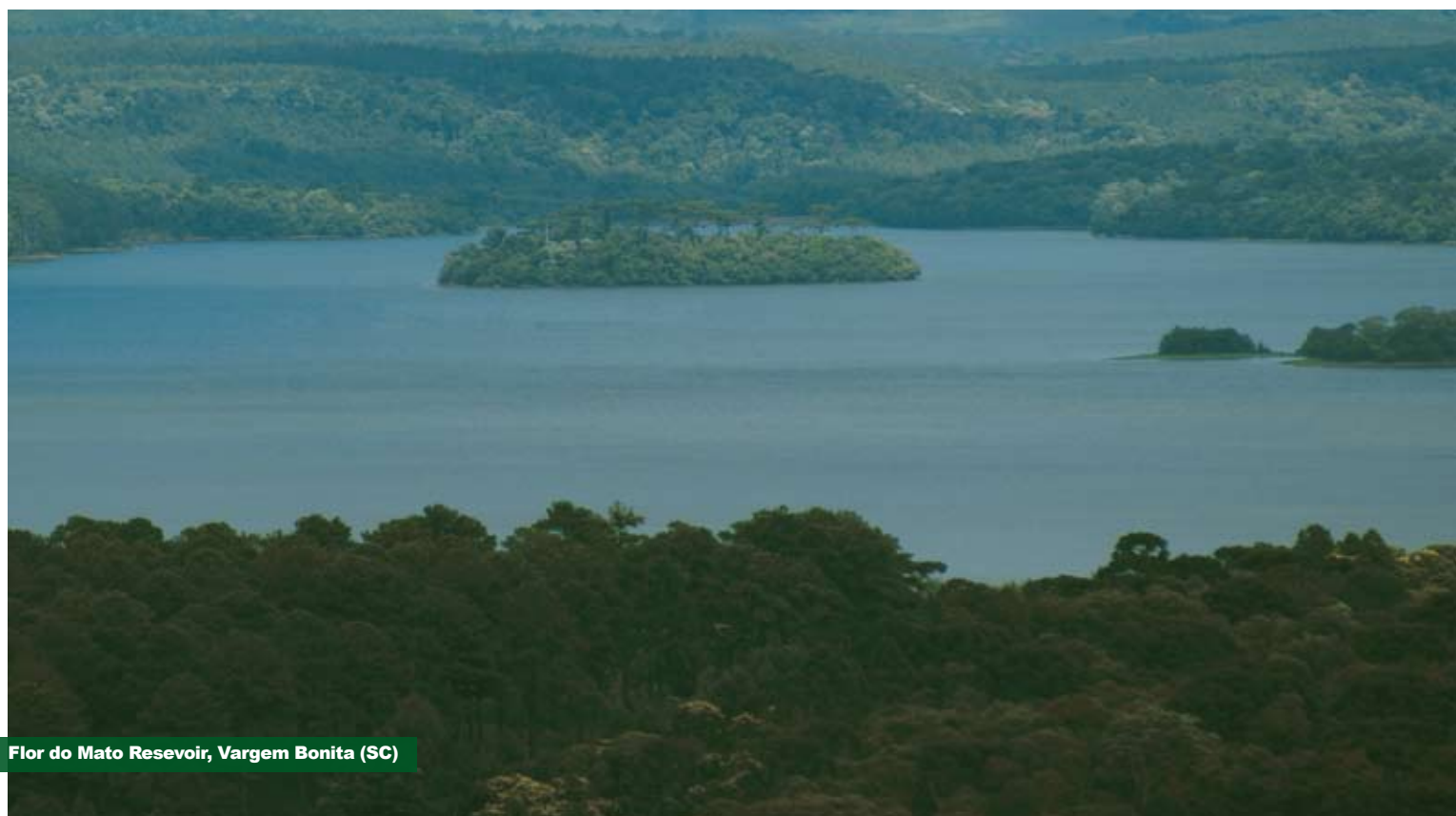
ENVIRONMENTAL INVESTMENTS 2007

Action/Project	Environmental benefits	Unit	Investment
Modernization of second phase of the Effluent Treatment Station	Reduction of environmental impacts by the reduction of the emission of Greenhouse Gases, increase in the efficiency of BOD removal, reduction of SS, amongst others	Paper	R\$ 2,457,595
Disposal of residues	Adequate disposal of the residues generated in the process	Paper	R\$ 412,278
Carbon inventory (study for 2006 and 2007)	Quantification and identification of emissions and removals of Greenhouse Gases; possibility to evaluate new CDM projects; greater transparency of information regarding the sustainability report	Paper	R\$ 171,063
Construction of the new industrial landfill for the disposal of industrial residues class II-A & II-B	Correct disposal of the residues generated in the process	Paper	R\$ 106,703
Recovery and improvement to contention system	Avoids possible overflows and contamination	Paper	R\$ 84,000
Adaptation to the coke removal system of Effluent Treatment Station of the co-generation boiler	Removal of the Fly Ash with a greater level of dryness, allowing its reuse in manure	Paper	R\$ 64,702
Maintenance of the Permanent Preservation Area of Ribeirão da Anta	Recompose and restructuring the margins of the stream and reversion of the fragmentation of remainders of the native vegetation	Paper	R\$ 19,747
Environmental education	Provide awareness and motivation to the collaborators, students and communities for the favorable development of conscious raising activities relating to the environment	Paper	R\$ 10,933
Installation of Valve for deviation of the polluted condensate from the evaporation	Make possible the automatic deviation from contaminated condensate, avoiding contaminations in the effluent to be treated	Paper	R\$ 6,000
Research Projects (Flora and Fauna)	Greater knowledge of the interaction flora vs. fauna vs forest cultivation for an improvement in handling methods; survey of the biodiversity place and identification of environmental administration indicators	Forestry	R\$ 174,252
Recovery and enrichment of areas	Improvement in environmental quality	Forestry	R\$ 60,000
Production of native seedlings	Environmental education and enrichment of forests	Forestry	R\$ 15,000

<i>Action/Project</i>	<i>Environmental benefits</i>	<i>Unit</i>	<i>Investment</i>
Piping and septic tank	Reduction of environmental impacts, increase the efficiency of removal of BOD and SS, amongst others	Packaging SC	R\$ 154,119
Waste collection	Correct disposal of residues generated in the process	Packaging SC	R\$ 79,316
Waste collection	Correct disposal of residues	Packaging SP	R\$ 27,244
Laboratory analyses	Periodical monitoring of the treated effluent	Packaging SP	R\$ 2,920
Destination of waste	Correct disposal of residues	Packaging SP	R\$ 841
Collection of residues	Correct disposal of residues generated in the process	Furniture	R\$ 23,233
Laboratory analyses	Periodical monitoring of the treated effluent and solid residues	Furniture	R\$ 6,993
TOTAL			R\$ 3,876,939.00

In 2008, the Company intends to increase to R\$ 10,000,000 its environmental investment. It also intends to extend the environmental education Project at Vargem Bonita (SC), increasing the number of students and residents that are involved, besides reaching 100% of the collaborators at the Vargem Bonita (SC) Units with training focused on the conservation and the reduction in the consumption of natural resources.

Also for 2008, the target is to carry out a study of the ictiofauna in the Flor do Mato Reservoir and to provide continuity to the aquatic monitoring program there.



Flor do Mato Reservoir, Vargem Bonita (SC)

4.3

Management of social performance

The social dimension of sustainability, for IRANI represents a competitive differential that allows for the creation of a new administrative baseline, permeated by ethics and transparency in business.

The establishing of positive relationships with all stakeholders, including the communities around the industrial areas, is considered as an asset in the form of the accumulation of share capital, strengthening the economical and social structure and creating a stable atmosphere. To reach a balance between the different demands of the interested parties, the Company worries about the impacts that its activities cause on the local communities.

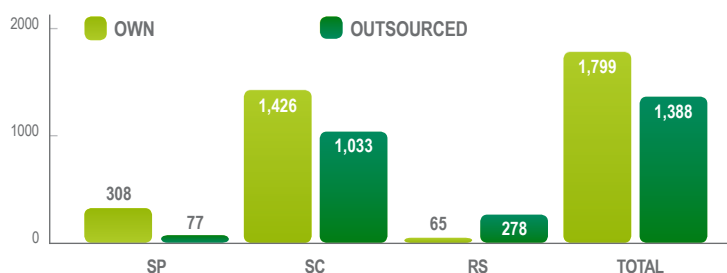
With Social Responsibility Policies, IRANI approaches the aspects related to the human rights of its collaborators and the employees of the companies that provide services, such as non-discrimination, freedom of association and collective bargaining agreements, abolition of child labor, prevention of the forced and slave labor, as well as the practices of health and safety.

LABOR PRACTICES AND DECENT WORK

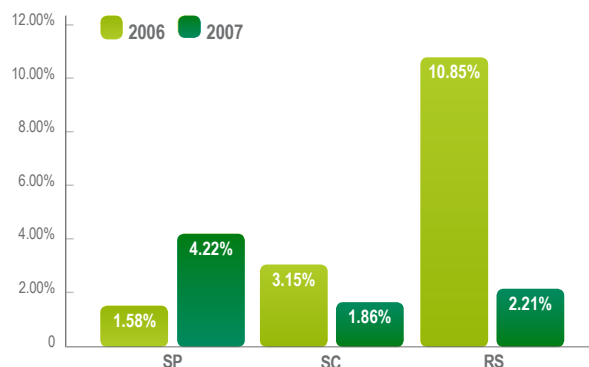
The operational responsibility relating to labor aspects is the area of Human Resources and its practices are based in national and internationally recognized laws that relate to the labor questions, such as: Consolidation of Employment Laws (CLT), International Labor Organization (OIT) and the Universal Declaration of Human Rights.

When a collaborator joins the Company, all information regarding wages, benefits, vacations, collective agreements, rights and duties described in the Internal Regulations are given to all the recruits. The Company operates in accordance with orientations of the Regional Office of the Ministry of Labor – in the states of Rio Grande do Sul, Santa Catarina and São Paulo and is audited by this organ in all of its units.

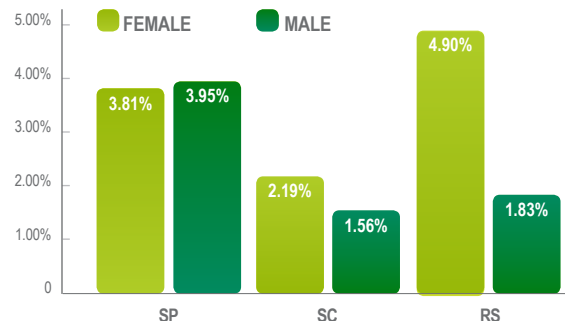
Number of direct employees



Labor turnover (monthly average)



Labor turnover (by gender)



IRANI has a benefits package for its collaborators.

		Values (thousand reais)			
Benefit	Description	2004	2005	2006	2007
Food	The Company has a restaurant in its industrial units. In the places where it has administrative offices, it offers luncheon vouchers. It also offers, to collaborators, monthly a food basket or a food voucher.	2,582	2,635	2,741	2,712
Transport	For collaborators that live a long way from the industrial units, IRANI supplies free transportation.	1,416	1,733	1,915	1,999
Life insurance	IRANI has a group life insurance plan that benefits its collaborators and family.	101	133	100	170
Profit Sharing	This Program was implanted in 2002 and its reflects the participative administration practiced in the Company. This recognizes the collaborator's performance and it strengthensthe commitment to the Company's results.	675	957	1,242	1,850
Health Plan	In all of the units, IRANI has partnerships with Unimed for its Health Plan, that support all the collaborators and direct dependents.	1,287	1,617	1,647	1,787
TOTAL		6,061	7,075	7,645	8,518

RELATIONSHIPS BETWEEN WORKERS AND THE GOVERNANCE

Communication between the Company and its collaborators with respect to changes and important events in its operations, is done through the intranet, by e-mail, notice boards, newsletter and by the leadership. The Company always tries to offer early information with the precise disclosure of the information to minimize the impacts that this may have in relation to significant changes. Even though there is no time limit required to notify operational changes, IRANI has, as a matter of practice, kept this to a minimum period, and the

communication happens immediately after the taking of the decision by the directing body.

HEALTH AND SAFETY AT WORK

In 2007, IRANI intensified its efforts relating to health and safety in the work place, reinforcing and disseminating the culture of excellence through programs and consciousness-raising actions with all collaborators.

Through Safety Dialogues and Excellence (DSEs), information was passed on seeking the prevention of accidents

and to the promotion of health. The collaborators received instructions on Sexually Transmitted Diseases (STD), High Blood Pressure, Diabetes, Prostate Cancer, Breasts and Gynecology and First Aid, amongst others. In 2007, the Company also intensified the training of the Emergency Brigade using collaborators and service providers, the formation of formal committees on health and safety and the Internal Commission for the Prevention of Accidents (CIPA).

In 2007, the Hearing Quality Program for the Worker (PQAT), which was implanted in the Paper Unit and Packaging SC units, in Vargem Bonita (SC), in 2004 was extended to other units. Among the activities that were carried out during the year, was the formation of the Noise Control Committee, the Hearing Protection Project, environmental and individual control measures, monitoring and control of all of the collaborators audiometry, differential diagnoses, among others. The objective of this program is to develop coordinated activities

to prevent and stabilize occupational hearing losses and to improve the collaborators quality of life, avoiding deafness and reducing the extra-hearing effects caused by the exposure to high sound levels.

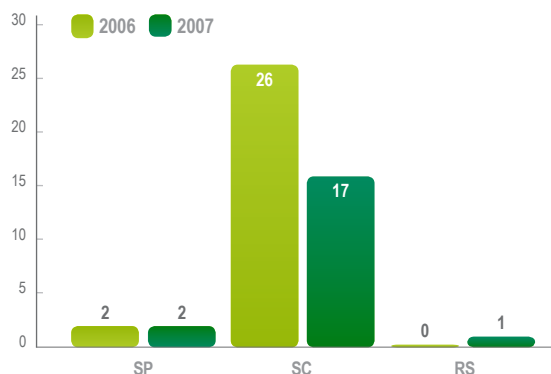
Besides these initiatives, IRANI carried out modifications in the factories, to facilitate the transit of people, transport of goods, and stock of products and refinement of the alerts about safety.

The IRANI Health and Safety at Work has a team of 17 employees distributed throughout the divisions, these are made up of 2 doctors, 9 safety technicians, 1 safety engineer, 4 employment related nursing technicians and 1 speech therapist. They are trained in the Policies and Procedures relating to all aspects of human rights.

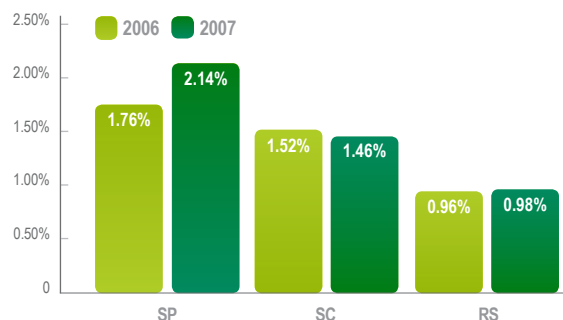
Percentage of collaborators that are members of committees and formal commissions relating to health and safety

Committee / Commission	Number of participating collaborators			Percentage of represented collaborators
	RS	SC	SP	
Internal Commission for the Prevention of Accidents (CIPA)	4	53	9	100%
Noise Control Committee	0	21	0	79%
Emergency Brigade	12	120	25	100%
Safety Dialogues	0	1,695	302	96%

Number of occupational accidents with lost time



Absenteeism



Celulose Irani S.A. acts in relation to the health and safety topics in accordance with current legislation, following the norms that are recognized nationally and internationally. For that reason, it does not have in its Agreements Collective subjects related to this topic.

QUALITY OF LIFE

GYMNASTICS IN THE COMPANY

The Company has a Gymnastic Program in the Company in the industrial units at Vargem Bonita (SC) and in the Administrative and Financial Offices at Joaçaba (SC). This Program has been available in IRANI since 2006, in partnership with Sesi-SC, having the purpose of improving the well-being and the health of the collaborators.

FAMILY IN THE COMPANY PROGRAM

IRANI organizes, in the Vargem Bonita (SC) units, monitored visits for collaborators relatives to get to know the areas in the Company. During these visits, the collaborators can show their relatives the paper and packing production process and the respective sections. IRANI provides transport and each participant is given a shirt from the Program. In 2007, 148 people took part in this program.

CELULOSE IRANI S.A. EMPLOYEES ASSOCIATION (AFI)

This is made up from collaborators in the Company, the AFI is responsible for the administration of the Vila Campina da Alegria, located in the town of Vargem Bonita (SC). The Association also promotes sporting and cultural events.

TRAINING AND EDUCATION

In 2007, R\$ 1,017,438.74 was invested in training, training courses and professional refinement for collaborators. With incentives for graduation, masters degrees, technical and languages courses, the Company endeavors to qualify its collaborators even further, promoting their professional and personal growth.

Average number of hours of training per employment category

Category	Total Number of hours	Number of collaborators	Average hours of training per collaborator
	2007	2007	2007
Directors	550	6	91.67
Management	1,020	32	31.88
Supervisors	5,180	149	34.77
Administration	6,035	185	32.62
Technical-operational	19,055	1,427	13.35
TOTAL	31,840	1,799	17.70

Number of collaborators that received educational incentives in 2006 and 2007

Unit	Masters Degree		MBA/ Post Graduation		Degree		Technical		Languages	
	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007
Corporative	1	1	17	31	27	22	1	0	12	26
Paper	0	0	7	7	36	43	19	3	4	2
Packaging SC	0	0	1	2	18	19	0	1	0	1
Packaging SP	0	0	5	4	27	26	1	0	3	0
Resins	0	0	1	1	1	3	0	2	0	1
Furniture	0	0	3	4	5	4	0	1	1	11
Irani Trading S.A.	0	0	0	2	2	0	0	0	1	2
Total	1	1	34	51	116	117	21	7	21	43

The development and training, of professional and personal, are the focus of investment in IRANI. In 2007, this resulted in the creation and development of the IRANI Competency Program that will reach all the Company's collaborators. The program foresees the preparation of methodologies and the disclosure of knowledge and the development of appropriate skills, to maximize the performance of the collaborators, aligned to the Company's strategies and compatible with the development demands of its human capital. The Program, that is currently in process, has already identified the basic and differentiating skills in the Company and it will be followed with the implementation of the Training and Development plans for the teams, in 2008.

CAREER, REMUNERATION AND PERFORMANCE

Celulose Irani S.A. endeavors to offer a balanced remuneration to its collaborators, both internally and in relation to the external market. It regularly carries out the analysis of all positions, aiming to identify the abilities and necessary skills. Besides, whenever employment opportunities appear in the Company, the vacancies are published for the internal public first.

In 2007, the IRANI minimum wage was 33.16% higher than the minimum wage, having as a base the unit with the greatest number of collaborators.

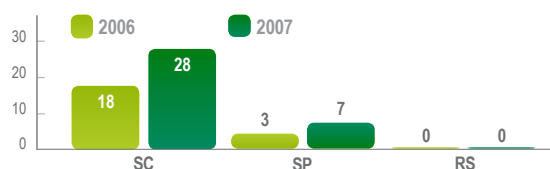
The Program of Performance Evaluation 360°, initiated in 2006, involves the Company leaderships that represented then, 13% of the collaborators. The Company intends to carry out this evaluation every 2 years. The next evaluation is foreseen for 2008.

DIVERSITY AND EQUALITY OF OPPORTUNITIES

Celulose Irani S.A. is a predominantly masculine company because of its production activities. However, all recruiting is carried out through a selection process that evaluates the abilities and skills of the candidates, independent of sex, social class, race or color.

Since 2006, the Company has also increased its contracting of disabled people, in all businesses units.

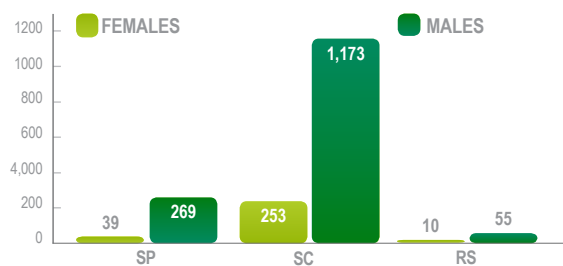
Number professionals with disability



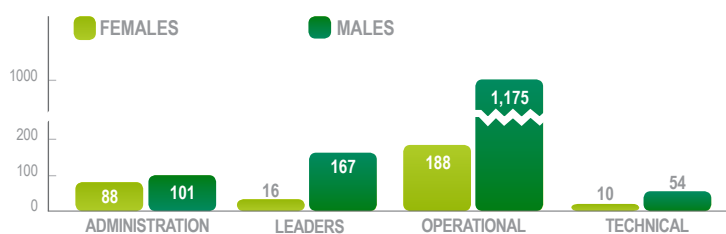


DIVERSITY INDICATORS

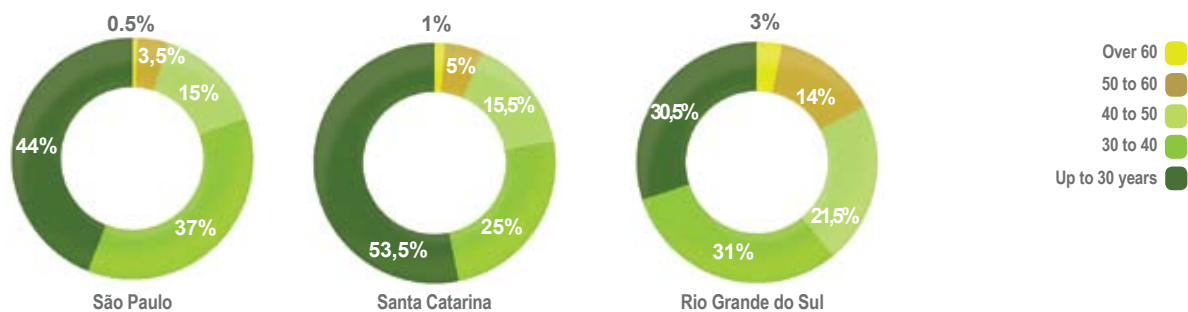
Proportion of males and females (by area)



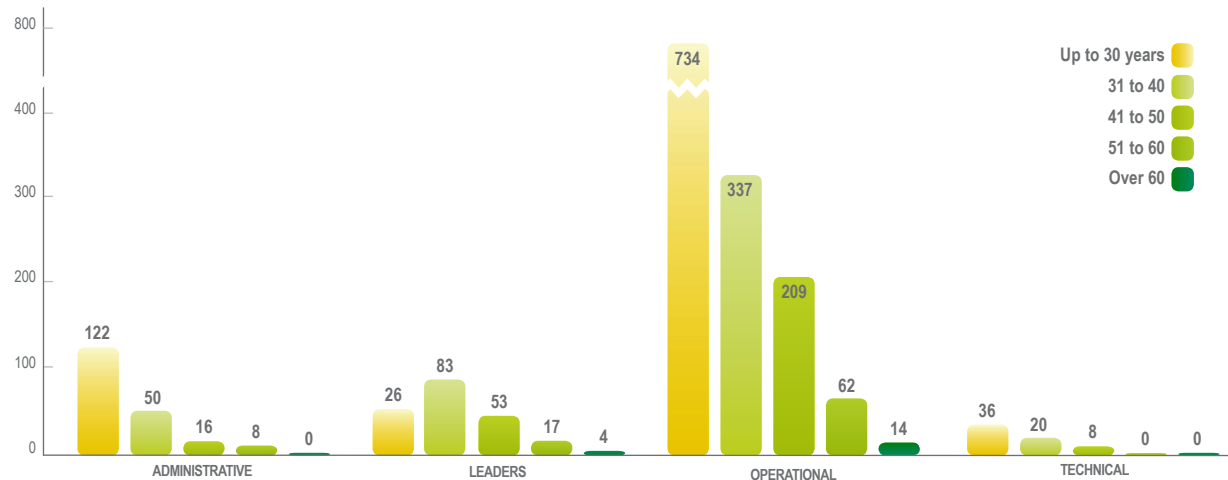
Proportion of males and females per employment category (across the whole Company)



Age group (in percentage)

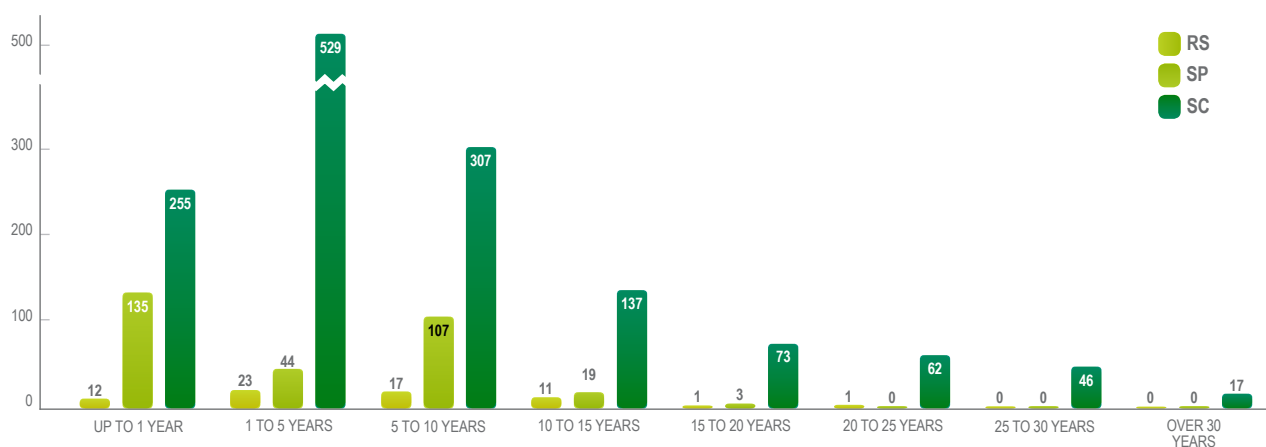


Age group per employment category

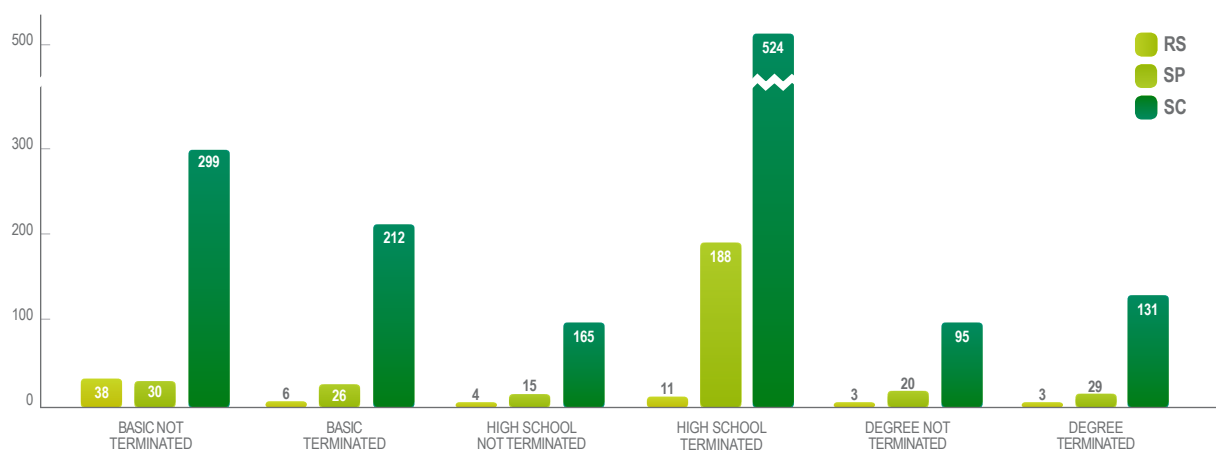




Length of time in the Company



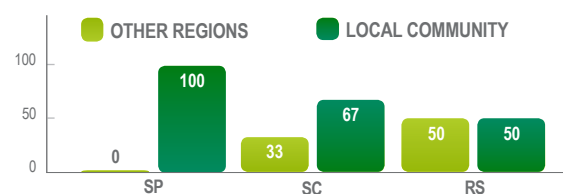
Level of schooling



Proportion wage-base between females and males per employment category

	Male	Female
Leaders	1	1.08
Administrators	1	0.66
Technicians	1	0.93
Operational Posts	1	0.63

Percentage of members of High Management from the local community



HUMAN RIGHTS

In the practices related to the human rights of collaborators and employees from service providing companies, IRANI follows its Social Responsibility Policy, guaranteeing the non-discrimination, freedom of association and collective bargaining agreement, abolition of child labor, prevention of the forced and slave labor, and also health and safety practices.

Through its adhesion with the Global Compact and the Business Compact for Business Integrity and Anti-Corruption, the Company provided information to the collaborators and stakeholders regarding Human Rights.

INVESTMENT PRACTICES IN THE BUYING PROCESS

The search for transparent and reliable partnerships with suppliers it is a premise for the Company, to intend to guarantee performance improvements and results for both parties.

In the process of selecting suppliers, Celulose Irani uses as a criteria decisions relating to the quality of the products and services, costs, social environmental attitude and behavior with relating to the labor laws and health and safety at work. Another practice that is valued by the Company is the selection of local suppliers, those that are close to the Company. In 2007, approximately 22% of purchases were bought by IRANI from local suppliers, achieving a total of R\$ 77,770,512.

Proportion of expenses with local suppliers in 2007

Town	Value paid (in reais)	Percentage of the total Company purchases
Irani (SC)	13,233,145	3.68%
Rio Negrinho (SC)	9,693,217	2.69%
Vargem Bonita (SC)	6,960,324	1.93%
Ponte Serrada (SC)	6,513,770	1.81%
Joaçaba (SC)	5,650,786	1.57%
Concórdia (SC)	2,877,499	0.80%
Catanduvas (SC)	2,686,548	0.75%



Town	Value paid (in reais)	Percentage of the total Company purchases
São Bento do Sul (SC)	27,136,845	7.54%
Balneário Pinhal (RS)	50,910	0.01%
Santana de Parnaíba (SP)	2,967,463	0.82%
Total purchases from local suppliers	77,770,507	21.62%
Total purchases in the year (all units)	359,782,896	100%

The inspection of the terms established in contract is done by IRANI through field inspections, using a checklist and monthly meetings with the service providers. These procedures are controlled by the ISO 9001:2000 Standard. In 2007, there was no case verified of refusal or demand for adaptations as a result of evaluations relating to human rights.

In 2007, approximately 600 collaborators were trained in the Company's Corporate Responsibility Policies that include human rights. The training was carried out in the units, and each collaborator received a instruction leaflet containing the policies.

IRANI Target
2008
100% of the collaborators will receive training in the Corporate Responsibility Policies

NON-DISCRIMINATION

The Company has the objective of always guaranteeing equal opportunities and the non-discrimination of race, color, sex, nationality, religion, political opinion or any another situation, as described in its Social Responsibility Policies and the Selection of Personnel Policy.



FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING

The Company guarantees its collaborators the right to a trade union and freedom of association and collective bargaining, in all the hierarchical levels.

The Company has 1,799 collaborators and 100% of these are included in collective bargaining agreements with the unions of the relevant category of employment.

In relation to the measures taken to support this right, the Company allows trade union meetings inside the premises and it facilitates the joining of unions through the discount of trade union dues in the payroll, as well as not discriminating against those collaborators that are members of unions and relatives in relation to programs, projects, opportunities and/or benefits offered by IRANI.

In the month of August of 2007, the Company carried an activity with the Rural Workers Trade Union in the Western

part of the State of Santa Catarina that represented the outsourced workers from the Forestry Unit. The meeting took place in IRANI's premises, in Vargem Bonita (SC), and offered the opportunity for the trade unions to become closer to the Company.

Present at this event were representatives of Celulose Irani, the president of the Rural Workers Union from the town of Irani (SC) and the president of the Rural Workers Union of Family Agriculture (SINTRAF) from Concórdia (SC) and Seara (SC) and employees from outsourced companies in the forestry area. At this meeting, several subjects were dealt with, such as the historical data of the union in the town of Irani, the organization of regional trade unions, workers rights and obligations, membership rules, criteria for the establishment of membership fees, amongst others.

Number of Trade Union members All Units	Number of members of Trade Unions that are IRANI employees	Number of collaborators licensed to work that are connected to Trade Unions	Number of collaborators licensed to work that are connected to Trade Unions and that are paid by IRANI	Number of IRANI leaders that also have a post in the management of the Trade Unions	Percentage of collaborators included in the collective agreements negotiation
90	25	3	2	2	100%

CHILD LABOR AND FORCED OR SLAVE LABOR

IRANI totally respects the Consolidation of Labor Laws (CLT), especially what relates to the subject of child labor and forced or slave labor. It has a clause, in its Social Responsibility Policies, relating to these aspects and it monitors, in all of its operations, the attention to the demand of a 18 year-old minimum age, except for apprentice's.

All contracts for outsources also have clauses prohibiting child labor.

IRANI verifies that outsourced workers are paid, according to the law, and receive benefits similar to those of its direct collaborators. It adopts preventive measures and it does periodic inspections in its forestry operations.

INDIGENOUS RIGHTS

It was confirmed that, there are no indigenous people in the proximities of the Company. The three indigenous communities in the state of Santa Catarina are; Guarani, Kaingang and Xokleng and they live in the municipal districts where IRANI has no operations. The same applies to the Kaingang and Mbyá Guarani indigenous tribes in Rio Grande do Sul. For more information, access the sites www.funai.gov.br and www.socioambiental.org/pib.

SOCIETY

IRANI is constantly preoccupied about the well-being of the resident communities in the areas where the Company operates. In its practices, it seeks to contribute for a reduction in social inequalities in the Country. As part of these initiatives in benefit to the society, the Company motivates and sponsors educational, cultural and sporting projects, prioritizing the development of children and adolescents, and it also performs activities addressed to the environment.

The social projects that are sent to IRANI are analyzed according to their sustainability and the improvements for the supported public accordingly, besides being appraised according to the Social Investment policy of the Company, which can be accessed in the site: www.irani.com.br, link Sustainability.

After analysis and approval, the projects are followed by the Company through a partnership agreement that is signed by the parties.

IRANI ensures that all of the proposed objectives in the projects are dealt with. In case there some disagreement with what was established, the Company can cancel its investments.

COMMUNITY

IRANI operates in the communities around its installations in the states of Rio Grande do Sul, Santa Catarina and São Paulo, investing in several social projects.

Having the objective of greater clarity in relation to the social impacts that the IRANI operations can cause in the communities around the industrial units of Vargem Bonita (SC), in 2008 research will be done, with the support of Sesi/SC. By dialogues with the principal interested parties, it intends to obtain qualitative and quantitative information concerning IRANI's social investments. The outcome of that work will be presented to the communities and it will orientate the activities that are done.



IRANI SOCIAL PROJECTS 2007

1. REVITALIZATION OF THE VILA CAMPINA DA ALEGRIA

Ever since 2004, with support of the Corporate Responsibility consultancy of Sesi/SC, Celulose Irani has developed a systematized Social Investment project. Under the pillars of sustainability, the project is focused on the Vila Campina da Alegria, in Vargem Bonita (SC), a community where the Company exercises direct influence.

To develop the bases of the program, the Beija Flor (Humming Bird) Community Group was created which is made up from residents from the Town. The Group is responsible for identifying needs and defining the best alternatives for the development of that community. Also, a newspaper was developed Open Talks (Conversa Aberta), to strengthen the relationship and the communication of the Company with the residents of the Town.

Another activity was the construction of the Celulose Irani S.A. Cultural Center that was opened in 2007. The Cultural Center is a dedicated multi-use space dedicated to art and culture.

Besides these activities, the project also foresees the construction of pre-fabricated houses for collaborators. In 2007, IRANI donated R\$ 104,362 to the Employees Association (AFI) for the construction of these new houses, thereby increasing the satisfaction of the people and improving the quality of life in the community. So far, 10 houses have been built.

2. IRANI EMPLOYABILITY PROGRAM

IRANI holds education as one of its main social investments. To create conditions for people and communities grow is the main intention of IRANI in the implementation of its programs. Like this, in 2007, in the Vargem Bonita (SC) Units, the IRANI Employability Program was developed, which is a partnership between the Company and the Fish River Valley Technical School (ETVARPE), from Luzerna (SC). The Program tries to increase the qualifications of the collaborators, children and spouses and to improve their employability - in the areas where the Company impacts directly.

RESULTS

When the Program was started, in August 2007, 33 people were awarded a scholarship that was financed by IRANI, including collaborators, spouses and their children, in the Industrial Maintenance and Industrial Automation Technical course.

The target for the conclusion of the courses is 2009 so that the Program participants are prepared for the job market and/or for professional promotion.

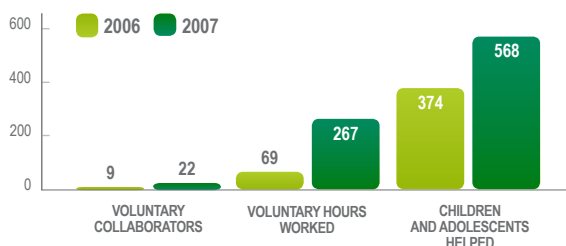
3. JUNIOR ACHIEVEMENT

Ever since 2006, IRANI has had a partnership with Junior Achievement, an organization of practical education in economy and business that offers the opportunity for professionals to carry out voluntary work at schools in the area. IRANI supports this initiative financially and acts with a basis its Business Volunteer Policies, stimulating its collaborators to take part in the Project. It is optional for collaborators to work as a volunteer during working hours.

RESULTS

In 2006, the programs in partnership with Junior Achievement had the participation of 9 collaborators. In 2007, the number increased to 22. There were 267 hours aimed at voluntary works that helped 568 children and adolescents. The participating schools are located in the communities near to the industrial plants, in the towns of Joaçaba (SC), Herval d'Oeste (SC), Vargem Bonita (SC) and Balneário Pinhal (RS).

Evolution of the partnership with Junior Achievement



**IRANI Target
2008**

To extend the Project to the Units at Indaialtuba (SP) and Rio Negrinho (SC) and to increase the number of voluntary collaborators in all units

4. JUNIOR OVERCOMING CHALLENGES PROGRAM

IRANI, in partnership with SESI/SC, has invested in this Program ever since 2006. The Program is operated through the methodology of the Instituto Ayrton Senna and has the objective of creating opportunities for youths to take part in the solution of problems in the school and community, changing realities and experiencing citizenship values.

Since 2006, the Junior Overcoming Challenges Program takes place in the Roberto Trompowski Educational Center (CERT) in Joaçaba (SC). In 2007, the Program has 50 students.

IRANI will not continue with this Program in 2008 because of a strategic decision taken by SESI/SC, responsible for running of the course. SESI ceased the activities of the Program on December 31 of 2007, prioritizing other investment fronts within its business. IRANI will redirect that investment to other social projects.

5. YOUNG APPRENTICE PROGRAM

In 2007, IRANI began the second group of the Young Apprentice Program, including this year the Units Paper and Packaging Units SC, in Vargem Bonita (SC), and the Administrative and Financial office, in Joaçaba (SC). 9 apprentices take part in the program, and they are accompanied for two years. In 2007, the work methodology consisted of 8 areas and, through the rotation of the apprentices every 4 months they had the opportunity to discover several routines in different areas, allowing for the identification of their abilities and likeness.

For this Program, IRANI uses the Young Apprentice Law, # 10.097, dated December 19, 2000.

RESULTS

In 2007, the Company employed, as collaborators, two of the six Young Apprentices that took part in the first group, which started in 2005 and ended in 2006.

**IRANI Target
2008**

Implant IRANI's Young Apprentice Program into the other industrial units, so that, in 2009, they can begin

6. DISABLED PERSONS ASSOCIATION ÁGUIAS DE CONCÓRDIA (SC) – ÁGUIAS (EAGLES)

To promote the social integration through the incentive to practice a physical activity, IRANI has supported, since April 2007, this association that was started by a team of wheel-chair bound basket ball players. The financial incentive from the Company for this project demonstrates the commitment to promote the diversity and to potentiate the development of disabled people.

The 2008 target, is to continue supporting the Disabled Persons Association - Águias de Concórdia (SC) – Águias.

7. BRAZILIAN ASSOCIATION FOR THE SUPPORT OF THE VISUALLY IMPAIRED - LARAMARA

In 2007, IRANI started a partnership with the Brazilian Association for the Support of the Visually Impaired - Laramara, with the project "Center for Adapted Technology". Laramara is a philanthropic institute - located in São Paulo (SP) that provides ophthalmological activities and specialized education, as well as support for inclusion at school, socially and at work.

IRANI offers monthly donations of corrugated cardboard sheets to the families involved in the production of furniture and other resources adapted to the needs of children that are visually impaired and have motor neurone disorders. 50 sheets were donated in 2007, directly benefitting 140 children.

8. JUNIOR ENVIRONMENTAL PROTECTORS

This project was developed by the Environmental Protection Division of the Military Police in the town of Herval d'Oeste - SC, the Project, Junior Environmental Protectors has had the support of IRANI since August 2007. This support is provided through financial support for the purchase of materials and uniforms and in the accompanying of some activities, such

as the distribution of seedlings and native plants. The Project tries to qualify multipliers and defenders of the environment through information and social integration, besides theoretical and practical activities aimed at the preservation of natural resources and the recovery of environmental citizenship.

In 2007, 24 adolescents between the ages of 12 and 14, took part in the project, they were chosen because of their level of interest, and they proposed that after terminating the training they would continue with the activities as multipliers of preservation and conservation of the environment.

9. SOLIDARITY CAMPAIGNS

9.1. Toy Toll – The Toy Toll is an initiative of the RBS TV station (affiliated to Globo TV in RS and SC) it has the purpose of collecting toys to donate to needy children. IRANI was one of the sponsors of the campaign, in the western part of SC, for the third consecutive year.

In 2005, 20,206 toys were collected, in 2006 the target was exceeded with 45,755 toys and, in 2007, 30,788 toys were collected, counting on the support of all the sponsors.

9.2. Christmas Social Gifts – In 2007, for the third consecutive year, IRANI adopted the Social Gift, for offer presents to customers, collaborators and suppliers. These Christmas cards are created in partnership with social entities. This year, the Company had the support of the Association of Parents and Friends of the Physically Handicapped. (APAE), in the cities of Irani (SC) and Joaçaba (SC). There are three student's drawings In the printed card, from APAE in Joaçaba (SC), that portray the perception that the student has of the Company. There were also drawings made by the other APAE, students and they have been made available in the IRANI site of as postcards in a virtual format.

9.3. Partnership with APAE of Joaçaba (SC) – For the second consecutive year, IRANI supports the Barbeque of the Pig on the Rolete, (where a whole pig is roasted on a rotating spit) an charity event on behalf of APAE of Joaçaba (SC). In October 2007, a lunch was held for 700 people, in the Frei Bruno Pavilion, in Joaçaba (SC), with the support of several partners. R\$ 10,635.38 was collected. IRANI participated as a supporter and had the support of 12 voluntary collaborators that helped with the organization of the lunch.

10. PUNCTUAL DONATIONS

In 2007, IRANI provided a series of donations to entities, schools, community groups and cooperatives located in the cities where it has its business units.





Summary of the social projects

<i>Name of the Project</i>	<i>Location</i>	<i>Target Public</i>	<i>Investment in 2007 (in reais)</i>
Revitalizing Project of the Vila Campina da Alegria	Vila Campina da Alegria (Community around the Industrial Unit) – Vargem Bonita (SC)	Local community	104,362
Donations and Sponsorships	All Units	Entities	90,342
Young Apprentice	Units at Vargem Bonita (SC)	Adolescents children of collaborators	62,945
Employability Program	Units at Vargem Bonita (SC)	Collaborators, children and spouses	50,893
Toy Toll Campaign	Joaçaba (SC) and region	Children	11,633
Junior Achievement	Joaçaba (SC), Herval d'Oeste (SC), Campina da Alegria, in Vargem Bonita (SC), Rio Negrinho (SC)	Students at public and private schools	9,000
	Balneário Pinhal (RS)	Students at public schools	1,500
Social Gift	All Units	Collaborators, customers and suppliers	8,060
Young Overcoming Challenges Project	Joaçaba (SC)	Students from the School - CERT	7,900
Young Environmental Protectors	Luzerna (SC)	Children between 12 & 14 years	4,650
Disabled Persons Association (SC) - Águias	Concórdia (SC)	People with physical deficiency	3,965
Laramara	São Paulo (SP)	People with visual and multiple impairment	2,288
TOTAL			357,358

ANTI-CORRUPTION PRACTICES

The risks related to corruption are periodically appraised in all the Company's business units and they are considered in the Internal Regulation. That regulation, given to all the collaborators when they start work in the company, and whenever necessary it is reformulated, is being adopted by the Company as policy and an anti-corruption procedure. It deals with aspects to the internal public's interest regarding the relationship with leaderships and friends, duties and personal advantages, and conflicts of interests, among others.

The collaborators from the Packaging Units SC, Furniture and Resins received training on Corporate Responsibility Policies that involves everything from human rights to ethical subjects in the Company. In all about 600 were trained.

IRANI Target
2008
Reach 100%
of IRANI's collaborators

At the end of 2007, IRANI began to prepare its Code of Ethics. With the formation of an Ethics Committee, made up from representatives of all industrial units, the draft of the code was developed. In 2008, the content will be provided to all collaborators for public consultation, so that the final version can be prepared in a participative way. After

the approval of the Code, measures will be taken in relation to the ethics subjects and this will be always done after the analysis of each case by the Ethics Committee and the opinion of the Committee to Company Management.

Still in 2008, 100% of IRANI's collaborators will be trained in the Company's Code of ethics, still being developed, that will include guidelines from the Compact for Business Integrity and Anti-Corruption.

PUBLIC POLICIES

Celulose Irani operated in the states of São Paulo, Santa Catarina and Rio Grande do Sul and it tries to influence, within the social focus, public policies in those areas.

Besides influencing public policies, to support the communities directly around its units and invest in social projects, IRANI destines part of its taxes to projects approved by incentive laws.

Type of Incentive	Value of the Donation (in reais)
State System of Incentives for Culture, Tourism and Sport (SEITEC)	1,476,376.36
Rouanet Law	146,000.00
Fund for Childhood and Adolescence (FIA)	36,000.00



Celulose Irani S.A. Cultural Center - Vila Campina da Alegria, Vargem Bonita (SC)

List of projects supported by IRANI, through Tax Incentives

ENTITY	SUMMARY PROJECT	VALUES (in reais)	TYPE OF INCENTIVE
Associação Brasileira dos Amigos do Quadrilho (ABAQ)	Brazilian Quadrilho championship (Traditional Card Game) - Iomorê (SC)	8,400	SEITEC
Associação Amigos de Capinzal	Vale Capinzal Exhibition (SC)	80,000	SEITEC
Associação Joaçabense de Voleibol (AJOV)	AJOV National League - Joaçaba (SC)	100,000	SEITEC
Auto Moto Clube Joaçaba	Construction, Expansion and Repairs - Joaçaba (SC)	25,000	SEITEC
Export SC Consultoria e Negócios	Consolidation of Attracting German Tourists to SC - Florianópolis (SC)	107,600	SEITEC
Federação Aquática de Santa Catarina	2007 Season and 3 rd Circuit of Aquatic Marathons of SC 2007/2008, National events - Florianópolis (SC)	95,000	SEITEC
Federação Catarinense do Desporto Universitário	University Olympic Games - JUBs 2007, National University student League of Indoor Soccer, Volleyball and Soccer, Maintenance of FCDU - Florianópolis (SC)	65,376	SEITEC
Fly Comunicações e Eventos	117 th Party of Espírito Santo; Jaborá (SC) Anniversary Anniversary of the town of Ilhota (SC); Party of State Integration of Agrolândia (SC); Party in Ponte Serrada (SC)	177,000	SEITEC
GDO Produções	São Miguel Exhibition - São Miguel do Oeste (SC)	20,000	SEITEC
Instituto de Desenvolvimento Social e Cultura (IDESC)	Expoeste 2007 - Joaçaba (SC)	100,000	SEITEC
Liga Independente das Escolas de Samba de Joaçaba e Herval d'Oeste (LIESJHO)	Cultural festival of the Middle West of Santa Catarina - Carnival 2007 & Carnival 2008 - Joaçaba (SC)	466,000	SEITEC
Prefeitura de Vargeão (SC)	Construction of a Sports Gym - Vargeão (SC)	40,000	SEITEC
Prefeitura Municipal de Caçador (SC)	Popularization of the Municipal district of Caçador (SC)	40,000	SEITEC
Prefeitura Municipal de Ibicaré (SC)	45 th Anniversary of the town of Ibicaré (SC)	34,000	SEITEC
Prefeitura Municipal de Irani (SC)	XIX FIMUSI - Irani (SC)	33,000	SEITEC
Prefeitura Municipal de Mafra (SC)	3 rd Producers Party - Mafra (SC)	30,000	SEITEC
Rota da Amizade Convention & Visitors Bureau	Friendship Route Promotion - Middle Western Region of Santa Catarina	30,000	SEITEC
Zás Três Produtora	Contest - Cabocla Fury 2007- Middle Western Region of Santa Catarina	25,000	SEITEC
Fundo Municipal dos Direitos da Criança e do Adolescente	Angels of Light Home - Herval d'Oeste (SC)	36,000	FIA
Fundação Bienal de Artes Visuais do Mercosul	6 th Biennial - Visual Art from the Mercosur - Porto Alegre (RS)	50,000	Rouanet Law
Instituto dos Estudos Empresariais (RS)	Intellectual property - A topic in Question	15,000	Rouanet Law
Associação dos Amigos do Teatro São Pedro	Multistage Theatre São Pedro - Porto Alegre (RS)	35,000	Rouanet Law
Liga Independente das Escolas de Samba de Joaçaba e Herval d'Oeste (LIESJHO)	Cultural Party in the Middle Western Region of Santa Catarina - Joaçaba (SC)	46,000	Rouanet Law
TOTAL		1,658,376	

In 2007, financial support was not given to political parties, according to the Law 9.096, of September 19, 1995, that controls the political parties and regulates the decrees 17 and 14, §3rd clause V, of the Federal Constitution. In 2006, the contribution was R\$ 120 thousand.

Celulose Irani S.A. did not undergo any type of lawsuit for unfair competition, trust practices and monopoly, nor fines or non-monetary sanctions applied resulting from the non-conformity of the laws and regulations in 2007.

PRODUCT RESPONSIBILITY

The Company, being focused on the conquest for excellence, develops differentiated products that offer specific needs and it invests in innovative relationship tools, that convert the competitive differential in the market and add value to the IRANI brand.

The impacts to the customer's health and safety are analyzed in all phases of the products life cycle and IRANI services, in other words, from the development of the concept to its disposal after use, are safe.

The Company is implanting the Good Paper Manufacturing Practices Project for paper that comes into direct contact with food (FineKraft line). This practice is related to the interest of guaranteeing reliable products, of recognized quality, that have no impact on the consumer's health. The FineKraft line represents 12.71% of IRANI's total production.

The products and production processes are based on the stakeholders needs. The needs of the final product is identified from programming, based on the products specification.

New products are developed through a procedure that describes the methodology to be followed with the intention of creating a new product or, better, some characteristic. In the development analysis procedure (RADP) there is input, analysis and planning, analysis and verification, validation and output data.

During the period, there were no cases of non-conformity with regulations and voluntary codes, related to the impacts, caused by IRANI products and services regarding the health and safety of customers, neither relating to information and the labeling of products or marketing communications, publicity, promotions and sponsorships.

As a method of adhering to the expectations of its customers, IRANI previously has the practice of rigorously following technical specifications, following the procedures of ISO 9001:2000.

The lines of papers produced by IRANI that come into direct contact with foods conform to Brazilian Legislation, that regulates cellulosic packaging for that use. The inputs that are used are included in the Annex I (Positive List) of Decree n° 177/99 of the National Agency of Sanitary Surveillance (ANVISA). The finished paper is certified by ISEGA (Forschungs und Untersuchung Gesellschaft mbH Aschaffenburg), of the European Union. Besides this, all products used in the production process meet the requirement of the Food and Drug Administration (FDA), North American organ - that regulates this section. The paper is also approved by the Adolfo Lutz laboratory.

The migration analyses and contaminants in the paper are in accordance with the Decree 177/99 of ANVISA.

INITIATIVES THAT SEEK CUSTOMER SATISFACTION

Before 2006, the Satisfaction Survey was carried out with the paper and packaging customers every six months. To improve this tool and to achieve a better applicability, IRANI began, in 2007, a study to evaluate the research through the creation of a task force made up from by collaborators from several units in the Company. The application of the survey was not carried out in 2007 because of the improvements that are being implemented. The target is that, in 2008, that tool should be used again.

Seeking to refine its practices to meet the needs and expectations of the customers, IRANI elaborates and follows an annual chronogram of preventive technical visits. The process, besides aiding the customer with the acquired product, seeks to develop new products and identify new business opportunities.



The production of the products is done safely and with the focus on customer satisfaction

Besides these activities, in 2007 IRANI started out on an activity with the Paper Units customers, initially those from the light sacks sector and then, with the industrial sacks sector, and with customers from the corrugated cardboard packaging market. With technical lectures, the users of IRANI products are oriented about correct handling and use. The objective of this training is to obtain a greater approach, to generate value for the product, to build durable partnerships, to strengthen relationships and to motivate the development of the customers.

Another activity developed in 2007 by IRANI was the implantation, in partnership with one of the corrugated cardboard carton customers, of a project that allows for the storage and movement of cartons. The initiative had as its objectives the development of a logistics solution, to improve partnerships and to establish durable relationships with the Company's customers.

The project consisted of the installation of a unloading ramp and the acquisition of an electric fork lift, that were made available to the customer. With this new equipments, the

customer optimized its physical space, had greater agility and safety in the unloading processes and this was extended to other similar areas.

During 2007, IRANI was not fined for non-conformity with the laws and regulations relating to the supply and use of products and services, nor complaints relating to the violation of privacy and loss of customers data.

For customer service, IRANI also provides IRANI On-line, a virtual application, within the Company site. The business-to-business relationship tool allows each user to access information through IRANI site (www.irani.com.br) anytime and allows the following of the complete commercial process of the orders, from the acceptance into the system through to the invoicing of the production.



5 REPORT PARAMETERS

GRI LEVEL OF APPLICATION

Celulose Irani S.A. considers that the Sustainability Report 2007 reached the level of application B+, as demonstrated in the table.



Guidelines for Sustainability Report GRI G3

Level of Application G3		B	B+
DISCLOSURE STANDARD	Report Profile	Mention Items: 1.1-1.2 2.1-2.10 3.1-3.13 4.1-4.17	REPORT VERIFIED
	Forms of administration	Disclosure in the way of administration of each category of indicators	
	Indicators of Development	Report at least 20 Development indicators, at least one for each segment: economical, environmental and social (human rights, work, society, responsibility on the product).	



The Sustainability Report 2007 is available on the: www.irani.com.br in Portuguese and English versions.



The IRANI Sustainability Report for 2007 shows the results of the second year of work by the Company in the adaptation to the guidelines of Global Reporting Initiative (GRI), version G3.

In the scope of the Report are all of the Business Units that belong to Celulose Irani S.A. in the states of Santa Catarina, São Paulo and Rio Grande do Sul, and the controlled companies, Brastilo Inc., My Wood furniture Ltd., Irani Trading S.A. and Habitasul Florestal S.A.

In 2007, IRANI underwent the independent verification of the Sustainability Report and conference of the application level, with a base in the GRI guidelines. At the end of this document there is the warranty declaration checked by the consultants BSD Ltda.

IRANI publishes its Sustainability Report annually, always during the first semester of each year. The process of obtaining data for this report happened during the year of 2007 and in the beginning of 2008, when the closing of the documents occurs relation to the previous period.

For a more effective administration of the data in the Report, in 2007 an Internal Study Group was created using GRI methodology, allowing for a greater understanding of all the indicators.

The Report is addressed to all publics of relationship of the Company, according to a map of available stakeholders in the site www.irani.com.br, link Sustainability.

Be part of the report

2008

The channel faleconosco@irani.com.br is available for parties interested in the Company that have doubts and/or they want to offer suggestion for improvements in futures reports.



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7 ASSURANCE

1 CONTEXT AND SCOPE

Since 2006, Celulose Irani S.A. has used the GRI-G3 guidelines as a reference for the accounts rendered of its activities to their interested parties. For 2007, the Company opted to submit the sustainability report to an independent verification process.

IRANI hired BSD Consulting to execute the verification of the third part of the 2007 Sustainability Report and to analyze the consistence of its content with the GRI (Global Reporting Initiative) guidelines, version G3.

BSD Consulting is a company specialized in sustainability of business that are undergoing the implantation and evaluation of sustainability administration models. We worked independently and we can assure that no member of BSD has consultancy contracts or other commercial bonds with IRANI. The job was led by a professional qualified in the norm AA1000AS and certified by the International Register of Certificated Auditors - IRCA, under the registration number 1189266.

The scope of our works includes the period covered by the report, from January 01, 2007 until December 31, 2007, on the IRANI information presented in this document.

2 IRANI AND BSD CONSULTING RESPONSIBILITIES

The Sustainability Report is prepared by IRANI, responsible for all of its content. The declaration of warranty and the conclusions are the responsibility of BSD Consulting. The objective of the Sustainability Report is to inform the IRANI interested parties of the Company's financial, social and environmental performance. The objectives of the warranty declaration are: to evaluate the balance and the materiality of the information, having as a reference the principles of the international standard AA1000 Assurance Standard, and to confirm the level of application of the GRI model according to orientations in the GRI-G3 Guidelines.

3 METHODOLOGY

The independent verification process was guided by the norm AA1000AS (Account Ability 1000 Assurance Standard). The approach of verification of the process AA1000 consists of meetings with the team responsible for the elaboration of the Sustainability Report, analysis of the mapping of existent stakeholders, analysis of connected subjects, interviews with participants in the process and consultation with the panel of external stakeholders. Based on tests samples, we proceeded with the evaluation of the reliability of the said data.

The procedures developed during the work includes:

- the revision of the contents of the Sustainability Report;
- understanding the generation of information process for the Sustainability Report;

- revision of information of the media in general, sites and legal bases;
- interviews with managers and key area employees in relation to the relevance of the information for the report;
- when relevant, confirmation of information on the sustainability performance with the understanding of the directing body of the company;
- with a basis in sampling, confirmation of the information in the Sustainability Report with documentary support, internal management reports and official correspondences;
- observation of the operations of the company in its operational headquarters in Santa Catarina;
- consultation panel with the external stakeholders for validation of the materiality of the information;
- consideration of the relevance of the information of the Sustainability Report from the external publics point of view; and
- delivery of the report to the company containing opportunities for improvement in relation to the materiality, completeness and answering capacity of the sustainability report.

Our work did not include the checking of financial data, bearing in mind that these were audited by an independent company.

4 MAIN CONCLUSIONS

This is the first Sustainability Report from IRANI that has been submitted to an external verification process. We evaluated the quality and the scope of the information in the Sustainability Report with a focus on the administration process in different areas of the Company, in accordance with the criteria of the AA1000 Assurance Standard.

a. Materiality

The materiality concept in the extent of the accounts rendered of the non financial indicators defined by the GRI and AA1000 treats the relevance that the administrative topics have for the social, environmental and financial (internal factors) impacts and for the stakeholders expectations in the performance of the organization.

The verification process of the report had a stakeholders panel, of which the following publics representatives took part: customers, suppliers, ONG's, university, governmental body and internal public. The selection of participants, developed under the orientation of BSD Consulting, endeavored to include representative publics with different interests. In the panel, the evaluation of topics present in this report and topics of greater importance were identified. In accordance with evaluation of the participants of the panel the subjects classified as a high relevance are: corporate governance, environment, odor, energy planning, customer satisfaction, relationship with the community, human rights and economic impact.

We would like to highlight the efforts applied by the company in the elaboration of the report with the incorporation of the external verification process and the development of channels of communication with the stakeholders. However, for the present document, the evaluation of the materiality in the elaboration process of the report was considered to be in accordance with the interests of the internal administration.

We recommended that in the next report, the subject of the materiality is approached in a more widespread way, considering information from structured processes of engagement with external publics.

b. Completeness

The principle of completeness treats the association of the Company's activities with the performance of the organization from the sustainability point of view.

The high administration of the Company demonstrated to be committed to the administration of sustainability and it is developing activities for the incorporation of the theme in a wider way in the administration. The Company is in the process of certification of its forest activities by the FSC, motivating the implantation of significant improvements to internal processes. We identified a lack of clear criteria for the selection of suppliers; The Company adopts activities for the orientation of suppliers which is focused on the prevention of employment risks.

We verified the absence of a systematic process of data collection for the development of sustainability indicators.

In the environmental extent, we identified the absence of an odor monitoring process, a subject classified as being of great importance by the stakeholders panel. We emphasize the importance of the establishment of a continuous monitoring process that evaluates the indicators throughout the year.

We recommended the improvement of the describing of administration systems in the Company and the inclusion of activities associated to targets and future commitments established by the Company in relation to financial, social and environmental performance.

c. Response Capacity

The principle of the response treats the related indicators in response to concerns and the specific interests of the stakeholders.

Irani has a specific communications channel to know the demands of different stakeholders. The Company demonstrated the expansion of actions taken to enlarge the relationship with its public of interest in comparison with the Sustainability Report from 2006.

The Company developed an engagement project with the community around the Vargem Bonita - SC industrial unit, which sought the alignment of the strategic focus with the community's expectations. We emphasize the importance of keeping engagement activities in a continuous way over a period of time.

We recommended that the Company maintain the efforts for increasing the process of sustainability administration aimed at the external public to fully support the response capacity principle in the next report.

5 LEVEL OF GRI-G3 APPLICATION

Following the orientations of the GRI-G3 guidelines, BSD declares that the Celulose Irani S.A. Sustainability Report 2007 is classified as level B+. The report offers answers to the principal items related to the Company's profile and it supplies a wide description of the administration processes and approaches to sustainability. Related information is supplied to all the categories of indicators: financial, environmental, human rights, employment practices, society and responsibility for the product.

6 SUMMARY

In the viewpoint of BSD, the Celulose Irani S.A. Sustainability Report 2007 demonstrates the Company's commitment to the administration sustainability. The adoption of the verification process expressed in the report confirms the efforts of the Company with the improvement of the transparency with its publics of interest. The development of a solid and structured process of stakeholder's engagement is essential for the evaluation of the materiality of the approached subjects. We would like to highlight the importance of integrating the sustainability concept in all areas and operational levels in the Company. The solidity in the continuity of the process will contribute to the improvement in the transparency in the accounts rendered to the public's of interest, as well as for the development of internal administration sustainability processes.

São Paulo, April 10, 2008.

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