Sustainability Report 2014

IRANI

MISSION

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

VISION

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

PRINCIPLES AND VALUES

Innovation and a Pioneering Spirit

Social and Environmental Responsibility

Integrity, ethics, courage, transparency and cordiality

People challenged and valued

Focus on results, Objectivity, Austerity and Simplicity

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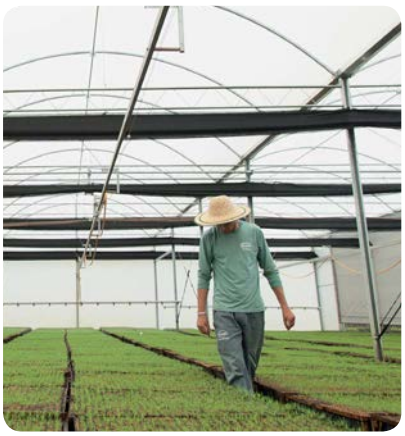

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Message from the president

2014 was an exciting year. And at the same time, full of paradoxes.

"If I had eight hours to cut down a tree, I would spend six sharpening my axe" (Abraham Lincoln).

The World Cup brought the Brazilians fear regarding the organization as hosts, hope in the growing economy for the event and confidence in the victory of the Brazilian Team. We ended up doing well as hosts, the impact on the economy was virtually nil and the excess of confidence in the Team has led to a lot of frustration.

The electoral campaign brought two visions of Brazil: one in which we were fine, inflation and interest rates under control, cheap and abundant energy, the combating corruption was operational, the State faced up to the global crisis well and a improvement of the distribution of Brazilians income; the other view is that we were very bad, with runaway inflation, prices controlled by the government and manipulated in an unsustainable way, an imminent risk of a power failure, serious management problems and corruption in government and state enterprises, and the need for radical changes in economic policy in order to provide sustainability to the social advances of the last 20 years. We ended up electing, by a small difference in votes, the person who promised the most, but soon we recognized that the second scenario was closer to reality. Fortunately, the president-elect begin to recognize that there was a need to change and take make some different arrangements to her previous speech.

In 2014, Brazil did not grow, the emerging countries grew less than expected, Europe went looking for a way out of its crisis and the US returned to the development track.

We in IRANI, had an increase in net operating income of 22%, mainly due to the merger with Sao Robert plus inflation. We finished the investments that had started, with emphasis on the expansion and upgrade of the paper machine I, which is already in operation. We improved our operating cash flow (EBITDA) by 21%, the value added in the year was R$ 412 million, 16% more than the previous year and we reached the profit we consider admirable and well-deserved. We also evolved in various social and environmental indicators, highlighting the increase of the amount invested in social

projects, the increase in the recycling of waste from factories and the increase of recycled fiber in the paper production matrix.

In 2014, 50% of the goals to which we were committed to in the Sustainability Report 2013 registered a status of full compliance or partial compliance. The other targets were not met and the challenge of achieving them fully and responsibly, remains for 2015.

In addition, we continue to "sharpen our axe"! We have reviewed our strategic plan for the next 10 years, followed by improving the processes and management systems, developing our current and potential leaders, organizing the forests, incorporating some activities and investing to evolve with the social and environmental commitments. We move forward with the details of our organic investment projects and search for the necessary licenses.

Péricles Pereira Druck
Managing Director/CEO

In this strategic planning cycle, we seek to innovate in the definition of the materiality matrix and integrate it in a more organic way into our action plans. The economic performance of the business maintained its high relevance for years to come along with the development of people, the treatment of social and environmental risks in the supply chain, with the energy efficiency and care of water resources and biodiversity.

All these plans of continuous improvement and investments are influenced by this materiality matrix and inspired mainly on efficiency, productivity, cost reduction, quality improvement, competitiveness, with rates of return that are consistent and positive environmental impacts, priorities in our vision of sustainability. Our greatest challenge will be to equate adequate financing and structure capital to be able to speed up this implementation of the plans that in the majority require investment and growth. We also believe a lot in the consolidation process of the sector and we therefore seek acquisition opportunities that complement and optimize our strategy.

2015 will be a challenging year again. The necessary adjustments to move from Brazil's growth this year, but can bring back confidence, which is the basis for a new growth cycle from 2016. We will continue to focus on profitability, financial health and be ready for the resumption of investments at any time.

Another important challenge is the Brazilian business environment, complex, bureaucratic, insecure, with a large degree of state interference and, in some contexts, without any ethical principles. We need to develop the skills and abilities to overcome this and at the same time stimulate changes with exemplary ethics and pro-activity. It is worth noting that we reaffirm our adherence to the Global Compact, to which we have been signatories since 2007 to strengthen our commitment to a more just, prosperous and sustainable society.

We want to grow together with Brazil and with the domestic industry, increasing competitiveness to the productive chain. The commitment with the prosperity of our customers is stated in our mission and we want to help them in a relevant and sustainable manner.

Hands, minds and hearts to work!

The company

For more than seven decades we have operated with the production of packaging paper, boxes and corrugated sheets of cardboard and resins.

The integration of processes, of planted forests to the final products, allows us to deliver renewable forest-based products, that are 100% recyclable and biodegradable, with absolute respect for people and the environment.

We are a Brazilian company founded in 1941, and publicly traded since 1977.

We have as subsidiaries, Iraflor, based in Vargem Bonita, Habitasul Florestal, HGE – Geração de Energia Sustentável (Generation of Sustainable Energy), IRANI Geração de Energia Sustentável (Irani Generetion of Sustainable Energy), IRANI Trading all headquartered in Porto Alegre (RS), and the Industria de Papel e Papelao Sao Roberto S.A., headquartered in Sao Paulo (SP). At the end of 2014, IRANI Trading and Sao Robert were merged with IRANI.

Our offices are located in Joaçaba (SC) and Sao Paulo (SP), with the headquarters in Porto Alegre (RS). Our industrial units are distributed in four states: Santa Catarina, Rio Grande do Sul, Sao Paulo and Minas Gerais.

In Santa Catarina (SC):
Paper Unit SC - Campina da Alegria and Packaging Unit SC – Campina da Alegria.

In Rio Grande do Sul (RS):
Resin Unit – Balneario Pinhal (RS).

In Sao Paulo:
Packaging Unit SP – Indaiatuba and Packaging Unit SP – Vila Maria in the State Capital.

In Minas Gerais:
Paper Unit MG – Santa Luzia.

Co-generation Energy Plant, Campina da Alegria - SC

Business

The performance of IRANI is differentiated and focused on developing innovative solutions, reduction of raw material and process optimization.

Kraft Paper

PAPEL

Our papers are manufactured with raw materials controlled and guaranteed by the *Forest Stewardship Council®* (FSC) of the Custody Chain and ISO 9001 certification. Produced in different weights of 30 to 200 g/m², suitable for flexible and rigid packaging.

According to the Indústria Brasileira de Árvores – Ibá (Brazilian Tree Industry) – we are in fourth position in the ranking of paper packaging manufacturers, with a market share of 4.91% in 2014, considering the production of paper for packaging (4.68% in 2013 and 3.91% in 2012).

Of all types of paper produced in 2014, 70% had recycled fiber in its composition and 30% was produced with 100% virgin fiber.

Our main clients roles for paper products are independent converters that meet the segments of light and heavy bags, and industrial applications, both in the domestic and foreign markets.

The paper produced with 100% virgin fiber meets the requirements of the German Institute ISEGA for direct contact with foodstuffs, the ANVISA analysis of Ordinance no. 177/99 and the RoHS European Directive, which relates to the restriction of certain hazardous substances. We have lines recycled paper produced with chips, which are used in the production of sheets and boxes in our three manufacturing plants.

Corrugated cardboard sheets

PACKAGING

Our chain of custody of packaging is certified by the FSC, ISO 9001 and ISO 14001 and the paper used in the production of boxes and sheets receive the application of specific technologies increasingly seek lighter weights with higher resistance.

The packaging attends the food markets and beverage industries, plastics and rubber, textiles and clothing, leather and footwear, pharmaceuticals, perfumes and chemicals, with a relevant participation in the sheet market for independent converters.

The IRANI *market share*, measured in square meters of corrugated board, according to the Associação Brasileira do Papelão Ondulado – ABPO (Brazilian Association of Corrugated Cardboard) was recorded to be 6.53% in 2014, 4.85 in 2013 and 4.38 in 2012.

RESIN

Our extraction of resin gum from the *Pinus elliotti* forests complies with the guidelines of FSC certification for forest management. Whereas, our production of rosin and turpentine is certified with the ISO 9001 and FSC Chain of Custody, it produces raw materials with a great versatility of applications in products such as perfumes, solvents, adhesives and enamels, among others.

Rosin

FORESTRY

We have 46,400 hectares of forests in the states of Santa Catarina and Rio Grande do Sul, 46.5% for conservation and the rest for the infrastructure and production. The practices adopted for the management of planted forests contributes to the preservation and the maintenance of local biodiversity.

The focus of our forestry business, in Santa Catarina, is the production of Pinus taeda and Eucalyptus to supply the Paper Unit SC – Campina da Alegria and Packaging Unit SC – Campina da Alegria and for the production of bio-energy, with operational practices aimed at cost competitiveness, the quality of fibers and the safety of employees, and also in the marketing of reforested wood in the regional market.

In Rio Grande do Sul, the profitability of our business is related to the production of rosin and turpentine. Much of the supply from the Resin Unit RS – Balneario Pinhal comes from the management of its own forests of *Pinus elliotti*. We also have the resin supply from the market, contributing to the development of the region. We conduct business operations with reforested wood, logs and small logs for the furniture market and biomass energy.

IRANI has complied with its obligations, taken on in 2011 with the Terms for the Adjustment of Conduct (TAC), with the planting of invasive alien species in permanent preservation areas. In these areas, we have dedicated efforts for the recovery, the support for the environmental suitability of the properties where we have forestry partnerships and received authorization for the creation of a Private Natural Heritage Reserve in Vargem Bonita, in an area of 285 hectares of preserved native forest. In this space, besides the conservation of biodiversity, environmental research and education activities will be carried out.

Forest area, Campina da Alegria - SC

Markets

E PACKAGING

Acre, Amazonas, Bahia, Distrito Federal, Espirito Santo, Goias, Mato Grosso, Mato Grosso do Sul, Maranhao, Minas Gerais, Parana, Pernambuco, Rio de Janeiro, Rio Grande do Norte, Rio Grande do Sul, Rondonia, Santa Catarina and Sao Paulo.

PAPER

Foreign Markets

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

Domestic Markets

Acre, Amazonas, Bahia, Distrito Federal, Espirito Santo, Goias, Mato Grosso, Mato Grosso do Sul, Maranhao, Minas Gerais, Parana, Pernambuco, Rio de Janeiro, Rio Grande do Norte, Rio Grande do Sul, Rondonia, Santa Catarina and Sao Paulo.

RESINS

Foreign Markets

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

Domestic Markets

Bahia, Ceara, Rio Grande do Sul, Santa Catarina and Sao Paulo.

Stakeholders Map

Over the years, our Company has endeavored to build strong partnerships, establish communication channels and build relationships of mutual trust in order to recognize the demands. Prioritize the engagement with stakeholders with which we relate directly seeking the creation of synergies and maintain a relationship guided by our values. With this, we contribute to our own growth, and that of our partners and the communities where we operate.

Seedlings from the Nursery, Campina da Alegria - SC

Growth of commitments

The following is the *status* of the commitments we made in our **Sustainability Report 2013.**

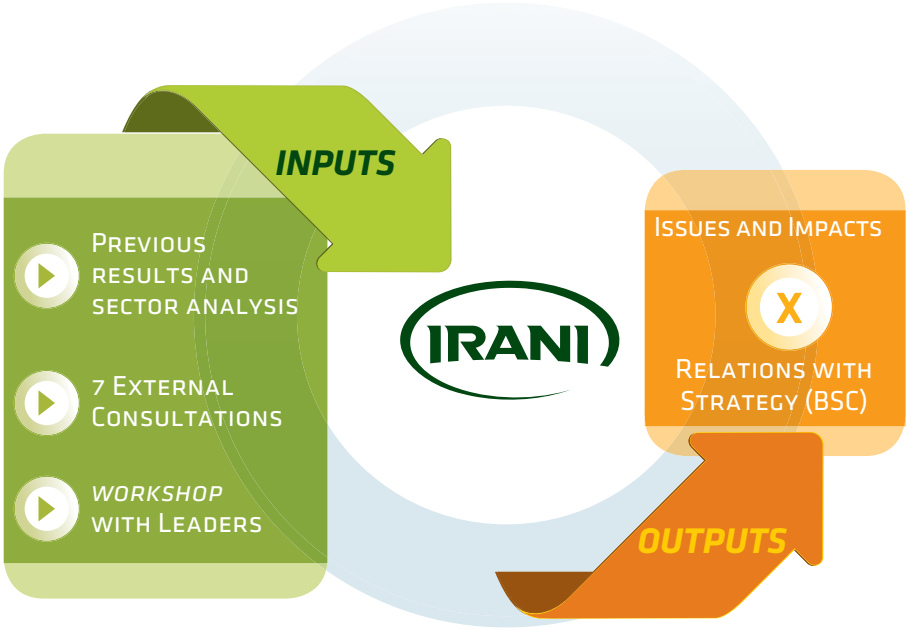
THEME	GOAL FOR 2014:	STATUS	HOW WE EVOLVED	LEARN MORE
Innovation	Register on average 1 idea per employee and deploy 3% of the total valid ideas.	PARTIALLY ACHIEVED	**2014:** 0.55 ideas per employee and 4.98% of valid ideas were applied. **2013**: 0.64 ideas per employee. **2012:** 0.81 ideas per employee.	Page **26**
Training and Development	Reach the level of 88% in the satisfaction in the reactions of the participants in the Project LIDERA 2020.	OBTAINED	**2014:** 90% satisfaction **2013:** Not available **2012:** Not available	Page **85**
Health and Occupational Safety	Keep the frequency rate of total accidents (with and without lost time) less than or the same as 17.16.	OBTAINED	**2014:** 14.81 **2013:** 17.60 **2012:** 15.33	Page **84**
Investments in Vila Campina da Alegria	Deliver two new properties and civil reform in five others, completing the community master plan.	PARTIALLY ACHIEVED	**2014:** Three new properties and one civil reform **2013:** Seven new properties **2012:** Not available	Page **56**
Suppliers	Maintain 60% of the suppliers with long-term contracts in the IRANI Supplier Project and the Urban Forest Project, maintain 80% of the suppliers of chips with stable purchasing contracts.	NOT OBTAINED	**Supplier IRANI** **2014:** 56.49% **2013:** 54.57% **2012:** 52.67% **Urban Forest** **2014:** 61.19% **2013:** 7075% **2012:** 72.41%	Page **54**
Effluents	Reduce the amount of effluent generated to 19.30 m³ per gross ton produced in the Paper Unit SC - Campina da Alegria	NOT OBTAINED	**2014:** 20.37m³ **2013:** 19.18m³ **2012:** 21.02m³	Page **74**
Waste	Keep the transfer of waste to the landfill at rates below 11% in the Paper Unit SC - Campina da Alegria.	NOT OBTAINED	**2014:** 11.05% **2013:** 9.46% **2012:** 9.12%	Page **72**
Energy	Maintain the specific energy consumption at 0.80 MWh /net ton produced at the Paper Unit SC – Campina da Alegria.	OBTAINED	**2014:** 0,82 MW/h **2013:** 0,78 MW/h **2012:** 0,80MW/h	Page **71**

About this report

Since 2006, annually we disclose our Sustainability Report, which contains information on the events in 2014 and future commitments. In line with the guidelines of the *Global Reporting Initiative* (GRI) version G4, our Report follows the guidelines for a comprehensive report and is also directed by the *International Integrated Reporting Council* (IIRC) methodology for integrated reports. Our financial statements are consolidated in accordance with International Financial Reporting Standards (IFRS) issued by the *International Accounting Standards Board* (IASB) and in accordance with accounting practices adopted in Brazil.

In the scope of this publication, we consider the business units belonging to Celulose Irani SA and its respective subsidiaries: Habitasul Florestal S.A. (Habitasul Forestry S.A.),HGE - Geração de Energia Sustentável Ltda (Generation of Sustainable Energy Ltd.) Iraflor Comércio de MadeirasLtda. (Iraflor Woods Ltd.) and Industria de Papel e Papelao Sao Roberto S.A., headquartered in Sao Paulo (SP), which was renamed as the Packaging Unit SP – Vila Maria from December 30, 2014, when it was incorporated into IRANI.

For the definition of content, we use as a base on the materiality matrix defined from the review of the Strategic Planning, 2015-2025 cycle. Our process of identification of the material issues in sustainability with the support of external consultants for the analysis of secondary sources and benchmarks in the sector, consultations with seven external stakeholders, representatives of suppliers, shareholders, customers, governments and society, as well as holding a panel with 25 internal leaders. Finally, to contribute to the inclusion of sustainability organically in our strategy, after prioritizing material issues, we conducted a cross of these issues with our strategic objectives, updating our *Balanced Scorecard* (BSC). The process will be re-evaluated at every review of strategic planning.



The wording was developed with the aim of presenting only the topics considered as very high and with a high degree of relevance to our stakeholders. These issues guide us in understanding our impacts in and out of the operations and direction of our efforts to expand the positive impacts and mitigating the negative impacts. The intensity of the colors in our materiality matrix shows the extent of the impact on our value chain.

	Materials Issues 2014	Links in the value chain				
		Forestry	Suppliers	Paper and Cardboard Operation	Customers	Society
	Governance and Sustainability Management					
Extreme Relevance	Social-environmental risk assessment of suppliers		Social			Social
	Economic performance and the businesses	Economic	Economic	Economic	Economic	Economic
	Energy efficiency	Environmental	Environmental	Environmental	Environmental	Environmental
	Impact and protection of biodiversity	Environmental	Environmental	Environmental		Environmental
	Water Resources	Environmental	Environmental	Environmental		Environmental
High Relevance	Training and Development	Social	Social	Social	Social	Social
	Waste		Environmental	Environmental	Environmental	Environmental
	Effluents	Environmental		Environmental		Environmental
	Emissions	Environmental	Environmental	Environmental	Environmental	Environmental
	Innovation and R & D	Economic	Economic	Economic	Economic	Economic
	Inputs and the recycling of materials	Environmental	Environmental	Environmental	Environmental	Environmental
	Product Quality		Economic	Economic	Economic	Economic
	Relationship with surrounding communities			Social		Social
	Health and safety at work	Social	Social	Social	Social	Social

Legend: Economic issues Social issues Environmental Issues

The information that make up this content were obtained throughout 2014 and early 2015, approved by the Executive Board and independently verified by the DNV GL, responsible for the assurance statement shown at the end of this report.

In this Report we also show our practices and our commitments in line with the guidelines of the Global Business and Covenants for Integrity and Anti-Corruption, of which we have been a signatory since 2007. Access: **http://www.irani.com.br/en/info/external-initiative** to learn of the contents of these commitments.

The main objective of this report is to explain to you, the reader, how we generate value over time, with financial and non-financial information. If you are interested in obtaining information about contents that were not disclosed in this report, visit our website http://www.irani.com.br/en. Our Sustainability Report 2014 is also available for access in the site **http://www.irani.com.br/en/info/sustainability-report** in three languages: Portuguese, English and Spanish. To request a copy of the printed version in Portuguese, to ask questions and/or make suggestions for future publications, please contact us by e-mail faleconosco@irani.com.br.

Integrity, Ethics, Courage, transparency and Cordiality

We adopt a corporate governance guided by our values and committed with the best practices in the relationship with shareholders and other stakeholders.

Corporate Governance

We believe that corporate governance should be guided by social and environmental responsibility, transparency, innovation, accountability and the equal treatment in the relationship with shareholders and other stakeholders. This makes it possible to guarantee the continuity of our business.

Our shares have been listed on the BM&FBOVESPA since July 1977, on the traditional level. However, we adhere voluntarily, some rules of Level 2 of Corporate Governance of the BM&FBOVESPA.

Adopted rules:

> Disclosure of the Annual Calendar (since 2011).

> At least 20% of the members of the Board of Directors are independent Directors (since 2012).

> Tag-along 100% for preferred shares (since 2012).

CORPORATE STRUCTURE

At the end of 2014, we had a registered capital of R$ 151,894,847.81, distributed in 166,720,235 shares, of which 153,909,975 were common shares, quoted at R$ 3.26 and 12,810,260 preferential shares quoted at R$ 3.27, as follows:

On December 31, 2014						
Shareholders	**Ordinary Shares**	**%**	**Preferential Shares**	**%**	**Total Shares**	**%**
Controllers	138,898,087	90.24%	8,582,660	67%	147,480,747	88.46%
Treasury shares	24,000	0.02%	2,352,100	18.36%	2,376,100	1.43%
Directors Shares	1,444,923	0.94%	711,060	5.55%	2,155,983	1.29%
Free float	13.542.965	8.80%	1,164,440	9.09%	14,707,405	8.82%
Total shares	153,909,975	100%	12,810,260	100%	166,720,235	100%

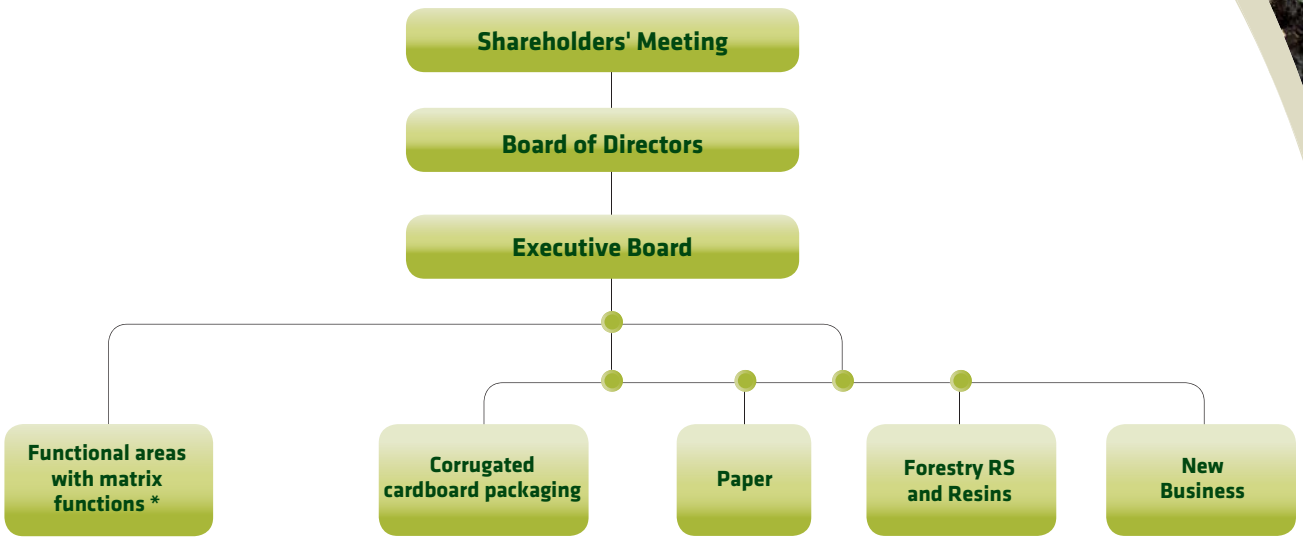
DIRECTORS

The main governance bodies are the General Assembly of Shareholders, the Board of Directors and the Executive Board. The administration is carried out by the Board of Directors, who have deliberative functions, and the Executive Board, with executive and representative functions. Among the five members of the Board of Directors, only one exercises an executive function in the Company. For our subsidiary company, Habitasul Forestry SA there is a distinct Board of Directors, made ups of three member who also are part of our Board of Directors.

Seedlings from the Nursery, Campina da Alegria – SC

The implementation of decisions is the responsibility of each Executive Director and their teams, through projects, budget reviews, prioritization of needs and the implementation of controls and organizational modifications.

General Structure



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

General Assembly

This meets for ordinary or special meetings, in our head office, by convening, as provided in the Corporations Act and the Company's Bylaws. The is convened through a notice containing the description of all the issues to be addressed and procedures necessary for all the shareholders wishing to be represented.

The Annual General Meeting is held in the first quarter of each year for the analysis, discussion and voting on the financial statements presented by the directors, decisions on the allocation of net income from the period, distribution of dividends and the election of members of the Board of Directors. The Management Proposal containing information about the subjects that will be brought to vote are always available, in accordance with the current law.

The Extraordinary General Meeting shall be held when it becomes necessary to consider relevant items in accordance with the Company bylaws, and will also be made available the Management Proposal containing information about the subjects that will be brought to a vote, in accordance with the current law.

The preferential shares are entitled to dividends on an equal basis with ordinary shares and have priority in the payment of capital, without a premium, at the equity value in the event of liquidation of the Company, the refund is assured to the majority shareholders to receive 100% of the paid up values in the case of transfer of control (*tag along*).

Board of Directors

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

Celulose Irani Board Of Directors

- Pericles de Freitas Druck
  CEO
- Eurito de Freitas Druck
  Vice-President:
- Paulo Sérgio Viana Mallmann
  Director
- Pericles Pereira Druck
  Director
- Paulo Rabello de Castro
  Independent Director

Elected by the General Assembly for a mandate of 2 years with the possibility to be re-elected, the Board consists of five effective members, one of which is independent, with representation from shareholders.

The Chairman of the Board does not accumulate the position of CEO and does not exercise executive functions in the Company.

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

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

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

The Board of Directors performs the management of inherent risks in decision making. Currently, the diagnosis, management and approval of the Company's risk tolerance strategy has the participation of the Executive Board and the CEO, who are part of our Board of Directors. In 2015, we will maintain the best corporate governance practices relying on the increased involvement of the Executive Board. As a result, the best conditions will be created for the involvement of other members of the Council to determine the tolerance of the risks.

The process used to communicate critical concerns to the highest governance body, is performed by the Executive Board and the consolidated by the CEO, who directs the discussions and decisions, monthly, when attending the ordinary meetings of the Board.

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

Executive Board

The Executive Officers shall meet, ordinarily, in person every month, and by video-conference, when necessary, and it is in their competence the practice of all acts necessary for the regular operation of the Company, that is not the competence of the Company, that are not in the competence of the General Assembly, or of the Board of Directors, in accordance with the attributes set out in Article 14 of our bylaws. The directors are elected by the Board for a term of two years (the current management term is in power until may 2015), with reelection permitted.

Executive Board

- Péricles Pereira Druck
  Managing Director/CEO;
- Odivan Carlos Cargnin
  Director of Administration, Finance and Investor Relations;
- Sérgio Luiz Cotrim Ribas
  Director of Paper and Packaging Business;
- Túlio Cesar Reis Gomes
  Director of Forestry Business.

To see the cv´s of members of the Board of Directors and Management, please visit: **http://www.irani.com.br/en/ri/info/corporate-governance-1#administration**

Seedlings from the Nursery,
Campina da Alegria – SC

Remuneration of the Board of Directors and the Executive Board

IRANI adopts a remuneration policy that establishes guidelines to be observed as to the compensation of key management personnel, composed of members of the Board of Directors and the Executive Board. The overall management compensation is fixed annually by the Annual General Meeting and comprises:

i) fixed fees and benefits;
ii) the short-term variable compensation is tied to the goals to be achieved; and
iii) long-term variable remuneration.

The practice of remuneration of directors of the Company seeks to:
i) align the interests of managers with those of the shareholders;
ii. direct the behavior and encourage a long-term vision of the directors;
iii) foster a sense of ownership and commitment, and
iv) attract, retain and motivate the directors of the Company.

Each remuneration element fulfills the short, medium and long-term role. There is, therefore, the fixed remuneration, the granting of benefits, quarterly bonus and a program called the *Upside* program, which has the premise the theoretical value of the shares in the year of its implementation and the planned future, that provides each participant a fee based on the theoretical number of shares, and should have a payment in cash on the verification date; and/or a Share in the Expected Statutory Profit (executive officers and members of the board). As there is a strong tie with the results, the Company ensures a coherent compensation, without affecting any other investments.

The expenses with management fees, without payroll taxes totaled R$ 8.227 million on December 31, 2014 (R$ 8.175 million in 2013 and R$ 6.954 million in 2012).

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

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

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

COMMUNICATION CHANNELS

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

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

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

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

Ethics and integrity

In 2014, the Ethics Committee reviewed the content of our Code of Ethics, validated and approved by the Executive Board and the Board of Directors. The challenge for 2015 is to disseminate the new Code of Ethics in all units and subsidiaries, reinforcing the ethical commitments made by establishing the parameters of professional conduct expected of all stakeholders and serving as support in the decision making.

An electronic form is available on the IRANI site to receive internal and/or external manifestations. Confidentiality is respected and ascertainment of cases is treated in confidentially. Conduct that is in disagreement with this Code will be subject to disciplinary action, according to the employment contract, the Internal Rules of the Company and based on civil or criminal labor law.

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

Innovation and a Pioneering Spirit

Innovation is an important component of our strategy.

It aligns our strategic goals of researching and developing the customer focus, innovating in products, services, processes and management, and to seek learning and knowledge for the promotion of innovation culture.

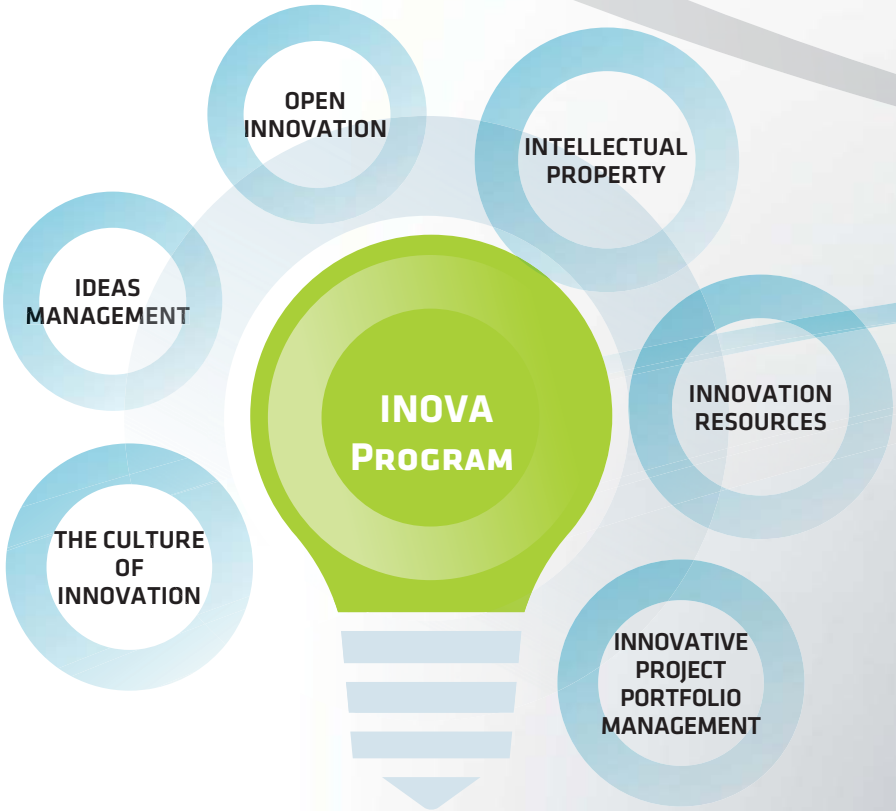
Highlights in 2014

> Carrying out the Third Research & Development Workshop

> 12 Creativity Labs

> Training 124 leaders in the module "The innovative leader" of the Lidera 2020

> Massification of the culture of innovation totaling 262 hours of training



The INOVA program has the participation of employees, universities, science and technology, customers and suppliers.

Among the actions focused on innovation and sharing of knowledge developed in 2014, there is the realization of a forum that brought together employees from technical areas and the Company's projects and equipment suppliers for the development of the *layout* of a future corrugated cardboard packaging manufacturing plant . This work provided the Board details to define best practices for building the IRANI 2020 Project.

For us, an innovative idea is in line with our strategic objectives and, when applied, is translated into economic, social, environmental and behavioral changes results. In this sense, to stimulate the generation and management of ideas, we have, since 2012, the Ideas of Value, and a continuous program open to all employees who recorded 1,228 ideas in 2014. The recognition of the participants to stand out in the Program is carried out through travel and participation in operating profit which comes from the **employees innovative idea**.

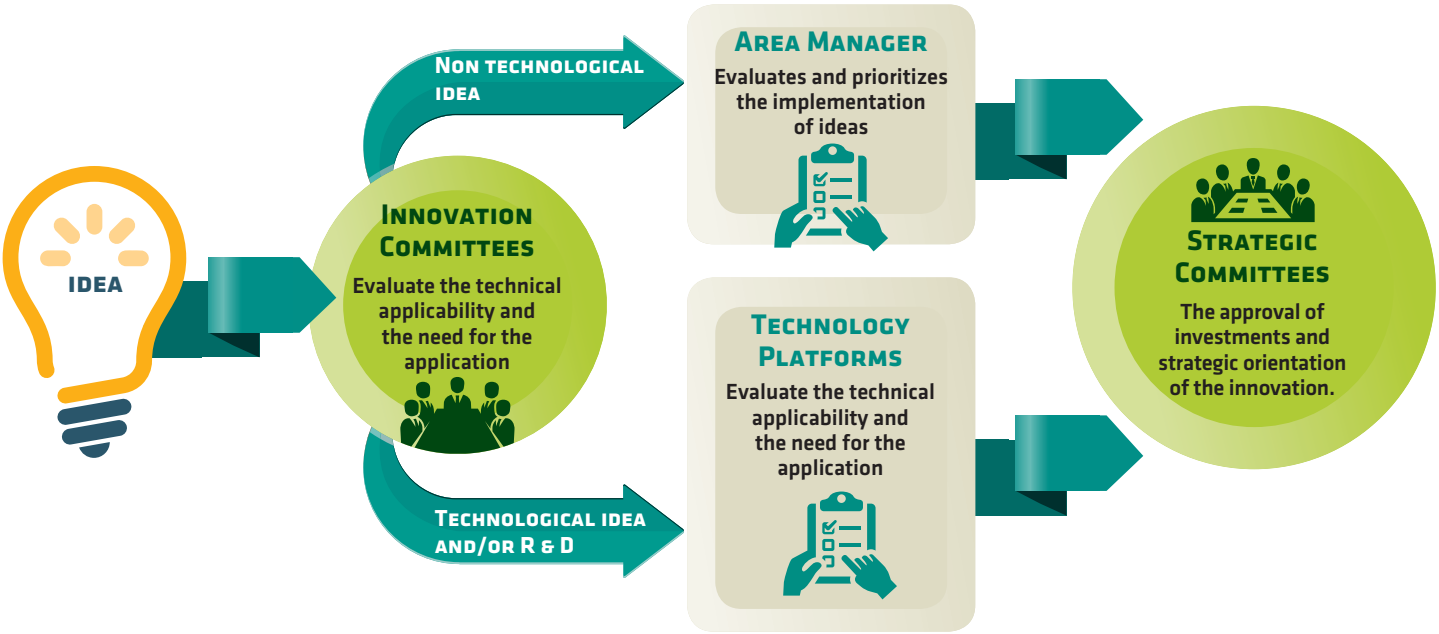
For innovative ideas in processes:
3% of the proven operating profit after a period of one year.

For innovative ideas in products:
3% of the proven operating profit after a period of three years.

Employee at the Packaging Unit SP – Indaiatuba

IDEAS OF VALUE PROGRAM

The result of evaluating the idea at every step is a determining factor for the progress between phases.



3,647 ideas have been received since the beginning of the program. Of these, 1,907 were evaluated and considered as valid, and 4.98% have been implemented, exceeding part of the target proposed for 2014.

In the last report, we assumed the goal to apply 3% of valid ideas from the Ideas of Value Program and to record the average of one idea per employee. We exceeded the application of good ideas, however, 0.55 ideas per employee were recorded in this period. That same year (2013), we extended the program to the units: Paper Unit MG – Santa Luzia and Packaging Unit SP – Vila Maria.

In 2014, IRANI we concluded the investment in the corporate research laboratory located in Vargem Bonita (SC) which will be focused on developing solutions for surface applications of paper and packaging. The work of our of R & D areas focused on technological research lines, consolidated in 2014, with the evolution of the maturity of the technology platforms.

Throughout 2014, we will seek to improve the open innovation model. We ended the year with 16 partnerships established with educational institutions and research institutes. We also systematized the development of R & D projects, besides devoting efforts to homogenize the support of the leaders in the innovation process.

From our strategic positioning and our guidance for technological innovation, we create technology platforms to act as guiding filters innovation and responsible for the direction of our evolution, the strategic evaluation of ideas and technology projects and research and development, analyzing impacts and return of the projects and prioritize the investments. The platforms have a strong alignment with the R & D areas, in order to guide the work of these areas based on lines of research and project proposals analysis, internal and external, and monitoring of technological developments of competitors.

Competitive intelligence for technology was worked internally through an electronic newsletter that covers new technologies, management innovation and cases of success. We also work innovation in an open way, working with the sharing of experiences to build innovation strategies of three of our packaging business customers.

Our level of maturity in relation to the innovation of world-class companies was diagnosed in 2013, based on a methodology from the Euvaldo Lodi Institute (IEL).

This study showed overcoming the average of the worldwide industry leaders on issues related to the practice of management innovation, performance and culture and made the challenge to evolve in new product development and the performance of innovation management.

Product quality

The quality of our products directly impacts the productivity of our customers and is related to criteria such as performance, reliability, compliance, durability and service.

When combined with the certifications achieved over the years, product quality and customer services reflects in mitigating social and environmental risks and associated costs, in the improvement processes and to consolidate its image.

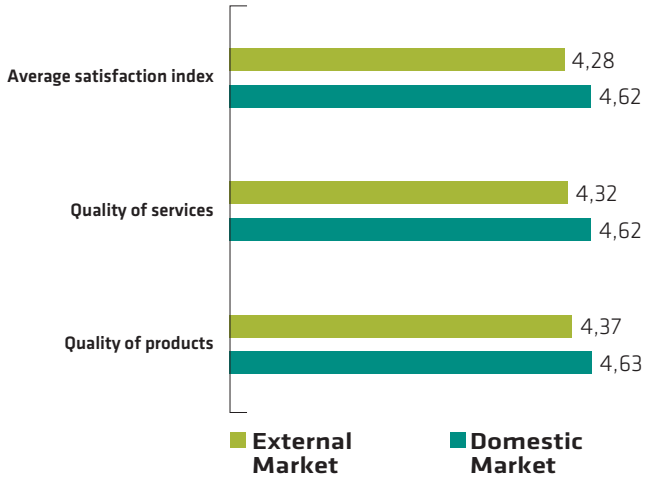
CUSTOMER SATISFACTION SURVEY

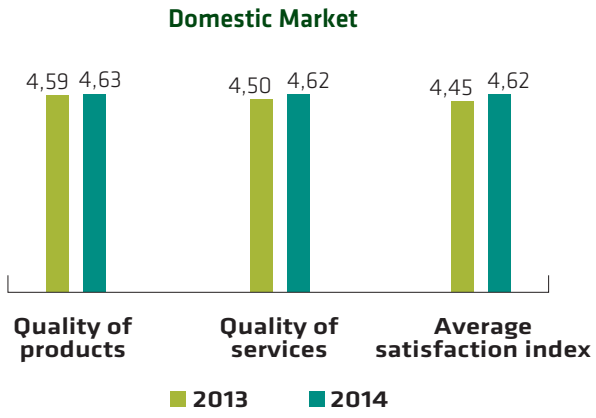
We annually evaluate general aspects and issues related to our processes and products and the IRANI Online software.

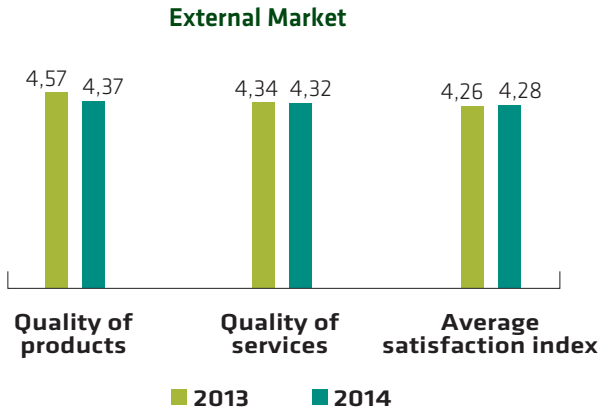
Paper Business

124 customers surveyed

Rate of survey results 81%







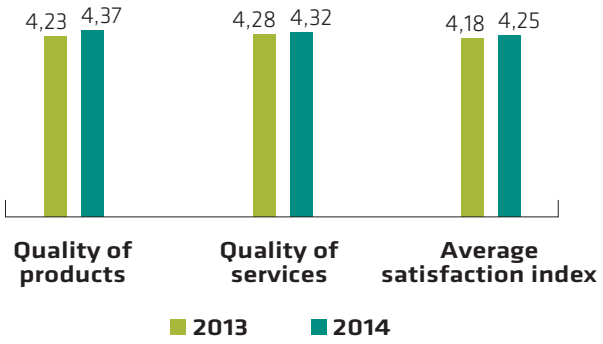
Paper Unit SC -- Campina da Alegria

Packaging Business

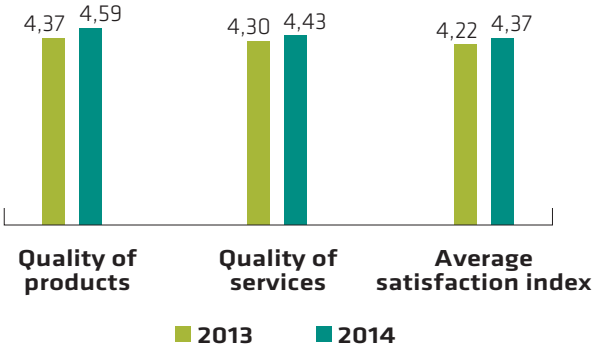
583
customers
surveyed

Rate of
survey results
62%

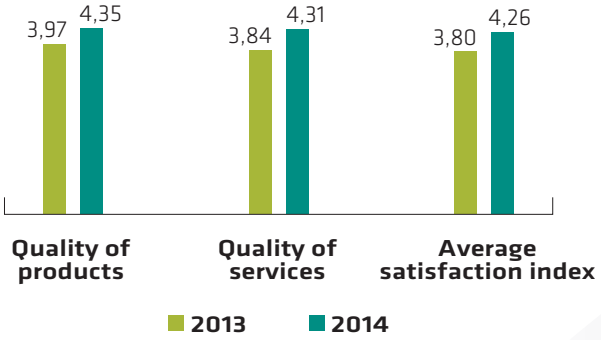
Packaging Unit SC – Campina da Alegria



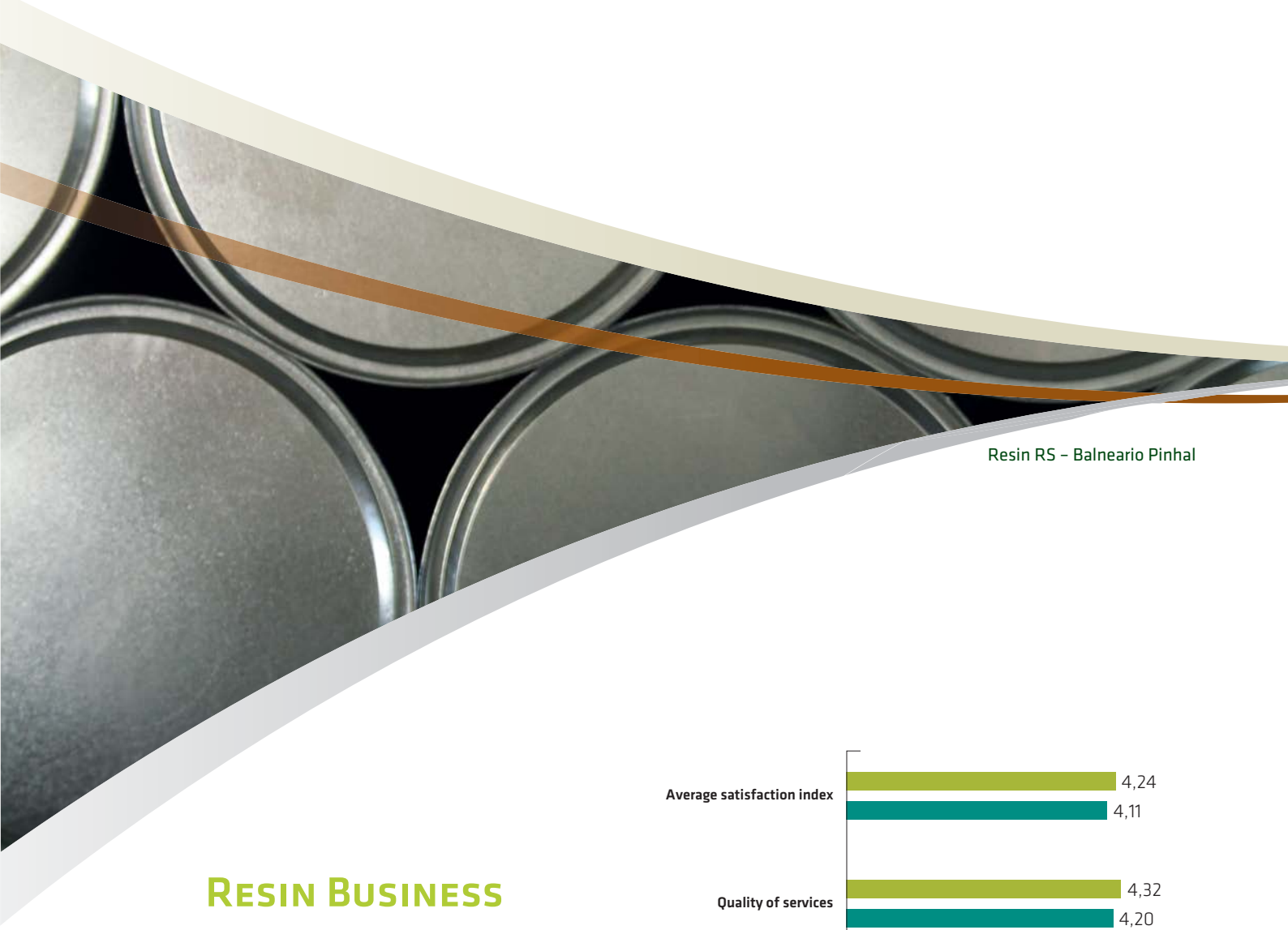
Packaging Unit SP – Indaiatuba



Packaging Unit SP – Vila Maria



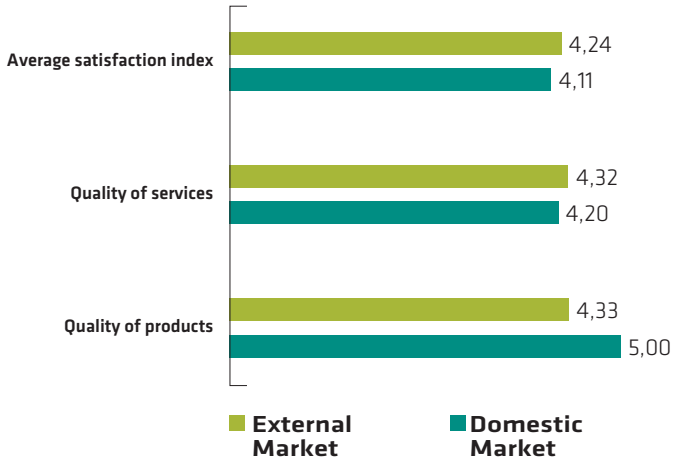
Employee at the Packaging Unit SP – Indaiatuba

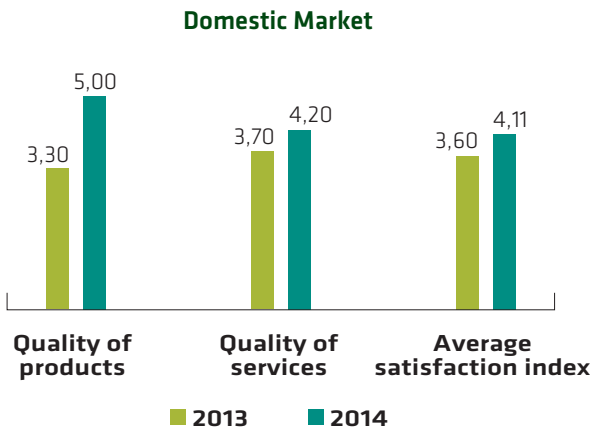


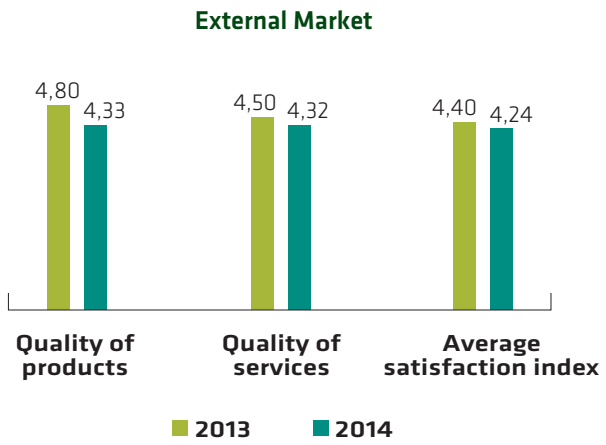
Resin Business

18
customers
surveyed

Rate of
survey results
89%







Focus on results, objetivity, austerity and simplicity

In 2014 we made progress in our growth and profitability strategy.

Strategy and management

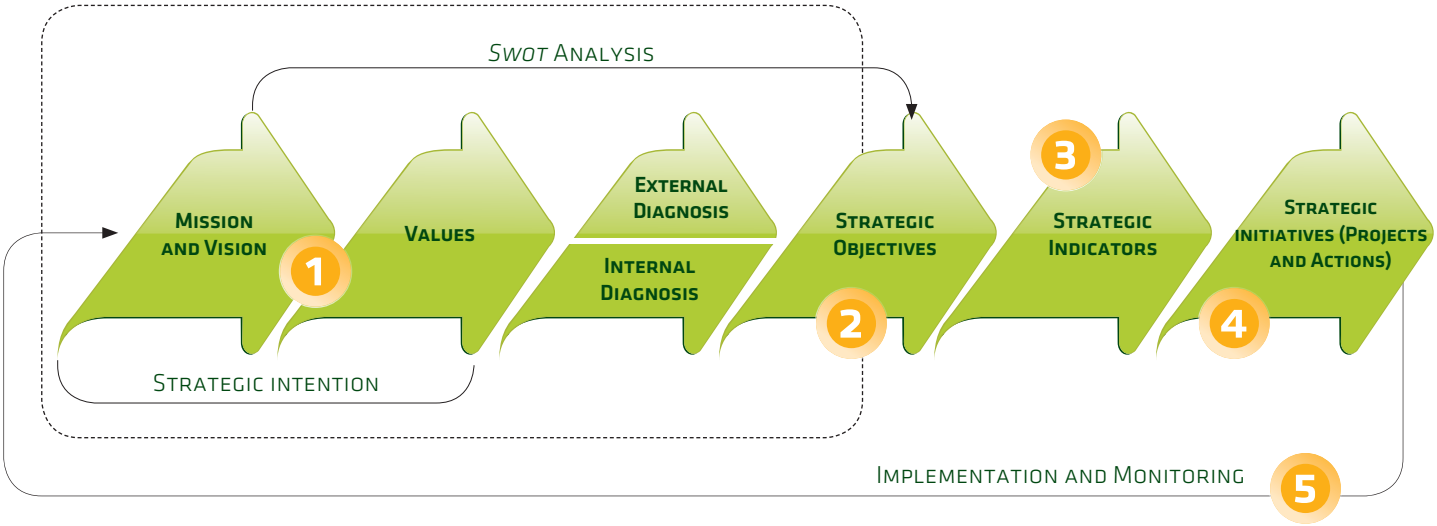
We recorded an increase of 22.22% in net sales from 21.6% in the EBITDA and a reduction of 16.1% in net income, compared to the last fiscal year.

Aligned with the objectives of increasing the production of paper and packaging and expanding the geographic presence and *market share*, we concluded important investments for the safety of operations, stability and process improvements in all units. These investments put us in a new level of competitiveness, both technological and in scale.

In addition to these investments, we concluded the studies that make up our portfolio of investments, called IRANI 2020. As its name suggests, the portfolio comprises investments to be implemented by 2020, which will create a solid foundation for a new cycle by 2025. We signed letters of intent for investments in the states of Minas Gerais and Santa Catarina, totaling more than R$ 820 million of the foreseen investments.

In 2014, we also conducted a review of strategic planning, which comprises a ten-year horizon. The process was participatory and involved our leaders. Meetings and *workshops* took place between March and December and involved issues related to Paper and Packaging, Resin *(Pine Chemicals)*, Energy and New Business.

Lumber Yard – Paper Unit SC - Campina da Alegria



The process started from the inspirations and strategic guidelines, prepared and presented by the Board referred to as strategic guidelines. The guidelines are defined taking into account the expectations of the various stakeholders. In the first stage, which took place between March and August, the diagnostic results of the external and internal environments were considered, resulting in the consolidation of the *SWOT* analysis and that supported the review discussions of strategic intent (vision, mission, values), which involved executives the Company in defining the challenges that will guide the next cycle.

In the second and third stages, the revision of the Strategic Map (ME) occurred. In the ME strategic objectives (SO) were defined and subsequently, the indicators and strategic goals for the cycle were also defined. The fourth stage involved the deployment of strategic initiatives, which are the projects and actions needed to support the realization of the strategy.

One of the events that deserves to be highlighted in the review process of our strategic planning was the sustainability *workshop*, which covered the leaders – directors, managers and coordinators – with the aim of expanding the strategic vision of sustainability and align it with our strategy. The area responsible for the management of the sustainability topics is the Management for Excellence, which reports to the Superintendent of Strategy and Management. This, in turn, reports to the IRANI CEO.

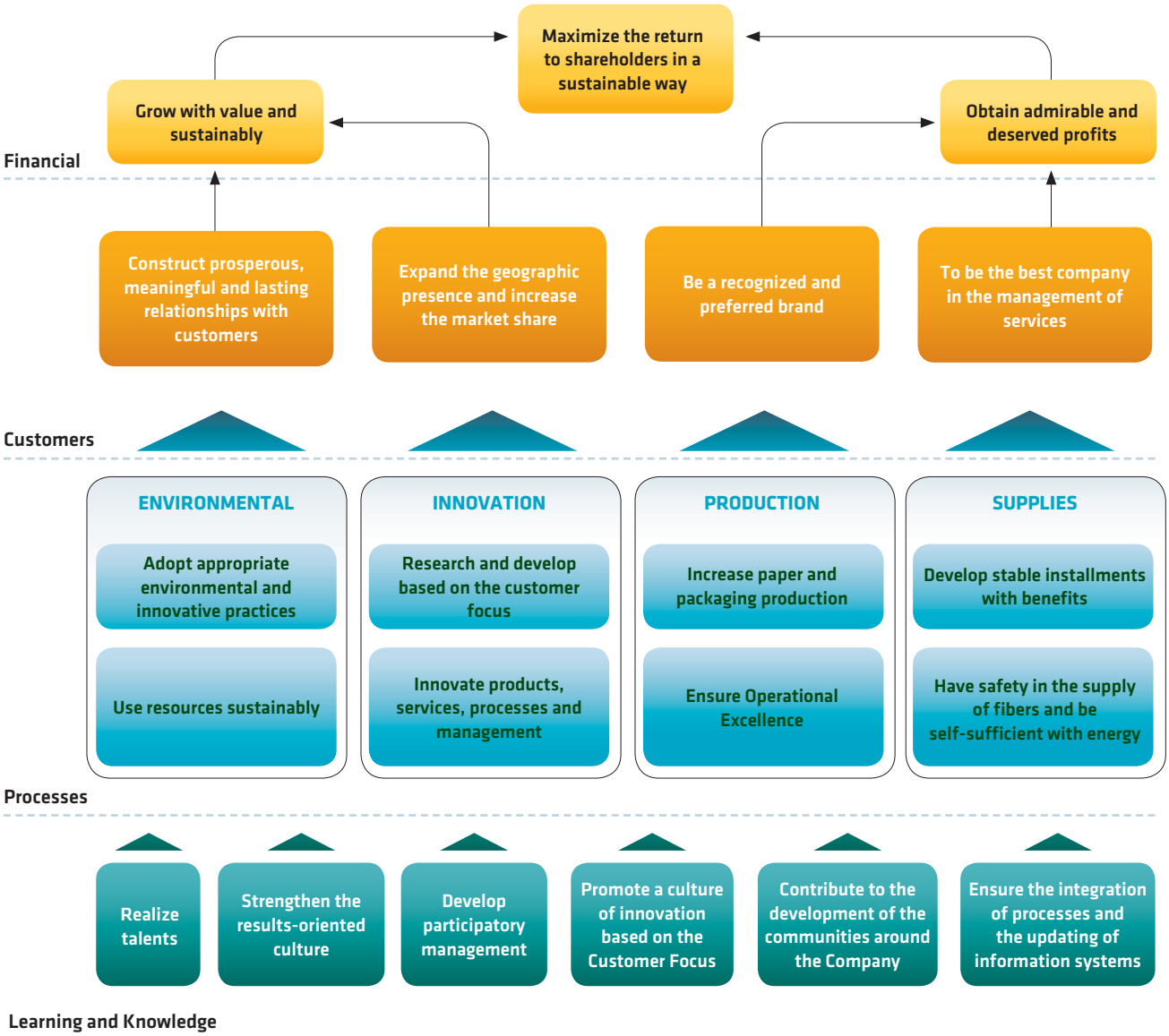
Forest area,
Campina da Alegria - SC

In addition to reviewing the materiality matrix, our strategy map has been updated considering the relevant issues in sustainability, the goals and strategic initiatives necessary to serve it.

In December, after the approval of the Strategic Planning cycle by the Board and the Board of Directors, the fifth stage was started – Implementation and Monitoring Strategies. The communication strategy to executives – directors, superintendents, managers and coordinators was held at the annual meeting of executives that took place in December. In the first half of 2015 the dissemination will take place of the strategy to the other levels in the Company and regular meetings of strategy analysis shall commence, conducted by the Strategy Management Dept.

For the new cycle, the new objectives incorporated into the strategy map are: enhancing shareholder returns in a sustainable way, to be the best company in service management, ensuring operational efficiency and the integration of processes, upgrading information systems and being self-sufficient in energy.

Strategic Map Cycle 2015-2025



Strategic intention

Who we are, where we want to go and what we do not compromise on this trajectory is what we call strategic intention. It indicates our mission, vision and values and communicate to all our stakeholders and to the market the foundations of value creation and sustainability.

Our Mission

We reaffirm our mission for the next cycle. Building customer value relations and customer Focus reflects our commitment with sustainability and prosperity of the whole, which permeates and directs our practices, our culture and our history.

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

Our Vision

For the next cycle, we released a new challenge to the teams: we are among the two largest companies in the sectors of Paper and Corrugated Cardboard in Brazil (the previous challenge was to be among the top three companies). To reach this in a sustainable way, we decided to combine the organic growth fronts to facilitate the growth and the competitiveness and acquisitions that will adjust the speed of growth.

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

Values

In this new cycle, "People challenged and valued" became part of our organizational values and, associated with the other values, strengthen our commitment to the development and recognition of people.

Intangible assets

The intangible assets are mapped from an analysis of the practices that can protect. Usually, the intangible assets are not quantified in our financial reports.

Building of value relations, the continuous development of people through challenges, customer satisfaction, the brand that protects the business and creates value, the cohesive organizational culture and a suitable working environment are some of our intangible assets built up over more than seven decades.

Resin RS - Balneario Pinhal

IMAGE AND BRAND

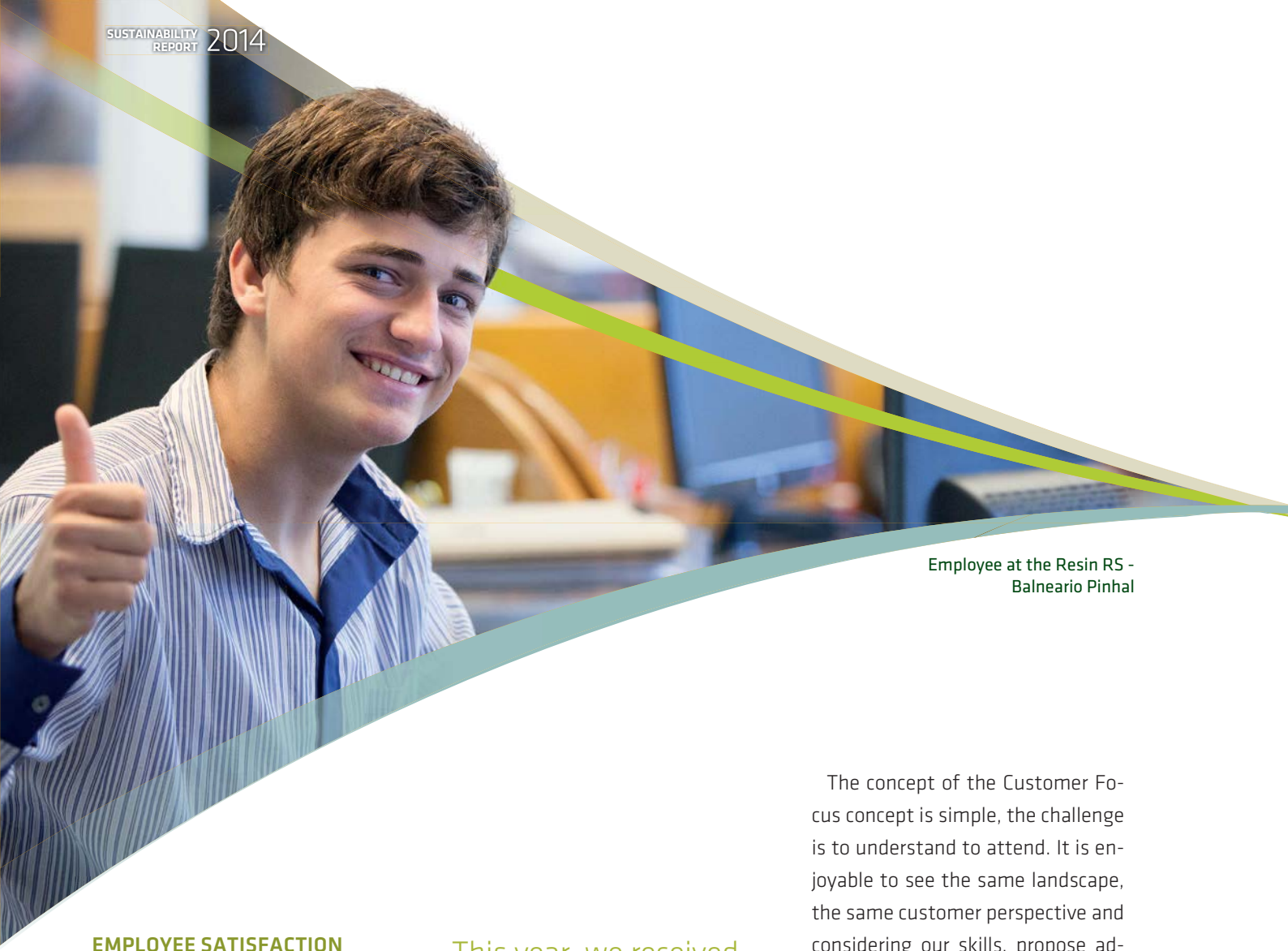
In 2014, aligned with the strategic objective of "Being a recognized and preferred brand" we finalized the first stage of the *branding* project, with the objective of making a diagnosis of the current positioning, create a value proposition, beside creating a business culture guided by the brand, covering the whole Company. Among the main definitions, there was the need to strengthen our brand in every business.

In December 2014, we merged with Industria de Papelao Ondulado Sao Roberto Ltd. and IRANI Trading, which became a part of the IRANI brand.

HUMAN AND INTELLECTUAL CAPITAL

In line with our vision to be among the best companies to work for in Brazil, aligned with the strategic objectives of "Delivering Talent" and "Develop participatory management", in 2014, we started the first group of the Lidera 2020 Program which comprised of a set of technical and behavioral training, seeking the full development of employees and leaders. Besides this program, individual development plans with the leaders and their teams are held each year.

Paper Unit SC - Campina da Alegria



Employee at the Resin RS - Balneario Pinhal

EMPLOYEE SATISFACTION

Every two years, the Climate Survey is undertaken in order to track and measure the effectiveness of the various initiatives undertaken, seeking to give all employees a healthy environment and to contribute to the vision of being among the best companies to work for in Brazil.

In 2014, the rate of return was 77% of questionnaires and an rate of 72% were favorable. This year, we received an important role in the Revista Época Negócios 360º, with the 5th position in the category Human Resources Practices.

This year, we received an important highlight in the Revista Época Negócios 360º, with the 5th position in the Human Resources Practices category.

Our management system explains how we organize ourselves to achieve the objectives, goals and thus achieve our vision, that is, we manage resources to produce results. Our management system and our organizational culture are intrinsic. In a practical way, you can understand our culture from the way in which the processes are conducted.

One of the concepts that reinforces this culture that is a part of our values is the Valid Companies concept, organizations that are focused on creating and delivering goods and services with a focus on the customer, that fully and continuously meet human needs, be an agent that promotes the progress of the society where it operates, it is committed to the prosperity of all, develops meaningful and lasting relationships with its stakeholders, and has the ambition to be the best and build the best for all.

The concept of the Customer Focus concept is simple, the challenge is to understand to attend. It is enjoyable to see the same landscape, the same customer perspective and considering our skills, propose advance solutions that generate better results than those expected by the customer and hence create a perceived value.

Another concept that permeates our culture is Lean Thinking It is necessary to understand what is value for the customer to attend him with excellence. Thus, we may be able to identify and eliminate waste throughout our value flow, build processes that are more efficient, stable, agile and flexible, with high quality, perfect delivery and low production costs, ensuring competitiveness.

Aligned to these concepts, we define that: Build Affluent Relations, Significant and Lasting with our customers, Being the Best Company in Service Management and Ensuring Operational Excellence are some of our strategic objectives for the new cycle.

Since 2010, we adopted the Modelo de Excelência em Gestão - MEG (Model of Excellence in Management) and follow advancing consistently in our practices. As a result of this evolution, in 2014, we received the recognition of the Movimento Catarinense para Excelência - MCE (Santa Catarina Movement for Excellence), winning the Gold Trophy – 500 points, which according to the MCE made us second the organization Organization and the 1st Company in the State of Santa Catarina in the 10 years of the Prize to achieve this accomplishment.

In 2014, as an important component of our management system, we ensured the maintenance of quality and environmental systems in all units and we gained more certifications, such as: FSC Chain of Custody Certification, Paper Unit MG - Santa Luzia; FSC Forest Management and Chain of Custody for the Resin Unit RS – Balneario Pinhal. We also achieved the ISO 14001 certification, in the Packaging Unit SC – Campina da Alegria. The unit was the second plant to be certified. The process began in 2013 with the training of employees directly involved in environmental management and the adequacy of the local infrastructure. In the next step, all the procedures required by the standard were implanted, and finally, all employees, including third parties, received training to adapt to the suitability of the new structure for the environmental management of the unit.

Still in 2014, we completed the training of Green Belts and we could count on 12 new Belts, qualified and prepared to take on improvement projects, with a greater complexity and impact within the company. We also carried out 17 weeks of *Kaizens* distributed in all units.

For 2015, the challenge will be to do 24 weeks of *Kaizen* and extend the 5S program to all units, as well as the actions to strengthen the culture that is oriented by results.

Another initiative that has strengthened by our culture of Lean Thinking was the Lidera Program 2020 in which the common thread that permeated the program was to develop and strengthen lean thinking for current and future leaders. Started in 2014, the Lidera 2020 program comprises of a set of technical and behavioral training.

Our Corporate Policies aim to align the culture and conduct as well as to improve its management practices. To find out more, go to **http://www.irani.com.br/en/info/corporate-polices**

Employees at the Forest Area, Campina Alegria – SC

RISK MANAGEMENT

Our risk management process of identifying, understanding and characteristics of risks before our strategic objectives, followed by a qualitative assessment of impact and probability. This assessment allows our senior management an analysis and classification of the risks according to the degree of criticality, arriving at the planning of the response to risks through the monitoring of internal controls and proposed actions to mitigate them.

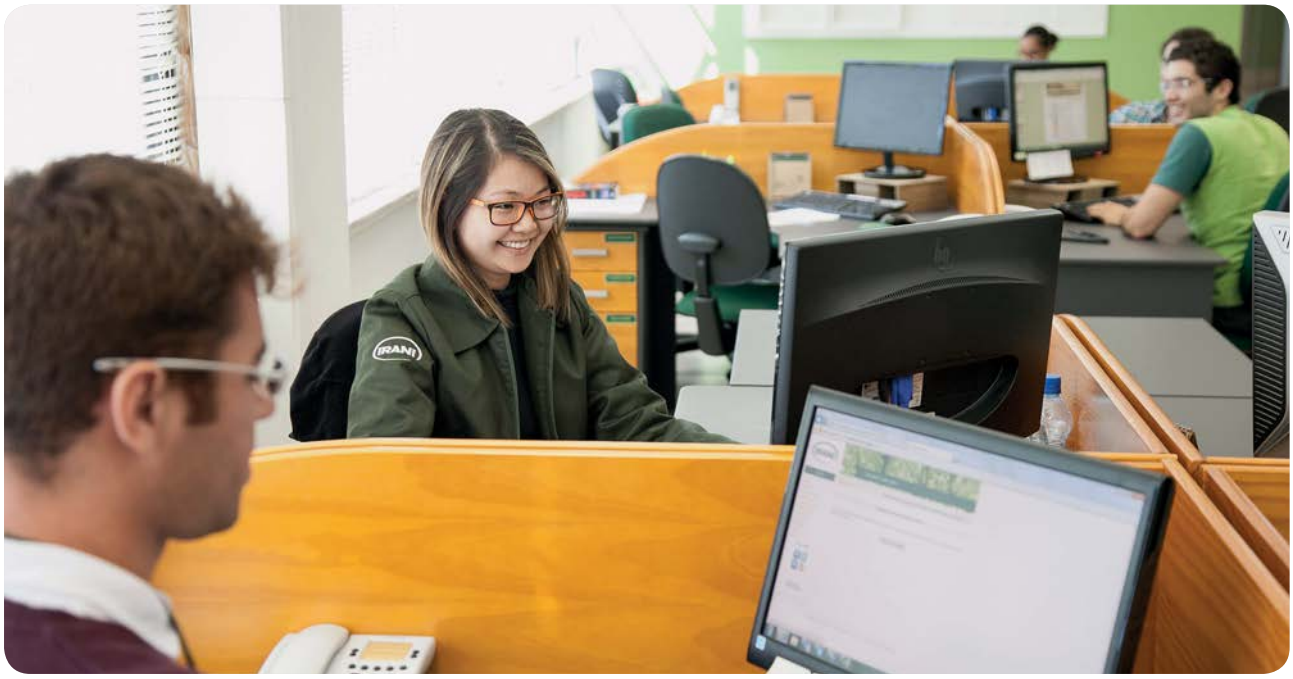
Given the new strategic planning cycle, we established a study of the strategic map to measure the risk of losses by the failure of the adopted strategies considering the dynamics of business and the competition at a national and international situation, changes in the national and world economy, among other factors to which we are exposed in the sectors in which we operate. Our risks were revisited through interviews, analyzes and evaluations with the superintendents and directors.

During 2014, we implemented and followed risk mitigation actions, reducing our exposure before the undesirable events.

The consolidation of this information will allow us to have the vision of inventory risks, through the identification of their nature, such as strategic, operational, financial or compliance, providing our risk management integration at all levels of our Company.

The zeal to prevent loss of data and the confidentiality of information of failures in information security or unauthorized access to computer systems prompted us to devote additional effort to the subject. In 2014, we conducted the review and disclosure of the employees Information Security Policy and began our review of the access profiles to the systems,

Forest area, Campina da Alegria - SC



Employees at the Packaging Unit SP – Indaiatuba

which will give us better segregation of duties and safer access. The completion of this project is scheduled for 2015.

On organic growth and the modernization of the machinery, we are exposed to risk events that have considerable impact on the implementation of strategic projects, which may cause increased costs, greater run times and significant changes in the scope and quality of projects, events that have significant interference in the rates of return on investments. To minimize these risks, we use our own methodology which is aligned with best practices for project management.

We have units in regions where there have been records windstorms and tornadoes, with damage to our assets and temporary shutdown of operations. To mitigate this risk, we conducted analysis for contracting insurance in order to minimize possible losses. In addition, to control the outbreaks of fires in natural and planted forests, we have forest patrols and we monitor through a strategically placed tower, allowing us an ample view of the planted areas.

Aiming to strengthen the transparency of relationship with suppliers, strengthen the commitment in our Code of Ethics and combat fraud, we have included in our contracts an anti-corruption clause in accordance with Law No. 12,846/13, which provides for accountability legal persons for committing acts against public administration.

We carry out import and export transactions, and we posses financial contracts in foreign currency, subject to exchange rate variations. So, we have made permanent monitoring of the foreign exchange market, as well as the adoption of the currency *hedges*, when necessary, as long as this is approved by the Board of Directors, to offset any impact of this variation. As for the rise in interest rates, we perform continuous monitoring, adopting conservative funding policies and use of financial resources and diversification of financial instruments at fixed and variable rates.

We are designated to more effective management, in 2015, our risk managers carried out the evaluation of controls, maintaining continuous monitoring of the level of risk exposure. Often discussed by peers in the sector, the theme emerges as the need to structure financial management to create organic growth opportunities and innovation in the business model, aiming to increase productivity and lower costs.

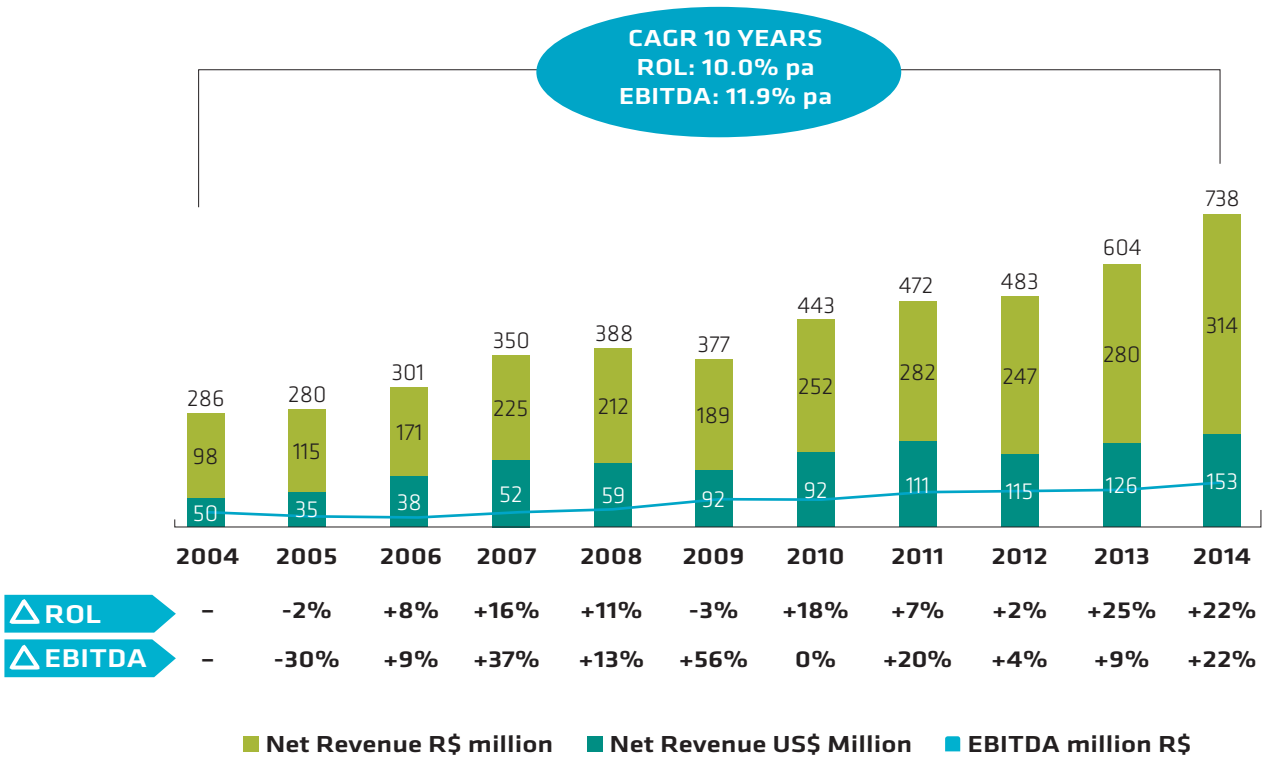
Packaging Unit SC – Campina da Alegria

Economic performance and the businesses

We deal with austerity the economic performance and the businesses, that underlie the Financial dimensions, Processes and People of the BSC, and has been highlighted by the leaders during the process definition of the materiality, showing the cross-cutting of the theme.

We have consistently evolved in our economic indicators. This is the result of the consolidation of the strategy adopted over the years, as presented in the following graph.

Our consolidated net revenue has evolved to an annual average of 10% in the last ten years. In this same period, our adjusted EBITDA showed an average annual growth of 11.9%, from R$ 50 million in 2004 to R$153 million in 2014.



Balance Sheets at December 31
(In thousands of reais)

ASSETS	Consolidated	
	12/31/14	12/31/13
CURRENT		
Cash and cash equivalents	165,985	135,005
Accounts receivable from Customers	129,922	129,970
Stocks/Inventory	62,649	60,838
Recoverable taxes	7,094	7,721
Banks linked to account	2,073	2,730
Other assets	28,763	11,672
Total current assets	396,486	347,936
NON CURRENT		
Recoverable taxes	3,625	3,625
Judicial Deposits	1,185	1,122
Other assets	2,457	7,542
Related parties	1,093	1,005
Biological assets	281,621	268,725
Total long-term assets	289,981	282,019
Investment property	4,087	-
Fixed Assets	875,472	888,403
Intangibles	112,811	113,163
Total non-current assets	1,282,351	1,283,585
TOTAL ASSETS	1,678,837	1,631,521

LIABILITIES AND STOCKHOLDERS EQUITY	Consolidated	
	12/31/14	12/31/13
CURRENT		
Funding	125,235	119,705
Debentures	44,382	53,041
Suppliers	65,239	90,575
Social security and INSS liabilities	40,440	32,534
Tax liabilities	19,880	13,591
Tax and social contributions payable	787	761
Tax installments	2,309	10,260
Advances from customers	2,538	1,618
Dividends payable	12,964	19,772
Other accounts payable	15,946	15,518
Total current assets	329,720	357,375
NON CURRENT		
Funding	537,490	350,855
Debentures	69,738	109,885
Provision for civil, labor and tax risks	32,482	44,078
Tax installments	3,665	40,159
Tax liabilities	11,293	16,911
Other accounts payable	-	1,344
Deferred income tax and social contribution	196,824	222,673
Total non-current liabilities	851,492	785,905
TOTAL LIABILITIES	1,181,212	1,143,280
EQUITY		
Capital	151,895	116,895
Capital reserve	960	960
Profit Reserve	166,139	151,280
Adjustments for equity valuation	178,617	219,094
Net equity attributable to controlling interests	497,611	488,229
Participation of non-management	14	12
Total shareholders' equity	497,625	488,241
TOTAL LIABILITIES AND NET EQUITY	1,678,837	1,631,521

Income statements for the years ended December 31
(In thousands of reais)

	Consolidated	
	12/31/14	12/31/13
NET SALES	738,499	604,241
Variation in the fair value of biological assets	29,416	20,107
Cost of goods sold	(545,224)	(438,092)
GROSS PROFIT	222,691	186,256
(EXPENSES) INCOME		
With sales	(70,738)	(53,097)
General and administrative	(46,970)	(44,971)
Other operating income	11,158	38,006
Other operating expenses	(10,139)	(9,667)
Participation of managers	(6,287)	(7,490)
INCOME BEFORE FINANCIAL RESULT AND TAXES	99,715	109,037
Income (expenses), financial, net	(71,339)	(52,928)
Financial income	25,159	19,691
Financial expenses	(96,498)	(72,619)
OPERATING PROFIT BEFORE TAXES	28,376	56,109
Income Tax and Current Social Contribution	(400)	(1,284)
Deferred income tax and social contribution	28,603	12,585
EARNINGS IN THE PERIOD	56,579	67,410
Profit attributable to:		
Controlling shareholders	56,579	67,408
Non-controlling shareholders	-	2
	56,579	67,410
BASIC AND DILUTED EARNINGS PER ON SHARE - R$	0,3443	0,4201
BASIC AND DILUTED EARNINGS PER PN SHARE - R$	0,3443	0,4201

ECONOMIC CONTEXT AND PRINCIPAL RESULTS

The economies of the United States and Europe have shown signs of recovery, highlighting the improvement in the leading economic indicators in the United States, that showed a growth of 2.6% in the last quarter of the year. In Brazil, the scenario is stagnation or even a slight retraction. Inflationary pressures, with the IPCA near to the high point of the target established by the government, continued to be a concern, leading the Central Bank to a sequence of high interest rate hikes, raising the Selic to 12.75% per year at its meeting in March 2015. The economic activity in the country has being showing signs of weakness, registering the 2014 GDP indicating a shrinkage of 0.15 %, below initial expectations.

On the other hand, the indicators show high levels of domestic consumption of corrugated cardboard, which favored the paper and packaging industry, as highlighted by the Brazilian Association of Corrugated (ABPO). Total sales of boxes, accessories and corrugated sheets reached 3.4 million tons, accumulated, in 2014, an increase of 0.1% compared to 2013 according to ABPO. Our performance in relation to the volume of sales on the market in 2014 grew by 34.5% compared to the previous year, mainly reflecting the full consolidation of the operations of Sao Roberto.

In 2014, we had highlighted as the consolidation of operations of Indústria de Papel e Papelao Sao Roberto S.A, now, definitely, to operate in complete sync with the other operations of the Company and also the modernization of the Paper Machine I, an important investment which increased the production capacity Packaging Paper.

KEY INDICATORS - CONSOLIDATED	2014	2013	Var. 2014/2013
Economic and Financial (R$ thousand)			
Net Operating Income	738,499	604,241	22.2%
Domestic Market	643,959	527,527	22.1%
External Market	94,540	76,714	23.2%
Gross Profit (* included)	222,691	186,256	19.6%
(*) Variation in the fair value of biological assets	*29,416*	*20,107*	46.3%
Gross Margin	***30.2%***	***30.2%***	***-0.6pp***
Operating Income Before Taxes and Interests/Stakes	28,376	56,109	-49.4%
Operating Margin	***3.8%***	***9.3%***	***-5.5p.p***
Net Result	56.579	67.408	-16.1%
Net Margin	***7.7%***	***11.2%***	***-3.5p.p***
Adjusted EBITDA[1]	153,483	126,210	21.6%
Adjusted EBITDA Margin	***20.8%***	***20.9%***	***-0.1p.p***
Net Debt	608,8	495,8	22.8%
Net Debt/EBITDA Adjusted (x)	3.97	3.61	10.0%
Operating Data (t)			
Corrugated cardboard packaging (PO)			
Production/Sales	199,745	148,486	34.5%
Packaging Paper			
Production	266,151	251,209	5.9%
Sales	77,507	104,281	-25.7%
Forestry RS and Resins			
Production	8,403	7,930	6.0%
Sales	8,365	8,019	4.3%

[1] *EBITDA (earnings before interest, taxes, depreciation, amortization and depletion)*

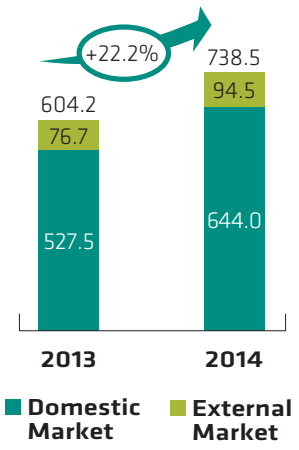
NET OPERATING REVENUE

In 2014, the net operating revenue totaled R$ 738.499 million, an increase of 22.2% compared to the same period of the previous year, reflecting the increase in Corrugated Packaging sales revenue from Packaging Unit SP - Vila Maria the old Sao Roberto) that, in 2013, was consolidated in the Company only in October.

In contrast, our paper sales from the Paper Unit MG - Santa Luzia, which in 2013 comprised the Company's net revenue, are no longer a part in 2014, because the paper was transferred internally to the Packaging Unit SP – Vila Maria.

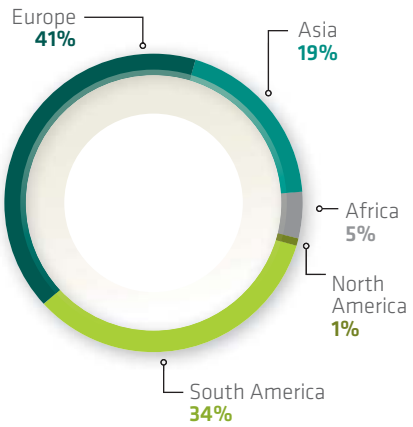
In the domestic market, the net operating income was R$ 643.959 million, an increase of 22.1% when compared to 2012. The revenue from the domestic market accounted for 87% of IRANI´s total revenues in 2013, which is our largest market in the Company.

Net Revenue (R$ million)

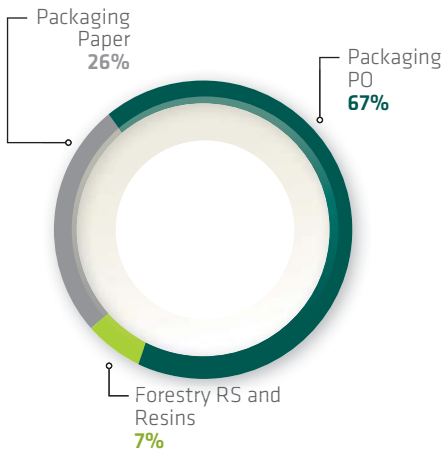


Exports in 2014 totaled R$ 94,540 million, an amount 23.2% higher than in 2013, representing 13% of total net operating revenues, the result of a higher exchange rate. Europe was the main destination of exports, concentrating 41% of export revenues, followed by South America with 34%. Other markets include Asia (19%), Africa (5%) and North America (1%).

Net Revenue External Market by Region in 2014



Net Revenues per Segment (2014)



GROSS PROFIT

Our gross profit increased by 19.6% compared to 2013 and reached R$ 222.7 million, with a gross margin of 30.2%, the increase in net revenue was the main factor for this increase.

EVALUATION OF THE FAIR VALUE OF BIOLOGICAL ASSETS (FORESTS)

As of 2010, we measured the fair value of our biological assets (forests) periodically, as determined by CPC 29. The variation of this value took effect on our results in 2014, as demonstrated below:

Effects of the variation of the fair value of biological assets

R$ thousand	2014	2013
Variation in the fair value of biological assets	29,416	20,107
Depletion in the fair value of biological assets	(17,926)	(17,887)

The variation of the fair value of the biological assets was greater than the variation in 2013, this was mainly due to the increase in the in timber prices in 2014, while in 2013 there was stability and the increase by the increase in the forest volumes in that period.

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

Forest area,
Campina da Alegria – SC

OPERATING INCOME BEFORE TAXES AND INTERESTS/ STAKES

In 2014, our operating income before taxes and interest amounted to R$ 28,376 million, less when compared to 2013, recorded at R$ 56,109 million.

NET RESULT

Also in 2014, our net income was R$ 56.579 million compared to R$ 67.408 million seen in 2013. The result of 2013 was impacted by the reflections to our adhesion to the REFIS program of Law 11,941/09, which did not occur in 2014 at the same levels, on the other hand, the change in fair value of biological assets grew 46.3% in 2014 over 2013, which contributed positively to our net income.

Operating Cash Generation (EBITDA Adjusted)

Consolidated (R$ thousand)	2014	2013	Var. 2014/2013
Operating Income Before Taxes and Interests/Stakes	**28,376**	**56,109**	**-49.4%**
Depletion	21,618	21,386	1.1%
Depreciation and Amortization	50,554	34,415	46.9%
Financial Results	71,339	52,928	34.8%
EBITDA	**171,887**	**164,838**	**4.3%**
EBITDA Margin	***23.3%***	***27.3%***	***-4.0p.p.***
Adjustments conf Inst. CVM 527/12			
Variation in the fair value of biological assets[1]	(29,416)	(20,107)	46.3%
Stock Option/Directors Participation[2]	6,287	8,073	-22.1%
Non-recurring events[3]	4,725	(26,594)	-
Adjusted EBITDA	**153,483**	**126,210**	**21.6%**
Adjusted EBITDA Margin	***20.8%***	***20.9%***	***-0.1p.p.***

[1] Variation in the fair value of biological assets, did not mean a cash generation in the period;
[2] Stock option/management participation: the Stock option in 2013 corresponds to the fair value of the instruments and has a counterpart in the reserve capital of the net equity: and the participation of the directors is related to the distribution of the Company's results, and non of them represent a cash disbursement in the period.
[3] Non recurring events (2014) refer to the loss of R $ 4,725 million due to the adhesion of the REFIS program of Law 12,996 of June 18, 2014.

The operating cash generation, measured by the adjusted EBITDA in 2014 totaled R$ 153.483 million, with a margin of 20.8% and 21.6% more than in 2013 calculated at R$ 126.21 million, a growth in function of the merger of operation Packaging Unit SP - Vila Maria in its entirety in 2014, and also due to better operational performance in the period.

FINANCIAL RESULT

In 2014, our financial result was R$ 71,339 million negative, an increase of 34.8% compared to 2013 which totaled R$ 52,928 million negative, impacted mainly due to the consolidation of the operations of Sao Roberto S. A. in October 2013. This result is distributed as follows:

R$ thousand	2014	2013
Financial income	25,159	19,691
Financial expenses	(96,498)	(72,619)
Financial Results	(71,339)	(52,928)

Revenues and financial expenses are presented including the foreign exchange assets and liabilities, as follows:

R$ thousand	2014	2013
Active exchange variation	8,937	7,858
Passive exchange variation	(12,096)	(9,495)
Net exchange variation	(3,159)	(1,637)

The exchange rate changes negatively impacted the results of the Company by R$ 3,159 million in 2013, explained by the depreciation of the Real against the dollar. Our financial result without exchange rate variation is shown as follows:

R$ thousand	2014	2013
Financial Result without exchange rate variation	(68,180)	(51,291)

Packaging Unit SP – Indaiatuba

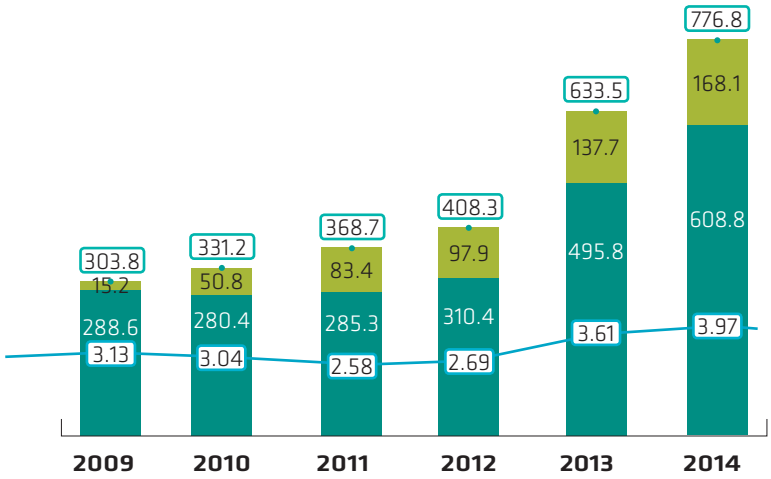
NET DEBT

Our consolidated gross debt at December 31, 2014 totaled R$ 776.8 million, compared to R$633.5 million at December 31, 2013. The profile of gross debt as of December 31 was 22% with short-term maturity and 78% with long-term maturity.

Our consolidated cash flow at December 31, 2014 totaled R$ 168.1 million, compared to R$137.7 million at December 31, 2013. Our consolidated net debt at December 31, 2014 totaled R$ 608.8 million, compared to R$ 495.8 millions at December 31, 2013.

The net debt indicator/EBITDA increased from 3.61 times at the end of 2013 to 3.97 times at the closure of 2014. The variation of this indicator was influenced by the increase of the dollar in the quarter due to the part of the debt exposure in this currency, the partial amortization of the REFIS of Sao Roberto and the disbursement of R$ 70.829 million used in the conclusion of the strategic investments made in 2014.

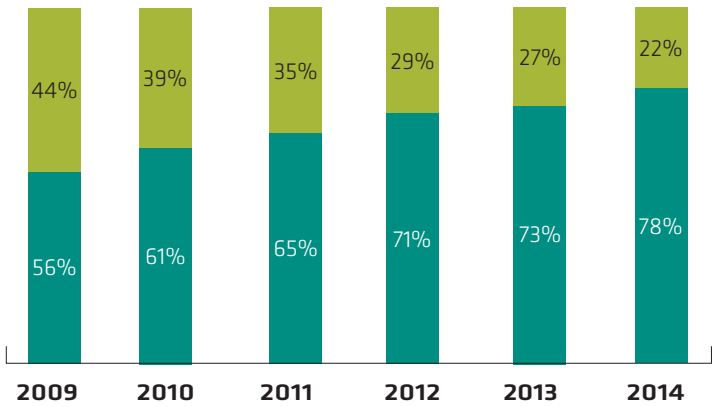
Debt and Net Debt / EBITDA



Note: The Net Debt/EBITDA ratio is calculated considering the EBITDA pro-forma for 2013, which includes the operations of the subsidiary Sao Roberto SA, as if it was already consolidated in the Company from January 2013.

- Cash Balance (R $ million)
- Net Debt (R$ million)
- Gross Debt (R$ million)
- Net Debt/EBITDA (x)

Gross Debt Profile



- Short-term debt (%)
- Long-term debt (%)

DISCLOSURE OF ANNUAL FINANCIAL STATEMENTS

The full text of the Annual Financial Statements is available on the Company Investor Relations site (accessing the link **http://www.irani.com.br/en/ri/home/index**). The full report covers the Financial Statements, the Explanatory Notes, the opinion of the Independent Auditors and the Management Report, prepared in accordance with the Brazilian Corporate Law and its amendments, and with the standards established by the Securities Commission (CVM). The disclosure of this report took place on February 27, 2015, in newspapers with a large circulation where IRANI discloses its corporate documents, as well as the CVM and BM&FBOVESPA sites.

DIRECT ECONOMIC VALUE GENERATED AND DISTRIBUTED (IN R$ MILLION)

The statement of added value (DVA) shows the figures for the wealth generated by the Company and its distribution between the parties that contributed to the generation of this wealth, such as employees, government, financial intuitions and shareholders. In 2014, the total value added, 35% was distributed to employees, 18% to the government, 32% as compensation for debt (lenders) and 15% distributed as compensation for equity (shareholders).

Statement of value added for the year ended December 31 (In thousands of reais)

	Consolidated			
	12/31/14	%	12/31/13	%
1. REVENUE	969,858		820,248	
1.1) Sales of goods, merchandise and services	959,405		783,004	
1.2) Other revenues	11,158		38,006	
1.3) Provision for doubtful accounts – constitution	(705)		(761)	
2. SUPPLIES ACQUIRED FROM THIRD PARTIES	539,664		448,630	
2.1) Cost of services and merchandise sold	459,661		385,893	
2.2) Materials, energy, outsourced services and others	80,003		58,147	
2.3) Loss/Recovery of assets	-		4,590	
3. GROSS ADDED VALUE (1-2)	430,194		371,618	
4. DEPRECIATION, EXHAUSTION AND AMORTIZATION	72,172		55,801	
5. VARIATION IN THE FAIR VALUE OF ORGANIC ASSETS	(29,416)		(20,107)	
6. VALUE ADDED BY THE NET PRODUCED BY THE UNIT (3-4-5)	387,438		335,924	
7. ADDED VALUE RECEIVED IN TRANSFER	25,159		19,691	
7.1) Financial income	25,159		19,691	
8. TOTAL ADDED VALUE TO DISTRIBUTE (6 +7)	412,597		355,615	
9. DISTRIBUTION OF ADDED VALUE	412,597	100.00%	355,615	100.00%
9.1) Personnel	145,409	35.24%	113,813	32.00%
9.1.1 – Direct Remuneration	115,059		92,695	
9.1.2 – Benefits	23,610		15,980	
9.1.3 – F.G.T.S.	6,740		5,138	
9.2) Taxes and contributions	73,997	17.93%	63,018	17.72%
9.2.1 – Federal	44,528		43,595	
9.2.2 – State	27,985		18,709	
9.2.3 – Municipal	1,484		714	
9.3) Remuneration of third party capital	130,325	31.59%	103,884	29.21%
9.3.1 – Interest	96,498		72,620	
9.3.2 – Rents	33,827		31,264	
9.4) Remuneration on equity	62,866	15.24%	74,900	21.07%
9.4.1 – Dividends	15,667		19,516	
9.4.2 – Lucros (prejuízos) do exercício retidos	40,912		47,892	
9.4.3 – Profits (losses) from the retained exercises	-		2	
9.4.4 – Participation of non-controllers in retained earnings	6,287		7,490	

Social and environmental responsibility

We conduct our business in accordance with the best practices of social and environmental management.

Management of suppliers

Our suppliers are grouped into five purchasing groups and the main channels of communication are established by direct contact with our negotiators, the IRANI Online Portal, the institutional site, the Sustainability Report and the actions developed in partnership.

Our negotiations with suppliers meet specific procedures for the identification, qualification. selection and evaluation of critical suppliers. In the qualification process, we consider the characteristics of each group and we aim to ensure compliance with social and environmental requirements, health and safety, and quality.

We conduct internal and external audits in the purchasing process and evaluate the results in critical analysis meetings with monitoring indicators and evaluations based on the Modelo de Excelência em Gestão – MEG (Model of Excellence in Management), ISO and FSC standards. Since 2012, we have mapped the risks and controls of the procurement processes, contract management and warehouse, in order to understand them, treat them and / or eliminate them.

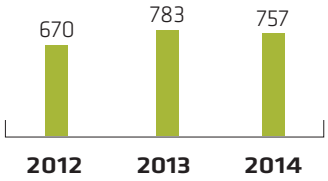
We are signatories of the Global Compact and Pacto Empresarial pela Integridade e contra a Corrupção (Covenants for Integrity and against Corruption) and encourage such conduct with our suppliers and service providers through the IRANI Online Portal, by e-mail for sending purchase orders and access to our site. The commitment to broaden the dissemination to the heads of the 300 largest suppliers has been missed and will persist in 2015.

In 2014, we implemented a computerized system for third-party management in the Paper Unit SC – Campina da Alegria and Packaging Unit SC – Campina da Alegria, aligned to one entry procedure and output of visitors and service providers that addresses issues related to internal standards, health and safety, environment and the documentation required by law. In the coming years, we intend to deploy the same standard in other units.

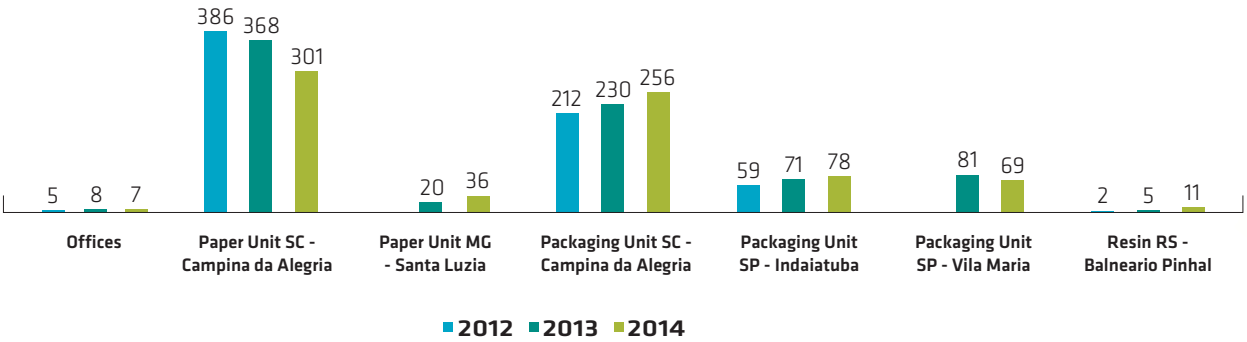
Lake of the Flor do Mato Plant, Ponte Serrada – SC

Also in 2014, we re-evaluate the way of indicating the presence of service providers in the Company because we believe that to use static information for the last business day of the period does not faithfully portray our reality. In this sense, we will inform the average to the service providers throughout the year.

Number of service providers (consolidated average)



Number of service providers per unit



Periodically, we carry out Sustainability Research that covers environmental issues for updating suppliers registrations. In the buying process, we prioritize three issues of this research as a tie-breaker in the case of negotiations in which price and quality appear to be equivalent. In 2014, we reviewed this survey and we resent it to 4,474 companies, of which 694 responded, recording a rate of return of 15%. The results will be consolidated and updated, and information entered in supplier.

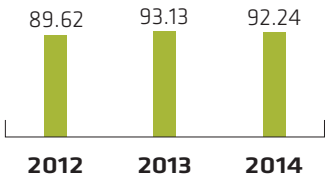
Main Research Topics

- Certifications
- Voluntary social-environmental projects;
- Waste Management;
- Labor practices;
- Human Rights;
- Ethics.

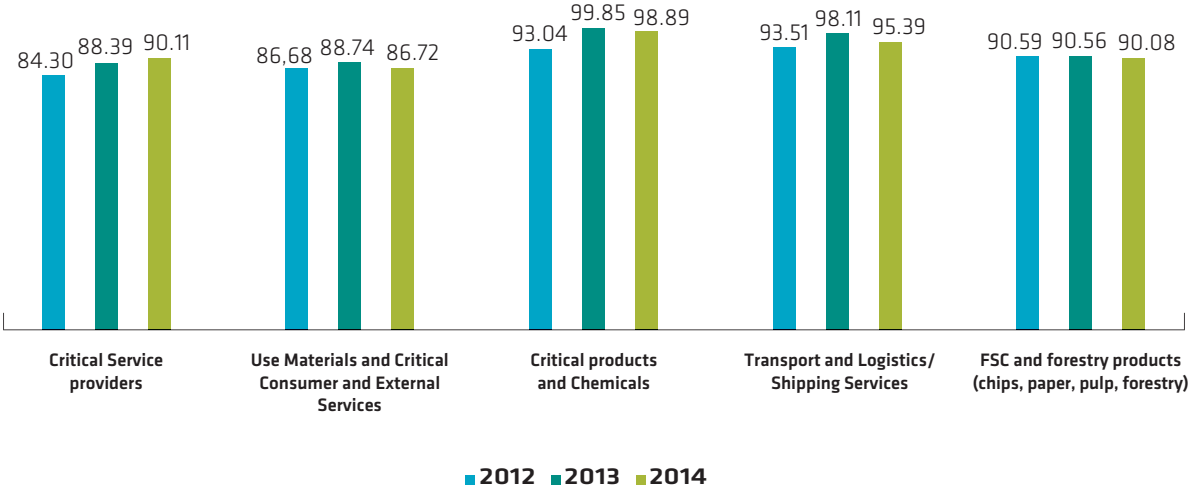
Using the Índice de Desempenho de Fornecedores - IDF (Suppliers performance index), we can analyze the quality of the products and services, as well as the effectiveness of business process and the efficiency of the communications and the comercial process with the important suppliers. These suppliers receive the evaluation result by email and critical points are monitored and communicated to all through the details and records of non-compliance, if applicable. Joint actions are carried out as a result of IDF analysis monitoring, consolidated and presented globally and for each buying group.

To keep the process of supplier qualification up to date, in 2014, we blocked the registers of 6,312 companies due to the discontinuity of supply in a the 24-month period.

Performance index suppliers (consolidated)



Performance index of providers per purchasing group



To keep the process of supplier qualification always up to date, in 2014, we blocked the registers of 6,312 companies due to the discontinuity of supply in a the 24-month period. To reactivate their registrations, it is necessary that the supplier passes again through the qualification process, meeting all the criteria and requirements applied to the buying group to which it belongs.

Employee at the Packaging Unit SC – Campina da Alegria

Following are the main suppliers that make up our supply chain:

Buying Groups	Type of supplier	2013			2014		
		Number of Suppliers	Total Value (in R$ million)	% of total purchases	Number of Suppliers	Total Value (in R$ million)	% of total purchases
Critical Service providers	Energy	14 (MG,SP e SC)	13	3%	9 (MG, RO, SC, SP)	16	3%
	Services	1.121 (MG,SP,PR, SC, e RS)	31	6%	1.268 (ES, AM, DF, MG, MS, PE, PR, RJ, RS, SC, SP)	49	8%
Critical products and Chemicals	Chemicals and other inputs	95 (SP,PR,SC)	49	10%	193 (MG, MS, RN, PR, RJ, RS, SC, SP)	61	10%
Consumption use	Consumables	4900 (MG,SP,PR,SC e RS)	22	4%	197 (EX, MG, PB, PR, RS, SC, SP)	29	5%
Transport and Logistics/ Shipping Services	Logistics	63 (SP,PR,SC)	32	6%	64 (GO, MG, MS, PR, RJ, RS, SC, SP)	45	8%
FSC and Forest Products	Forestry	87 (MG,SP e SC)	88	17%	128 (DF, MG, PR, RJ, RS, SC, SP)	112	19%
	Chips	88 (PR,SC e RS)	42	8%	63 (MG, PR, RS, SC, SP)	42	7%
	Resins	Non stratified information in 2013			69 (SP, RS, EX*)	26	5%
	Pulp and Paper	43 (MG,SP,PR,SC e RS)	54	10%	32 (MG, PR, RJ, RS, SC, SP)	54	12%

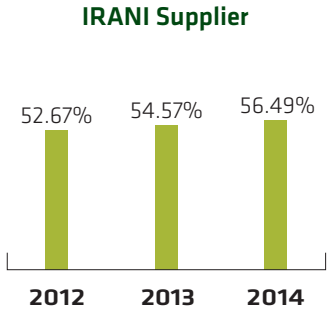
Note: EX can be understood as abroad.

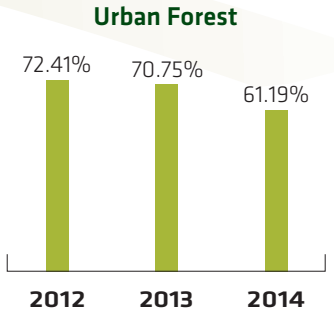
Whenever possible, IRANI prioritizes making purchases with suppliers from the surrounding communities as a way to stimulate local development. Each year, the growth of these purchases is evident.

	2012	2013	2014
Total purchases from local suppliers (in R$ thousands)	58,001	108,680	114,470
Percentage of total purchases made by the Company	16.74%	17.07%	19.43%

In the IRANI Project Supplier, we seek to maintain 60% of contracts with steady partners. In the last three years, this indicator has experienced significantly – in 2014 it closed at 56.49% – yet we still have not reached the target set because of difficulties encountered in the market and reduction of the purchase volume of important items for the composition of this indicator.

To ensure the purchase of wooden chips, reducing market volatility, we set a goal for 2014 that involved the maintenance of 80% of the Urban Forest Project partnership contracts. Over the years, our results in this direction are moving away from expectation. To reverse this condition, in 2014, we began at the Paper Unit MG - Santa Luzia a job to formalize strategic agreements with trading partners and the development of new suppliers that state.





TARGET 2015

PERSIST IN THE COMMITMENT TO KEEP 60% OF THE SUPPLIERS WITH LONG TERM CONTRACTS IN THE IRANI SUPPLIER PROJECT. FOR THE URBAN FOREST PROJECT, MAINTAIN 80% OF THE WOODEN CHIP PURCHASES FROM SUPPLIERS WITH STABLE SUPPLY CONTRACTS.

SOCIAL-ENVIRONMENTAL RISK ASSESSMENT OF SUPPLIERS

Our supply contracts and service contracts contain specific clauses relating to the quality of services and the environment. In this sense, we understand that these documents are like a declaration between the parties that there is no forced or compulsory slave and child labor in the operations.

When registering new suppliers, we consult the blacklist of the Ministério do Trabalho e Emprego - MTE (Ministry of Labor and Employment), which we review with each new update published. In 2014, we identified 16 suppliers in this list, which had immediately blocked their registrations blocked for new acquisitions and/or hiring until the dispute is regularized and their names removed from the list. In the previous year, we identified 10 suppliers in this situation.

The main suppliers of forest services, paper and wood, which make up the weakest link in the chain, we apply a specific evaluation and regular visits to ensure the basic guarantee the human rights of workers, besides verifying the care taken with the Wood Purchasing Policy and the FSC principles.

We seek to identify and understand the risks better and the negative social and environmental impacts, significant, actual and potential in our supply chain of suppliers, enabling the necessary measures are taken to mitigate them, this action is in line with the Global Compact and the guidelines of the *Global Reporting Initiative* (GRI). This is an important issue for the pulp and paper sector in the search for effective risk management and the enhancement of opportunities for joint actions with suppliers, creating value to society as a whole. During the materiality definition process, our leaders stressed the need to prioritize the management seeking to reduce labor infractions in this chain.

In 2014, aiming to expand its sources of raw material of recycled fiber more efficiently and safely, we began the partnerships with some clients in order to collect waste paper and corrugated cardboard to recycle them internally. About 650 tons of chips returned to our units because of this initiative. This action shows our efforts to meet the National Policy on Solid Waste and will be extended to other customers in 2015, seeking to achieve the return of 1,800 tons of chips in the production process.

Relationship with surrounding communities

Our surrounding communities are the places where we have manufacturing plants and offices and municipalities where most of our employees live and can be impacted by our process. We develop and support social – environmental projects in all municipalities where we are located.

In Santa Catarina, we consider as surrounding communities the municipalities of Catanduvas, Concordia, Irani, Joacaba, Herval d'Oeste and Luzerna, Ponte Serrada and Vargem Bonita. Historically, these communities have a higher degree of interdependence, due to the generation of jobs and taxes, either by the stimulation of local development, and we recognize the because of the integrity, and the capacity to generate formal jobs and income.

In Vargem Bonita, at the side of our largest industrial park, Campina da Alegria, a village with about 700 residents living in the Company's property that relate directly or indirectly with us, through employment contracts or providing services. The buildings used for providing services to the community, are owned by the institutions installed in them.

Our Revitalization Project for Campina da Alegria has been implemented since 2007 and includes actions such as the construction and renovation of buildings, promoting trade and local services, and partnerships with the government and other social actors to promote activities aimed at the wellbeing and quality of life of residents.

The new buildings are made by third party companies, primarily from the communities in the surrounding areas, and have systems for the capture and reuse of rainwater . In addition, we installed two new sanitary treatment systems in the community, benefiting about 10% of the population. Our intention is to expand the network, benefiting the community as a whole.

In 2014, our goal for the construction of two new buildings and civil reform of five others was partially achieved. We delivered three new houses and started the civil reforms, concluding one of these jobs still in 2014. The remaining are scheduled for delivery in 2015, culminating in the completion of the master plan for the community. In recent years we have invested approximately R$ 3 million in jobs, and in 2014, the investment was R$ 427 thousand.

Communities
Campina da
Alegria – SC

We retained more than R$ 417 million by way of ISS for the municipality of Vargem Bonita (SC) in 2014, representing 1.91% of the total retained in the municipality. In 2013, we retained approximately R$ 384 million, equivalent to 2.16% of the total retained in this locality and, in 2012, we retained approximately R$ 430 thousand and 2.75%, respectively. We also have a partnership with the Vargem Bonita Prefecture, in which part of the ISS retained for the municipality is passed on to the Associação de Moradores de Campina da Alegria - Amoca (Campina da Alegria Residents Association) in order to stimulate community development. This incentive was R$ 73,38 million in 2014 and provided Amoca the realization of social-cultural actions, sports activities and the reform of public spaces. In 2013, R$ 73,31 million and in 2012, R$ 82.60 million were transferred.

Our official communication with the Campina da Alegria is performed by means of a specific area we call the Village Management and is focused on serving the community demands. Another channel of communication we use is the Open Chat with exclusive circulation in the community and significant recognition by the locals, and a notice board installed in the central square. When necessary meetings with the AMOCA board and residents are held.

Our interface with the Residents Association and the government, among other entities in the surrounding areas, makes it possible to perform several actions focused in the community, such as making charitable and festive events – such as the rescue of Carnival in the community, famous in the region – the revitalization of spaces such as the library in the local school, and specific social-cultural actions, such as artistic and cultural presentations.

IRANI Choir

In 2015, we will begin a new cycle of identification of aspects and social – environmental impacts arising from our operations in Santa Catarina.

In Rio Grande do Sul, the communities around our industrial operations include the municipalities of Balneario Pinhal, Cidreira, Mostardas, Porto Alegre, Sao Jose do Norte and Tavares. In 2013, these locations participated in a survey to assess the social and environmental aspects impacts generated by our activities.

The results of this study show a positive perception of the community in relation to the generation of formal employment and direct and indirect income, by offering good working conditions and compliance with the commitments and contracts signed. Also recorded as positive is the inclusion of a pine plantation in the region as an alternative to the local economy, now dependent on onion cultivation, and an incentive for local businesses.

This survey also found opportunities to approach the government and local social organizations. In this sense, throughout 2014, the deployment of our action plan focused on the alignment of joint actions to be undertaken from 2015, through the Programa Nacional de Resistência às Drogas e à Violência – PROERD (National Program of Resistance to Drugs and Violence) and Protetor Ambiental (Environmental Ranger), both from the Military Brigade, for the development of citizenship and multiplication of environmental education for children and community youths.

In 2015, we will begin a new cycle of identification of aspects and social – environmental impacts arising from our operations in Santa Catarina. In Sao Paulo, our surrounding communities are Guarulhos, Indaiatuba, Salto and the capital. And, in Minas Gerais, the municipality of Santa Luzia. Our communication with these communities is performed by our leaders that interface with the government, the third sector and community. Our social actions involve partnerships for the development of programs and social projects, educational, environmental, sports and cultural.

Social investments (in R$)

	2012	2013	2014
Direct Investment	203	183	362
Rouanet *Law*	100	100	100
SP Cultural Action Program	11	57	–
Timely donations	26	48	89
TOTAL	**340**	**338**	**551**

Visit: **http://www.irani.com.br/en/info/managing-for-sustainability** to learn more about the actions and the social projects.

We started in 2014, the structuring of a formal project to guide and equalize our relationship with the surrounding communities, which should guide our priorities of social investments and partnerships in 2015.

In 2014, we signed protocols of intent with the government of Minas Gerais and Santa Catarina, confirming the support of these governments for the implantation of projects for the expansion of the industrial units and recognizing the importance of entrepreneurship for job creation and industrial, commercial and social-economic development of the states.

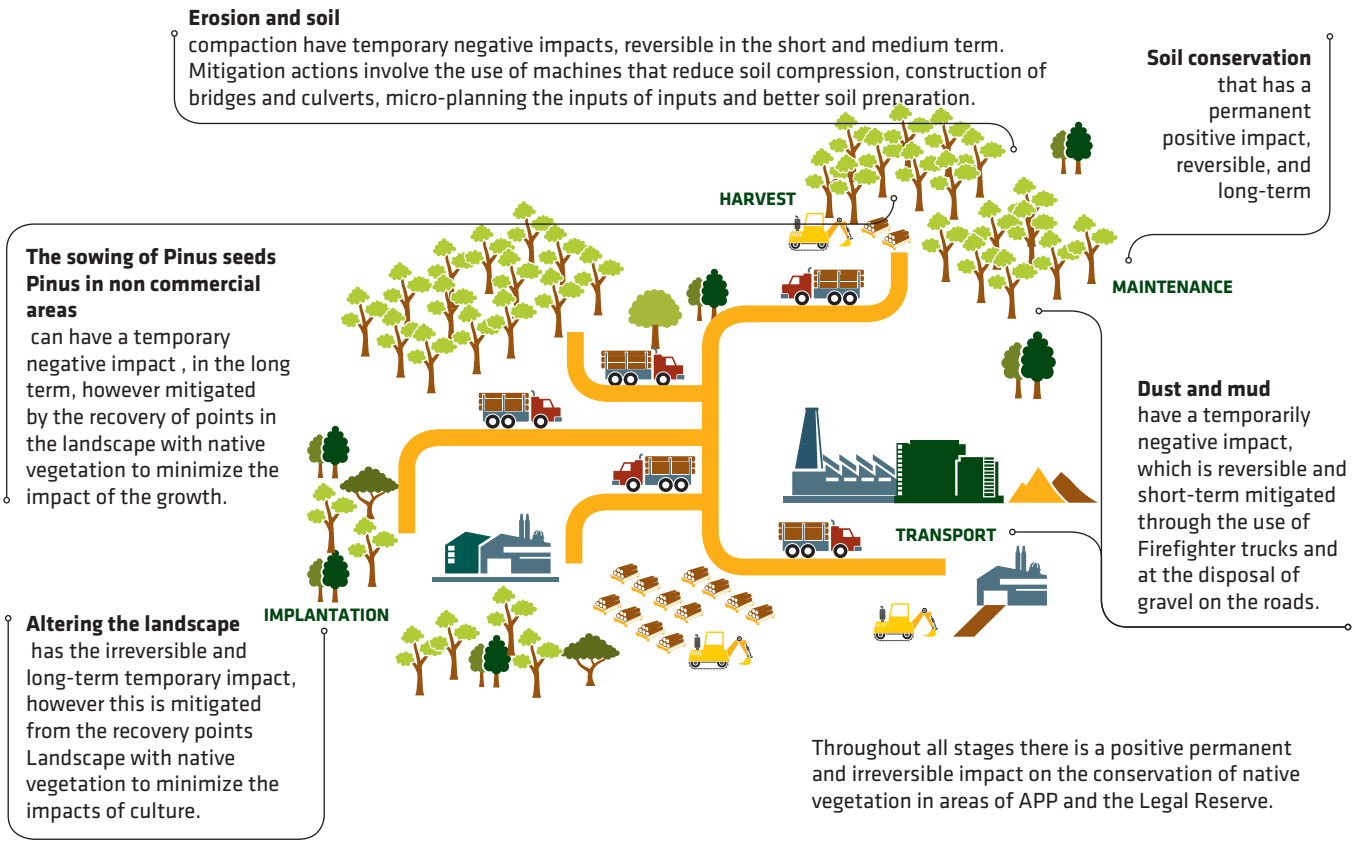
We maintain close communication with government leaders and with representative social organizations of society. Our leaders take positions on boards and / or contribute to projects and actions in the following organizations:

Business associations	• American Chamber of Commerce (Câmara Americana de Comércio) (AMCHAM) • Brazilian Tree Industry (Indústria Brasileira de Árvores) (Ibá) • Associação Brasileira de Companhias Abertas (Abrasca) • Brazilian Association of Corrugated Cardboard (Associação Brasileira do Papelão Ondulado) (ABPO) • Brazilian Technical Association of Pulp and Paper (Associação Brasileira Técnica de Celulose e Papel) (ABTCP) • Santa Caterina Association of Forestry Companies (Associação Catarinense de Empresas Florestais) (ACR) • Gaucho Association of Forestry Companies (Associação Gaúcha de Empresas Florestais) (Ageflor) • Brazilian Resin Makers Association (Associação Resinadores do Brasil) (Aresb) • West Santa Caterina Commercial and Industrial Association (Associação Comercial e Industrial do Oeste Catarinense) (ACIOC) • Santa Luiza Business Association (Associação Empresarial de Santa Luzia) (AESL) • Rio Grande do Sul Industrial Canter (Centro de Indústria do Rio Grande do Sul) (CIERGS) • Federation of Commercial and Service Associations of Rio Grande do Sul (Federação das Associações Comerciais e de Serviços do Rio Grande do Sul) (Federasul) • Brazilian Institute of Relations with Investors (Instituto Brasileiro de Relações com Investidores (IBRI)
Trade and Business Unions	• Union of the Cardboard Industry of Sao Paulo (Sindicato da Indústria do Papelão de São Paulo) (Sinpesp) • Union of the Pulp and Paper Industries of Santa Catarina (Sindicato das Indústrias de Celulose e Papel de Santa Catarina) (Sinpesc) • Association of Pulp and Paper Industries in the State of Minas Gerais (Sindicato das Indústrias de Celulose e Papel no Estado de Minas Gerais) • (Sindicato das Indústrias de Celulose, Papel, Papelão, Embalagens e Artefatos de Papel, Papelão e Cortiça do Rio Grande do Sul) • (Sinpasul) • Union of Wind Energy of Rio Grande do Sul (Sindicato de Energia Eólica do Rio Grande do Sul) • Union of Trade Employees in Porto Alegre (Sindicato dos Empregados do Comércio de Porto Alegre) (Sindec) • Paper-workers Union of Salto (SP) and Region (Sindicato dos Papeleiros de Salto (SP) e Região) • Osorio Union of Workers (Sindicato dos Trabalhadores de Osório (RS)) • Union of Workers in the Construction Industry and Furniture in Viamao (Sindicato dos Trabalhadores na Indústria da Construção e Mobiliário de Viamão (RS)) • Union of Workers in the Craft Paper, Cardboard and Cork Industries of Joaçaba (SC) and region (Sindicato dos Trabalhadores nas Indústrias de Artefatos de Papel, Papelão e Cortiça de Joaçaba (SC) e região (Sitiapapel) • Union of Workers in the Paper, Cardboard, Cork, Pulp, Wood pulp for paper and paper artifacts Industries of BH and Santa Luzia (Sintipel) • Union of Workers in the Paper, Cardboard and Cork Industries of Sao Paulo, ABCDM, Osasco, Taboao da Serra and region (Sindicato dos Trabalhadores nas Indústrias de Papel, Papelão e Cortiça de São Paulo, ABCDM, Osasco, Taboão da Serra e Região (Sintrapel)
Research Organizations	• National Association for Research and Development of Innovative Companies (Associação Nacional de Pesquisa e Desenvolvimento das Empresas Inovadoras (Anpei)

Impact and protection of biodiversity

We devote efforts to the management of forest areas and for suitable environmental management, we seek to achieve legal compliance, preserve and mitigate potential damage to biodiversity. We conduct monitoring this issue through internal audits that use based on the current labor laws, applicable NR and the guidelines of the FSC.

KEY IMPACTS

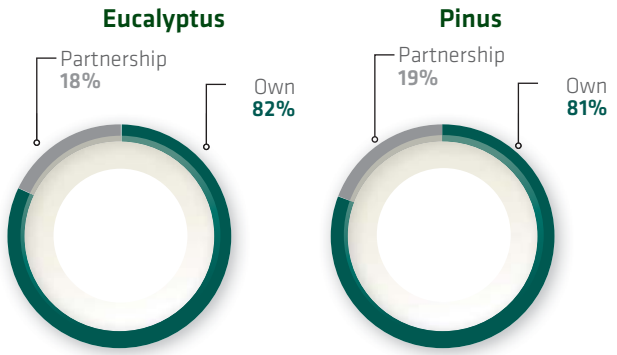


Our 29,820 hectares of forest areas in Santa Catarina are distributed in five municipalities in the Midwest region (Vargem Bonita, Irani, Catanduvas, Ponte Serrada and Agua Doce) under the dominance of the Atlantic Forest Biome, the Mixed Rain Forest.

Purpose		% Occupancy area
Areas of occupation	Pinus	41.00%
	Eucalyptus	4.40%
	Other Species	0.40%
Conservation areas	App	11.50%
	Legal Reserve	25.70%
	Other conservation areas	10.20%
	Araucaria National Park	0.30%
Infrastructure		6.50%

The program began in 2004 we carry out the Program of Forestry Partners and expand our forest base and includes the neighboring population in the productive chain, generating employment opportunities and income for the producers around the factories.

LAND USE IN SANTA CATARINA



Part of the property is adjacent to or is partially inside the Parque Nacional das Araucárias - Parna (Araucarias National Park), a federal conservation unit that was created in 2005 by a federal decree. We participate in the Advisory Council of this park and working groups to discuss priority issues for the management of that space.

In 2014, we performed the removal of exotic vegetation in non-compensated area and buffer zone with the authorization of ICMBio for carrying out forestry operations in these areas and the mitigation of potential impacts, respecting the criteria laid down in Parna Management Plan.

SANTA CATARINA

Our conservation areas represent, approximately, 47.5% of the total area planted in Santa Catarina and are used in partnership programs with universities and specialized companies for the development of scientific research, biodiversity monitoring and conservation of fauna and flora through the field surveys.

In 2014, we implemented the Health and Safety and Environment Report (SSOMA) in order to stimulate the safety culture by identifying deviations and to generate data for taking corrective actions, minimizing risks and improving environmental conditions of the work. The SSOMA report also assists in monitoring the environmental impacts of forestry operations and monitoring of the local fauna. From this survey, we recorded the presence of wild species such as the Puma, Ocelot and the Oncilla, and birds such as the Macuco.

We identified 3,150 hectares with High Conservation Value (HCV´s) attributes, defined on studies by experts and consolidated in a referendum. These areas have extensive areas, a large concentration of local biodiversity and contain rare threatened or endangered ecosystems. In one of these areas, in the Campina da Alegria Farm, we began the process of creating the Private Reserve of Natural Heritage of Professor Yara C. Nicoletti. With preserved native vegetation, allocated this area of scientific research, to environmental education and the conservation of the remaining native forest. Today, the area has a track that is 2.300 m long for public viewing.

In order to improve management methods and enable the development of environmental management indicators, IRANI developed and supports research with the potential to generate more knowledge about the interaction between the local flora and fauna and planted forests. In Santa Catarina, an area of 24,000 m² was evaluated, in which were found 2,895 specimens belonging to 126 species.

Of the cataloged species, five are on the list of endangered species of the Ministry of the Environment: *Parana Pine (Araucaria),Brazilian walnut (walnut), Dicksonia sellowiana (Xaxim), Butia eriospatha (Woolly jelly palm) and the Quillaja brasiliensis (Soap plant).* We started a new survey of the local flora in 2014, with completion scheduled in 2015.

In fauna study confirmed the occurrence of 33 species of amphibians and 26 species of mammals, some of them endangered such as the Cougar, the Ocelot, and highly demanding birds on the environmental quality, such as the *Mantled hawk*, the *King vulture*, the *Pileated parrot* and species that are dependent on specific micro-habitats such as the *Rufous-tailed ant thrush, the Black-bellied Seed-eater, the Speckle-breasted ant-pitta and the Cyanoloxia moesta*. We started the update of this study in 2014 with the conclusion of views in 2015.

Also for monitoring local wildlife, we developed and maintained own studies or in partnerships such as the Projects: Capuchin monkey; the Frog; Ecology of the Boar; Study of alternatives for minimizing the influence of *Pinus spp* cultivation. In the Santa Catarina biodiversity; Fish fauna; Reintroduction of the Vinaceous-breasted Amazon Puffin in the Araucaria National Park; Study of the Effect of the presence of wild boars (Sus scrofa) on regeneration *Araucaria angustifolia* in Santa Catarina; and the Study of Ecological Succession and Functional Diversity from the analysis of the Araucaria forest fragments dispersed in the silvicultural matrix.

RIO GRANDE DO SUL

In Rio Grande do Sul, our forest areas total 16,597 hectares, covering five municipalities along the north and middle coast, located in the phytoecological region known as pampas (pioneer vegetation of marine influence).

Purpose		% Occupancy area
Areas of occupation	*Pinus spp.*	50.30%
	Eucalyptus spp.	0.10%
Conservation areas	Native vegetation	43.50%
	App	2.00%
Infrastructure		4.00%

The Company also participates in the Advisory Council of the Lagoa do Peixe National Park, a conservation unit created by Decree n°93.546 of November 6, 1986.

We seek to improve the responsible forest management, so our subsidiary HFLOR has been doing this since 2013, action for the identification of High Conservation Values areas (HCVs) in their forest areas. The basis for the definition of the attributes taken into consideration of the participation of stakeholders and a more comprehensive assessment to identify areas based on the studies of fauna and flora

and visual perception in field visits and interviews and reviews in regional literature. The following were identified as attributes in Cidreira (RS) and Sao Jose do Norte (RS) gardens, being the springs and bathed in Salazar (HCV 1) and the lake and subtropical moist broadleaf forest of Bojuru (HCV 2).

In 2014, we conducted a review of the Ecological Corridors in the municipalities of Cidreira, Balneario Pinhal, Mostardas, Sao Jose do Norte and Tavares in the HFLOR areas to identify the possibilities of connecting existing native forest fragments within the company's properties with surrounding areas, allowing the free movement of animals, seed dispersal and increased vegetation coverage.

We also conducted in 2014, the monitoring of flora in the forest areas of Rio Grande do Sul. Among the identified species, 49 are classified as herbaceous plants. The rest are divided into 28 tree, shrub 6 and 5 lianas (vines). Among the herbaceous plants, 14 are epiphytes, 5 are aquatic macrophytes and 2 are parasitic.

Among the rich tree diversity observed, there are the following species, *Dendropanax cuneatus, Dodonaea viscosa, Ficus cestrifolia, Handroanthus (yellow), Myrsine lancifolia, Rollinia, Commersoniana Sebastiania, Vitex megapotamica,* among others.

Species recorded in the survey, considering the State Decree Nº. 42,009 / 2003

Scientific name	Popular Name	Category
Maritime Rollinia (Zachia) H. Rainer	Araticum-da-praia	VU
Aechma recurvata (Klotzsch) L.B.Sm.	Bromélia	IN/VU
Tillandsia aeranthos (Loisel) L.B.Sm.)	Cravo-do-mato	IN/VU
Tillandsia gardneri Lindl.	Cravo-do-mato	VU
Tillandsia usneoides (L.) L	Barba-de-velho	VU
Rhipsalis sp.	Comambaia	VU
Desmodium sp.	Pega-Pega	PE
Utricularia sp.	Boca-de-leão	IN
Legend: **VU:** Vulnerable; **IN:** In danger; **PE:** Probably extinct.		

The objective of this monitoring is to gather and analyze information about the composition of the most representative groups of vertebrates, especially species that are considered sensitive, rare and endangered species, identifying the impacts of the tree farms in these communities, thus assisting the development of mitigation and compensation measures.

Our study recorded the presence of 36 specimens of amphibians, representatives of eight different species and five families. Medium and large mammals were spotted, 31 species of Field Fox, three examples of the European hare, two Didelphis and two Armadillos. Tuco-tuco burrows and traces of obvious presence of capybara´s were also identified. During the monitoring, we recorded the occurrence of 109 species of birds belonging to 38 different families.

In the survey of birds, we recorded a total of 92 bird species from 41 families. The species *Patagioenas cayennensis*, also known as the Pale-vented pigeon and characterized as Vulnerable (VU) on the list of species, was sighted in the field during the monitoring. The presence of this endangered species indicates that the study area retains characteristics that favor the establishment of this species locally. Endangered species become a priority target in the strategies to be adopted during the conservation processes.

Forest area, Campina da Alegria - SC

Environmental Management

We have adopted an Environmental Management system to improve management practices and that are aligned with our Environmental Policy. We seek continuous improvement of processes and monitor their impacts in order to contribute to a healthy and balanced environment, reinforcing our commitment to sustainability.

In 2014, to ensure the knowledge and the management of the legal requirements applicable to our industrial units, we extended the environmental legislation management system for the Paper Unit MG - Santa Luzia, Packaging Unit SP - Vila Maria and Resin RS - Balneario Pinhal. In this action we were involved in, including, the conduct of audits of legal compliance.

Our environmental education program already has a calendar of consolidated actions over the years, involving various stakeholders.

HIGHLIGHTS IN 2014

- We invested R$ 4.137 million in environmental actions, with the emphasis on the expansion of the plastic recycling plant;
- We dedicated 1526 hours to environmental education, benefiting 5,532 people;
- Packaging Unit SC - Campina da Alegria was the second industrial unit certified by ISO 14001: 2004, the first was the Packaging Unit SP – Indaiatuba and the remainder are in the process of adaptation in order to certification;
- Recognition with the ADVB Citizen Company Award in 2014;
- We earned the FSC Chain of Custody certification (CoC) in the Paper Unit MG - Santa Luzia and the FSC certification for forest management (FM) and the chain of custody (CoC) in the Resin Unit RS – Balneario Pinhal;
- We are among the top 3 companies in the sector in the Sustainability category, according to the Distinction award Pulp and Paper, ABTCP.

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

Flor do Mato Plant Water fall, Ponte Serrada – SC

LIFE CYCLE ANALYSIS (ACV)

In 2012, we began the analysis of the life cycle of FineKraft 35g and corrugated packaging in order to describe and analyze the key processes of pulp and paper production that cause an environmental impact, in a scenario that considers the production of raw materials to the final disposal through recycling or disposal in Landfills.

We completed the first stage in 2013 and the second in 2014. This study was conducted by the Grupo de Pesquisa em Análise do Ciclo de Vida da Universidade Federal de Santa Catarina – UFSC (Research Group in the Analysis of Federal University of Life Cycle of Santa Catarina), using the SYMAPRO software, associated with CML model from the University of Linden, the Netherlands. The tool allows us to measure the impacts associated with the product and/or the manufacturing process from the delivery of the final product to the final consumer at any point in the productive chain considering various scenarios.

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

To perform this study, we consider that 70% of packaging paper produced in Brazil is recycled and 30% goes to the landfill.

Impact Categories	Unit	Category	Cardboard Box -R13M12412II
		70% recycled / 30% landfill	70% recycled / 30% landfill
Climate change - with carbon sequestration	**Kg CO_{2eq}**	**-3,309.40**	**529.10**
Climate change - without carbon sequestration	**Kg CO_{2eq}**	**1,484.80**	**979.30**
Depletion of the ozone layer	Kg CFC-11_{eq}	0.00013	5,50E-05
Human toxicity	**Kg 1,4-DB_{eq}**	**732**	**189**
Formation of photo-chemical oxidants	Kg NMVOC	8.445	3.83
Particle formation	Kg PM 10_{eq}	3.193	1.451
Ionizing radiation	Kg $U235_{eq}$	138.203	58,978
Land acidification	**Kg $SO2_{eq}$**	**7.511**	**3.208**
Aquatic eutrophication	**Kg P_{eq}**	**0.34**	**9.50E-02**
Marine eutrophication	Kg N_{eq}	4.4	3.00E + 00
Land ecotoxicity	Kg 1,4-DB_{eq}	0.84	5.00E-01
Aquatic ecotoxicity	Kg 1,4-DB_{eq}	9.5	3.10EE + 00
Marine ecotoxicity	Kg 1,4-DB_{eq}	8.5	3.10EE+00
Occupation of agricultural land	**m^2a**	**1,587.9**	**146.40**
Occupation of urban land	m^2a	31.199	5.573
Transformation of natural land	m^2	0.628	0.249
Depletion of metal	kg Fe_{eq}	77.984	26.312
Depletion of fossils	Kg oil_{eq}	349.503	188.125
Cumulative energy demand	**MJ**	**18,186.5**	**10,564.70**

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

With the preliminary results it was possible to identify solutions to reduce environmental impacts and opportunities to mitigate them, such as:

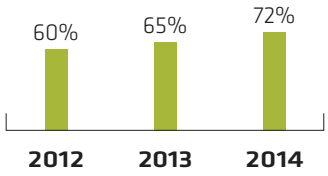
- Purchase 100% renewable energy, helping to reduce the GHG emissions associated with emissions from non-renewable sources that contribute to climate change;
- Implant the collection of non-condensible gases project that aids soil acidification;
- Implant the closure of the effluent circuit in industrial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

INPUTS AND THE RECYCLING OF MATERIALS

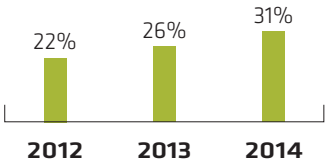
The consumption of raw materials is closely related to the Company's operating costs. The monitoring of this factor helps in the effective use of materials and inputs, avoiding significant impacts in production.

IRANI transforms recycled paper (chips) into packaging paper, decreasing the intensity of the use of virgin raw material. This process generates social and economic gains from the generation of employment and income to the suppliers of such material and the consequent reduction of waste paper and cardboard discarded in urban areas and/or sent to landfills.

Percentage of recycled fiber in the Paper Unit SC– Campina da Alegria and Paper Unit MG – Santa Luzia



Percentage of recycled materials in the units Paper SC - Campanha da Alegria and Paper Unit MG – Santa Luzia

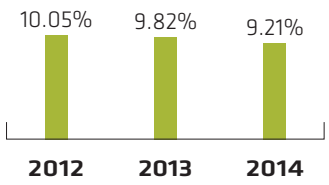


Through recycling, the Company is aligned with the National Solid Waste Policy (Law 12.305 dated 08/02/2010) which provides reverse logistics designed to facilitate the collection and recovery of solid waste from the business sector, for reuse in its cycle or other environmentally sound disposal.

Employee at Paper Unit SC – Campina da Alegria

The chips generated in our Packaging Unit SC - Campina da Alegria, Packaging Unit SP - Indaiatuba and Packaging Unit SP - Vila Maria are reprocessed by the Paper Unit SC - Campina da Alegria and Paper Unit MG - Santa Luzia and reinserted in the production process. This practice is used only between IRANI units to ensure the trace-ability of the product, since there is no evidence that can prove its validity when the chips are purchased in the market.

Percentage of chips recovered from the Packaging Units



The materials we consume are 96% from renewable sources and include timber, pulp, chips, paint, glue, borax, wax paper and resins.

Volume of renewable and non-renewable materials (tons)

Source	Unit	2013	2014
Renewable materials	Paper SC – Campina da Alegria	614,973.82	585,083.14
	Paper MG – Santa Luzia	52,813.69	69,074.21
	Packaging SC – Campina da Alegria	66,490.28	70,184.06
	Packaging SP – Indaiatuba	83,725.62	85,443.91
	Packaging SP – Vila Maria	9,598.40	70,101.19
	Resin RS - Balneario Pinhal	81,425.85	10,820.34
Total consumption of renewable materials		909.027,66	890.706,85
Nonrenewable materials	Paper SC – Campina da Alegria	10.744,48	11.816,57
	Paper MG – Santa Luzia	1.026,81	20.517,53
	Packaging SC – Campina da Alegria	619,38	639,8
	Packaging SP – Indaiatuba	656,27	705,12
	Packaging SP – Vila Maria	307,83	1.985,12
	Resin RS - Balneario Pinhal	–	–
Total consumption of non-renewable materials		13,354.77	35,664.14
Total volume of materials used in production (tons)		922,382.43	926,370.99

Note: in the Report 2013, the total consumption of renewable materials from the Resin RS - Balneario Pinhal and Packaging Unit SP - Vila Maria were shown in a reversed manner.

Specific consumption of material (tons) per ton produced

Unit	Specific consumption/ gross production			Specific consumption/ net production		
	2012	2013	2014	2012	2013	2014
Paper SC – Campina da Alegria	2.81	2.87	2.18	3.01	3.07	2.18
Paper MG – Santa Luzia	n/d	1.20	1,43	n/d	1.25	1.49
Packaging SC – Campina da Alegria	1.02	1.01	1.02	1.05	1.05	1.06
Packaging SP – Indaiatuba	1.07	1.08	1.07	1.14	1.15	1.14
Packaging SP – Vila Maria	n/d	1.11	1.10	n/d	1.18	1.18
Resin RS - Balneario Pinhal	n/d	1.21	1.28	n/d	1.21	1.28

WATER RESOURCES

The correct management of water resources has a high relevance to the industry, and especially the pulp and paper industry considering that this is a key resource for the forestry and industrial activities, directly related to the sustainability of business strategy. The theme also relates to the conservation biodiversity, regarding the preservation of springs, other water sources and forest management.

Our management of water resources considers the reuse and lower generation of waste through the use of closed circuit production processes, in order to ensure the constant monitoring and achieve better results, also ensuring the communities that water resources of nearby areas are protected under existing legislation.

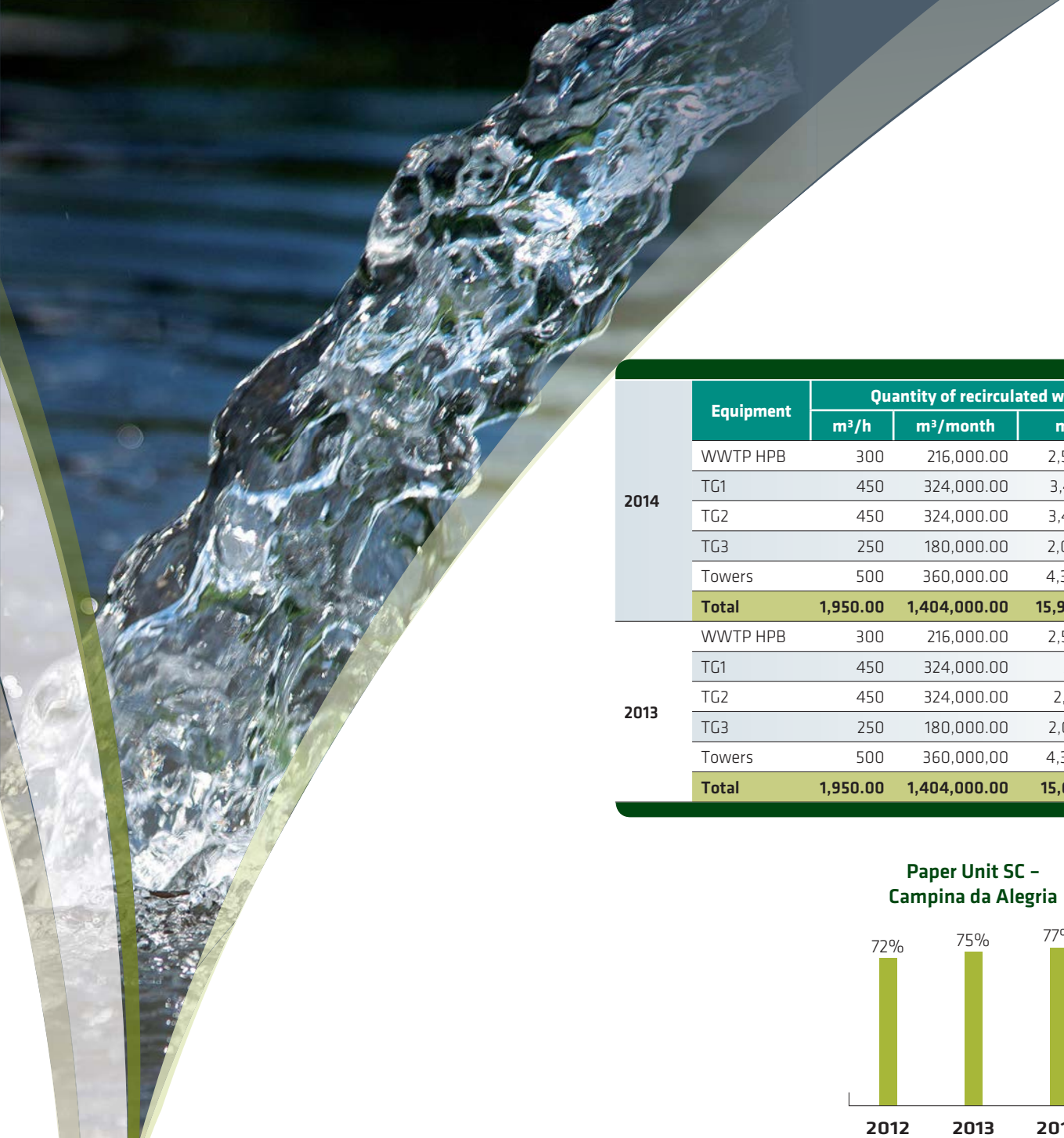
Total water drawn off by source (m³)

Unit	Source	Water consumption					
		2012		2013		2014	
			Percentage	Total	Percentage	Total	Percentage
Paper SC – Campina da Alegria	Surface - Rio	5,525,973	99.81%	5,079414	99.79%	4,792,864	99.88%
	Casan	10.732	0.9%	10,822	0,21%	5,672	0.12%
Paper MG – Santa Luzia	Surface - Rio	-	-	17,582	12.93%	48,297	30.23%
	Well	-	-	118,358	87.07%	111,492	69.77%
Packaging SC – Campina da Alegria	Surface - Rio	11,815.82	70.18%	11,168.00	65.92%	10,780.81	66.56%
	Casan	5,020.65	29.82%	5,773.71	34.08%	5,416.30	33.44%
Packaging SP – Indaiatuba	Well	27,365.90	100.00%	29,504.80	100.00%	26,330.90	100.00%
Packaging SP – Vila Maria	Well	-	-	96,153.00	99.78%	45,121.00	99.88%
	Sabesp	-	-	216.00	0.22%	52.00	0.12%
Resin RS – Balneario Pinhal	Well	45,763		39,537	96.94%	33,067	97.81%
	Corsan	788		1,247	3.06%	739	2.19%
Total			5,627,458		5,409,776		5.079.833

Specific water consumption (in cubic meters) per gross ton produced

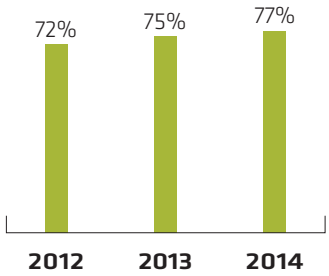
Unit	Specific consumption/gross production			Specific consumption/net production		
	2012	2013	2014	2012	2013	2014
Paper SC – Campina da Alegria	25.87	23.32	21.81	27.68	24.99	23.28
Paper MG – Santa Luzia	n/d	2.35	2.55	n/d	2.46	2.66
Packaging SC – Campina da Alegria	0.28	0.26	0.23	0.29	0.27	0.24
Packaging SP – Indaiatuba	0.36	0.38	0.33	0,38	0.40	0.35
Packaging SP – Vila Maria	n/d	1.30	0.69	n/d	1.39	0.74
Resin RS - Balneario Pinhal	n/d	5.16	4.00	n/d	5.16	4.00

In the Paper Unit SC - Campina da Alegria, it was possible to operationalize the reuse of water in some processes from the deployment of technologies that made possible the maintenance closed circuits, reducing the specific fuel consumption over the years. These measures allowed us not to capture, on average, the equivalent of 15.944.400m³. In 2013, this index was registered at 15.602.850m³.



	Equipment	Quantity of recirculated water		
		m³/h	m³/month	m³/year
2014	WWTP HPB	300	216,000.00	2,592,000.00
	TG1	450	324,000.00	3,496,932.00
	TG2	450	324,000.00	3,465,828.00
	TG3	250	180,000.00	2,069,640.00
	Towers	500	360,000.00	4,320,000.00
	Total	**1,950.00**	**1,404,000.00**	**15,944,400.00**
2013	WWTP HPB	300	216,000.00	2,592,000.00
	TG1	450	324,000.00	3,771,612.72
	TG2	450	324,000.00	2,820,344.51
	TG3	250	180,000.00	2,098,893.60
	Towers	500	360,000,00	4,320,000.00
	Total	**1,950.00**	**1,404,000.00**	**15,602.250,83**

Paper Unit SC – Campina da Alegria



Our monitoring of the water quality encompasses physical, chemical and microbiological analysis and monitoring of fish species in the areas analyzed (fish fauna). The monitoring of fish populations has been done since 2011, with authorization of the Fundação do Meio Ambiente - Fatma (Environment Fundation) in the area of influence of the Small Hydroelectric Units reservoirs at Sao Luiz, Cristo Rei and Flor do Mato. From the results of this study we can define conservation measures and the suitable management for the appropriate reservations.

Results of Fish sampling in the Small Hydroelectric Power Units (SHP) Reservoirs- 2014

SHP Reservoir	Number of families			Number of species			Number of Copies		
	2012	2013	2014	2012	2013	2014	2012	2013	2014
Sao Luiz	5	5	6	9	8	17	600	338	546
Cristo Rei	6	6	6	11	7	12	369	198	443
Flor do Mato	5	5	4	9	9	9	517	279	962

In general, the type of ichthyic fauna found in areas where effluents from units of Santa Catarina, in general, consists of generalist species that have some flexibility as to food and reproductive needs, adjusting to changes in resources and alternation of the common environmental conditions for the region due to the altitude. These species are: *eg A. scabripinnis, A. bimaculatus, O. brevioris, G. brasiliensis. According to International Union for Conservation of Nature* (IUCN), the threat of extinction is non-existent for fish in the region.

Water sources that are significantly affected by water draw-off

Paper SC – Campina da Alegria

The uptake occurs in the watershed of the Rio Chapecó, Santa Catarina, belonging to the Uruguay Basin. A draw-off point is the Riacho Anta, a tributary of the Rio Mato, where the most important capture point is located. Both capture points are granted by the Department of Sustainable Development (SDS)

Paper MG – Santa Luzia

The uptake occurs in the watershed of the Rio Chapecó, Santa Catarina, belonging to the Uruguay Basin. A draw-off point is the Riacho Anta, a tributary of the Rio Mato, where the most important capture point is located. Both capture points are granted by the Department of Sustainable Development (SDS)

Packaging SC – Campina da Alegria

The water comes from a surface source in the Riacho Anta belonging to the Uruguay Basin. Both capture points are granted by the Department of Sustainable Development (SDS)

Packaging SP – Indaiatuba

The capture is performed in three shallow wells located on site duly authorized by the Department of Water and Power (DAEE), according to number 9807880, according to the decree No. 3221 of 12/19/2013. There is also capturing from an artesian well built in October 2014, with a grant requested by the DAEE

Packaging SP – Vila Maria

Supplied by a single bore hole located within the company, duly authorized by DAEE according to the case number 9901925, in accordance with decree No. 1505 of 05/13/2013, which supplies productive areas for non-potable purposes and is intended for human consumption after undergoing the appropriate treatment. Moreover, it is also supplied by the local utility.

Resin RS – Balneário Pinhal

Comes from an artesian well. The Unit is arranging a usage request from FEPAM.

ENERGY EFFICIENCY

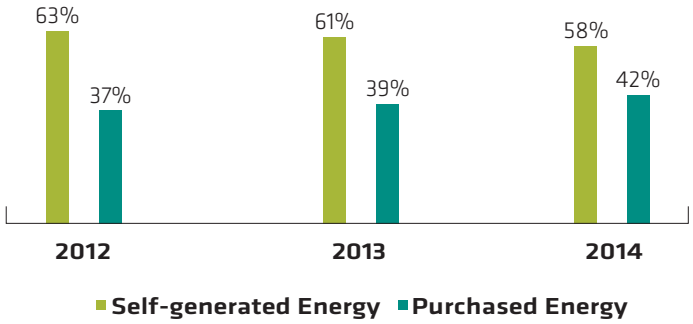
Power consumption directly affects the environmental footprint of the industry, in the operating costs and the increased exposure the fluctuations in supply and energy price. Sectorial studies show the emphasis on this issue and the nature of the business itself provides opportunities in this area when it comes to technological innovations which allow for the use of alternative materials as sources of energy.

For us, there is a big challenge in the search for effective energy management through a self-sufficiency plan, which brings reflections in productivity and competitiveness, with a lesser degree of exposure to the paralization of industrial units and high energy costs.

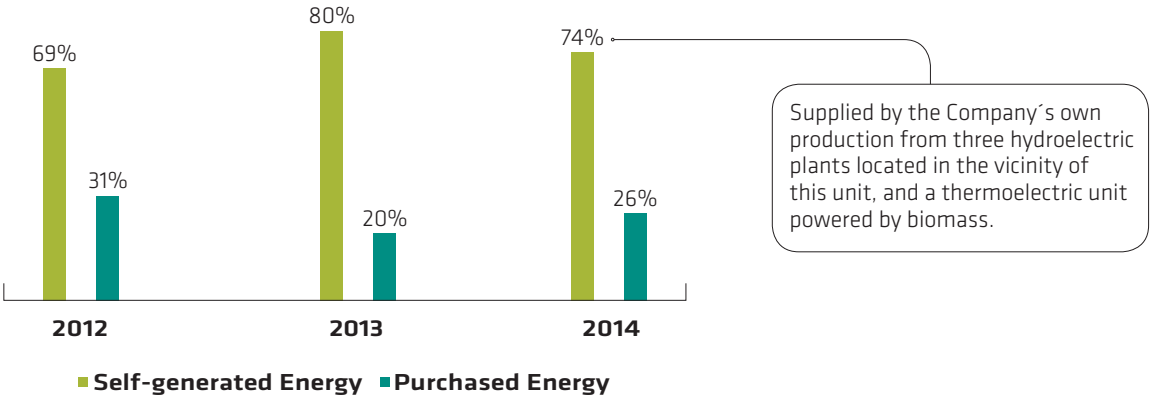
The generation of the Companies own power generation is concentrated in the Paper Unit SC - Campina da Alegria. On a consolidated basis, the reduction is due to the incorporation of the Paper Unit MG - Santa Luzia and the Packaging Unit SP - Vila Maria, which are not energy generating units.

In this unit, the paper machine I, which was recently expanded, brought a greater installed load.

Percentage of self-generated and purchased energy by the Company

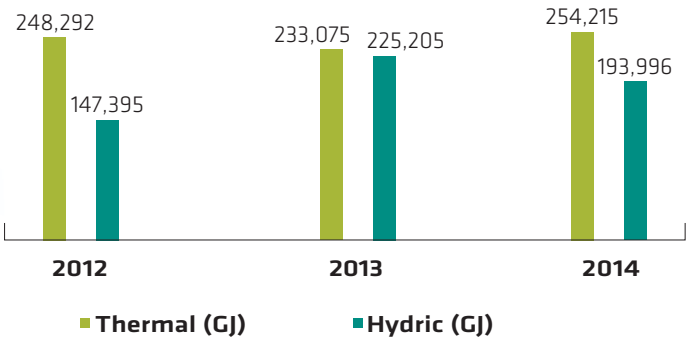


Percentage of energy and energy self-produced energy purchased at the Paper Unit SC - Campina da Alegria

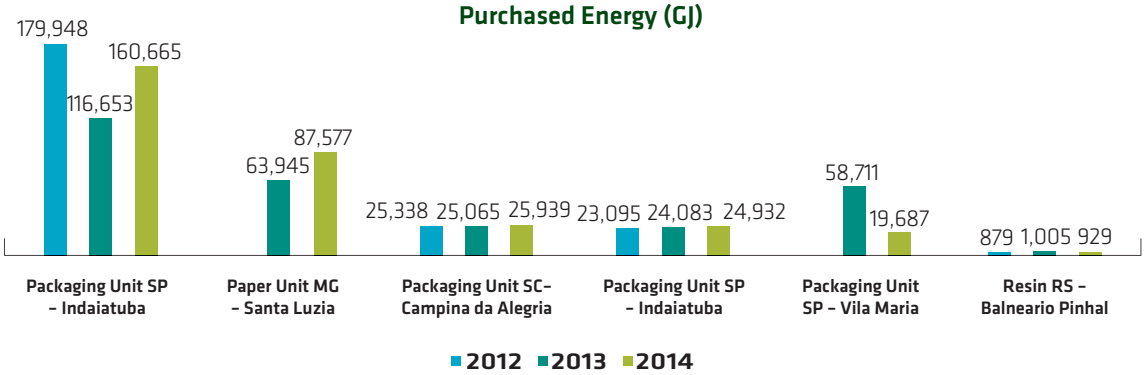


We reduced the energy consumption with investments over the years in preventive and corrective maintenance for leaks and steam waste, as well as in the generation and transmission of energy, in order to avoid losses. In the Paper Unit SC - Campina da Alegria, the actions carried out allowed us a reduction of approximately 2,979.91 MW in the year, generating savings for the company of R$ 372,000 million in the same period.

Thermal power and hydro-power generated in the Paper Unit SC - Campina da Alegria

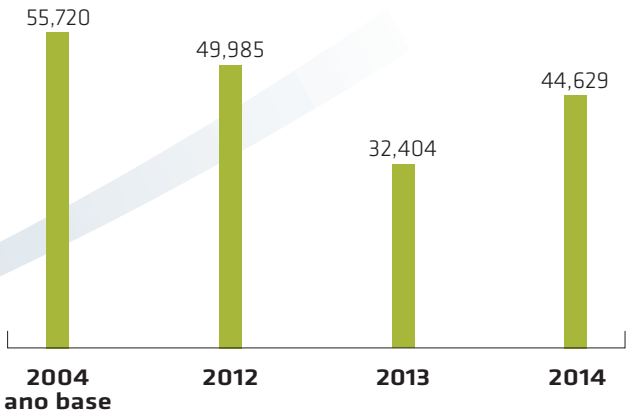


Purchased Energy (GJ)



The amount of energy we buy in the Paper Unit SC – Campina da Alegria in 2014 decreased 20% compared to the base year of 2004, but increased by 22% compared to 2013, due to the expansion of MPI and the modernization of the pulp clearance . There was also a lesser degree of our own hydroelectric generation due to climatic factors influencing the stoppage of the generating units of the Sao Luiz PCH.

Amount of energy purchased in the Paper Unit SC – Campina da Alegria (in MWh)



Note: the base year of the installation of the Energy Co-generation boiler, that uses biomass.

Co-generation Energy Plant, Campina da Alegria - SC

Over the past 20 years, our specific energy consumption of the Paper Unit SC - Campina da Alegria represented a reduction of about 40%.

TARGET 2015

MAINTAIN THE SPECIFIC ENERGY CONSUMPTION AT 0,80 MWH /NET TON PRODUCED AT THE PAPER UNIT SC - CAMPINA DA ALEGRIA

Specific energy consumption (MWh) per ton produced

Units	Specific consumption/ gross production			Specific consumption/ net production		
	2012	2013	2014	2012	2013	2014
Paper SC – Campina da Alegria	0.75	0.73	0.77	0.80	0.78	0.82
Paper MG – Santa Luzia	n/d	0.40	0,39	n/d	0.41	0.41
Packaging SC – Campina da Alegria	0.12	0.11	0.10	0.12	0.11	0.11
Packaging SP – Indaiatuba	0.08	0,09	0.09	0.09	0.09	0.09
Packaging SP – Vila Maria	n/d	0.22	0.08	n/d	0.23	0.09
Resin RS - Balneario Pinhal	n/d	0.04	0.03	n/d	0.04	0.03

Our own forestry waste and those of suppliers from planted forests of Pine and Eucalyptus are the main fuels used for the production of thermal energy used by the Paper Unit SC - Campina da Alegria and Packaging Unit SC - Campina da Alegria.

Fuel Consumption

Consumo de combustível								
Unit	Fuel	Source	2012		2013		2014	
			Quantity	GJ	Quantity	GJ	Quantity	GJ
Paper SC – Campina da Alegria	Biomass (tons)	Renewable	403,827.0	2,804,758	419,534.0	2,913,984.8	452,958.0	3,145,994
Paper MG – Santa Luzia	BPF oil (tons)	Non Renewable			396.1	16,004	324.1	13,095
	Natural gas (m^3)	Non Renewable			13,060.8	509,504	16,010.1	624,554
Packaging SC – Campina da Alegria	BPF oil (tons)	Non Renewable	90.3	3,648	100.7	4,069	123.4	4,986
Packaging SP – Indaiatuba	Natural gas (thousand m^3)	Non Renewable	1,955.3	76,278	1,605,0	62,622	1,599.0	62,359
Packaging SP – Vila Maria	Natural gas (thousand m^3)	Non Renewable			5.608,0	218,753	2,306.0	89,970
	BPF oil (tons)	Non Renewable			-	-	64.9	2,624
Resin RS - Balneario Pinhal	Biomass (tons)	Renewable			1,850.0	7,338	2,433.0	9,691

Note: the values for the year 2013 at the Paper Unit MG - Santa Luzia have been reviewed in this edition of the Report.

Steam consumption

Unit	2013		2014	
	Tons	GJ	Tons	GJ
Paper SC – Campina da Alegria	1,182,155	2,361,946	1,232,694	2,462,923
Paper MG – Santa Luzia	62,572	123,267	76,720	151,139
Packaging SC – Campina da Alegria	27,159	54,264	25,410	50,769
Packaging SP – Vila Maria	18,831	36,288	22,136	42,657
Total	1,290,717	2,575,765	1,356,960	2,707,488

WASTE

The consumption of raw materials is closely related to the Company's operating costs. Our monitoring is becoming more rational and assists us in the effective use of materials and supplies, increasing the reuse and recycling rates and reducing the volume of material disposed of in landfills, avoiding significant impacts or environmental or with the processes.

We transform chips in packaging papers, helping to reduce waste paper and cardboard in urban areas and we have an internal system of solid waste management that prioritizes reduction, recycle and reuse of industrial waste according to current national policy.

For this, we have specific procedures for the collection and the proper disposal of waste segregated between Class I (hazardous) Class II-A (non-inert) and waste Class II-B (inert), according to NBR 10.004/2004 to avoid contamination of the soil, groundwater and water resources.

TARGET 2015

THE REDUCING IN SENDING WASTE TO THE LANDFILL TO LESS THAN 11% IN THE PAPER UNIT SC - CAMPINA DA ALEGRIA

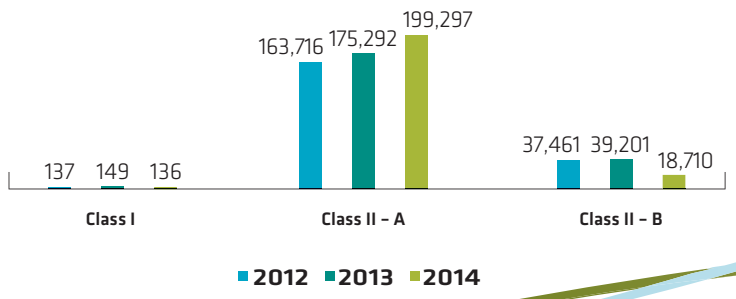
In 2014, we recovered 120.88 tons of plastic in the plastic separation and fiber plant installed at the Paper Unit SC - Campina da Alegria, helping to reduce the percentage of external recycling and the percentage of waste sent to the landfill. The recovered plastic allows for various applications such as the production of tiles, fence posts, pallets, plates for civil construction and shipbuilding. In 2014, we defined and approved a project for the modernization of this plant that will start in 2015 with a planned investment of approximately R$ 700 thousand. This action will allow us to increase plastic recovery originating from the scrap of paper that would otherwise be sent to the landfill.

We treat all hazardous waste generated in 2014, which were transported and shipped by specialized companies with the necessary environmental license to provide this type of service to meet the requirements of the environmental agency. The oil sent to a specialized company was refined and reused and the lamps were sent for decontamination and recycling.

Total waste generated by the units (in tons)

Unit	2012	2013	2014
Paper SC – Campina da Alegria	182,838	187,275	187,267
Paper MG – Santa Luzia	n/d	2,405	3,783
Packeaging SC – Campina da Alegria	9,029	10,119	9,791
Packeaging SP - Indaiatuba	9,044	9,573	9,905
Packeaging SP – Vila Maria	n/d	2,950	8,129
Resin RS – Balneário Pinhal	462	2,321	2,267
Total	**201,373**	**214,643**	**218,142**

Total weight of waste generated (by type)



Total Weight of Waste (Consolidated)

Destination	2013 Not Hazardous (t)	2013 Hazardous (t)	2014 Not Hazardous (t)	2014 Hazardous (t)
Internal Recycling	26,139.87	-	26,139.87	-
External Recycling	337.21	2.72	372.94	39.50
Internal Reuse	2,393.68	-	3,467.42	-
External Reuse	62,938.68	4.62	62,717.88	12.00
Composting	40,082.18	-	40,943.61	-
Recovery for Energy	59,244.11	-	55,607.97	-
IRANI Landfill	17,827.46	-	20,414.10	-
3rd Party Landfill	5,526.00	146.52	3,529.77	775.59
Total	**214,488.97**	**153.86**	**217,315.93**	**827.09**
		214,642		**218,143**

Unit	Generated and treated Waste 2012	2013	2014
Paper SC – Campina da Alegria	115.27	119.07	80.68
Paper MG – Santa Luzia	n/d	2.46	1.80
Packaging SC – Campina da Alegria	21.06	25.48	21.84
Packaging SP – Indaiatuba	1.12	1.18	2.30
Packaging SP – Vila Maria	Did not generate hazardous Waste in the period.		26.75
Resin RS – Balneário Pinhal	n/d	0.90	0.00
TOTAL	**137.45**	**149.09**	**133.37**

EFFLUENTS

The eutrophication of the aquatic environment is the principal impact on the generation of effluents. The nature of the pulp and paper business requires the effective management of water use and effluent treatment, otherwise, this will causes economic losses due to waste, losses, penalties and/or fines imposed by regulators.

Among peers in the industry, we can see an ongoing effort to maintain consolidated standards of care through the implementation of technological innovations that seek to raise productivity by generating waste-water recovery opportunities after the treatment phase. Such actions also aim to meet the legal standards and maintain a social license to operate.

The theme has a huge relevance because of our industrial processes. Therefore, our management is based on current legislation, including the National Water Resources Plan.

Based on specific procedures, we define and we guide the monitoring of the liquid effluent, as well as its specification, parameters, responsibilities and frequency of analysis. We carry out daily monitoring of physical, chemical and microbiological parameters of the effluent through internal controls. Periodically, we send monitoring reports are sent to environmental agencies as evidence of meeting the standards set out in the legislation.

Volume of effluent generated (m^3.year)

Unit	2012	2013	2014	
Paper SC – Campina da Alegria	4,497,216	4,186,864	4,481,990	Increase due to increase of MPI.
Packaging SC – Campina da Alegria	13,034	10,890	6,948	
Packaging SP – Indaituba	10,844	10,094	8,964	
Resin RS – Balneário Pinhal	3,671	4,871	6,831	Increased production of Rosin and Turpentine caused this increase.
TOTAL	**4,524,765**	**4,212,719**	**4,504,733**	

Specific volume of Effluents (m³) per ton produced

Unit	Specific Consumption / gross production			Specific Consumption/ net production		
	2012	2013	2014	2012	2013	2014
Paper SC – Campina da Alegria	21.02	19.18	20.37	22.48	20.56	21.75
Packaging SC – Campina da Alegria	0.21	0.16	0.10	0.22	0.17	0.10
Packaging SP – Indaituba	0.14	0.13	0.11	0.15	0.14	1.12
Resins RS – Balneário Pinhal	n/d	0.62	0.81	n/d	0.62	0.81

TARGET 2015

REDUCE THE AMOUNT OF EFFLUENTS WATER GENERATED TO 19,85 M³ PER GROSS TON PRODUCED IN THE PAPER UNIT SC - CAMPINA DA ALEGR

Our Paper Unit MG - Santa Luzia and Packaging Unit SP - Vila Maria have no record of this indicator due to the closing of the circuit, that is, all effluent is treated and returned to the process.

Destination of treated effluent

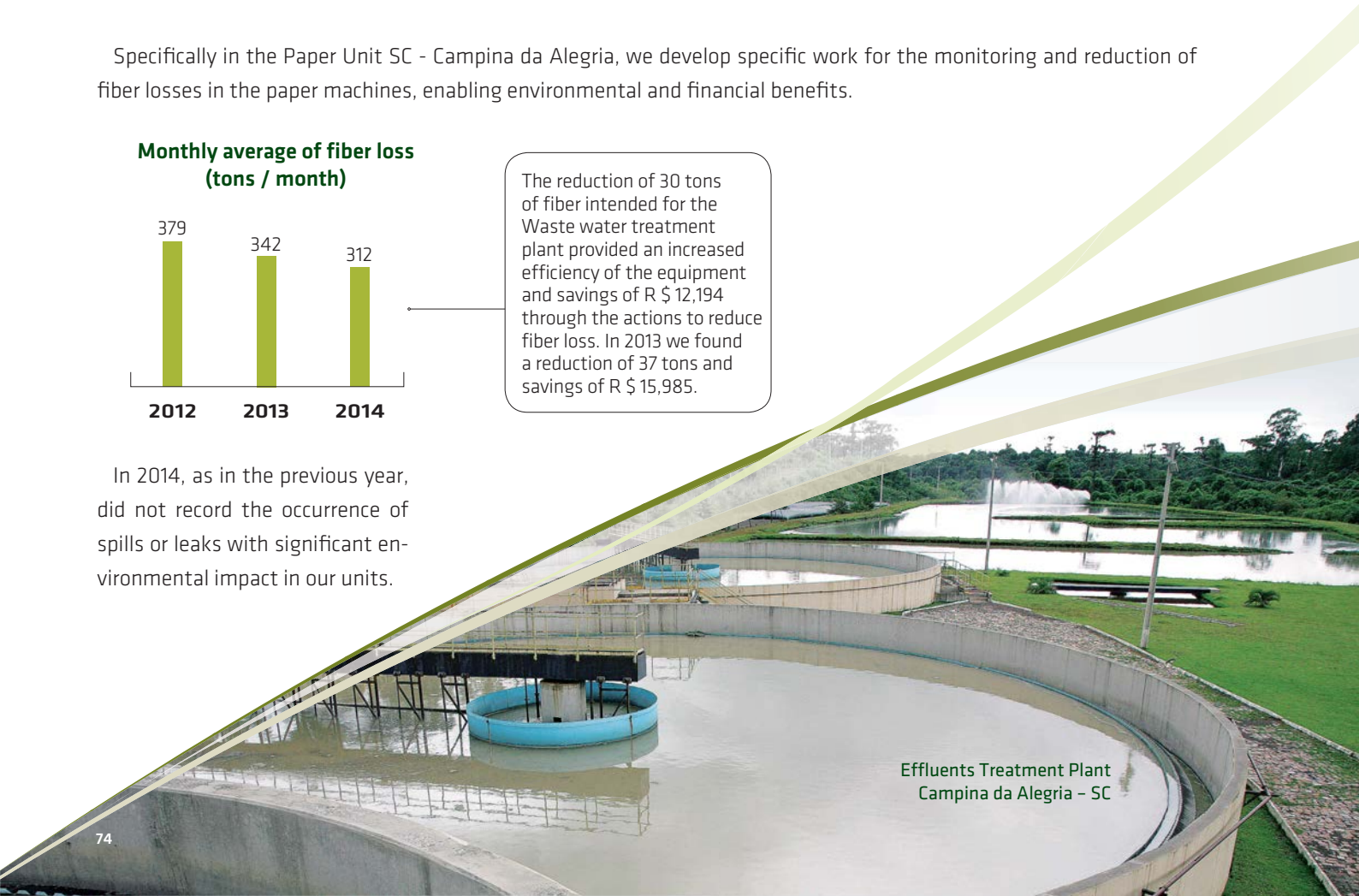
Unit	Bodies of water affected	Size of water Bodies
Paper SC – Campina da Alegria	Discarded in Rio do Mato, in Santa Catarina, according to parameters of the National Council on the Environment (CONAMA) 430/2011. This resource is not designated as a protected area.	71.2km long
Packaging SC - Campina da Alegria	Discarded in Rio do Mato, in Santa Catarina, according to parameters of the National Council on the Environment (CONAMA) 430/2011. This resource is not designated as a protected area.	71.2km long
Packaging SP - Indaiatuba	Disposal intended for WWTP Indaiatuba (SP), according to the parameters of decree 8468/76 and is later released in Rio Jundiaí. This resource is not designated as a protected area.	110km long
Resin RS – Balneário Pinhal	Waste released in the Arroio Rancho Velho, Balneário Pinhal, given the parameters of Resolution No. 128/2006 CONSEMA. This resource is not designated as a protected area.	5.8km long

Specifically in the Paper Unit SC - Campina da Alegria, we develop specific work for the monitoring and reduction of fiber losses in the paper machines, enabling environmental and financial benefits.

Monthly average of fiber loss (tons / month)

The reduction of 30 tons of fiber intended for the Waste water treatment plant provided an increased efficiency of the equipment and savings of R $ 12,194 through the actions to reduce fiber loss. In 2013 we found a reduction of 37 tons and savings of R $ 15,985.

In 2014, as in the previous year, did not record the occurrence of spills or leaks with significant environmental impact in our units.



Effluents Treatment Plant
Campina da Alegria – SC

EMISSIONS

The forestry industry has positive impacts since planted forests help with the reduction, neutralization and compensation of gases. Initiatives such as the *GHG Protocol Brazil* are consolidating on the national scene and show the importance of managing this issue.

The emission of Greenhouse Gases (GHG) is directly related to the global warming phenomenon. Along the value chain, impacts are noted in the links, such as the use of paper and cardboard and the society, impacted by emissions from industrial plants and those arising from the logistics process of the products. The characteristic odor of pulp production is caused by emissions of gases such as GNCC and the GNCD, non-condensable, which can cause soil acidification.

We are certified as a Carbon Neutral company with records of absorption greater than the greenhouse gas emissions from the processes. Periodically, we monitor the points of emission at the industrial units and we catalog and identify them in plants and thus we have the definition of the concentration of the gases emitted. We conduct, at a regular frequency, the monitoring of the air quality in units in Santa Catarina.

IRANI was the first company in Brazil to certify its GHG inventory according to the ISO 14064: 2006 International Standard. We consider the scopes 1, 2 and 3, recording and quantifying all relevant sources of emissions and removals of gases, according to the guidelines of the GHG Protocol and aligned to the National Climate Change Policy.

In scope 1 we cover sources of fuels, reagents, waste and effluents, and in it we see an increase in emissions from the Resin Unit RS – Balneario Pinhal. The energy purchased covered in Scope 2 also showed an increase because of the national emission factor, i,e, the fact that in 2014, Brazil intensified the generation of electricity in thermal power plants. In Scope 3 we consider waste and fuels.

To calculate the greenhouse gases inventory considered in 2014, the following gases: Carbon Dioxide (CO2), Methane (CH4) and Nitrous Oxide (N2O), which have been calculated and transformed into CO2eq, reflecting globally our emissions.

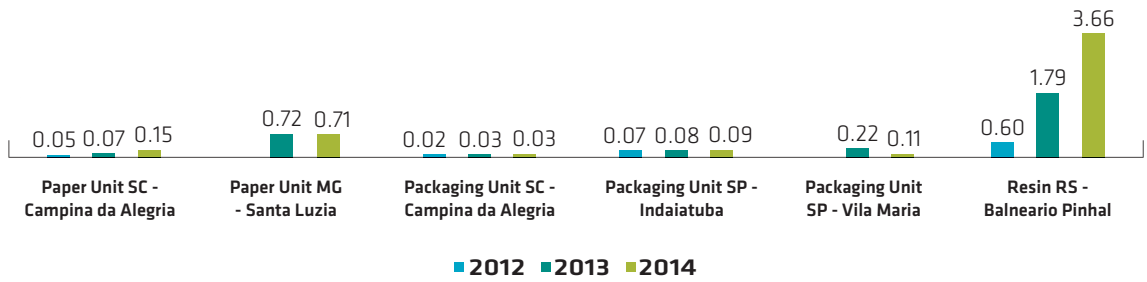
Emissions Development (Mg CO_2eq)

Category of the emissions	2012	2013 (ano base)	2014
Scope 1 – Direct emissions of GHG	17,454	72,515	103,383
Scope 2 – Direct emissions from energy	695	7,279	12,171
Scope 3 – Other Indirect GHG Emissions	9,910	11,665	11,029
Total	**28,058**	**91,458**	**126,584**

Note: we consider 2013 as the base year due to the incorporation of industrial Paper Unit MG - Santa Luzia and Packaging Unit SP - Vila Maria (Sao Robert) within the scope of verification.

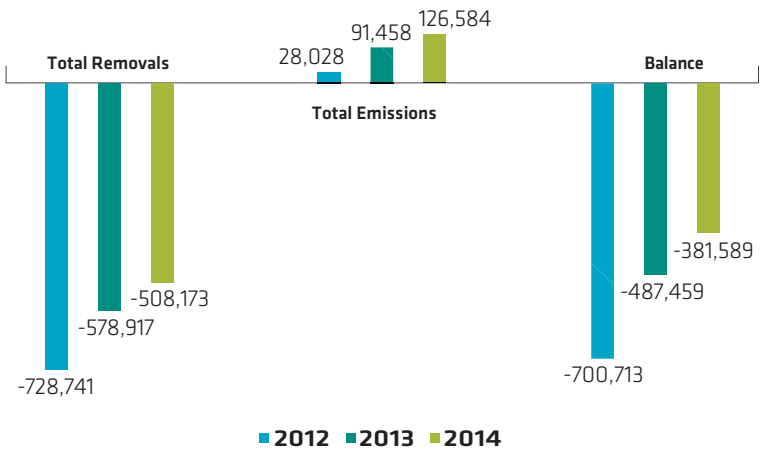
In 2014, the Resin Unit RS – Balneario Pinhal showed higher emissions due to operational problems with the Effluent Treatment Plant as a result of increased production. We are working to rectify the situation with the implementation of a new treatment plant and adjustments on the closing of the water circuit.

Tons of CO_2eq per ton produced, including all emission sources



Note: The graph considers the gases CO_2, CH_4 and N_2O converted into CO_2eq.

Balance of removals and emissions (in tons of CO_2eq)

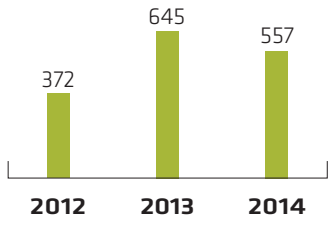


Based on Scope 3 of the GHG inventory, we have since 2009, partner in the Despoluir Program that is held in the Campina da Alegria units, to reduce air pollutants emitted by vehicles, mitigating the environmental impacts of transporting products, contributing to improved air quality and the rational use of fuels.

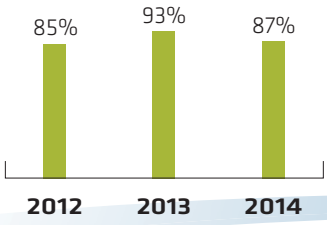
We also promote the dissemination of environmental education for carriers, aiming to make them vigilant and to disseminate good environmental practices.

IRANI joined the monthly measurements program on all vehicles, internal and outsourced, performed by a qualified technician. Between 2009 and 2014 we conducted 2,645 measurements. When approved, the vehicles are given a specific stamp of the program.

The number of measurements carried out on the transport trucks from the Paper and Packaging SC units - Campina da Alegria



The number of measurements carried out on the transport trucks from the Paper and Packaging SC units - Campina da Alegria



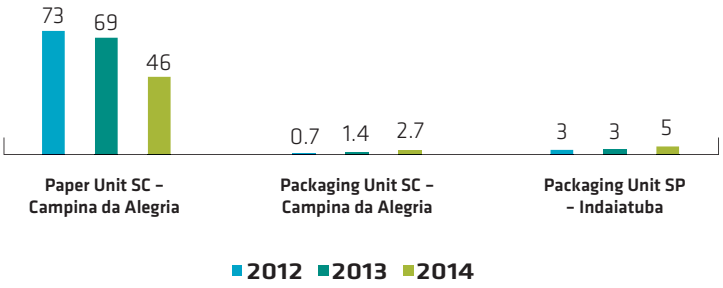
Air emissions from fixed sources (Kg/NM³)

Unit	Particulate material/gross production			NOx/Gross production			SOx/Gross production		
	2012	2013	2014	2012	2013	2014	2012	2013	2014
Paper SC – Campina da Alegria	11.847	12.847	10.755	2.425	1.273	2.001	0.023	0.030	2.041
Paper MG – Santa Luiza	n/d	0.375	*	n/d	0.911	*	*	*	*
Packing SC – Campina da Alegria	n/d	0.011	0.005	n/d	0.033	0.065	*	*	*
Packing SP – Indaituba	n/d	*	*	n/d	0.071	*	*	*	*
Packing SP – Vila Maria	n/d	n/d	*	n/d	0.071	0.138	*	*	*
Resin RS – Balneario Pinhal	n/d	5.319	11.344	n/d	1.221	0.334	*	*	*

* In the Packaging Unit SP – Indaiatuba we did not perform atmospheric analysis in 2014, as the environmental permit of the unit is biennial. In the Paper Unit MG - Santa Luzia the analyzes are performed when the state environmental agency calls its realization.

For the maintenance of air conditioners, we use the R-22 refrigerant gas known as HCFC-22 or chlorodifluoromethane, which contributes to the depletion of the ozone layer. The methodology for calculating these emissions is the CML-IA, for which the characterization is 0.05 kg of CFC-11 for each kg of HCFC-22.

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



Two CDM projects, the Co-generation Boiler and the Modernization of the Effluents treatment plant (WWTP) replace the old sources of methane emission for carbon dioxide and contribute to minimizing global warming and the reduction of GHG emissions. With this, we generate certified emission reductions (CER) to be negotiated with companies in developed countries with emissions reduction targets within the Kyoto Protocol.

Certified reduction of the emissions since the implantation of these MDM´s (in tons of CO_2eq)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	TOTAL
Co-Generation Plant	115,233	135,611	157,059	159,311	174,535	181,890	180,057	6,570	7,483	6,463	1,124,220
Effluents treatment plant			30,707	39,100	34,081	34,239	37,678	37,792	25,893	34,468	273,967

Seedlings from the Nursery, Campina da Alegria – SC

People challenged value

We consider as fundamental components the valuing of people, a sense of justice, motivation and commitment.

We maintain a corporate structure for the Development of Personnel called DES Corporate, with the challenge to support and guide the actions of each unit, led by local DES teams.

The standards and current legislation are integrally complied with in our salary structure and the benefits offered to employees. We also consider as a fundamental components in the valuing of people context, a sense of justice, motivation and commitment.

The actions in the Development of People area are organized into five structuring programs: GERA (Generate), CRESCE (Grow), CUIDA (Care), MOVITA (Motivation) and SUPERA (Excel).

Every two years we conduct salary surveys in order to adjust the compensation of employees to the market reality in which they live. In 2014, we reviewed the structure of positions and practice of executive compensation levels, seeking to clarify the mission and responsibility of each position, maintain or align the internal equity and external competitiveness, and equip managers with a tool to guide and support the decisions on the remuneration. This process will cover the other hierarchical levels in 2015, with an estimated completion date in 2016.

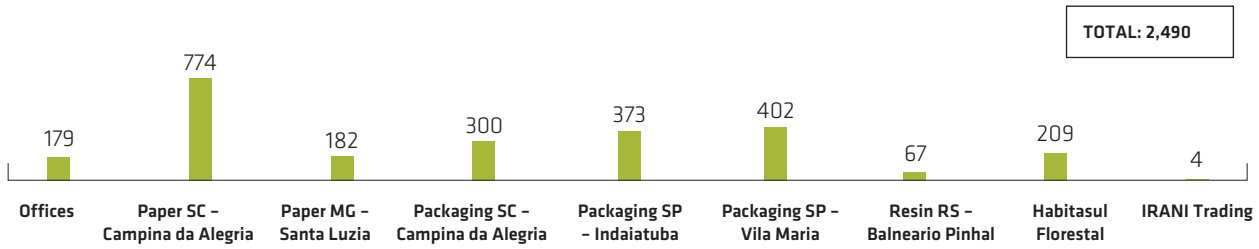
Employees at the Packaging Unit SP – Indaiatuba

We ended the year of 2014 with 2,490 employees, of which 138, or 5.87%, are not working. Of the total employees, 99.2% are contracted under the Labor Code, 0.6% receive the minimum wage and 0.2% *pro labore*. In the framework of the composition, 99% are covered by collective bargaining agreements.

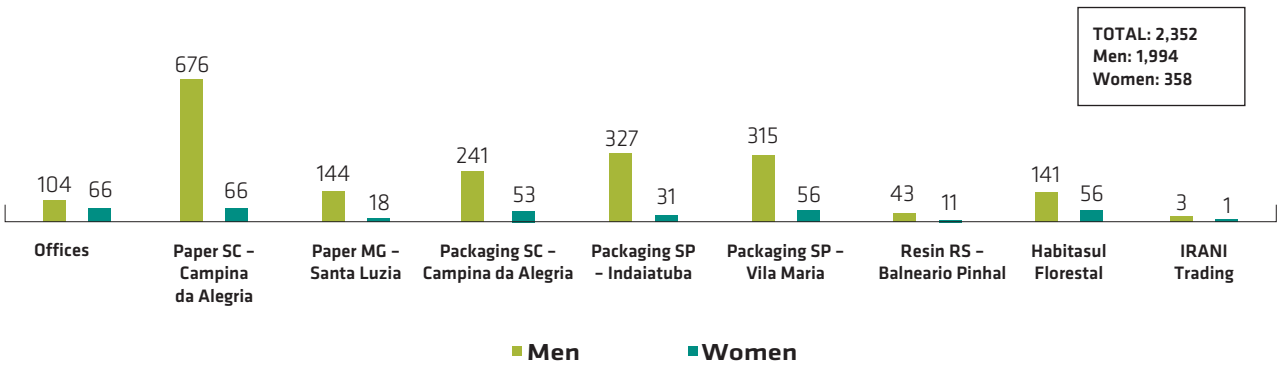
Hiring Scheme

Full Time	Part Time up to 150 hours per
382 women	11 women
2.090 men	7 men

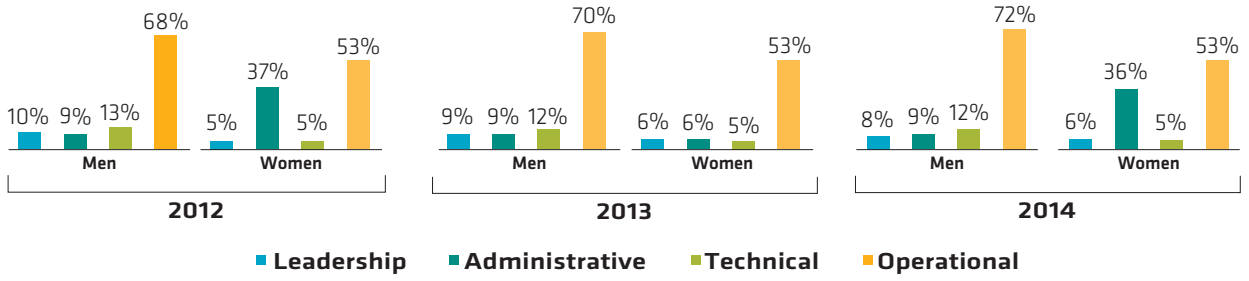
Number of employees (by business unit)



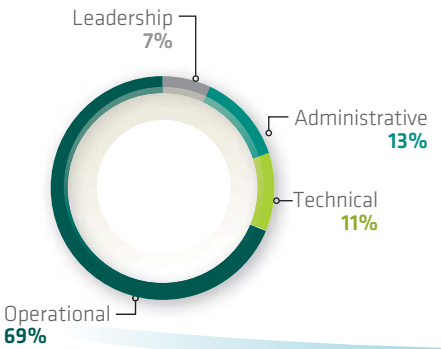
Number of employees (by gender and unit)



Proportion of men and women (per employment category)

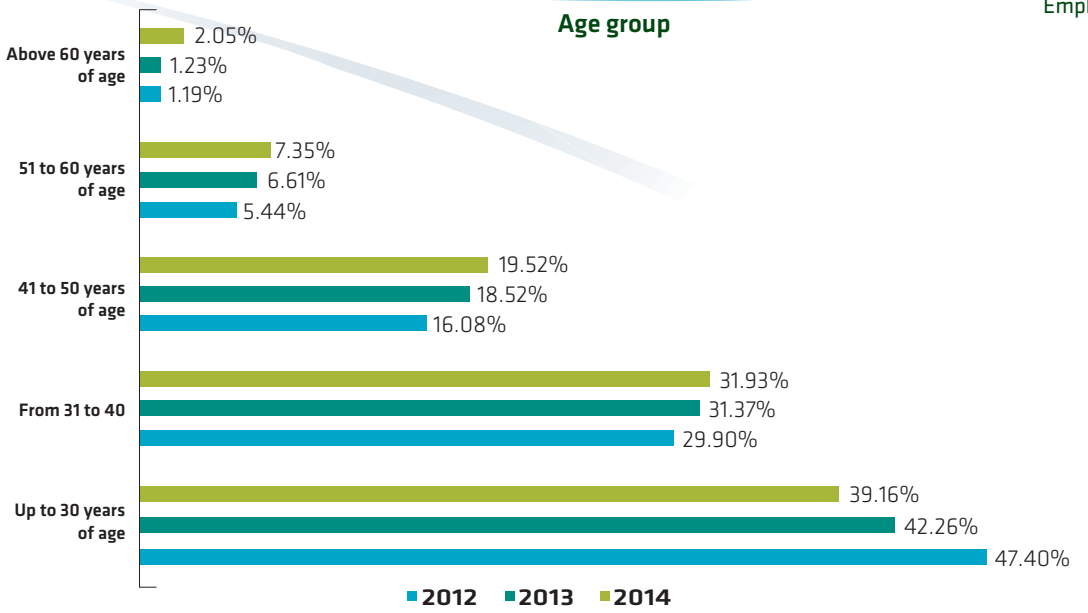


Number of employees by job category

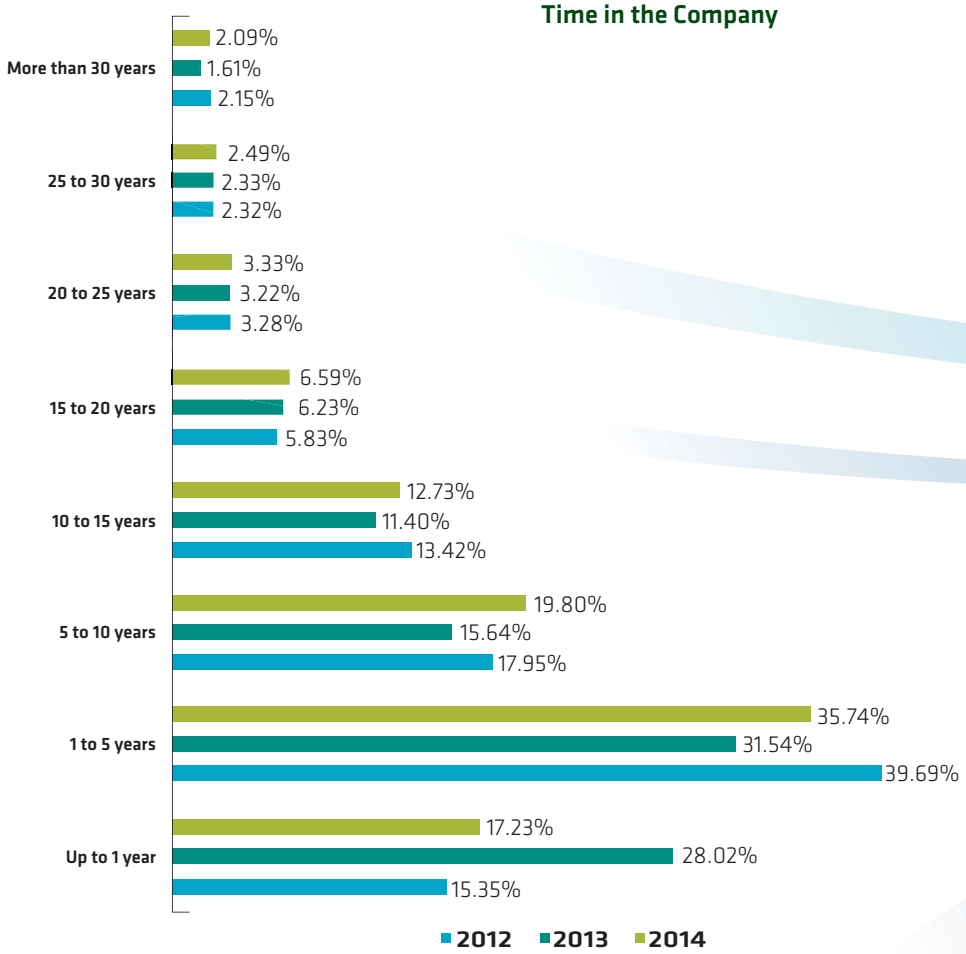


Employee at the Packaging Unit SP – Indaiatuba

Age group



Time in the Company



Proportionally, the highest paid individual in the organization receives 41.24 salaries more than the average of other employees. To compile this data, the total annual remuneration the following composition was considered as: base salary + 13° salary + vacation.

The average of the lowest remuneration offered is equivalent to 1.34 of the minimum wage in force in Brazil, on December 31, 2014. In relation to the total workforce, 25.91% receive the minimum wage.

Proportion of average wages paid to men and women

	2012		2013		2014	
Category	**Mem**	**Women**	**Mem**	**Women**	**Mem**	**Women**
Leadership	1	0.69	1	0.83	1	0.80
Administrative	1	0.84	1	0.80	1	0.86
Technical	1	1	1	0.83	1	0.77
Operational	1	0.82	1	0.78	1	0.79

The commission responsible for defining the criteria of the Profit and Results sharing of each unit has the participation of representatives elected by the employees.

Variable remuneration (in thousands of reais)	2012	2013	2014
Plano de Participação dos Resultados – PPR (Profit and Results sharing)	2,979	4,605	4,061
SUPERA Program	2,627	4,592	4,985

Note: Amounts allocated to the Company's result in the home exercise.

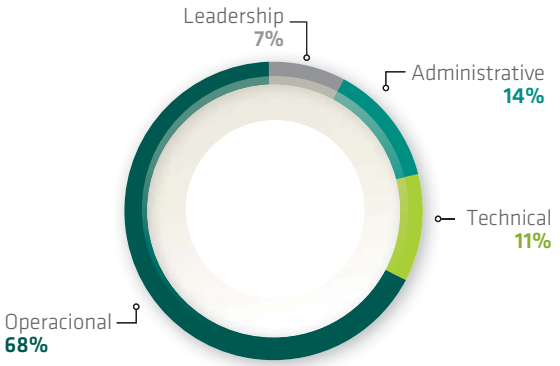
Our benefits package extends to direct employees, apprentices and trainees and includes medical, dental, basic food, meal, life insurance, transportation and agreement with merchants, and other specific benefits in each region.

Benefits (in thousands of reais)	2012	2013	2014
Food	3,959	4,796	4,769
Transport	3,450	3,842	5,402
Life Insurance	155	165	200
Health plan	3,084	4,529	7,179
Total	**10,648**	**13,332**	**17,550**

Because of the SUPERA Program one can perceive a clear impetus for the achievement of goals and teamwork in the pursuit of superior results. This program allows a deep analysis of the performance and career development of our employees from annual individual assessments based on skills and results. After the evaluation, our leaders and the employees create individual action plans focused on the individual development and for maintenance six monthly *feedbacks* are held. At the end of the cycle, the evaluation result enables employees to receive a portion which may vary between 20% and 150% of the salary.

In total, 66% of our active employees received *feedbacks* arising from the individual performance evaluations in 2014.

The percentage of active employees who received *feedback* on the assessment of individual performance (per functional category)



The percentage of active employees who received *feedback* on the assessment of individual performance (per functional category)

Functional category	Women	Men
Leadership	96%	81%
Administrative	79%	69%
Technical	90%	84%
Operational	50%	61%

Health and safety at work

For us, and in accordance with internationally recognized voluntary commitments, the promotion of occupational health and safety covers the physical well-being, mental and social of the employees, as well as their protection against the health risks caused by the working conditions and the adequacy of the work environment to the physiological needs of the teams.

In the pulp and paper sector, the subject is treated as a highly relevant subject and is along the IRANI value chain in forestry links, operational, society and suppliers. The correct management impacts positively on the engagement of leaders and their teams to the topic within the Company's environment and throughout its chain. Failures in management, however, may result in a financial and impact on the image, in the case of access to finance and markets, as well as costs arising from accidents at work and high turnover rates of employees and third parties in the value chain.

Our CUIDA (Care) Program is a model of health management and occupational safety which aims to reduce the number of accidents at work and standardize the activities related to the theme in all our units. In 2014, we continued the scheduled work study and implementation of 20 priority issues related to health and safety at work.

Our cartoning process and the printing of packaging units are those that involve a greater risk of injury. In agreements with trade unions, specific issues are not addressed relating to health and safety beyond what is laid down in the legislation. Our priority actions in health and safety involve the standardization of communication,

Employee at the Paper Unit MG – Santa Luzia

classification, records and the analysis of occurrences, emergency plan, emergency brigades, in addition to the completion of NR12 reports and environmental reports for all our Industrial Units and offices.

Our goal for the period was to limit the accident frequency rate with and without lost time to rates that are lower or equal to 17.06. In 2014, the index was determined to be 14.81, which represent a significant improvement. The severity rates rose in the comparative 2013/2014 and in order to reduce these numbers, we are undertaking various investments related to occupational safety in the units, including the completion of NR12 reports that will give us a position to draw up action plans to reduce even further the risks in the various operations.

Employees at the Packaging Unit SP – Vila Maria

Health and safety at work Indicators

	Offices	Paper Unit SC – Campina da Alegria	Paper Unit MG – Santa Luzia	Packaging Unit SC – Campina da Alegria	Packaging Unit SP – Indaiatuba	Packaging Unit SP – Vila Maria	Resin Unit RS – Balneario Pinhal	Habitasul Florestal	Total
Frequency range of mild occurrences									
2013	0.00	65.83	33.27	77.54	63.74	7.21	0.00	5.97	43.06
2014	6.21	56.40	4.83	65.19	64.12	37.59	0.00	0.00	41.90
Rate of occupational diseases									
2013	0.00	1.33	2.56	0.00	0.00	0.00	0.00	0.00	0.56
2014	0.00	6.53	28.95	0.00	0.00	0.00	0.00	9.42	4.88
Frequency rate of accidents with and without lost time:									
2013	0.00	11.31	35.83	17.89	14.71	33.97	6.91	14.92	17.60
2014	0.00	14.25	14.48	15.93	22.56	19.90	13.39	4.71	14.81
Number of days lost due to occupational accidents									
2013	0	535	40	265	153	2.101	14	21	3.129
2014	0	779	358	224	454	1.870	20	21	3.726
Number of days lost per medical certificate									
2013	2.78	2.27	3.42	4.42	5.74	4.91	1.14	5.61	3.76
2014	2.46	2.44	2.39	4.33	4.54	4.23	1.86	6.62	3.52
Supply									
2013	0.59	0.90	1.19	2.42	2.45	2.04	0.85	7.99	1.68
2014	0.69	0.97	1.07	2.28	2.21	1.93	0.92	8.28	1.97

Employees engaged in safety committees in our units

	Offices	Paper SC – Campina da Alegria	Paper MG – Santa Luzia	Packaging SC – Campina da Alegria	Packaging SP – Indaiatuba	Packaging SP – Vila Maria	Resin RS – Balneario Pinhal	Habitasul Florestal	IRANI Trading	Total
Number of Employees at the unit	181	773	182	300	373	402	67	208	4	2,490
Employees Members of health and safety committees	0%	10%	32%	15%	15%	12%	45%	2%	0%	13%

Members of health and safety committees (by functional category)

	Total number of employees	Functional category				
		Superintendency and Management	Coordination and Supervision	Administrative	Technical	Operational
Emergency Brigade	9.32%		5.19%	6.49%	18.61%	69.70%
CIPA	3.41%	2.35%	22.35%	10.59%	15.29%	49.41%
CIRE	0.80%	Não tem participação	30.00%	Não tem participação	45.00%	25.00%
CUIDA (Care)	0.84%	4.76%	19.05%	14.29%	52.38%	9.52%

Note: Some employees take part in more than one committee.

In 2015, the procedures related to occupational health and safety will be reviewed seeking to equalize the standards used in all units, including those that were recently incorporated such as the Paper MG – Santa Luzia and the Packaging SP – Vila Maria.

TARGET 2015

MAINTAIN THE FREQUENCY RATE OF TOTAL ACCIDENTS (WITH AND WITHOUT LOST TIME) LESS THAN 17.06.

Employee at the Forest Area, Campina da Alegria – SC

Training and Development

We believe that people with their *expertise* and experience are our greatest differential and the key element for the development of human capital is the provision of training opportunities through the CRESCE (Grow) Program.

In it, a *list* of 12 competencies closely linked to our values, classified as basic or differentials, guide the development of teams with internal development opportunities, and external events related to technical and behavioral improvement, in order to prepare them for future challenges .

Investment in Training (in R$)

	2014
Investment in Training and Development	929
Educational incentives through subsidies	1,020

The execution of the LEAD (LIDERA) 2020, a leadership development program, was one of our main challenges in training and we contributed to total in 2014, of an average of 28 hours of training per employee. Created in 2013, unfolds on two fronts:

> **Talent:** aims to ensure our process with the succession of leadership, providing support to our challenges for our growth and competitiveness in the future.

2014

> 30 talents identified internally that occupy technical and operational positions;

> 15 courses offered covering topics such as Self-knowledge, *Lean* Training, Leadership, Strategic Planning, History, Arts and Ethics;

> 1 employee was promoted to a leadership position through internal recruitment.

> **Development of Coordinators and Supervisors:** through which we seek to develop the current leaders. The largest part of the courses were given by internal facilitators, contributing to the dissemination of knowledge inherent in our processes.

2014

> 160 participants;

> 72 classes internally trained in areas of *Lean culture* management techniques and the development of behavioral skills.

Our goal of 88% satisfaction in Ratings in reaction to the LIDERA 2020 was exceeded and we reached the 90% mark. The most relevant lessons learned this year lead us to study the incorporation of new issues to the program, aimed at further equipping our leaders with people management tools and the inclusion of new methodologies such as *job rotation.*

We levered the work done in leadership with the continuity of a psychologist and a consultant, in order to enhance the development of leadership through an approach based on the principles of resilience, reflected action and cultural change.

In 2014, we also encouraged the awareness of our employees and the preparation of our leaders for the *feedback* formal and informal, devoting greater efforts to the Paper Unit MG - Santa Luzia and Packaging Unit SP - Vila Maria. The installation of a new, modern training room in Campina da Alegria (SC) has allowed us to enhance the training activities and face to face development.

Average hours of training per functional category in 2014

Category	Total hours	Number of employees	Average hours of training
Leadership	11,763	184	64
Administrative	10,366	324	32
Technical	7,495	266	28
Operational	40,610	1,716	24
Total	70,235	2,490	28

Average hours of training per gender in 2014

Category	Total hours	Number of employees	Average hours of training
Men	58,812	2,097	28
Women	11,423	393	29

TARGET 2015

ACHIEVE AN AVERAGE OF 30 HOURS OF TRAINING PER EMPLOYEE AND A 92% RATE OF SATISFACTION IN THE ACTIONS OF THE LIDERA 2020.

ELIDA DE FREITAS E CASTRO DRUCK LIBRARY

In 2014, we continued to encourage reading and the loan of books to our employees. This year was also marked by engagement in the II Literary Contest Elida de Freitas and Castro Druck, with the classification of some of our employees.

GERA (GENERATE) PROGRAM

We created this program to attract, engage and follow our professionals throughout his career, stimulating the development of people through selection , integration and monitoring processes.

In 2014, our personnel contracting procedures were revised in order to standardize processes, encouraging career development and professional growth.

We maintain our policy of prioritizing the internal selection of employees, seeking talent on the market only if there is internally interest or professionals who do not meet our requirements for the job.

In 2014, 66.37% of the vacancies were filled through internal recruitment. This index was recorded to be 64.52% in 2013 and 49.51% in 2012.

Employees in Training for the Programa Lidera 2020 (Leaders Program 2020)

Young apprentices from
Campina da Alegria- SC

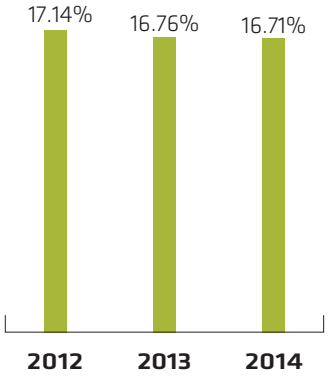
YOUNG APPRENTICE PROGRAM

Our apprentice program aims to empower young people to the labor market through practical coordinated by the Company and with educational guidance of partner institutions. In 2014, we reached the number of 73 apprentices aged between 15 and 21 years. In our selection process, we prioritize the appointment of relatives and friends of our employees because we believe that this is a way to value them and create opportunities for their families. This year we have a list of more than 350 candidates interested in learning in all our units.

TURN OVER

Today, one of our main challenges related to people is the control of the *turnover.* In 2014, we maintained the average percentage of turnover rate of the last three years. This turnover concentrates on operational levels with increases in resignations (40%). Most of our operational resignations were encouraged by the performances below expectations (54%).

Turn over



To participate in our selection process, keep in touch with our site: **http://www.irani.com.br/en/site/mob/1** and submit your resume according to the location of the vacancy:

> **Indaiatuba (SP):** oportunidadessp@irani.com.br
> **Minas Gerais:** oportunidadesmg@irani.com.br
> **Rio Grande do Sul:** oportunidadesrs@irani.com.br
> **Santa Catarina:** oportunidadessc@irani.com.br
> **Vila Maria (SP):** oportunidadesvma@irani.com.br

GRI Content Index for 'in accordance' – Comprehensive

GENERAL STANDARD CONTENT

General Standard Content	Page/Answer/Omission	External Verification
Strategy and analysis		
G4-1	6	✓
G4-2	6,15,38,57	✓
Organizational Profile		
G4-3	8, 9	✓
G4-4	9, 10	✓
G4-5	9 RS Office - Porto Alegre 157, General João Manoel St, 9th floorPorto Alegre (RS) - zip 90010-030	✓
G4-6	8,9	✓
G4-7	8,9	✓
G4-8	12	✓
G4-9	8,9	✓
G4-10	52	✓
G4-11	80	✓
G4-12	54	✓
G4-13	9	✓
G4-14	38	✓
G4-15	17	✓
G4-16	21, 58	✓
Material aspects identified and limits		
G4-17	16	✓
G4-18	16	✓
G4-19	16	✓
G4-20	16	✓
G4-21	16	✓
G4-22	52 e 77	✓
G4-23	Not applicable	✓
Engagement of stakeholders		
G4-24	14, 57	✓
G4-25	14	✓
G4-26	16	✓
G4-27	16	✓

General Standard Content	Page/Answer/Omission	External Verification
	Report Profile	
G4-28	16	✓
G4-29	16	✓
G4-30	16	✓
G4-31	17	✓
G4-32	88	✓
G4-33	16 and 52	✓
	Governance	
G4-34	18 The Company does not currently have an Audit Committee or advisory committees for the Board.	✓
G4-35	20	✓
G4-36	20 e 32	✓
G4-37	16	✓
G4-38	21 There is no participation of women and/or other minority representatives.	✓
G4-39	21	✓
G4-40	21, 23	✓
G4-41	20, 22	✓
G4-42	31	✓
G4-43	21	✓
G4-44	21 We do not have a structured process for determining the qualification in sustainability and self-evaluation for the highest governance body.	✓
G4-45	16, 21	✓
G4-46	21	✓
G4-47	21	✓
G4-48	17	✓
G4-49	21	✓
G4-50	21	✓
G4-51	22 There is no formal survey of the nature of the number of critical concerns brought to the Board of Directors.	✓
G4-52	79	✓
G4-53	82	✓
G4-54	82	✓
G4-55	18 No information available..	✓
	Ethics and integrity	
G4-56	2	✓
G4-57	23	✓
G4-58	23	✓

SPECIFIC STANDARD CONTENTS

Relevant aspects	Page	External Verification
Economic performance		
DMA	40	✓
G4-EC1	48	✓
G4-EC2	39	✓
G4-EC3	We have no preparatory plans for retirement.	✓
G4-EC4	Subsidies: R$ 3,052 thousand relating to the postponement of ICMS payment (Prodec). The value is calculated in relation to the rate of charges subsidized by the state of SC. Grants for Investments: R$ 4,052 thousand relating to the investment grants planned by the States of SC and MG, in the form of ICMS credits.	✓
Materials		
DMA	64	✓
G4-EN1	65	✓
G4-EN2	64	✓
Energy		
DMA	68	✓
G4-EN3	68, 69, 71	✓
G4-EN4	No information available.	✓
G4-EN5	68, 71	✓
G4-EN6	68, 69, 70	✓
G4-EN7	68, 69, 70	✓
Water		
DMA	66	✓
G4-EN8	66	✓
G4-EN9	67	✓
G4-EN10	67	✓
Biodiversity		
DMA	54	✓
G4-EN11	59	✓
G4-EN12	59, 60	✓
G4-EN13	59, 60	✓
G4-EN14	60	✓
Emissions		
DMA	75	✓
G4-EN15	75	✓
G4-EN16	75	✓
G4-EN17	75	✓
G4-EN18	75	✓
G4-EN19	75, 77	✓
G4-EN20	77	✓
G4-EN21	76	✓

Relevant aspects	Page	External Verification
Effluents and waste		
DMA	72,73	✓
G4-EN22	73, 74, 77	✓
G4-EN23	72	✓
G4-EN24	74	✓
G4-EN25	72, 73	✓
G4-EN26	74	✓
Environmental Evaluation of Suppliers		
DMA	50	✓
G4-EN32	52	✓
G4-EN33	52	✓
Evaluation of suppliers in relation to labor practices		
DMA	52	✓
G4-HR10	52	✓
G4-HR11	52	✓
Health and safety at work		
DMA	83	✓
G4-LA5	84	✓
G4-LA6	There were no records of deaths in the period.	✓
G4-LA7	83	✓
G4-LA8	83	✓
Training and education		
DMA	85	✓
G4-LA9	85, 86	✓
G4-LA10	85 Through an outplacement program, we have made available for those professionals who have been removed from the levels of Direction, Management and Coordination, advice and support about their professional and personal career, including development activities and guidance for their continued employment, This work will last for six months. Currently we have no preparatory plans for retirement.	✓
G4-LA11	82	✓
Evaluation of suppliers in relation to labor practices		
DMA	52	✓
G4-LA14	52	✓
G4-LA15	52	✓
Health and safety of the client		
DMA	10	✓
G4-PR1	10	✓
G4-PR2	There were no cases of non-compliance with regulations and voluntary codes identified in 2014.	✓
Local communities		
DMA	49	✓
G4-SO1	56	✓
G4-SO2	56, 57	✓
Supplier evaluation on impacts on society		
DMA	45	✓
G4-SO9	52	✓
G4-SO10	52	✓

The content of this English report is a literal translation from the Portuguese version, which was verified and validated by the assurance statement from DNV GL

Declaração de Garantia DNV GL

1. Contexto e responsabilidades

Por solicitação da IRANI, a DNV GL realizou a verifi cação independente da versão em português do seu Relatório de Sustentabilidade ("o Relatório").

O Relatório destina-se aos seus leitores e às partes interessadas no desempenho de sustentabilidade da empresa. O Conselho de Administração da IRANI é responsável por todas as informações e todos os dados fornecidos no Relatório 2014, assim como por todos os processos envolvidos na coleta, na análise e no reporte dessa informação. A responsabilidade da DNV GL consiste na verifi cação da qualidade da informação e dos dados fornecidos no Relatório 2014, de acordo com os termos e o escopo estabelecidos, assim como na elaboração de uma declaração de garantia com base nessa verifi cação. Esta declaração de garantia é baseada na suposição de que os dados e informações são completos, sufi cientes e precisos. A DNV GL não se responsabiliza por qualquer decisão de investimento ou de qualquer outra natureza realizada com base nesta declaração de garantia.

2. Independência

A DNV GL não foi envolvida na elaboração de qualquer informação contida no Relatório 2014, além desta declaração de garantia. A DNV GL afi rma também a sua independência em relação a favorecimentos, infl uências ou confl itos de interesse associados com a IRANI ou suas partes interessadas. A DNV GL não forneceu quaisquer serviços para a IRANI em 2014 que pudessem comprometer sua independência e a imparcialidade de suas conclusões.

3. Escopo e limites da verifi caçã

A verifi cação abrangeu toda a informação referente ao período de 1º de janeiro a 31 de dezembro de 2014 e consistiu em um nível elevado de verifi cação. Os objetivos principais da verifi cação foram avaliar e assegurar:

- os processos de defi nição de conteúdo, foco e limites do relatório;
- os processos de coleta e agregação dos dados de sustentabilidade;
- os processos adotados para definição de materialidade, inclusão e resposta às expectativas dos *stakeholders*;
- as políticas, estratégias e desempenho de sustentabilidade;
- a confi abilidade de informações específi cas referentes ao desempenho de sustentabilidade.

Esta verifi cação teve como objetivo avaliar e assegurar a informação e os dados referentes à gestão e ao desempenho da IRANI contidos no Relatório 2014. O trabalho realizado pela DNV GL não teve por objetivo avaliar a efi cácia ou a efi ciência dos processos de gestão adotados ou a qualidade do desempenho de sustentabilidade, tanto por parte da IRANI como de quaisquer entidades terceiras mencionadas no Relatório. Este parecer não cobre os dados relativos às emissões de gases do efeito estufa (GEE), que foram verifi cados por outra terceira parte. Os dados e informações econômicas foram avaliados também por outra empresa independente.

4. Abordagem e metodologia da verifi cação

A DNV GL é provedora líder de serviços de sustentabilidade, incluindo a verifi cação dos relatórios de sustentabilidade. Nossos especialistas de avaliação ambiental e social trabalham em mais de 100 países.

Esta verifi cação foi realizada entre fevereiro e março de 2015, por profi ssionais da DNV GL detentores de qualifi cações e experiência adequadas, de acordo com o Protocolo de Verifi cação de Relatórios de Sustentabilidade da DNV GL (VeriSustain). O VeriSustain fundamenta-se nos princípios e nas diretrizes mais aceitos, incluindo AccountAbility AA1000 Assurance Standard (2008) e as Diretrizes para Relatórios de Sustentabilidade da GRI.

Assim, o relatório foi avaliado de acordo como os seguintes critérios: aderência aos princípios de materialidade, abrangência, equilíbrio, confi abilidade, inclusão de *stakeholders* e nível de resposta, conforme Protocolo de Verifi cação de Relatórios de Sustentabilidade da DNV GL e diretrizes para Relatórios de Sustentabilidade da *Global Reporting Initiative* (GRI versão 4, 2013), para a opção de relato abrangente.

O trabalho de verifi cação incluiu as seguintes atividades:

- entrevistas com 31 diretores, gerentes e gestores responsáveis por diversas áreas da empresa, na sede administrativa em Joaçaba e nas unidades fabris de papel e embalagem, ambas localizadas em Campina da Alegria, cidade de Vargem Bonita, Santa Catarina. O propósito dessas entrevistas foi o de confi rmar o comprometimento e as prioridades da IRANI relacionadas a sustentabilidade;
- exame e revisão de documentos, dados e outras informações disponibilizadas à DNV GL;
- análise da evolução dos comprometimentos, estruturas e recursos dedicados à gestão da sustentabilidade;
- análise de políticas, procedimentos e relatórios de desempenho relacionados à sustentabilidade;
- avaliação dos processos para coleta, agregação, validação e reporte de dados de sustentabilidade;
- análise de comunicações internas e externas sobre temas e desempenho de sustentabilidade da IRANI.

5. Conclusões

Na opinião da DNV GL, o relatório é uma representação adequada da empresa, relacionando a estratégia, as políticas, as atividades e o desempenho de sustentabilidade da IRANI no período coberto por ele.

6 – Observações

Sem interferir na nossa opinião de garantia, verifi camos as seguintes boas práticas e oportunidades para a IRANI melhorar ainda mais a sua adesão aos princípios de reporte e comunicação de informações de desempenho. A DNV GL avaliou a adesão do relatório aos seguintes princípios, na escala de "bom", "aceitável" e "necessita de melhoria".

Materialidade: Aceitável. Em 2014, a IRANI aprofundou o entendimento dos temas materiais para a gestão da sustentabilidade, através de análise de fontes externas e de processo estruturado de consulta aos stakeholders. A IRANI demonstrou processos internos efi cazes na defi nição de temas materiais signifi cativos para as operações. Mas, apesar do relato referente a integração dos temas materiais à estratégia da IRANI, não é possível identifi car no relatório como alguns temas materiais estão integrados aos processos de decisão organizacionais e ao desempenho de sustentabilidade.

Abrangência: Aceitável. O escopo e a abrangência temporal e geográfi ca do Relatório estão defi nidos. As limitações no reporte dos indicadores são geralmente indicadas. A DNV GL recomenda que a IRANI considere a extensão no reporte dos indicadores materiais e das informações referentes a sua cadeia de valor.

Inclusão de *stakeholders* e nível de resposta: Aceitável. O processo de engajamento identifi ca de forma efetiva as expectativas dos stakeholders. A IRANI possui diferentes formas de interação com as suas partes interessadas. Entretanto, precisa de melhoria na extensão da representatividade dos stakeholders envolvidos no processo de materialidade. E de aperfeiçoamento no nível de resposta para questões consideradas materiais.

Confiabilidade: Aceitável. A confiabilidade dos dados é adequada, mas vários indicadores são obtidos através de operações manuais. A DNV GL recomenda que a IRANI continue a aprimorar de forma automática/ sistêmica os processos de coleta, compilação, análise e reporte de dados.

Equilíbrio: Aceitável. A IRANI apresenta desafi os de sustentabilidade ao longo do relatório. Mas, precisa melhorar a ênfase dos temas apresentados conforme a sua materialidade e a extensão do reporte dos desafi os.

Ana Cristina Campos Marques
Gerente do projeto

DNV GL, São Paulo, 13 de março de 2015.

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