

D. Risk Factors

We are subject to various risks and uncertainties resulting from changing competitive, economic, political, environmental and social conditions that could harm our business, results of operations or financial condition. The risks described below, although not being the only ones we face are the most important ones according to our ability to identify material risks. Other risks that we presently believe are not material could also adversely affect us.

Risks Relating to the Pulp and Paper Industry

Our products' prices are greatly affected by international market prices, which vary depending on a number of factors that are beyond our control and could adversely affect our results of operations and financial conditions and our ability to operate our plants in an economically viable manner.

Pulp markets are typically cyclical, and our pulp prices follow international market prices, which are determined by supply and demand, global pulp production capacity and global economic conditions. Such prices can also be affected by exchange rate fluctuations between the currencies of main producing and consuming countries, movement of inventories, diverging price expectations, business strategies adopted by other producers and availability of substitutes for our products, among others. All of these factors are beyond our control and may have a significant impact on the prices for pulp and, consequently, on our operational margins, profitability and ROIC. Fluctuations in pulp price may lead us to adopt changes in our commercial strategy or production, which also may adversely affect our financial condition and results of operation.

Paper prices are also determined by supply and demand conditions in the markets in which they are sold, and are affected by various factors, including the fluctuation in pulp prices and the specific characteristics of the markets in which we operate.

We cannot assure that pulp and paper market prices and demand for our products will remain favorable to us, and any adverse price or demand fluctuations, which may occur rapidly in our markets, could adversely affect our results of operations and financial conditions and our ability to operate our plants in an economically viable manner.

We are highly dependent on our planted forest areas for the supply of wood, which is essential to our production processes, and any damage to our forest areas or impact on prices of land we seek to purchase for our forests may adversely affect us.

Most of the wood used in our production processes is supplied by our own forestry operations, which include planted forest areas located in close proximity to our production facilities. The wood market in Brazil is very regional and limited in wood availability, as most pulp and paper producers are integrated and utilize wood grown in their own planted forests to meet their wood requirements.

Our planted forests are subject to natural threats, such as drought, fire, pests and diseases, which may reduce our supply of wood or increase the price of wood we acquire. Our planted areas are also subject to other threats, considering their wide territorial coverage and proximity to a significant number of neighbors and local communities, including loss of possession due to social unrest or squatter invasion, land title disputes, wood theft, or arson, which may result in real damage to our planting and transit areas and may adversely affect our results.

In addition, the physical effects of climate change may materially and adversely affect our operations, for example by changing air temperature and water levels, and subjecting us to unusual or different weather-related risks. Any climate changes that negatively affect the favorable climate conditions in Brazil may adversely affect the growth rate and quality of our plantations, or our production costs. Although we cannot predict the impact of changing global climate conditions, any such occurrences may increase our liabilities and capital expenditures and adversely affect our business, financial condition and results of operations.

Additionally, in acquiring land for our timber plantations, we compete with other crops, as well as with cattle breeders, which could ultimately raise land prices or make it more difficult for us to contract independent third parties to cultivate eucalyptus.

Drought in some regions of Brazil, resulting in water scarcity and related rationing, may adversely affect our business and results of operations.

In Brazil, some regions might have drought conditions during some seasons of the year, which could result in acute shortages of water and/or implementation of rationing to restrict usage. Some of our units are located in the affected areas and we cannot assure that our processes for efficient use of water and contingency plans will be able to avoid impacts from severe droughts or governmental measures to address drought conditions on our units' operations, which could have an adverse effect on our business and results of operations.

We face significant operational risks that can result in the shutdown of our operations, which may adversely affect our financial condition and results of operations.

We face operational risks that may result in partial or temporary suspension of our operations and in loss of production. Such outages may be caused by factors associated with equipment failure, information system disruptions or failures (including due to cyber-attacks), accidents, fires, strikes, invasions, acts of war, armed conflicts, weather, exposure to natural disasters, regional water crisis, electricity power outages and chemical product spills, accidents involving water reservoirs, landfills, revocation of licenses, labor restrictions by pandemics, among other operational and environmental hazards. The occurrence of these events may, among other impacts, result in serious damage to our property, assets and reputation, liability for damages to the environment and third parties, a decrease in production or an increase in production costs, any of which may adversely affect our financial condition and results of operations. Increasing geopolitical tensions and hostilities in connection with the conflict between Russia and Ukraine, and the trade and monetary sanctions that have been imposed in connection with those developments, have affected, and could significantly affect, worldwide markets, cause turmoil in the global financial system and negatively impact our operations.

Certain of our assets, notably biological assets measured at fair value, property, plant and equipment and intangible assets, may be impacted by climate events. Effects of climate change, such as rising temperatures, scarcity of water resources, fires and impacts arising from the greater presence and resistance of pests and other forest diseases favored by the gradual increase in temperature, as well as other adverse weather events, may impact the determination of fair value of biological assets, cause the loss of biological assets, reduce productivity or event result in interruptions of our production. In addition, regulatory and legal changes related to a transition to a low-carbon economy and/or with greater biodiversity might impose additional costs and create greater risk of litigation and/or commercial restrictions to our business.

During the normal course of our business, we depend on the continuous availability of logistics and transportation networks, including roads, railways, warehouses and ports, among others. Such operations may be disrupted by factors beyond our control, such as social movements, geopolitical conflicts, natural disasters, electricity shortages strikes and shutdowns (such as, for instance, trucker strikes). Any interruption in the supply of inputs for the operation of our industrial and forestry units or in the delivery of our finished products to clients could cause a material adverse impact on our results of operations.

We have entered into contracts with third parties to provide transportation and logistics services. The early termination of these contracts or our inability to renew them or negotiate new contracts with other service providers with similar conditions could adversely affect our financial and operating condition. In addition, most of our suppliers of transportation operate under concessions granted by the Brazilian government. The loss or non-renewal of such concessions without timely replacement for new concessions to third parties that can continue the services provided and willing to do so on similar terms as the previous service providers may also adversely affect our results of operations and financial condition.

Additionally, we are subject to quality control risks associated with our products, which may affect our consumer market and customers. In this sense, we note that our products have several properties that influence the processes of our customers, as well as the quality of the products they produce. Accordingly, we are also subject to any potential claims relating to the quality of our products, which may have a material adverse effect on our results of operations and financial condition.

We depend on third-party suppliers for a material portion of our wood requirements and also depend on few suppliers for certain raw materials. Significant reductions in supply or increases in price of these materials could adversely affect our production, products' mix, margin or availability and, consequently, our results of operations.

Our wood resources are not sufficient to satisfy our production needs, and accordingly we seek additional wood supply from third parties through agreements to purchase standing forests or for purchases of wood delivered to our factories. Medium- and long-term supply agreements with wood suppliers may vary between one to three forest cycles, each cycle lasting approximately seven years. Lease agreements or forest partnerships have an average term of 14 to 15 years. Wood price conditions are subject to cyclical and circumstantial variations of wood demand in the different regions where we operate. A material failure to obtain wood from third party suppliers or a material interruption in our current supply arrangements may result in a significant reduction in available wood for processing at our plants, which may adversely affect our production and, accordingly, our results of operations and financial condition.

In addition, we have few sources for certain raw materials that are essential for the production of pulp and paper, including fuel oil, bleached chemo thermo mechanical pulp, peroxide, natural gas and third-party industry technology (maintenance). We enter into medium and long term supply agreements with such suppliers. Any significant reduction in the supply or increase in prices, on behalf of the relevant supplier, of any of these raw materials, as well as our inability to maintain the relationship or find suitable substitutes for these suppliers, could adversely affect our products' mix, margin or availability and, consequently, our results of operations.

Investments by us or our competitors to enhance pulp and paper production capacity in the future may adversely affect the market price for our products.

New capacity projects developed by us or our competitors may create an imbalance between supply and demand of pulp and paper, which may cause a reduction in pulp and paper prices. Investments in new capacity may have a negative impact on pulp and paper prices and, consequently, on our financial condition or results of operations.

We face significant competition in some of our lines of business, which may adversely affect our market share in the pulp and paper industries and our profitability.

The pulp and paper markets are extremely competitive. We face substantial competition in both domestic and international markets from a large number of companies, some of which have extensive access to financial resources and low capital costs. In the domestic market, we face competition from national products, produced by companies of Brazilian and international groups, and imported products. In the international market, we compete against companies with large production and distribution capacities, significant consumer base and great variety of products.

In addition, the oversupply of coated paper in the world market, the antidumping measures adopted in other countries and the use of imported coated paper for alternative purposes, especially during periods of prolonged appreciation of the *real* against the U.S. dollar, may increase competition in Brazil from producers of imported paper. Moreover, if the Brazilian federal government were to decrease import taxes, or in the event of sustained appreciation of the *real* against the U.S. dollar, competition in Brazil from international producers may increase. The occurrence or continuation of any of the foregoing events could adversely affect us.

Additionally, the pulp and paper markets are served by numerous companies located in different countries. If we are unable to remain competitive against these producers in the future, our market share may be adversely affected. Other companies operating in the same segments may compete with us for acquisition and alliance opportunities. Strategic acquisitions or alliances by our competitors could affect our ability to enter into or consummate acquisitions and alliances that are necessary to expand our business. Further, we may face elevated costs associated with restructuring and/or financing in relation to acquisitions or strategic partnerships in comparison to our competitor companies. Companies that are better positioned to enter into acquisitions or alliances may benefit from preferable production costs, which may affect our competitiveness and market share.

Other factors affecting our ability to compete include the entry of new competitors into the markets we serve, increased competition from overseas producers, our competitors' pricing strategies, the introduction by our competitors of new technologies and equipment, our ability to anticipate and respond to changing customer preferences and our ability to maintain the cost-efficiency of our facilities. In addition, changes within these industries, including the consolidation of our competitors and our customers, may impact competitive dynamics.

Periods during which financing is limited or unavailable may increase our financial costs, limit the terms or even preclude the funding in the market, which may adversely affect our operations.

Brazilian paper and pulp companies have made significant investments during the last few years in order to compete more efficiently and on a larger scale in the international market. This trend towards consolidation has enhanced the need for resources and diversification of financing sources among national and foreign financial institutions.

In this context, we depend on third-party capital to conduct our business, by means of financing transactions to support our investments and working capital. We cannot assure that our current sources of funds will be sufficient or that they will remain available to meet our capital needs, which may require us to seek additional funds in the financial and capital markets. In liquidity restriction periods, such as the ones of 2008 and 2009 that occurred due to the international financial crisis, credit lines may become excessively short, expensive or even unavailable. Under these circumstances, there is a higher risk of not achieving success in financing and refinancing transactions, meaning that there is a higher possibility of failure in obtaining financing in the market in order to pay down existing indebtedness, as well as a higher risk of raising these funds at an elevated cost or subject to posting collateral, which may adversely affect our results of operations or financial condition.

More stringent environmental regulations could increase our expenditures and noncompliance with such regulation may result in administrative, civil and criminal liability, which may adversely affect us, our results of operations or financial condition.

Our activities are subject to extensive environmental regulation, including in relation to gas emissions, liquid effluents and solid waste management, reforestation and odor control, as well as maintenance of land reserve and permanent preservation areas. Furthermore, our activities, both industrial and forestry, require periodic renewal of environmental permits.

Environmental standards that are applicable to us are issued at the federal, state and municipal levels, and changes in the laws, rules, policies or procedures adopted in the enforcement of the current laws may adversely affect us. In Brazil, violations of environmental laws, regulations and authorizations could result in administrative, civil or criminal penalties for us, our management and our employees, including fines, imprisonment, interruption of our activities and dissolution of our corporate entity.

Governmental agencies or other competent authorities may provide new rules or additional regulations even stricter than the ones in force, or they may pursue a stricter interpretation of the existing laws and regulations, which could require us to invest additional resources in environmental compliance or to restrict our ability to operate as currently done. Additionally, noncompliance with or a violation of any such laws and regulations could result in the revocation of our licenses and suspension of our activities or in our liability for environmental remediation costs, which could be substantial. Moreover, failure to comply with environmental laws and regulations could restrict our ability to obtain financing from financial institutions.

In December 2015, several countries (including Brazil) signed the Paris Agreement, a new global environmental agreement adopting the Intended Nationally Determined Contributions, or "INDCs", as the measures taken to reduce its emissions after 2020. The INDC that applies to Brazil provides for an increase in the share of sustainable biofuels and other sources of renewable energy in the Brazilian national energy mix, as well as zero deforestation, reforestation, forest restoration and enhancement of the native forest management. Considering the amplitude of the operation, we may be materially affected by more restrictive national or foreign environmental laws and regulations related to greenhouse gases and climate change, to the extent that such new laws or regulations may cause an increase in capital expenditures and investments to comply with such laws, and indirectly, by changes in prices for transportation, energy and other inputs. Both the regulations related to climate change and the changes in existing regulations, as well as the physical effects of climate change generally, could result in increased liabilities and capital expenditures, all of which could have a material adverse effect on our business and results of operations.

Failure to obtain, timely renew or maintain permits, licenses and concessions, grants and registrations necessary to develop our activities, as well as any cancellation thereof, could adversely affect our operations.

Our operations depend on the issuance of permits, licenses, concessions, grants and registrations from various federal, state and municipal agencies. In addition, obtaining licenses for certain activities in which significant environmental impacts are expected requires investments in conservation and/or recovery to compensate such impacts. We have permits, licenses, concessions, grants and registrations necessary to operate our factories, which usually have predetermined validity. In order to renew them, we have to periodically report our compliance with standards of emission of greenhouse gases established by governmental agencies. The expansion of our operations and/or changes to the regulation in force may cause us to request for new permits, licenses, concessions, grants and registrations with the governmental authorities and we cannot guarantee that we will be able to obtain them in a timely manner. Failure to obtain such permits, licenses, concessions, grants and registrations, or to obtain them in a timely manner, may delay the implementation of new activities, increased costs, financial fines or sentences for payment of compensation. In case we are fined and/or penalized for not obtaining, timely renewal or canceling our authorizations, licenses, grants and registrations, as well as for non-compliance with environmental legislation, our financial and operational results and our image may be adversely affected. In addition, non-compliance with applicable environmental legislation may result in partial or total shutdowns of our operational activities, which may also adversely affect our financial position and image.

Global or regional economic conditions and events may adversely affect the demand for and the price of our products.

Demand for pulp and paper is directly related to the growth of the world economy and economic conditions. Currently, Europe, China and North America are the main consumer markets of the industry. Fluctuations in the value of local currency versus the U.S. dollar, downturns in economic activity, nationalization or any change in social, political or labor conditions in any of these countries or regions impacting matters such as sustainability, environmental regulations and trade policies and agreements, could negatively affect our financial results. Any slowing of economic growth in Europe, China and North America could adversely affect the price and volume of our exports and thus impact our operating performance.

According to market statistics (PPPC), Chinese demand represented 35% of the global market pulp demand in 2022 and 36% in 2021 (versus 39% in 2020 and 37% in 2019), and this demand has increased at a compound annual growth rate of 7.9% since 2006, above the global average of 2%. The recent investments announced in paper and board machines in China have been boosting pulp demand in China; however, China's pulp market will depend on the pace of demand recovery post lockdown, as a result of its zero covid policy.

The outbreak of communicable diseases worldwide, such as SARS-COV-2 (COVID-19 pandemic), may lead to increased volatility in the global capital markets, impacting the trading market for the securities issued by us.

Outbreaks or potential outbreaks of diseases may have an adverse effect on global capital markets (including the capital markets in which our securities are traded), on the global economy (including the Brazilian economy) and on the price of our shares. Historically, pandemics, as well as regional or global epidemics and outbreaks, such as COVID-19, have affected sectors of the economy in countries where these diseases have spread, adversely impacting global commercial activity and contributing to significant volatility in the market. In light of our activities in the foreign market, such events or potential reactions and mandates from government authorities could cause disruption of regional and global supply chains and economic activity, including significant volatility in demand, which could adversely affect our operations and financial results. Prolonged closures, stoppages and shutdowns, if continuing, may disrupt our operations and the operations of our suppliers, service providers and customers and could materially, adversely affect our revenues, financial condition, profitability, and cash flows.

Further, additional waves of outbreaks – including new variants that are more or less aggressive and/or contagious – may occur, and the intensity of the economic slowdown resulting from actions taken or to be taken by government authorities in response to the pandemic are unpredictable, especially considering that both the severity of the disease and the action plan of local authorities will depend on various unknown factors.

Our exports are subject to special risks that may adversely affect our business.

We export to different regions of the world, which makes us subject to special political and regulatory risks, including currency controls in countries where we have payments receivable, possible formal or informal trade barriers and incentive policies and subsidies favoring local producers in many regions.

Thus, our future financial performance will depend on the economic, political, environmental and social conditions of our main export markets (Europe, Asia and North America). As a result, factors that are beyond our control include:

- imposition of barriers to trade by certain countries to limit the access of Brazilian companies to their markets or even to subsidize local producers, particularly with respect to paper products, or the granting of commercial incentives in favor of local producers;
- changes in economic policies and/or conditions of the countries to which we export, which may affect our export capacity and, consequently, our business and operating results;
- logistics costs, including disruptions in shipping or reduced availability of freight transportation;
- significant fluctuations in global demand for pulp products, which could impact our sales, operating income and cash flows;
- the deterioration of global economic conditions, which could impair the financial condition of some of our customers or foreign suppliers, thereby increasing bad debts or non-performance by our foreign suppliers, as well as increasing our costs for financing and refinancing;
- changes in revenues due to variations in foreign currency exchange rates;
- controls on currency exchange; and
- adverse consequences deriving from the need to comply with more stringent regulatory requirements in foreign countries, including environmental rules, regulations and certification requirements.

Risks Relating to Our Company

Any failure to meet key stakeholders' expectations regarding environmental, social and corporate governance ("ESG") matters may damage our reputation, raise our costs, decrease our revenues, or expose us to additional risks.

There is an increasing focus from customers, investors and other key stakeholders concerning ESG matters, as public interest and legislative pressure related to companies' ESG practices continue to grow. Regardless of the industry, investors' increased focus and activism related to ESG and similar matters may hinder access to capital, as investors may decide to reallocate capital or to not commit capital as a result of their assessment of a company's ESG practices. In addition, certain institutional investors rely on third-party providers proxy vote recommendation, benchmark proxy voting guidelines and analyses of ESG attributes. If we fail to align our Annual Shareholders' Meeting proposals with such recommendations or guidelines, certain shareholders may vote against them, which may adversely affect us. Companies that do not adapt to or comply with investors', consumers' or other stakeholders' expectations and standards, which are evolving, or that are perceived to have not responded appropriately to the growing concern for ESG issues, regardless of a legal requirement to do so, may suffer from reputational damage and the business, financial condition, and/or securities prices of such a company could be materially and adversely affected. If our ESG practices and policies fail to meet evolving expectations, standards and frameworks, our reputation, financial condition and employee retention may be negatively impacted.

We pursue certain transactions from time to time and we may not be able to achieve the expected benefits of such transactions or manage potential risks related to such transactions, which may adversely affect our business and growth prospects, as well as our results of operations and financial condition and the trading price for our securities.

In the course of our business, we analyze, pursue and carry out acquisitions, strategic alliances and divestitures, and, as part of our business strategy, we may acquire other assets or businesses or enter into further strategic partnerships in Brazil or other countries.

Disagreements with our joint operation partners, unexpected events or changes in market conditions, as well as the failure to successfully integrate new businesses or manage strategic alliances, could adversely affect our results of operations and financial condition or prevent us from realizing expected gains of these acquisitions or alliances. For example, we (as successor to Fibria) hold a 50% interest in Veracel, a joint operation with Stora Enso for the production of pulp, and a 51% interest in Portocel, our subsidiary (former subsidiary of Fibria) in which Celulose Nipo-Brasileira S.A. - CENIBRA holds the remaining 49% interest stake. In May 2014, Fibria (Stora Enso's former partner in the joint operation) commenced an arbitration against Stora Enso for alleged breach of its obligations under certain provisions of the joint operation shareholders' agreement. For further information on the arbitral proceeding, see Item 8. "Financial Information-Consolidated Statements and Other Financial Information-Civil Proceedings."

If we attempt to engage in future acquisitions, we would be subject to additional risks, including that we could fail to select the best partners or fail to effectively plan and manage any strategic alliance. Moreover, any significant acquisition may be subject to regulatory approval in Brazil and abroad and, as a result, may not be consummated, which may have an adverse effect on the trading price of our securities.

The expected synergies from operating as a combined company with other companies that merge into and with us may not be achieved.

We cannot provide any assurance as to the extent to which the synergies anticipated or expected from eventual future mergers, or as to the timing for their realization, or as to the expenses that will be incurred in connection with realizing synergic benefits. In particular, we may not be able to realize anticipated cost savings from combination of companies' production facilities, or anticipated synergic benefits from joint acquisitions of raw materials, sharing of improved production techniques and integration of administrative departments.

If we are not able to achieve the synergies from eventual future mergers, our results of operations and financial condition and the trading price for our securities may be adversely affected. Even if we achieve the expected synergies eventual future mergers, we may not be able fully realize them within the anticipated timeframe.

We recorded a significant amount of goodwill and other intangible assets with determined useful life as a result of the Merger, which may be subject to impairment charges under certain circumstances in future periods in accordance with applicable accounting regulations and adversely affect our financial condition and results of operations or the trading price of our securities.

As of December 31, 2022, the value of our goodwill and other intangible assets with determined useful life relating to the Merger with Fibria were R\$7,897.1 million and R\$7,455.2 million, respectively. For further information, see note 16 to our audited consolidated financial statements. Under IFRS, goodwill and intangible assets with undetermined useful life are not subject to amortization and are tested annually to identify possible need for impairment, or more often if any event or circumstance indicates that an impairment loss may have been incurred. Other intangible assets that have determined useful lives are amortized on a straight-line basis over their estimated useful lives and reviewed for impairment whenever there is an indication of impairment. In addition, under IFRS we are required to perform an impairment analysis of assets with undetermined useful life when the book value of our net assets exceeds our market capitalization. As a result, we may be required to record an impairment charge for goodwill or other intangible assets in future periods if required under IFRS, which could lead to decreased assets and reduced net income. If a significant write down were required, the charge could adversely affect our financial condition and results of operations or the trading price of our securities.

The level of our indebtedness could adversely affect our financial condition and a material portion of our cash flow may need to be used to service our debt obligations, which could impair our ability to operate our business.

As of December 31, 2022, we had R\$74.6 billion of total consolidated outstanding indebtedness (which includes current and non-current loans, financing and debentures). We are subject to the risks normally associated with significant amounts of debt, which could have important consequences to investors. Our indebtedness could, among other things: (i) require us to use a substantial portion of our cash flow from operations to pay our obligations, thereby reducing the availability of our cash flow to fund working capital, operations, capital expenditures, dividend payments, strategic acquisitions, expansion of our operations and other business activities; (ii) increase our vulnerability to a downturn in general economic and industry conditions, and may make us unable to carry out capital spending that is important to our growth; (iii) limit, along with financial and other restrictive covenants in our debt instruments, our ability to incur additional debt or equity financing or dispose of assets; and (iv) decrease our ability to deleverage and place us at a competitive disadvantage compared to our competitors that have less debt.

A significant or prolonged downturn in general business and economic conditions, or other significant adverse developments with respect to our results of operations or financial condition, may affect our ability to comply with these covenants or meet those financial ratios and tests and could require us to take action to reduce our debt or to act in a manner contrary to our current business objectives. Moreover, the restrictions associated with these covenants and financial ratios may prevent us from taking actions that we believe would be in the best interest of our business and may make it difficult for us to execute our business strategy successfully or effectively compete with companies that are not similarly restricted. Additionally, despite these restrictions, we may be able to incur substantial additional indebtedness in the future, which might subject us to additional restrictive covenants that could affect our financial and operational flexibility and otherwise increase the risks associated with our indebtedness as noted above. We may also need to refinance all or a portion of our debt on or before maturity, and we may not be able to do this on commercially reasonable terms or at all.

Additionally, a default under our financial agreements that is not waived by the relevant creditors may result in an acceleration of the maturity of the outstanding balance of such debt and may also accelerate the maturity of other debt that benefits from cross-default or cross-acceleration provisions. For more information, see Item 5. "Operating and Financial Review and Prospects –Indebtedness." If such events were to occur, our financial condition and share price could be adversely affected.

We operate under certain tax regimes in Brazil and abroad that may be suspended, cancelled or not renewed, any of which may adversely affect our financial condition and free cash flow generation.

We receive certain tax benefits by virtue of our investment projects in underdeveloped regions in Brazil such as SUDAM/SUDENE, which are covered by the Brazilian Internal Revenue Service, or *Receita Federal do Brasil* (RFB). We also benefit from tax incentives granted by states based on state laws. The program PROMARANHÃO in the state of Maranhão and the program Desenvolve in the state of Bahia, published through Special Regime nº 004/2012 and Decree No. 18.270/18, respectively, are the most relevant ones for our operations. We cannot assure you that the tax incentives we currently benefit from will be maintained or renewed, particularly, but not exclusively, in light of deteriorating macroeconomic conditions that may lead to changes in current material incentives, such as the Regime Especial de Aquisição de Bens de Capital para Empresas Exportadoras, which is a special regime for the acquisition of capital goods by exporting companies, and Preponderante Exportador (i.e. RECAP and REIDI), among others. If such tax benefits are not effectively renewed, this could have a material adverse effect on our generation of net cash flow. In the event of constitutional challenges or if we fail to comply with specific obligations to which we are subject in connection with the tax benefits described above, such benefits may be suspended or cancelled, and we may be required to pay the taxes deferred in the last five years in full, plus penalties and interest, which may adversely affect us.

Our exports and international trading activities are also conducted under certain tax regimes, including rulings and incentives in some foreign countries, including Austria. These tax rulings or benefits expire and have to be renewed from time to time. We cannot assure you that the tax regimes and incentives from which we currently benefit will be renewed or maintained in the future. In addition, we also benefit from provisions of international treaties entered into by the Brazilian federal government, such as the taxation treaty between Brazil and Austria, pursuant to which profit earned by our wholly-owned subsidiary in Austria is not subject to taxation in Brazil.

Although we believe in the validity of the provisions of international treaties, RFB has a different view on how tax treaties apply. We have filed a writ of mandamus in Brazil to ensure the enforceability of the Brazil-Austria Treaty. The first instance court held in our favor granting the writ of mandamus and, therefore, prohibiting the RFB from taxing the profits of the Austrian entity. The decision is subject to an appeal, and we are currently awaiting a decision of the second instance court. If the final decision in this proceeding determines that Brazil-Austria treaty does not prevent RFB from taxing the profits of such Austrian entity, we may be materially adversely affected.

In addition to the foregoing concerns, a new regulation is under consideration in the Brazilian Congress that would have the effect of changing the current Brazilian transfer pricing rules as from 2024 and therefore modify the transfer pricing methodology used by Brazilian companies. If the new regulations are adopted as proposed, the current transfer pricing practiced between us and our Austrian entities may change resulting in a material adverse impact on our financial condition and results of operations.

Fluctuations in interest rates, as well as our inability to manage risks associated with the replacement of benchmark indices, could increase the cost of servicing our debt and negatively affect our overall financial performance.

Our financial results are affected by changes in interest rates, such as the London Interbank Offered Rate ("LIBOR"), the Brazilian Interbank Deposit Certificate Rate (*Certificado de Depósito Interbancário*, or "CDI") and the Brazilian Long-Term Interest Rate (*Taxa de Juros de Longo Prazo*, or "TJLP"). The CDI rate has fluctuated significantly in the past in response to the expansion or contraction of the Brazilian economy, as it is an instrument for Brazilian Central Bank to manage inflation and pursue its policies targets. The CDI rate was 13.65% p.a. as of December 31, 2022, while it was 9.15% p.a. and 1.90% p.a. as of December 31, 2021 and 2020, respectively. The TJLP rate was 7.20% p.a., 5.32% p.a. and 4.55% p.a. as of December 31, 2022, 2021 and 2020, respectively.

A significant increase in interest rates may impact our ability to secure financing in acceptable terms and an increase in interest rates, particularly TJLP, CDI, LIBOR or the Secured Overnight Financing Rate ("SOFR"), or the inflation rate index for consumer goods, or IPCA, could have a material adverse effect on our financial expenses since a significant part of our debt (BNDES loans, Agribusiness Credit Receivable Certificates - CRA and Export Prepayment Facilities) is linked to those rates. On the other hand, a significant reduction in the CDI rate could adversely impact our financial revenues derived from investment activities, since a material portion of our cash is invested in Brazilian money market instruments that are linked to the CDI rate.

On March 5, 2021, the head of the United Kingdom Financial Conduct Authority ("FCA") announced in a public statement the date of extinction of all Libor rates, including that LIBOR 3-months (term to which our contracts are linked) for June 30th, 2023. The Federal Reserve Board and the Federal Reserve Bank of New York convened the Alternative Reference Rates Committee (ARRC), a group of private-market participants, to help ensure a successful transition from U.S. dollar (USD) LIBOR to a more robust reference rate, its recommended alternative, the SOFR. Although the adoption of SOFR is voluntary, the impending discontinuation of LIBOR makes it essential that market participants consider moving to alternative rates such as SOFR and that they have appropriate fallback language in existing contracts referencing LIBOR. In this regard, our derivative and debt contracts may be affected by the change in the relevant rate. Because the publication of LIBOR will cease for June 2023, we have begun to migrate to the adoption of SOFR as an alternative rate, which will materialize with the termination of LIBOR.

The Company has identified all of its contracts subject to LIBOR remediation that have not yet been subject to the transition to an alternative reference rate and has been in discussions with the respective counterparties of each contract to ensure that the best market practices will be adopted at the time of transition of the index. These terms, however, are still under negotiation between the parties. We cannot predict how the (i) provisions relating to the discontinuation of LIBOR we have been including in our contracts, (ii) negotiations with other parties for definition of new applicable rates, or (iii) determination of an equivalent fee by a calculation agent will be implemented in practice and can give no assurance that such implementation will not have a material adverse effect on our financing costs.

A failure or interruption of our third-party suppliers' or our information technology systems or automated machinery may impact or paralyze our business and negatively impact our operations. Our third-party suppliers' and our information technology systems may also be vulnerable to external actions such as cyber-attacks, which can have a negative impact on our operations, reputation, result in improper access of confidential information and disruption of our systems' integrity as well as result in fines, obligations to clients or legal litigation and have an adverse effect on the results of our business.

Cyber-attacks have increased exponentially over the years and according to the World Economic Forum, it is one of the top 10 global risks. The risks of a cyberattack have not decreased, and the expectation is that it will continue to increase, looking at the entire ecosystem considering suppliers, regulatory issues and the increasing use of technology and interconnections in the company's main processes.

Our operations are heavily reliant on information technology systems to efficiently manage business processes. Therefore, disruptions to these systems may impact or even paralyze our business and negatively impact our operations. In addition, we collect and store data, including proprietary business information, and may have access to confidential or personal information in certain activities of our businesses that is subject to privacy and security laws, regulations and customer-imposed controls. Moreover, any failure of our third-party suppliers' or our systems related to confidential information, caused by external cyber-attacks or internal actions, including negligence and/or misconduct of our employees, can have a negative impact on our reputation against competitors and external agents (government, regulators, suppliers and others).

Our third-party suppliers' and our information technology systems may have vulnerabilities that may be impacted through external actions such as natural disasters, viruses, cyberattacks and other security breaches.

Damage to or disruptions to certain critical systems could have a materially adverse effect on our business results, including fines, customer liabilities or legal litigation.

We and our third-party suppliers may be subject to breaches of automation systems causing partial and/or temporary shutdowns of operations and/or improper access to strategic information, in addition to change or loss of relevant data. The costs of addressing the vulnerability and/or the problems mentioned may be significant depending on the criticality and relevance of the information.

There are measures implemented to dissuade, prevent, detect, and respond to unauthorized activities in our systems, however we cannot fully guarantee that these, or the procedures adopted by third-party suppliers, would be to protect us from certain types of attacks, which may have a material adverse effect on our business and reputation.

Any failure to adapt to or comply with recent global regulations on data privacy may adversely affect our results and reputation.

On August 15, 2018, the Brazilian General Data Protection Law (Lei Geral de Proteção de Dados - LGPD) came into force. The LGPD regulates the use of personal data in Brazil. The LGPD significantly transformed the data protection system in Brazil and is in line with recent European legislation (the General Data Protection Regulation, or GDPR) to which Suzano is also subject. The current privacy and personal data protection laws or regulations establish detailed rules for the collection, use, processing and storage of personal data.

The new law, in common with other applicable global regulations, will affect all economic sectors, including the relationship between customers and suppliers of goods and services, employees and employers and other relationships in which personal data is collected, both in the digital and physical environment. Pursuant to these laws, security breaches that may result in significant risk or damage to personal data must be reported to the data protection authorities (DPA) of each jurisdiction, within a reasonable time period. In light of the privacy and personal data protection laws, our practices related to personal data processing may undergo significant changes, generating additional costs to us due to the need to adapt such processing to the legal requirements and the applicable DPA's guidelines.

Failure to comply with these laws may result in administrative sanctions and/or litigations. As a result, failure by us to adhere to the laws enacted or approved in different jurisdictions in which we operate could adversely impact our business, financial condition or results of operations.

Although we have sought to adjust our business processes that include personal data processing in order to comply with all applicable privacy and data protection requirements, we cannot assure that our personal data protection program will be deemed sufficient by the data protection authorities to meet the provisions of the laws, given the lack of orientation about specific requirements, nor that our practices will prevent any failures in the protection of personal data processed by us, including with respect to cybersecurity incidents.

A downgrade in our credit ratings may increase our borrowing costs and/or restrict the availability of new capital or financings and have a material adverse effect on us.

The ratings address the likelihood, according to the respective evaluation methodology of each rating agency, of payment of our debt and obligations at their maturity. The ratings also address the timely payment of interest and other costs on each interest payment date. The assigned ratings to us may be raised, lowered or held constant depending, among other factors, on the rating agencies' respective assessment of our financial strength or a change in methodology of credit assessment adopted by the credit risk agencies. We cannot assure you that our rating will remain for any given period of time or that the rating will not be lowered or withdrawn.

If our credit ratings are downgraded and the market were to perceive any such downgrade as a deterioration of our financial strength, our cost of borrowing would likely increase and our net income could decrease and our ability to obtain new financing may be adversely affected, all of which could have a material adverse effect on us.

In addition, credit rating is sensitive to any change in Brazilian sovereign credit ratings. The credit ratings of the Brazilian sovereign were downgraded in 2016 and 2018 and are no longer investment grade according to the methodologies of the major global rating agencies. Any further decrease in Brazilian sovereign credit ratings may have additional adverse consequences on our ability to obtain financing or our cost of financing and, consequently, on our results of operations and financial condition.

Unfavorable outcomes in litigation may negatively affect our results of operations, cash flows and financial condition.

In the ordinary course of our business dealings, we and our officers are, and may become, party to numerous tax, civil (including environmental) and labor disputes involving, among other remedies, significant monetary claims. An unfavorable outcome against us may result in our being required to pay substantial amounts of money, which could materially adversely affect our reputation, results of operations, cash flows and financial condition. Additionally, the amounts provisioned for legal proceedings may increase and existing provisions may become insufficient due to unfavorable outcomes in disputes against us. For more information on tax, civil (including environmental), labor and other proceedings, see Item 8. "Financial Information—Consolidated Statements and Other Financial Information—Legal and Administrative Proceedings."

Changes in the credit risk of customers and suppliers to whom we have made advances, sales through credit lines or loans may adversely affect us.

In the markets in which we operate, it is typical, and often a condition for competitive participation, for pulp and paper producers to make advances to suppliers or to make sales to customers on credit. When we make advances, sales on credit or loans to our suppliers or customers, we assume their credit risk. Additionally, we assume additional risks when using debt instruments to make advances and sales on credit to our customers. Therefore, changes in the macroeconomic environment or the market conditions under which our suppliers and our customers operate, in addition to problems related to the management of our suppliers and clients, may significantly affect their ability to make payments to us, directly impacting our assets and working capital.

These practices also expose us to the risk of a significant divergence between the rates under which we obtain financing from third parties and the rates that we grant to our customers and suppliers. We cannot assure you that we will always be able to match the terms under which we provide financing to our customers and suppliers with the terms of financing provided to us. Any increase in our customers' and suppliers' credit risk or divergence between their and our capital costs may materially adversely affect our shareholders' equity and results of operations.

Social crisis in the relationship with communities and class entities, as well as expropriation of any of our properties by the government, affect the regular use, cause damage, or deprive us of the use of or fair value compensation of our properties.

Organized social movements in Brazil defend agrarian reform and the redistribution of property, with irregular occupations in rural areas being the best known form of action. In addition, taking advantage of the cover provided by social movements, essentially criminal groups also illegally occupy rural areas. Such occupations when in areas of the company may interrupt our forestry or industrial activities and, consequently, negatively affect our productive and operational results.

In addition to stoppages, land conflicts can cause a series of risks to the integrity of our employees who work in the field, possible damage to areas of high environmental value such as Permanent Preservation Areas and buffer zones of Environmental Conservation Units, in addition to reputational damage.

An alternative to this scenario is the negotiation with state governments or the federal government and social movements aiming to definitively solve occupations already installed, and to avoid new occupations. According to Brazilian law, governments can act directly on the expropriation of areas, as long as they are in legal and environmental compliance. If the Brazilian government expropriates any property used by us for developing our activities, the results of our operations may be adversely affected. Moreover, if a property owned by us is expropriated, our equity may be adversely affected because it is not possible to guarantee that the compensation paid by the government will be adequate to the losses borne by us. The risk associated with this alternative is that the financial compensation offered by the governments proves to be insufficient or until the compensation via public debt securities, which have limited liquidity, is forced.

The deterioration in labor relations with employees could adversely affect the Company.

We depend on intensive use of labor in our activities. Most of our employees are represented by unions, and their employment contracts are regulated by collective bargaining agreements. New collective bargaining agreements may have shorter terms than our previous agreements, and, if we are not able to negotiate collective bargaining agreements on acceptable terms to us, we may be subject to a significant increase in labor costs, deterioration of employee relations, slowdowns or work stoppages, which could have a material adverse effect on us.

Additionally, changes in safety and outsourcing regulations may result in an increase in our labor-related costs. We may be considered secondarily liable for any employment obligations relating to such employees or a direct employment relationship may be established by the labor courts with the outsourced employees and us, according to the current regulation in force.

The introduction of a stricter legal framework regarding the use of outsourced employees or third-party subcontractors, and/or the imposition of additional obligations on the contractor of outsourced services, may increase our labor-related costs and may adversely affect our business and operations.

In accordance with existing labor laws and regulations, we are required to provide and ensure the proper use of safety equipment for our employees and other individuals working on our worksites. If we fail to provide all necessary safety equipment and ensure the proper use of the safety equipment, or if we work with companies that are not sufficiently committed to ensuring the safety of their own employees, we may be held liable for any accidents that take place at our worksites. Any accidents at our worksites may expose us to the payment of indemnifications, fines and penalties.

In addition, any changes to existing safety regulations may impose additional obligations on us and result in an increase in our expenses with respect to safety equipment and procedures. For instance, changes imposing a reduced workday for safety reasons may result in reduced productivity, forcing us to hire additional staff. Similarly, provisions requiring us to install or buy additional safety equipment could increase our labor-related costs and adversely affect our operating costs and results.

Our hedging activities may expose us to losses due to fluctuations in currency exchange rates or interest rates, which could have a material adverse effect on our results and financial condition.

We regularly enter into currency, interest rate, commodity price and inflation hedging transactions using financial derivatives instruments, such as future contracts, options and swaps, in accordance with our policies. We have traditionally used hedging transactions to, among others, (1) protect our revenue (which is primarily denominated in U.S. dollars) when converted to *reais* (our functional currency), (2) convert part of our debt which is denominated in *reais* into U.S. dollars, (3) swap floating interest rates of our debt to fixed interest rates, (4) swap floating monetary variation of our debt to fixed rate, and swap part of our IPCA indexed debt to CDI.

We account for our derivative instruments at fair value, in accordance with IFRS. The fair value of such instruments may increase or decrease due to fluctuations in currency exchange rates or interest rates, among others, prior to their settlement date. We may incur losses due to these market risk factors. Fluctuations may also result from changes in economic conditions, investor sentiment, monetary and fiscal policies, the liquidity of global markets, international and regional political events, acts of war, terrorism, among others.

In the event that we cease to undertake hedging transactions to the extent necessary, we may be exposed to currency exchange, interest rate and inflation risks, which could materially adversely affect our results of operations and financial condition.

Delays in the expansion of our facilities, building new facilities or the ramp up of new or expanded facilities may increase our costs and adversely affect our results of operations and financial condition.

As part of our strategy, we may decide to expand our existing production facilities or build new production facilities. The expansion or construction of a production facility involves various risks, such as engineering, construction, operational systems, integration with the existing mill on brownfield projects, regulatory and other expected or unexpected significant challenges. These risks delay or prevent the successful operation of the project or significantly increase our costs. Our ability to complete successfully any expansion or new construction project subject to risks, including:

- we may either not be able to complete any expansion or new construction project on time or within the expected budget or be required by market conditions or other factors to delay the initiation of construction or the timetable to complete new projects or expansions, including adverse weather conditions, natural disasters, pandemics, fires, delays in supply, inputs or labor and accidents that impair or prevent the development of ongoing projects;
- our new or modified facilities may not operate at designed capacity, ramp up its learning curve as planned or may cost more to operate than we expect;
- we may not be able to sell our additional production at competitive prices;
- we may not have cash, or be able to acquire financing, to implement our growth plans;
- variations on exchange rate or product price may decrease significantly generated value by expansion project or new facilities;
- climate changes could affect our forest base for new projects or brownfield, and significantly increase our wood cost;
- we may have a negative impact on existing mills that can result on operational instability;

Any of the above events could have a negative impact in our business and financial and operating results.

Our insurance coverage may be insufficient to cover our losses, especially in case of damage to our planted forests, which may cause a material adverse effect on our results and financial condition.

Our insurance coverage, including the general third party liability, may be insufficient to cover losses to our forests, mills, dams, hydroelectric plants and other operating facilities for accidents, operational risks and international and domestic transportation if we suffer any catastrophic claim or if there is a particular clause excluding the coverage. In addition, we do not maintain insurance coverage against wars, unforeseeable fortuitous events, force majeure, interruption of certain activities, including due to pandemics, as well as fire, thefts, pests, diseases, droughts and other risks to our forests. The incurrence of losses or other liabilities that are not covered by insurance, due to the limited extent of the insurance coverage, losses that exceed the limits of our insurance coverage or any other reason that prevents reimbursement or indemnification, could result in significant and unexpected additional costs, our ability to operate and/or shortage of wood supply, which may affect our production. Moreover, the terms and conditions for the renewal of our insurance policies may change in the future depending upon market circumstances and the type and amount of risks insured. See Item 4. "Information on the Company–Business Overview–Insurance."

Risks Relating to Brazil

The Brazilian government has exercised, and continues to exercise, significant influence over the Brazilian economy. This influence, as well as Brazilian political and economic conditions, may materially and adversely affect us, our activities and the trading prices of our shares.

We conduct a substantial amount of our operations in Brazil, and we sell part of our products to customers in the Brazilian market. For the year ended December 31, 2022, 17.1% of our net revenues were derived from Brazil. Accordingly, our financial condition and results of operations are substantially dependent on economic conditions in Brazil. Future developments in the Brazilian economy may affect Brazil's growth rates and, consequently, the consumption of our products. As a result, these developments could impair our business strategies, results of operations or financial condition.

The Brazilian economy has been characterized by frequent, and occasionally drastic, interventions by the Brazilian federal government, which have often changed monetary, credit and other policies to influence Brazil's economy. The Brazilian federal government's actions to control inflation and other policies have often involved wage and price controls, depreciation of the real, changes in tax policies, controls on remittances abroad, fluctuations of the Central Bank of Brazil's base interest rate, as well as other measures. We have no control over, nor can we foresee, any measures or policies that the Brazilian federal government may adopt in the future. We may be materially adversely affected by changes in the policies of the Brazilian federal government, in addition to other general economic factors, including, without limitation:

- political, economic and social instability;
- monetary policies;
- political elections;
- inflation;
- exchange rate fluctuations;
- exchange controls and restrictions on remittances abroad;
- tax policy and amendments to the tax legislation;
- interest rates;
- liquidity of domestic and foreign capital and lending markets;
- government control of the production of our products;

- restrictive environmental and real estate laws and regulations; and
- other political, social and economic policies or developments in or affecting Brazil.

Uncertainty as to whether the Brazilian federal government will implement changes in policy or regulations affecting these or other factors in the future may contribute to economic uncertainty in Brazil and to heightened volatility in the Brazilian securities markets and the securities issued by Brazilian companies, including us. Accordingly, such uncertainties and other future developments in the Brazilian economy may adversely affect our business, financial condition and results of operation, negatively impacting our available cash flows for payment, and the trading price of our common shares.

Changes in Brazilian fiscal policies and tax laws may adversely affect us.

The Brazilian federal government has indicated its willingness to implement a tax reform agenda, including to (i) revoke the income tax exemption over the distribution of dividends, which, if promulgated, would increase tax expenses associated with any dividends or distributions, and (ii) decrease import tax (which would increase competition and the role of international competitors), both of which could impact our ability to pay future dividends. Any purported tax reform or change in fiscal policies, if proposed and implemented, may also significantly impact our business. If there is a tax reform or any changes in applicable laws and regulations that alter the applicable taxes or tax incentives/special regimes, either during or after their terms of validity, our business and results may be affected.

Indeed, the Brazilian federal government has frequently implemented, and may continue to implement, changes in its fiscal policies, including, but not limited to, changes to tax rates, fees, sectorial charges and occasionally the collection of temporary contributions. Some of these measures may result in tax hikes that may negatively affect our business. Increases in taxes could also materially adversely impact industry profitability and the prices of our services, restrict our ability to do business in our existing and target markets and cause our financial results to be negatively impacted. If we are unable to pass on the additional costs associated with such fiscal policy changes to our clients through the prices we charge for our services, we may be adversely affected.

Uncertainty over whether the acting Brazilian federal government will implement changes in policy or regulation affecting these or other factors in the future may contribute to economic uncertainty in Brazil and to heightened volatility in the securities issued abroad by Brazilian companies.

Significant fluctuations in the exchange rate of the real against the value of the U.S. dollar may adversely affect our business, financial conditions or results of operations.

Our export revenues are directly affected by exchange rate variation. Depreciation of the *real* against the U.S. dollar will increase such revenues when denominated in *reais*, while appreciation of the *real* against the U.S. dollar will decrease such export revenues. Our revenues in the domestic market are also affected by exchange rate fluctuation, to the extent that imported products quoted in U.S. dollars become more or less competitive in the domestic market depending on the exchange rate variation.

Furthermore, some of our costs and operating expenses are also affected by fluctuations in the value of the *real* against the U.S. dollar, including export insurance, freight costs and the cost of certain chemicals we use as raw materials. Depreciation of the *real* against the U.S. dollar will increase such costs, while appreciation of the *real* against the U.S. dollar will reduce these costs.

Additionally, we may be adversely affected by depreciation of the *real* against the U.S. dollar, since a significant portion of our debt is expressed in U.S. dollars. Depreciation or appreciation of the *real* against the U.S. dollar may increase or decrease, as applicable, our financial expenses arising from these debt and other obligations in U.S. dollars, as well as adversely affect our ability to comply with certain covenants under financing agreements, which require us to maintain specific financial ratios. On the other hand, a significant appreciation of the *real* against the U.S. dollar or an appreciation during an extended period of time may significantly affect our cost structure and negatively affect our competitiveness in export markets.

As a result of inflationary pressures in recent years, the Brazilian *real* has been periodically devalued in relation to the U.S. dollar and other foreign currencies. The Brazilian federal government has in the past implemented various economic plans and utilized a number of exchange rate policies, including sudden devaluations, periodic mini-devaluations during which the frequency of adjustments has ranged from daily to monthly, floating exchange rate systems, exchange controls and dual exchange rate markets. From time to time, there have been significant fluctuations in the exchange rate between the Brazilian *real*, the U.S. dollar and other currencies. There can be no assurance that the *real* will not depreciate or be devalued again against the U.S. dollar or against any other foreign currency.

Devaluations of the *real* relative to the U.S. dollar could create additional inflationary pressures in Brazil, lead to increases in interest rates, further limit our access to foreign financial markets and prompt the adoption of recessionary policies by the Brazilian federal government. Conversely, the depreciation of the *real* against the U.S. dollar may lead to a further deterioration of Brazil's current account and balance of payments and cause a decrease in Brazilian exports. Any of the foregoing developments may negatively affect the Brazilian economy as a whole, and, consequently, our results. In recent years, the Central Bank of Brazil has occasionally intervened to control unstable movements in the foreign exchange rate. We cannot predict whether the Central Bank of Brazil will continue to let the *real* float freely. Accordingly, it is not possible to predict what impact the Brazilian Central Bank exchange rate policies may have on us. We cannot assure that in the future the Brazilian federal government will not impose a currency band within which the real U.S. dollar-real exchange rate could fluctuate or set fixed exchange rates, nor can we predict what impact such an event might have on our business, financial position or operating results.

Economic and market conditions in other countries, including in the United States and emerging market countries, may materially and adversely affect the Brazilian economy and, therefore, our financial condition.

The market for securities issued by Brazilian companies is influenced by economic and market conditions in Brazil, and, to varying degrees, market conditions in other countries, whether emerging market countries or not. Although economic conditions are different in each country, the reaction of investors to developments in one country may cause the domestic or international capital markets prices to fluctuate. Developments or conditions in other countries, including non-recurrent events such as US-China trade war, acts of war and related sanctions and other events have at times significantly affected the availability of credit in the Brazilian economy and resulted in considerable outflows of funds and reductions in the amount of foreign currency invested in Brazil, as well as limited access to international capital markets, all of which may materially and adversely affect our ability to borrow funds at an acceptable interest rate or to raise equity capital when and if we should have such a need.

Additionally, we depend on third-party financing to carry out our activities, especially to finance our capital expenditures and working capital. In circumstances of limited liquidity, credit availability may be scarce, expensive or nonexistent, and we may face difficulties in our regular activities and in honoring our financial commitments.

Risks Relating to Our Shares and ADSs

Exchange controls and restrictions on remittances abroad may adversely affect holders of ADSs.

Brazilian laws provide that whenever a serious imbalance in Brazil's balance of payments exists or is anticipated, the Brazilian federal government may impose temporary restrictions on the repatriation by foreign investors of the proceeds of their investment in Brazil and on the conversion of Brazilian currency into foreign currency. For example, for six months in 1989 and early 1990, the Brazilian federal government restricted all fund transfers that were owed to foreign equity investors and held by the Central Bank of Brazil, in order to preserve Brazil's foreign currency reserves. These amounts were subsequently released in accordance with Brazilian federal government directives. Although the Brazilian federal government has never exercised such a prerogative since, we cannot guarantee that the Brazilian federal government will not take similar actions in the future.

You may be adversely affected if the Brazilian federal government imposes restrictions on the remittance to foreign investors of the proceeds of their investments in Brazil and, as it has done in the past, on the conversion of the *real* into foreign currencies. These restrictions could hinder or prevent the conversion of dividends, distributions or the proceeds from any sale of shares, as the case may be, into U.S. dollars and the remittance of U.S. dollars abroad. We cannot assure that the government will not take this measure or similar measures in the future. Holders of ADSs could be adversely affected by delays in, or a refusal to grant, any required governmental approval for conversion of *real* payments and remittances abroad in respect of the shares, including the shares underlying the ADSs. In such a case, the ADS depository will distribute *reais* or hold the *reais* it cannot convert for the account of the ADS holders who have not been paid.

Holders of ADSs may face difficulties in serving process on or enforcing judgments against us and other persons, as well as may face difficulties in protecting their interests because we are subject to different corporate rules and regulations than a U.S. company.

We are organized under and are subject to the laws of Brazil and all our directors and executive officers and our independent registered public accounting firm reside or are based in Brazil. Substantially all of our assets and those of these other persons are located in Brazil. Moreover, our corporate affairs are governed by our bylaws and Brazilian Corporate Law, which differ from the legal principles that would apply if we were incorporated in a jurisdiction in the United States or elsewhere outside Brazil. In addition, the rights of an ADS holder, which are derivative of the rights of holders of our common shares, to protect their interests are different under Brazilian Corporate Law than under the laws of other jurisdictions. Rules against insider trading and self-dealing and the preservation of shareholder interests may also be different in Brazil than in the United States. Furthermore, the structure of a class action in Brazil is different from that in the US, and under Brazilian law, shareholders in Brazilian companies do not have standing to bring a class action, and under our by-laws must, generally with respect to disputes concerning rules regarding the operation of the capital markets, arbitrate any such disputes.

As a result, it may not be possible for holders of the ADSs to effect service of process upon us or these other persons within the United States or other jurisdictions outside Brazil or to enforce against us or these other persons judgments obtained in the United States or other jurisdictions outside Brazil. Because judgments of U.S. courts for civil liabilities based upon the U.S. federal securities laws may only be enforced in Brazil if certain conditions are met, the ADS holders may face greater difficulties in protecting their interests due to actions by us, our directors or executive officers than would shareholders of a U.S. corporation.

The relative volatility and lack of liquidity of the markets for our securities may adversely affect holders of our shares and the ADSs.

Investments in securities, such as our common shares or ADSs, of issuers from emerging market countries, including Brazil, involve a higher degree of risk than investments in securities of issuers from more developed countries. The Brazilian securities market is substantially smaller, less liquid, more concentrated and more volatile than major securities markets in the United States and other jurisdictions, and may be regulated differently from the ways familiar to U.S. investors. There is also significantly greater concentration in the Brazilian securities market than in major securities markets in the United States. These features may substantially limit the ability to sell our shares, including our shares underlying the ADSs, at a price and time at which holders wish to do so and, as a result, could negatively impact the market price of these securities.

In addition, although our public float represented 52.4% (excluding Treasury Shares) of our total capital float as of December 31, 2022, only 3.7% were represented by ADSs. Moreover, our controlling shareholders (including related parties and management) hold 45.8% of our stock. Any potential sale by these shareholders could adversely affect the market price of our securities.

Holders of ADSs may find it difficult to exercise voting rights at our shareholders' meetings.

Holders of ADSs do not have the same voting rights as holders of our shares. Holders of ADSs will not be our direct shareholders and will be unable to enforce directly the rights of shareholders under our bylaws and Brazilian Corporate Law, they are entitled to the contractual rights set forth for their benefit under the deposit agreement. Holders of ADSs will face practical limitations in exercising their voting rights because of the additional steps involved in our communications with ADS holders. For example, we are required to publish a notice of our shareholders' meetings in specified newspapers in Brazil. Holders of our shares will be able to exercise their voting rights by attending a shareholders' meeting in person or voting by proxy. By contrast, ADS holders will receive notice of a shareholders' meeting by mail from The Bank of New York Mellon, as our depositary, following our notice to the depositary requesting the depositary to do so. To exercise their voting rights, ADSs holders have to provide instructions to the depositary on a timely basis on how they wish to vote. In practice, the ability of a holder of ADSs to instruct the depositary as to voting will depend on the timing and procedures for providing instructions to the depositary, either directly or through the holder's custodian and clearing system and this voting process necessarily will take longer for holders of ADSs than for holders of our shares.

Holders of ADSs also may not receive the voting materials in time to instruct the depositary to vote the shares underlying their ADSs. In addition, the depositary and its agents are not responsible for failing to carry out voting instructions of the holders of ADSs or for the manner of carrying out those voting instructions. Accordingly, holders of ADSs may not be able to exercise voting rights, and they will have little, if any, recourse if the units underlying their ADSs are not voted as requested.

If holders of ADSs exchange their ADSs for underlying shares, they risk losing the ability to timely remit foreign currency abroad and other related advantages.

The ADSs benefit from the certificate of foreign capital registration, which permits our depositary to convert dividends and other distributions with respect to common shares into foreign currency, and to remit the proceeds abroad. The conversion of ADSs directly into ownership of the underlying shares is governed by CMN Resolution No. 4,373/2014, and foreign investors who intend to proceed with such conversion are required to appoint a representative in Brazil for purposes of Annex I of CMN Resolution No. 4,373/2014, who will be in charge of keeping and updating the investors' certificates of registrations with the Central Bank of Brazil, which entitles registered foreign investors to buy and sell directly on the B3. These arrangements may require additional expenses from the foreign investor. Moreover, if such representatives fail to obtain or update the relevant certificates of registration, investors may incur additional expenses or be subject to operational delays which could affect their ability to receive dividends or distributions relating to the shares or the return of their capital in a timely manner.

If holders of ADSs do not qualify under CMN Resolution No. 4,373/2014, they will generally be subject to less favorable tax treatment on distributions with respect to our common shares. There can be no assurance that the certificate of registration of our depositary, or any certificate of foreign capital registration obtained by holders of ADSs, will not be affected by future legislative or regulatory changes, or that additional Brazilian law restrictions applicable to their investment in the ADSs may not be imposed in the future.

Holders of our shares will be subject to, and holders of the ADSs could be subject to, Brazilian income tax on capital gains from sales of shares or ADSs. Brazilian Law No. 10,833/03 provides that gains on the disposition of assets located in Brazil by non-residents of Brazil, whether to other non-residents or to Brazilian residents, will be subject to Brazilian taxation. Our shares are expected to be treated as assets located in Brazil for purposes of the law, and gains on the disposition of our shares, even by non-residents of Brazil, are expected to be subject to Brazilian taxation. In addition, the ADSs may be treated as assets located in Brazil for purposes of the law, and therefore gains on the disposition of the ADSs by non-residents of Brazil may be subject to Brazilian taxation. Although the holders of ADSs outside Brazil may have grounds to assert that Law No. 10,833/00 does not apply to sales or other dispositions of ADSs, it is not possible to predict whether that understanding will ultimately prevail in the courts of Brazil given the general and unclear scope of Law No. 10,833/03 and the absence of judicial court rulings in respect thereof.

Holders of ADSs may be unable to exercise the preemptive rights relating to our shares underlying the ADSs.

Holders of ADSs may not be able to exercise the preemptive rights relating to our shares underlying their ADSs unless a registration statement under the Securities Act, is effective with respect to the rights or an exemption from the registration requirements of the Securities Act is available. We are not obligated to file a registration statement with respect to the shares or other securities relating to these preemptive rights, and we cannot assure holders of ADSs that we will file any such registration statement. Unless we file a registration statement or an exemption from registration applies, holders of ADSs may receive only the net proceeds from the sale of their preemptive rights by the depositary or, if the preemptive rights cannot be sold, the rights will be allowed to lapse.

We may issue new shares, including in the form of ADSs, which may result in a dilution of our current shareholders' stake.

We may seek to raise additional capital in the future through public or private issuances of shares or securities convertible into shares. According to article 172 of Brazilian Corporation Law, we may not be required to grant preemptive rights to our shareholders in the event of a capital increase through a public offering of shares or securities convertible into shares, which may result in a dilution of our current shareholders' stake in our company.

The holders of our shares (including our shares underlying the ADSs) may not receive dividends or interest on net equity.

According to our bylaws, our shareholders are entitled to receive a mandatory minimum annual dividend of the lower of (i) 25% of our annual net profit, calculated and adjusted under the terms of the Brazilian Corporation Law, or (ii) 10% of our operating cash generation in the corresponding fiscal period, which is calculated by subtracting the amount of the investments in maintenance of the respective fiscal year from the Adjusted EBITDA, as defined in our bylaws. Our bylaws allow for the payment of interim dividends, to the retained earnings account or the existing earnings reserves in the last yearly or six-month balance, by means of the annual dividend. We may also pay interest on net equity, as described by Brazilian law. The interim dividends and the interest on net equity declared in each fiscal year may be imputed as the mandatory dividend that results from the fiscal year in which they are distributed. At the general shareholders meeting, shareholders may decide on the capitalization, on the offset of our losses or on the net income retention, as provided for in the Brazilian Corporation Law, with the aforementioned net income not being made available for the payment of dividends or interest on own capital. Additionally, Brazilian Corporate Law allows a publicly traded company, like ours, to suspend the mandatory distribution of dividends and interest on net equity in any particular year if our board of directors informs our shareholders that such distribution would be inadvisable in view of our financial condition or cash availability.

Our management is strongly influenced by our controlling shareholders and their interests may conflict with the interests of our other shareholders.

Our controlling shareholders have the power to, among other things, appoint a majority of the members of our board of directors and to decide any matters requiring shareholder approval, including related-party transactions, corporate reorganizations and disposals, and the timing and payment of any future dividends, subject to the requirements of mandatory dividends under the Brazilian Corporation Law.

Our controlling shareholders may have an interest in making acquisitions, disposals of assets, partnerships, seeking financing or making other decisions that may conflict with the interests of the other shareholders.

Additionally, any of our controlling shareholders may opt to sell significant part or the totality of their respective equity to third parties. In case we cease to have controlling shareholders, the remaining shareholders may no longer have the right to the same protection granted by the Brazilian Corporation Law against the abuses practiced by other shareholders and, as consequence, they may face difficulty in the compensation for damages suffered.

Any unexpected change in our management, in our business strategy and policies, tentative of control acquisition or any dispute among shareholders regarding their rights, may adversely affect our business and operational results.