

the Depositary's electronic registration for only five business days after the exchange. Thereafter, a holder must seek to obtain its own electronic registration. Unless the common shares are held pursuant to Resolution No. 4.373/2014 by a duly registered investor or a holder of common shares, who applies for and obtains a new electronic registration, that holder may not be able to obtain and remit abroad U.S. Dollars or other foreign currencies upon the disposition of the common shares, or distributions with respect thereto. In addition, if the foreign investor resides in a no favorable tax regime country or is not an investor registered pursuant to Resolution No. 4.373/2014, the investor will also be subject to less favorable tax treatment.

E. Taxation

Brazilian Tax Considerations

The following discussion contains a description of the material Brazilian income tax consequences of the purchase, ownership and disposition of shares or ADSs by a holder which is non-resident or not domiciled in Brazil for Brazilian tax purposes ("Non-Brazilian Holder"). It does not purport to be a comprehensive description of all Brazilian tax considerations that may be applicable to any particular Non-Brazilian Holder.

This summary is based upon tax laws of Brazil and administrative and judicial decisions as in effect on the date of this annual report, which are subject to changes (possibly with retroactive effect) and to differing interpretations. You should consult your own tax advisors as to the Brazilian tax consequences of the purchase, ownership and sale of our common shares or ADSs.

Although there is no treaty for the avoidance of double taxation between Brazil and the United States, the tax authorities of the two countries have been having discussions that may culminate in such a treaty. No assurance can be given, however, as to whether or when a treaty will enter into force or how it will affect the U.S. holders of our common shares or ADSs.

For purposes of Brazilian taxation, there are two types of Non-Brazilian Holders of common shares or ADSs: (a) Non-Brazilian Holders registered before the Central Bank of Brazil and the CVM to invest in Brazil in accordance with Central Bank of Brazil Resolution No. 4,373/14 ("4,373/2014 Holders"); and (b) other Non-Brazilian Holders, which include Non-Brazilian Holders who invest in Brazilian companies under Law No. 4,131/1962. As a general rule, 4,373/2014 Holders are subject to a favorable tax regime in Brazil, as described below.

Central Bank of Brazil Resolution No. 4,373/2014 permits foreign investors, defined to include individuals, legal entities, mutual funds and other collective investment entities, domiciled or headquartered abroad to invest in almost all financial assets and to engage in almost all transactions available in the Brazilian financial and capital markets, provided that certain legal and regulatory requirements are fulfilled. The foreign investors must (a) appoint at least one representative in Brazil with powers to perform actions relating to the foreign investment; (b) file the appropriate foreign investor registration form; (c) obtain the register as a foreign investor before the Brazilian securities commission; and (d) obtain the register of the foreign investment before the Central Bank of Brazil.

Taxation of Gains

Gains realized on the disposal of common shares are subject to income tax in Brazil, regardless of whether the sale or the disposal is made by a Non-Brazilian Holder to a resident or person domiciled in Brazil. This is due to the fact that the common shares can be considered assets located in Brazil for purposes of Law No. 10,833/2003.

According to our interpretation of the applicable law, capital gains realized by a Non-Brazilian Holder on the disposal of common shares sold on a Brazilian stock exchange (which includes a transaction carried out on the organized over-the-counter market) are:

- exempt from income tax when realized by a Non-Resident Holder that (i) is a 4,373 Holder, and (ii) is not resident or domiciled in a country or location which is defined as a Favorable Tax Jurisdiction (as described below);
- arguably subject to income tax at a 15% rate in the case of gains realized by (A) a Non-Brazilian Holder that (1) is not a 4,373 Holder and (2) is not resident or domiciled in a Low or Nil Tax Jurisdiction; or by (B) a Non-Brazilian Holder that (1) is a 4,373 Holder and (2) is resident or domiciled in a Low or Nil Tax Jurisdiction; and

- subject to income tax at a rate of up to 25% in the case of gains realized by a Non-Brazilian Holder that is not a 4,373 Holder, and is resident or domiciled in a Low or Nil Tax Jurisdiction.

Any other gains realized by a Non-Brazilian Holder on a sale or disposal of the shares that is not carried out on a Brazilian stock exchange are:

- subject to income tax at the rate of 15% when realized by a Non-Brazilian Holder that (i) is a 4,373 Holder and (ii) is not resident or domiciled in a Low or Nil Tax Jurisdiction (as defined below), although different interpretations may be raised to sustain the application of the progressive rates set forth by Law No. 13,259/2016;
- subject to income tax at progressive rates ranging from 15% to 22.5% (15.0% for the part of the gain that does not exceed R\$5.0 million, 17.5% for the part of the gain that exceeds R\$5.0 million but does not exceed R\$10.0 million, 20.0% for the part of the gain that exceeds R\$10.0 million but does not exceed R\$30.0 million and 22.5% for the part of the gain that exceeds R\$30.0 million) in case of gains realized by a Non-Brazilian Holder that (1) is not a 4,373 Holder and (2) is not resident or domiciled in a Low or Nil Tax Jurisdiction (as defined below); and
- subject to income tax at a 25% rate in case of gains realized by a Non-Brazilian Holder that is resident or domiciled in a Low or Nil Tax Jurisdiction (as defined below).

If these gains are related to transactions conducted on the Brazilian non-organized over-the-counter market with intermediation, withholding income tax of 0.005% on the sale value will also apply and can be used to offset the income tax due on the capital gain.

In the case of a redemption of securities or a capital reduction by a Brazilian corporation, such as ourselves, the positive difference between the amount effectively received by the Non-Resident Holder and the proportional acquisition cost of the common shares redeemed is treated, for tax purposes, as capital gains derived from the sale or exchange of common shares not carried out on a Brazilian stock exchange, and is subject to the same tax treatment above described.

The exercise of preemptive rights relating to our common shares will not be subject to Brazilian taxation. Any gains realized by a Non-Resident Holder on the sale or disposal or assignment of preemptive rights relating to our common shares will be subject to Brazilian income tax according to the same rules applicable to the sale or disposal of common shares (see above). Tax authorities may attempt to tax such gains even when sale or assignment of such rights takes place outside Brazil, based on the provisions of Law No. 10,833/03.

There is no assurance that the current preferential treatment for Non-Brazilian Holders of common shares under CMN Resolution No. 4,373/2014 will continue in the future or that it will not be changed in the future. Reductions in the rate of tax provided for by Brazil's tax treaties do not apply to the tax on gains realized on sales or exchange of common shares.

Sale of ADSs by non-Brazilian holder to another non-Brazilian holder

Gains realized outside Brazil by a Non-Brazilian Holder on the disposal of ADSs should not be subject to Brazilian tax. As mentioned above, according to Law No. 10,833/2003 of December 2003, the disposal of assets located in Brazil by a Non-Brazilian Holder, whether to other Non-Brazilian Holder or Brazilian holders, may become subject to taxation in Brazil. Although we believe that the ADSs do not fall within the definition of assets located in Brazil for the purposes of Law no. 10,833, considering the general and unclear scope of it and the lack of definitive judicial court ruling to act as the leading case in respect thereto, we are unable to predict whether such understanding will ultimately prevail in the courts of Brazil.

In case the ADSs are considered assets located in Brazil, gains on disposal of ADSs by a Non-Brazilian Holder to a resident in Brazil or even to a Non-Brazilian resident may be subject to income tax in Brazil according to the rules described below for ADSs or the tax rules applicable to common shares, as applicable.

Exchange of ADSs for common shares

Although there is no clear regulatory guidance, the withdrawal of ADSs in exchange for common shares is not subject to Brazilian income tax to the extent that, as described above, ADSs do not fall within the definition of assets located in Brazil for the purposes of Law No. 10,833/2003.

Upon receipt of the underlying common shares in exchange for ADSs, Non-Brazilian Holders may also elect to register with the Central Bank the U.S. dollar amount of such preferred shares or common shares as a foreign portfolio investment under Resolution No. 4,373/2014 or as a foreign direct investment under Law No. 4,131/1962.

Exchange of common shares for ADSs

Regarding the deposit of common shares in exchange for ADSs, the difference between the acquisition cost of the common shares and the market price of the common shares may be subject to Brazilian income tax at progressive rates that may vary from 15.0% to 22.5% (15.0% for the part of the gain that does not exceed R\$5.0 million, 17.5% for the part of the gain that exceeds R\$5.0 million but does not exceed R\$10.0 million, 20.0% for the part of the gain that exceeds R\$10.0 million but does not exceed R\$30.0 million and 22.5% for the part of the gain that exceeds R\$30.0 million), except for Non-Brazilian Holders located in a Nil or Low Taxation Jurisdiction, which, in this case, would be subject to income tax at a flat rate of 25.0%. In some circumstances, there may be arguments to claim that this taxation is not applicable in the case of a Non-Brazilian Holder that is a 4,373 Holder and is not a resident of or domiciled in a Nil or Low Taxation Jurisdiction.

Taxation of Dividends

As a result of the tax legislation adopted on December 26, 1995, dividends based on profits generated after January 1, 1996, including dividends paid in kind, payable by us regarding common shares or ADSs, are exempt from withholding income tax. Dividends relating to profits generated prior to January 1, 1996 may be subject to Brazilian withholding income tax at varying rates, depending on the year the profits were generated.

Beginning in 2008, the Brazilian accounting rules were significantly modified in order to align them with IFRS. After the issuance of such new rules, a transitory tax regime (regime tributário de transição), or RTT, was created mainly to ensure neutrality of the new accounting rules in connection with the calculation and payment of corporate taxes on income. Thus, according to the RTT, Brazilian companies had, only for purposes of calculation of their taxable profit, to use the accounting rules and criteria that existed until December 2007.

As a result of the application of the RTT, the accounting profit of a Brazilian company might be significantly higher (or lower) than its taxable profit. Although this specific matter has not been expressly regulated by law, the Brazilian tax authorities issued a normative instruction stating that the amount of dividends paid in excess of the profit of a company determined as per the accounting rules and criteria that existed until December 2007 should be subject to taxation.

On April 14, 2014, Law No. 12,973 was issued to, among other, terminate the Transitory Regime (RTT) and regulate how corporate taxable income should be assessed taking as a starting point the accounting profit calculated according to the new accounting rules introduced as from 2008. Such Law states that dividends related to all accounting profits generated between January 2008 and 31 December 2013 in excess of the established methods and criteria in force in December 31, 2007, are not subject to withholding tax, and does not integrate the calculation of income tax and social contribution. With reference to 2014, the law is not clear, but tax authorities state that dividends paid in excess of the profit of a company determined as per the accounting rules and criteria that existed until December 2007 should be subject to withholding income tax at the rate of 15%, or 25% if the Non-Brazilian Holder is domiciled in a country or location that does not impose income tax or where the maximum income tax rate is lower than 20% ("Nil or Low Taxation Jurisdiction"). As of 2015, in view of the termination of the RTT, there would be no differences between the accounting and the taxable profit, so that dividends generated since 2015 should be fully paid with no Brazilian withholding tax implications.

Interest Attributed to Shareholders' Equity

According to Brazilian laws and our bylaws, we may opt to distribute income as interest attributed to shareholders' equity as an alternative to the payment of dividends.

Distribution of an interest on equity charge attributed to shareholders' equity regarding common shares or ADSs as an alternative form of payment to shareholders, including non-Brazilian holders of common shares or ADSs, is subject to Brazilian withholding income tax at the rate of 15% or 25%, in case of a Nil or Low Taxation Jurisdiction holder.

Such payments, subject to certain limitations and requirements, are deductible for Brazilian income tax purposes. This interest is limited to the daily pro rata variation of the federal government's long-term interest rate, as determined by the Central Bank from time to time, and cannot exceed the greater of:

(a) 50% of net income (after the social contribution on net profits and before the provision for corporate income tax, and the amounts attributable to shareholders as interest on net equity) for the period with respect to which the payment is made; or

(b) 50% of the sum of retained earnings and earnings reserves as of the date of the beginning of the period with respect to which the payment is made.

Tax on foreign exchange transactions ("IOF/Exchange")

Pursuant to Decree No. 6,306/2007, dated December 14, 2007, as amended, or Decree No. 6,306/2007, the conversion of Brazilian currency into foreign currency (e.g., for purposes of paying dividends and interest) and the conversion of foreign currency into Brazilian currency may be subject to the Tax on Foreign Exchange Transactions or IOF/Exchange. Currently, for most exchange transactions, the rate of IOF/Exchange is 0.38%. However, exchange transactions carried out for the inflow of funds in Brazil for investments in the Brazilian financial and capital market made by a foreign investor (including a Non-Resident Holder, as applicable) are subject to IOF/Exchange at a 0%. The IOF/Exchange rate will also be 0% for the outflow of funds from Brazil related to these types of investments, including payments of dividends and interest on shareholders' equity and the repatriation of funds invested in the Brazilian market.

On March 15, 2022, the Decree 10,997/2022 was published, establishing an immediate reduction of the IOF/Exchange for some transactions, such as the reduction of the rate applicable to short-term foreign loan operations to zero. In other cases, however, the rate reduction is gradual over the next years and it is expected that the IOF-Exchange rate will be decreased to zero for all transactions as of 2029.

The Brazilian government may increase the rate of the IOF/Exchange to a maximum of 25.0% of the amount of the foreign exchange transaction at any time, but such an increase would not apply retroactively.

Tax on transactions involving bonds and securities ("IOF/Bonds Tax")

The IOF may also be imposed on any transactions involving bonds and securities, including those carried out on Brazilian futures and commodities stock exchanges. As a general rule, the rate of this tax for transactions involving common shares or ADSs is currently zero. The executive branch, also by a Presidential Decree, may increase the IOF rate by up to 1.5% per day, but only with respect to future transactions.

U.S. Federal Income Tax Considerations

This summary describes certain U.S. federal income tax considerations that are likely to be relevant to the purchase, ownership and disposition of our common shares or ADSs by a U.S. holder (as defined below). This summary is based on the Internal Revenue Code of 1986 (the "Code"), as amended, its legislative history, existing and proposed regulations promulgated thereunder, published rulings and court decisions, all as currently in effect. These authorities are subject to change, possibly on a retroactive basis. In addition, this summary assumes the deposit agreements governing our shares and ADSs, and all other related agreements, will be performed in accordance with their terms.

This summary is not a comprehensive discussion of all of the tax considerations that may be relevant to a particular investor's decision to purchase, hold, or dispose of our shares or ADSs. In particular, this summary is directed only to U.S. holders (as defined below) that hold our shares or ADSs as capital assets and does not address tax consequences to U.S. holders who may be subject to special tax rules, such as banks, brokers or dealers in securities or currencies, traders in securities electing to mark to market, financial institutions, life insurance companies, tax exempt entities, regulated investment entities, entities that are treated as partnerships for U.S. federal income tax purposes (or partners therein), holders that own or are treated as owning 10% or more of our shares, by vote or value, persons holding our shares or ADSs as part of a hedging or conversion transaction or a straddle, persons whose functional currency is not the U.S. dollar, or U.S. expatriates. Moreover, this summary does not address state, local or foreign taxes, the U.S. federal estate and gift taxes, or the Medicare contribution tax applicable to net investment income of certain non-corporate U.S. holders, or alternative minimum tax consequences of acquiring, holding or disposing of our shares or ADSs.

As used below, a "U.S. holder" is a beneficial owner of our shares or ADSs that is, for U.S. federal income tax purposes, a citizen or individual resident of the United States or a U.S. domestic corporation or that otherwise is subject to U.S. federal income taxation on a net income basis in respect of such shares or ADSs.

You should consult your own tax advisors about the consequences of the acquisition, ownership, and disposition of our shares or ADSs, including the relevance to your particular situation of the considerations discussed below and any consequences arising under foreign, state, local or other tax laws.

Treatment of our ADSs for U.S. Federal Income Tax Purposes

In general, a holder of our ADSs will be treated, for U.S. federal income tax purposes, as the beneficial owner of the underlying shares that are represented by those ADSs.

Taxation of Dividends

Subject to the discussion below under "Passive Foreign Investment Company Status," the gross amount of any distribution of cash or property with respect to our shares or ADSs that is paid out of our current or accumulated earnings and profits (as determined for U.S. federal income tax purposes) will generally be includible in your taxable income as ordinary dividend income on the day on which you receive the dividend, in the case of our shares, or the date the depository receives the dividends, in the case of our ADSs, and will not be eligible for the dividends-received deduction allowed to corporations under the Code. We do not expect to maintain calculations of our earnings and profits in accordance with U.S. federal income tax principles. U.S. holders therefore should expect that distributions generally will be treated as dividends for U.S. federal income tax purposes.

If you are a U.S. holder, dividends paid in a currency other than U.S. dollars generally will be includible in your income in a U.S. dollar amount calculated by reference to the exchange rate in effect on the day you receive the dividends, in the case of our shares, or the date the depository receives the dividends, in the case of our ADSs. U.S. holders should consult their own tax advisers regarding the treatment of foreign currency gain or loss, if any, on any foreign currency received that is converted into U.S. dollars after it is received.

Subject to certain exceptions for short-term positions, the U.S. dollar amount of dividends received by an individual with respect to our shares or ADSs will be subject to taxation at a preferential rate if the dividends are "qualified dividends." Dividends paid on our shares or ADSs will be treated as qualified dividends if:

- the shares and ADSs on which the dividend is paid are readily tradable on an established securities market in the United States; and
- we were not, in the year prior to the year in which the dividend was paid, and are not, in the year in which the dividend is paid, a passive foreign investment company (a "PFIC").

Our ADSs are listed on the NYSE and our ADSs should qualify as readily tradable on an established securities market in the United States so long as they are so listed. As described in more detail under “–Passive Foreign Investment Company Status,” below, based on our audited financial statements and relevant market and shareholder data, we believe that we were not treated as a PFIC for U.S. federal income tax purposes with respect to our 2021 and 2020 taxable years and will not be a PFIC in our current taxable year. Holders should consult their own tax advisors regarding the availability of the reduced dividend tax rate in light of their own particular circumstances.

Because our shares are not themselves listed on a U.S. exchange, dividends received with respect to our shares that are not represented by ADSs may not be treated as qualified dividends. U.S. holders should consult their own tax advisors regarding the potential availability of the reduced dividend tax rate in respect of our shares.

Dividend distributions with respect to our shares or ADSs generally will be treated as “passive category” income from sources outside the United States for purposes of determining a U.S. holder’s U.S. foreign tax credit limitation. Subject to the limitations and conditions provided in the Code and the applicable U.S. Treasury Regulations, a U.S. holder may be able to claim a foreign tax credit against its U.S. federal income tax liability in respect of any Brazilian income taxes withheld at the appropriate rate applicable to the U.S. holder from a dividend paid to such U.S. holder. Alternatively, the U.S. holder may deduct such Brazilian income taxes from its U.S. federal taxable income, provided that the U.S. holder elects to deduct rather than credit all foreign income taxes for the relevant taxable year. The rules with respect to foreign tax credits are complex and involve the application of rules that depend on a U.S. holder’s particular circumstances. Accordingly, U.S. holders are urged to consult their tax advisors regarding the availability of the foreign tax credit under their particular circumstances.

U.S. holders that receive distributions of additional shares or rights to subscribe for our shares as part of a pro rata distribution to all our shareholders generally will not be subject to U.S. federal income tax in respect of the distributions, unless the U.S. holder has the right to receive cash or property, in which case the U.S. holder will be treated as if it received cash equal to the fair market value of the distribution.

Taxation of Dispositions of our Shares or ADSs

Subject to the discussion below under “–Passive Foreign Investment Company Status,” if a U.S. holder realizes gain or loss on the sale, exchange or other taxable disposition of our shares or ADSs, that gain or loss will be capital gain or loss and generally will be long-term capital gain or loss if the shares or ADSs have been held for more than one year. Long-term capital gain realized by a U.S. holder that is an individual generally is subject to taxation at a preferential rate. The deductibility of capital losses is subject to limitations.

Gain, if any, realized by a U.S. holder on the sale or other disposition of our shares or ADSs generally will be treated as U.S. source income for U.S. foreign tax credit purposes. For years beginning after December 28, 2021, any Brazilian tax imposed on the sale or disposition of shares or ADS is unlikely to be treated as a creditable foreign income tax.

U.S. holders should consult their own tax advisors regarding the application of the foreign tax credit rules to their investment in, and disposition of, our shares or ADSs.

If a U.S. holder sells or otherwise disposes of our shares or ADSs in exchange for currency other than U.S. dollars, the amount realized generally will be the U.S. dollar value of the currency received at the spot rate on the date of sale or other disposition (or, if the shares or ADSs are traded on an established securities market at such time, in the case of cash basis and electing accrual basis U.S. holders, the settlement date). An accrual basis U.S. holder that does not elect to determine the amount realized using the spot exchange rate on the settlement date will recognize foreign currency gain or loss equal to the difference between the U.S. dollar value of the amount received based on the spot exchange rates in effect on the date of the sale or other disposition and the settlement date. A U.S. holder generally will have a tax basis in the currency received equal to the U.S. dollar value of the currency received at the spot rate on the settlement date. Any currency gain or loss realized on the settlement date or the subsequent sale, conversion, or other disposition of the non-U.S. currency received for a different U.S. dollar amount generally will be U.S.-source ordinary income or loss, and will not be eligible for the reduced tax rate applicable to long-term capital gains. If an accrual basis U.S. holder makes the election described in the first sentence of this paragraph, it must be applied consistently from year to year and cannot be revoked without the consent of the IRS. A U.S. holder should consult its own tax advisors regarding the treatment of any foreign currency gain or loss realized with respect to any currency received in a sale or other disposition of the shares or ADSs. Deposits and withdrawals of shares by U.S. holders in exchange for ADSs will not result in the realization of gain or loss for U.S. federal income tax purposes.

Passive Foreign Investment Company Status

Special U.S. tax rules apply to companies that are considered to be PFICs. We will be classified as a PFIC in a particular taxable year if, either:

- 75 percent or more of our gross income for the taxable year is passive income; or
- the value of our assets (generally determined on the basis of a quarterly average) that produce or are held for the production of passive income is at least 50 percent.

For this purpose, passive income generally includes dividends, interest, gains from certain commodities transactions, rents, royalties and the excess of gains over losses from the disposition of assets that produce passive income.

We believe, and the following discussion assumes, that we were not a PFIC for our taxable year ending December 31, 2021 and that, based on the present composition of our income and assets and the manner in which we conduct our business, we will not be a PFIC in our current taxable year. However, the determination of whether we are a PFIC is a factual determination made annually, and our status could change depending, among other things, upon changes in the composition of our gross income and the relative quarterly average value of our assets. Accordingly, we cannot be certain that we will not be a PFIC in the current year or in future years. If we were a PFIC for any taxable year in which you hold our shares or ADSs, you generally would be subject to additional taxes on certain distributions and any gain realized from the sale or other taxable disposition of our shares or ADSs regardless of whether we continued to be a PFIC in any subsequent year, unless you elect to mark your shares or ADSs to market for tax purposes on an annual basis. You are encouraged to consult your own tax advisor as to our status as a PFIC and the tax consequences to you of such status.

Foreign Financial Asset Reporting

Certain U.S. holders that own “specified foreign financial assets” with an aggregate value in excess of US\$50,000 on the last day of the taxable year or US\$75,000 at any time during the taxable year are generally required to file an information statement along with their tax returns, currently on IRS Form 8938, with respect to such assets. “Specified foreign financial assets” include any financial accounts held at a non-U.S. financial institution, as well as securities issued by a non-U.S. issuer that are not held in accounts maintained by financial institutions. The understatement of income attributable to “specified foreign financial assets” in excess of US\$5,000 extends the statute of limitations with respect to the tax return to six years after the return was filed. U.S. holders who fail to report the required information could be subject to substantial penalties. Holders are encouraged to consult with their own tax advisors regarding the possible application of these rules, including the application of the rules to their particular circumstances.

Backup Withholding and Information Reporting

Dividends paid on, and proceeds from the sale or other disposition of, our shares or ADSs to a U.S. holder generally may be subject to the information reporting requirements of the Code and may be subject to backup withholding unless the U.S. holder provides an accurate taxpayer identification number and makes any other required certification or otherwise establishes an exemption. Backup withholding is not an additional tax. The amount of any backup withholding from a payment to a U.S. holder will be allowed as a refund or credit against the U.S. holder's U.S. federal income tax liability, provided the required information is furnished to the IRS in a timely manner.

A holder that is a foreign corporation or a non-resident alien individual may be required to comply with certification and identification procedures in order to establish its exemption from information reporting and backup withholding.

ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to various market risks, including changes in foreign currency exchange rates, interest rates, correction indexes and prices of commodities that may affect the financial results of Suzano. In order to manage the impacts in the results in adverse scenarios, we have provided procedures for the monitoring of political exposure for the implementation of risk management.

The policies establish the limits and instruments to be implemented with the goal of: (i) protection of cash flow due to currency devaluation, (ii) interest rate exposure mitigation, (iii) reduction in the impacts of commodity price fluctuation and (iv) exchange of debt indexes.

In the process of market risk management, the identification, evaluation and implementation, as well as the contracting of financial instruments for risk protection are performed. The development management area accompanies the fulfillment of the limits established in our policies.

Exchange Rate Risk

As a predominantly exporting company, our results are exposed to exchange variations. As such, fluctuations in the exchange rate, especially with regards to the U.S. dollars, may impact our results.

We issue debt securities in the international markets as an important part of the capital structure that is also exposed to fluctuations in the exchange rate. The mitigation of these risks comes from our own exports, which creates a natural hedge. Furthermore, we enter in derivatives transactions in the financial markets, including using strategies with options, as a way to ensure attractive levels of operating margins for a portion of our income. The foreign exchange hedging strategy follows our financial policies.

The net exposure of assets and liabilities in foreign currency, which is substantially in U.S dollars, is set forth below:

	December 31,		
	2021	2020	2019
	<i>(in millions of R\$)</i>		
Assets			
Cash and cash equivalents	13,412.0	6,370.2	2,527.8
Marketable securities	2,394.7	—	—
Trade accounts receivable	5,043.5	1,938.6	2,027.0
Derivative financial instruments	1,028.5	621.4	9,440.1
	21,878.5	8,930.2	13,994.9
Liabilities			
Trade accounts payables	(605.6)	(492.6)	(1,085.2)
Loans and financing	(65,972.3)	(58,145.1)	(45,460.1)
Liabilities for asset acquisitions and subsidiaries	(273.2)	(313.0)	(288.2)
Derivative financial instruments	(7,362.6)	(6,994.4)	(11,315.9)
	(74,213.7)	(65,945.1)	(58,149.4)
	(52,335.1)	(57,014.9)	(44,154.5)

Sensitivity Analysis – Foreign Exchange Exposure

For purposes of risk analysis, we use scenarios to evaluate the sensitivity that the variations in long and short positions, indexed in foreign currency, may suffer. We take as a base case the values recognized in accounting on December 31, 2021 and December 31, 2020 and, from there onwards, appreciations and depreciations are simulated, between 25% and 50%, of the *real* compared to other foreign currencies. The following table shows the probable values and the variations based on them.

	As of	December 31, 2021	
		Effect on income and equity	
		Possible Increase (Δ25%)	Remote Increase (Δ50%)
	Probable	<i>(in millions of R\$)</i>	
Cash and cash equivalents	13,412.0	3,353.0	6,706.0
Marketable securities	2,394.7	598.7	1,197.3
Trade accounts receivable	5,043.5	1,260.9	2,521.7
Trade accounts payables	(605.6)	(151.4)	(302.8)
Loans and financing	(65,972.3)	(16,493.1)	(32,986.2)
Liabilities for assets acquisitions and subsidiaries	(273.2)	(68.3)	(136.6)
Derivatives Non-deliverable forward ("NDF")	(6.7)	(41.8)	(83.6)
Derivatives Options	(187.8)	(4,343.1)	(10,141.9)
Derivatives Swap	(6,357.7)	(4,361.3)	(8,722.6)

Commodity Price Risk

We are exposed to commodity prices reflected primarily in the sale price of pulp in the international market. Increases and decreases in production capacities in the global market, as well as the macroeconomic conditions may impact our operational results.

It is not possible to guarantee that prices will remain at levels that are beneficial to our results. We may use financial instruments to mitigate the sales price of part of the production, but in certain cases the employment of price protection for pulp may not be available.

We are also exposed to international oil prices, reflected in the logistical costs of transportation and commercialization.

On December 31, 2021 the Company did not held a position to hedge its logistics costs.

Sensitivity Analysis – Exposure to Commodity Prices

We did not have open assets indexed to commodities in 2021.

Derivatives by Contract Type

As of December 31, 2021, 2020 and 2019, the open positions of derivatives negotiated in the over-the-counter market, grouped by class of asset and reference index, are represented below.

	Notional value in US\$ millions			Fair value in millions of R\$		
	2021	2020	2019	2021	2020	2019
Instruments contracted with protection strategy Operational hedge						
Zero-cost collar (R\$ vs. US\$)	4,494.1	3,212.3	3,425.0	(187.8)	(780.5)	67.1
NDF (R\$ x US\$)	30.0	80.0	—	(7.0)	7.9	—
Fixed Swap (US\$) vs. CDI	—	—	—	—	—	—
Fixed Swap CDI vs. (US\$)	—	—	—	—	—	—
Subtotal	4,524.1	3,292.3	3,425.0	(194.8)	(772.6)	67.1
Commodity hedge						
Swap VLSFO/Brent (oil)	—	37.8	0.4	—	15.8	(0.1)
Swap US-CPI standing wood (U.S.\$)	590.4	646.1	679.5	28.2	354.9	268.5
Subtotal	590.4	683.9	679.9	28.2	370.7	268.4
Debt hedge Interest rate hedge						
Swap LIBOR vs. Fixed (US\$)	3,600.0	3,683.3	2,750.0	(395.7)	(1,059.2)	(444.9)
Swap IPCA vs. CDI (R\$)	843.8	843.8	843.8	249.7	285.5	233.3
Swap IPCA vs. Fixed (US\$)	121.0	121.0	121.0	(148.6)	(114.8)	30.5
Swap CDI vs. Fixed (US\$)	2,267.1	2,267.1	3,115.6	(5,230.6)	(4,977.3)	(1,940.4)
Swap Fixed (R\$) vs. Fixed (US\$)	350.0	350.0	350.0	(760.5)	(508.3)	(33.0)
Subtotal	7,181.9	7,265.2	7,180.4	(6,285.7)	(6,374.1)	(2,154.5)
Total in derivatives	12,296.4	11,241.4	11,285.3	(6,452.3)	(6,776.0)	(1,818.9)
Current assets				470.3	484.0	260.3
Non-current assets				971.9	857.4	838.7
Current liabilities				(1,563.5)	(1,991.1)	(893.4)
Non-current liabilities				(6,331.1)	(6,126.3)	(2,024.5)
				(6,452.4)	(6,776.0)	(1,818.9)

ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

The Bank of New York Mellon, as depositary, has agreed to reimburse us for expenses it incurs that are related to the establishment and maintenance of our ADS program. The depositary has agreed to reimburse us for our continuing and annual stock exchange listing fees. It has also agreed to pay the standard out-of-pocket maintenance costs for the ADRs, and to reimburse us annually for certain investor relations programs or special promotional activities. In certain instances, the depositary has agreed to provide additional payments to us based on any applicable performance indicators relating to the ADR facility. There are limits on the amount of expenses for which the depositary will reimburse us, but the amount of reimbursement available to us is not necessarily tied to the amount of fees the depositary collects from investors.

The depositary collects its fees for delivery and surrender of ADSs directly from investors depositing shares or surrendering ADSs for the purpose of withdrawal or from intermediaries acting for them. The depositary collects fees for making distributions to investors by deducting those fees from the amounts distributed or by selling a portion of distributable property to pay the fees. The depositary may collect its annual fee for depositary services by deduction from cash distributions or by directly billing investors or by charging the book-entry system accounts of participants acting for them.

PART II

ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

See discussion at Item 5. "Operating and Financial Review and Prospects—Liquidity and Capital Resources—Covenants."

ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS

None.

ITEM 15. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures: Our management, with the participation of our Chief Executive Officer and our Chief Financial Officer, after evaluating the effectiveness of our disclosure controls and procedures (as defined in the Exchange Act under Rule 13a-15(e)) as of the end of the period covered in this annual report, has concluded that, as of that date, our disclosure controls and procedures were effective to provide reasonable assurance that the information required to be disclosed by us in the reports that we file or submit under the Exchange Act was being recorded, processed, summarized and reported within the time periods specified in the applicable rules and forms, and was accumulated for and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, to allow for timely decisions regarding the required disclosure.

Management's Report on Internal Control over Financial Reporting: Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f) and for its assessment of the effectiveness of internal control over financial reporting. Our internal control over financial reporting is a process designed by, or under the supervision of, the principal executive and principal financial officers, or persons performing similar functions, and effected by the Company's Statutory Audit Committee, the Company's Board of Directors, management, and other personnel to provide reasonable assurances regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with and in compliance with the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

Our internal control over financial reporting includes those policies and procedures that (a) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets; (b) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with and in compliance with IFRS as issued by the IASB, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors; and (c) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of our assets that could have a material effect on our audited consolidated financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with our policies or procedures may deteriorate.

The effectiveness of our internal control over financial reporting as of December 31, 2021, is based on the criteria established in Internal Control – Integrated Framework (2013), issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on that assessment, management has concluded that our internal control over financial reporting was effective as of December 31, 2021.

Audit of the Effectiveness of Internal Control over Financial Reporting: Our independent registered public accounting firm, PriceWaterhouseCoopers Auditores Independientes Ltda., has audited the effectiveness of our internal control over financial reporting, as stated in their report as of December 31, 2021, which is included herein.

Changes in Internal Control over Financial Reporting: There was no change in our internal control over financial reporting that occurred in the period covered by this annual report that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

ITEM 16.A. AUDIT COMMITTEE FINANCIAL EXPERT

Our board of directors has determined that Mr. Carlos Biedermann, a member of our audit committee, is an audit committee financial expert within the meaning of Sarbanes-Oxley and related regulations.

ITEM 16.B. CODE OF ETHICS

Our board of directors has adopted a code of conduct ("Code of Conduct") that applies to all of our board members, suppliers and employees, including the members of our financial department, our chief executive officer, our chief financial officer and our chief accounting officer. No waiver, either express or implied, of provisions of our Code of Conduct was granted to our chief executive officer, chief financial officer or chief accounting officer in 2021. A copy of our Code of Conduct has been filed as Exhibit 11.1 to this annual report.

Our Code of Conduct addresses, among others, the following topics:

- honest and ethical conduct, treating conflicts and misconduct with absolute secrecy;
- full, fair, accurate, timely, and understandable disclosure in reports and documents that we file with, or submit to public communications made by us;
- compliance with laws, internal procedures and rules and also rules established by Brazilian and international capital market regulatory agencies; and
- the prompt internal reporting of breaches related to our Code to the Ombudsman.

In order to keep the highest governance standards, every two years we review our Code of Conduct to assure that the document is up-to-date and follows best practices and regulations. In 2021, we approved the last revision of our Code of Conduct. All of our employees confirmed their commitment with our Code of Conduct and to undertake to comply with its principles and guidelines while performing their professional activities by performing mandatory training

Additionally, we have conducted awareness actions in order to enforce the importance of business integrity, compliance and the governance instruments - our Code of Conduct and the Ombudsman. Video-learning format regarding the anti-corruption policy and our Code of Conduct have been given to all employees in 2021, in order to reinforce the main guidelines and practices established by our Code of Conduct. This training program was mandatory for all of our employees and at the end of the training each employee signs the training electronically.

ITEM 16.C. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The following table sets forth by category of service the total fees for services performed by PricewaterhouseCoopers during the fiscal years ended December 31, 2021 and 2020.

Year Ended December 31	2021 (In thousands of reais)	2020 (In thousands of reais)
Audit Fees	14,715.6	23,083.4
Tax Fees	88.0	—
Audit Related Fees	—	—
All Other Fees	—	—
Total	14,803.6	23,083.4