Code	Revsion	Date	Issued by	Approved by
POL 09.00002	1.0	05/03/2017	GEFIN	RCA
Title:				
Derivate Management Policy				

Contents

1 OBJECTIVE

The objective of this policy is to set the rules and procedures for:

1.1. Defining the parameters for trading in derivative instruments to hedge exposures that pose market risks to the Company;

1.2. Defining delegation of powers for contracting derivatives and their respective limits;

1.3. Defining the frequency of reporting and responsibility for the reports monitoring the derivatives portfolio.

2 SCOPE

This policy applies to Suzano Pulp and Paper (“Suzano”) and its subsidiaries.

3 REFERENCE DOCUMENTS

Corporate Governance Policy

4 DEFINITIONS

GDC: General Derivatives Contract, which sets the rules, limits and procedures between Suzano and banks for transactions in Derivatives in the Brazilian capital markets.

ISDA: (International Swap Dealers Association) is the General Derivatives Contract that sets the rules, limits and procedures between Suzano and banks for transactions in Derivatives in the international capital markets.

Long Form Confirmation: is the trading note for one-off transactions in derivatives with financial institutions that do not yet have derivate contracts such as GDC or ISDA.

Dodd-Frank: is the contract that regulates derivatives required by the U.S. Securities and Exchange Commission (SEC), especially for U.S. institutions.

5 DESCRIPTION OF PROCESS

To avoid fluctuation in market prices and rates, Suzano may choose to carry out transactions to mitigate such variations. For this, it contracts derivative transactions linked to the following risk factors:

(i) Currency;

(ii) Interest rate;

(iii) Pulp price;

(iv) Prices of freight fuel and other production inputs.

5.1 – Purpose and products allowed

Derivatives should be used exclusively to hedge financial transactions already contracted or the cash flows of Suzano, and should not leverage the company.

The following types of derivative instruments may be contracted:

- *Swaps;*
- *Non-deliverable forwards (NDF);*
- *Plain vanilla options.*

5.2 – Definition of hedge limits using Derivatives

Each company exposure has a methodology for defining the hedge parameters using derivative instruments. The definition of these practices is agreed upon in advance between the departments involved directly with the origin and mitigation of the market risks of the exposures.

Furthermore, the Treasury Department has a hedge limit for each type of exposure:

- Currency (USD): Suzano is exposed to foreign exchange risks due to its exporter profile, with a significant portion of its net revenue coming from exports priced in U.S. dollar, while most of its production costs are incurred in Brazilian real. This structural exposure allows the company to contract export-financing lines in dollar at more competitive costs than local funding lines and to match debt service with the flow of receivables from sales, providing a natural cash hedge for these commitments. Any surplus of these USD revenues that are not tied to USD debt or other USD liabilities is sold in the currency market at the time the currency enters the country. As additional hedge, the Company may contract derivatives to ensure more attractive operating margins for a portion of its revenue, which should not exceed 75% of the surplus of foreign currency (FX gap) over a horizon of 18 months.

Note that this limit was set based on a study conducted by the Treasury Department and presented to the Board of Directors, which showed that, even during periods of stress in pulp prices, the company has a positive monthly flow of USD. Rare exceptions include, for example, events involving the repayment of the principal of Bonds and Export Prepayment Facility (EPF) Bullets. In these cases, the company must accumulate cash in foreign currency (over a period of more than one (1) month) to fulfill its obligations.

- Currency (other currencies): with the objective of avoiding exposure to the volatility in currencies other than the USD, the company may contract derivative instruments that represent 100% of the FX gap of these currencies.

- **Interest rate:** DV01 represents the gain or loss of the portfolio from a 0.01% increase in the annual rate and is used to demonstrate the sensitivity of the portfolio to market interest rates. The company may use derivatives to hedge 30% of DV01 for each interest rate;

- Pulp price: to reduce Suzano's exposure to the volatility in pulp prices, 10% of the exposure over the next 12 months may be hedged by derivatives;

- Prices of freight fuel and other production inputs: up to 50% of the exposure for the next 12 months for each input, since these are secondary commodities to the company;

5.3 - Quoting and Closing Derivative Transactions

5.3.1 Calculations of exposure are made and presented formally at the frequency defined previously by Suzano's Treasury Front-Office. Hedging is determined jointly by the departments involved in the respective exposure, and the CFO is responsible for sending to the Treasury Department an e-mail expressing his or her agreement with the transaction.

5.3.2. Suzano's Treasury Front-Office team then quotes with at least two financial institutions that are duly authorized to perform transactions of this kind with Suzano (GDC, ISDA or Long Form Confirmation), and then determines which has the most competitive prices/rates. Then it proceeds to obtain a firm quote with two financial institutions. The transaction is concluded with the institution that presents the best prices/rates.

5.3.3. The bank with which the transaction was closed will send a contract confirming the operation to the e-mail tesouraria@suzano.com.br. The contract is verified by Suzano's Treasury Back-Office and sent for validation by the Legal Department.

5.3.4. After validation and review by the Legal Department, the contracts are submitted for signing by the officers and/or authorized attorneys-in-fact, in accordance with their powers.

5.3.5. Suzano's Treasury Back-Office then enters the transaction in the system immediately after confirmation of the transaction between the parties.

5.4 - Maintenance of Derivatives and Powers

The Treasury Department determines the Mark-to-Market (MtM) values and results of the transactions in the Company's derivative portfolio. The department must comply with the Market Risk Policy to duly control the limits and risks of these operations.

In the event of a breach of any item of this policy, the Market Risk team is responsible for immediately notifying the Treasury Manager, who will have one (1) business day to remedy the situation. If the limit continues to be exceeded, the Financial Executive Manager and Chief Financial Officer are notified to coordinate the strategy for reestablishing compliance.

Furthermore, the Chief Financial Officer must decide on implementing measures to enable the reestablishment of limits or, as applicable, review the limits in the event of exceptional market conditions.

5.5 - Settlement of Derivatives

Derivative contracts are settled on the respective dates by Suzano's Treasury Back-Office after validation and confirmation of the amounts with the respective partner banks of the operations.

5.6 - Reports

Suzano's Market Risk team submits monthly reports containing data and the exposure limits of the market position of the entire derivatives portfolio to the respective members of Suzano.