

# ESG Annual Report 2019

BTG Pactual Timberland Investment Group



**TIG**  
Timberland Investment Group

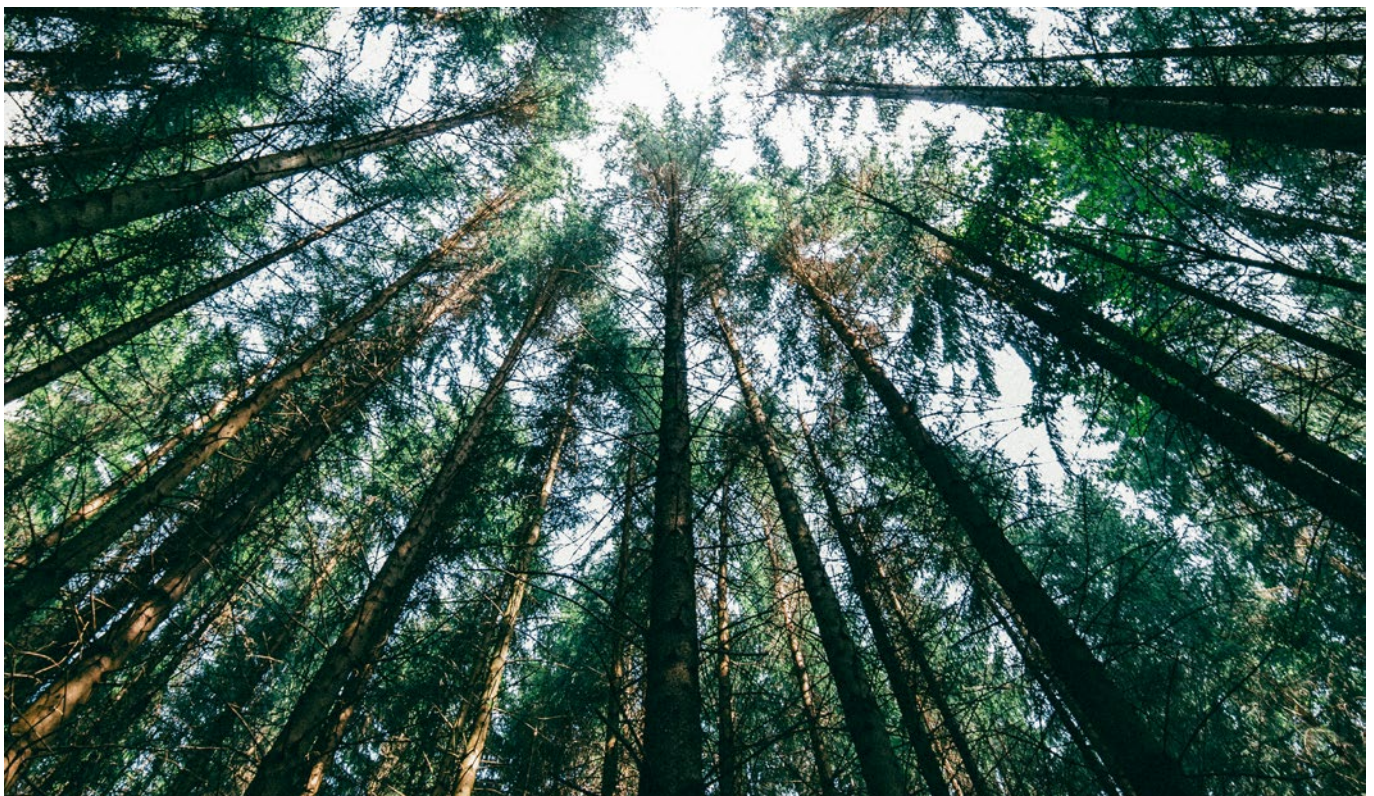






# Table of Contents

<b>Letter from the Head of TIG</b>	<b>4</b>
<b>Introduction</b>	<b>5</b>
BTG Pactual at a Glance	5
Global Asset Management & ESG Risk Management	7
<b>The BTG Pactual Timberland Investment Group (“TIG”)</b>	<b>10</b>
History & Key Facts	10
Mission Statement	10
<b>Responsible Investment Policy</b>	<b>11</b>
<b>Environmental and Social Management System</b>	<b>13</b>
ESG KPI Performance	13
2019 Global KPI Results: Comparing 2016 to 2019	14
Environmental KPIs	15
Social KPIs	19
Governance KPIs	21
<b>Moving Forward: 2020 Goals</b>	<b>23</b>
<b>Disclaimer</b>	<b>24</b>



## Letter from the Head of TIG

BTG Pactual Timberland Investment Group (“TIG”) has a history dating back to the first institutional investment made in timberland in 1981. This is important to highlight given the long-term nature of timberland and the responsibility entrusted to us by our investors to be prudent stewards of their capital and these assets.

TIG’s commitment to ESG and Responsible Investment is an integral part of our fiduciary oversight. Our efforts are performed in full transparency with the goal of achieving target investment returns, while respecting the environment and maintaining equitable relationships within the communities in which we operate.

Although we manage our clients’ timberland assets primarily for timber production, we believe that successful timberland management must also include the conservation of soil, air and water quality, biological diversity, wildlife and aquatic habitats, and recreation and aesthetics. This approach to land stewardship is evident throughout every phase of our investment process.

BTG Pactual and TIG have been making a meaningful difference for over 35 years. As we strive to assist our clients in reaching their respective goals, our adherence to upholding strong environmental, social, and governance standards - while maintaining competitive performance - remains as strong as ever.



We hope you enjoy this year’s report.

### **Gerrity Lansing**

Head, BTG Pactual Timberland Investment Group, and MD Partner, BTG Pactual

## Introduction

### BTG Pactual at a Glance

Founded in the early 1980s, BTG Pactual is a publicly-traded, diversified global investment company with over 2,200 employees globally. Key lines of business and financial highlights of BTG Pactual include:

### Key Business Verticals and Highlights<sup>1</sup>

<b>Wealth Management</b>  US\$ 42 billion under management	<b>Investment Banking</b>  US\$ 236 million in LTM revenue	<b>Asset Management</b>  US\$ 68 billion under management	<b>Corporate Lending</b>  US\$ 11 billion credit portfolio	<b>Sales and Trading</b>  US\$ 697 million in revenue
--	--	---	--	---

Revenues

**US\$ 2.1**  
billion (4Q2019)

Net Income

**US\$ 1.0**  
billion (4Q2019)

ROAE

**19.1%**  
(4Q2019)

Shareholder's Equity

**US\$ 5.3**  
billion

BIS Capital Ratio

**14.9%**

Total Assets

**US\$ 40.9**  
billion

<sup>1</sup> As of December 31, 2019 – BRL/USD at \$4.0186; the figures presented in this slide are those of Banco BTG Pactual S.A., and its affiliates, which includes BTG Pactual Timberland Investment Group LLC.



BTG Pactual is a meritocratic partnership that consistently promotes new Partners and Associate Partners and believes that the firm's culture is an important competitive advantage that drives its strategic focus, inter-personal collaborations, and its performance. BTG Pactual believes its success is due to this model, which:

- Fosters a culture of teamwork, talent development, entrepreneurship, meritocracy and long-term commitment;
- Substantially enhances the integration of its seven complementary business units and maximizes cross selling of its products;
- Allows it to maintain an intense commitment to its clients, and identify and capitalize on opportunities in the Brazilian and international financial markets;
- Substantially enhances its ability to attract the best available talent; and
- Greatly facilitates its ability to consistently maintain a lean and cost-efficient organizational structure.

BTG Pactual's Asset Management Group offers global asset management services across major asset classes to clients worldwide. Investment strategies include fixed income, equity funds, hedge funds and alternative investments such as timberland, private equity, infrastructure and real estate. The Asset Management division's primary clients are comprised of institutional investors including pension funds, corporations, insurance companies, financial institutions and family offices. This extensive and diversified client base means that the group does not significantly depend on any one client – the diversification of client base is an essential aspect of its business strategy.

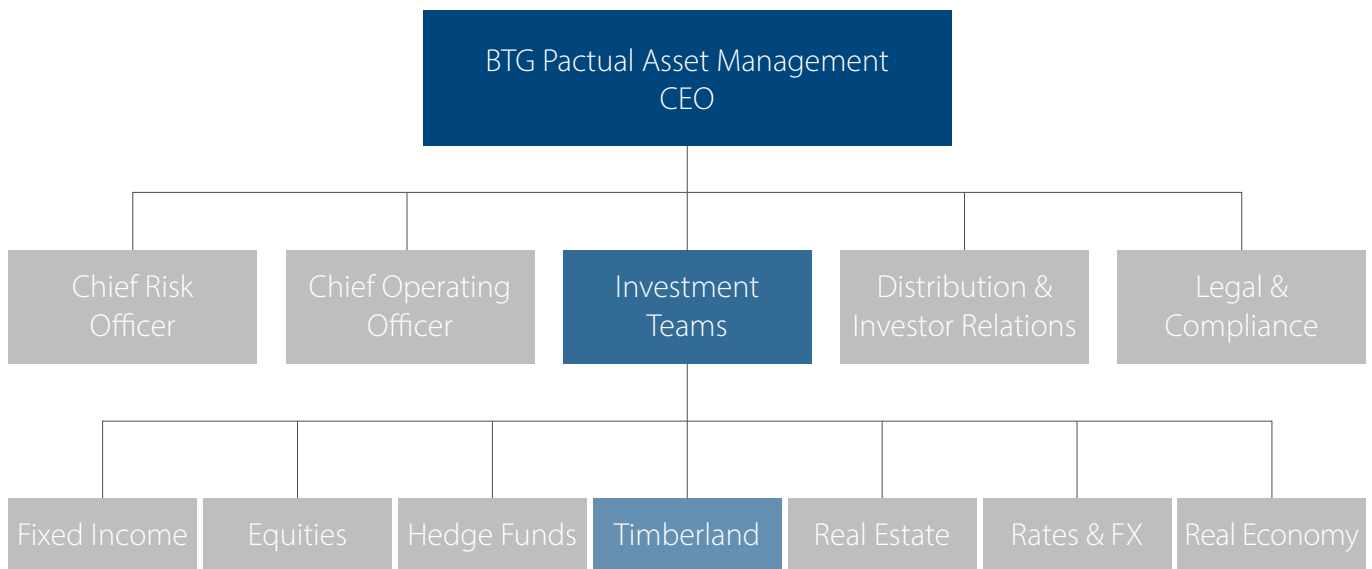
As of December 31<sup>st</sup>, 2019, BTG Pactual's Asset Management Group had US\$ 68 billion in AUM, making it the largest asset manager in Latin America excluding retail banks. The Asset Management Group is dedicated to providing services through a wide range of investment funds and managed portfolios.

Our investment philosophy is based on high-conviction investment ideas, which are strongly supported by fundamentals and independent growth dynamics.



# Global Asset Management & ESG Risk Management

BTG Pactual's Asset Management business unit has over 300 employees, including several senior partners strategically located in New York, London, Santiago, São Paulo, Rio de Janeiro, Medellin and Mexico City.



BTG Pactual's approach to environmental, social and governance ("ESG") matters is affirmed in our Global ESG Policy and in our public commitment to the UN Global Compact ("UNGC"), UN Principles for Responsible Investment ("UN PRI") and the Carbon Disclosure Project ("CDP"). Our Global ESG Policy includes the main principles we follow when developing our business, while our public initiatives reinforce our ESG trajectory and commitment to transparency and disclosure. Our Policy has been approved by the BTG Pactual Board of Directors and is applied in every region in which the firm operates.

## UN PRI Membership

- Signatory to United Nations Principles for Responsible Investments
- Developed by large institutional investors and other financial market participants in favor of Responsible Investment
- Based on six principles that value social, environmental and corporate governance aspects when conducting investments



## UNGC Signatory

- Signatory to United Nations Global Compact
- Developed by Kofi Annan, former Secretary-General of the United Nations, with the aim of engaging the business community in the adoption of values linked to human rights, environmental, labor relations and anti-corruption
- Based on 10 principles, seeks to promote sustainable growth and citizenship via committed and innovative corporate leaderships



## CDP Membership

- Member of Carbon Disclosure Project
- An international initiative represented by institutional investors engaged in transforming the way the world does business to prevent climate change and protect natural resources
- Members commit to measuring and disclosing their carbon emissions according to agreed upon standards



As outlined below, ESG principles are integrated within BTG Pactual's corporate structure and inform multiple parts of the organization's governance, structure, and stakeholder engagement. Our dedicated ESG & Risk Management Team guides ESG integration throughout all business units. BTG Pactual's Board of Directors maintains our Global ESG Policy and is responsible for the oversight of ESG initiatives and commitments throughout all facets of our business. In addition, the ESG Committee drives the strategic direction and provides support for all ESG and Responsible Investment initiatives. The Committee is chaired by a senior partner and is comprised of the Head of Compliance and the Head of ESG Risk. The ESG & Risk Management Team also regularly conducts training sessions in order to engage and educate every member of our organization.

### Board of Directors

- Highest level of ESG Risk Management
- Responsible for the strategic review of ESG Risk
- Responsible for ESG Global Policy approval and implementation

### ESG Committee

- Part of BTG Pactual Risk Management & Control Framework along with other risk committees
- Composed of ESG statutory director, Head of ESG Risk, Head of Compliance, Risk Officer and Business Area representatives upon request
- Oversees and manages the ESG risk profile and ensures adherence to the ESG Policy

### ESG Risk Management Department

- Specialized team that supports the development of specific policies, procedures and tools to uphold ESG strategies
- Responsible for technical support, coordination and independent oversight of ESG policy implementation throughout all global business units

### Business Units

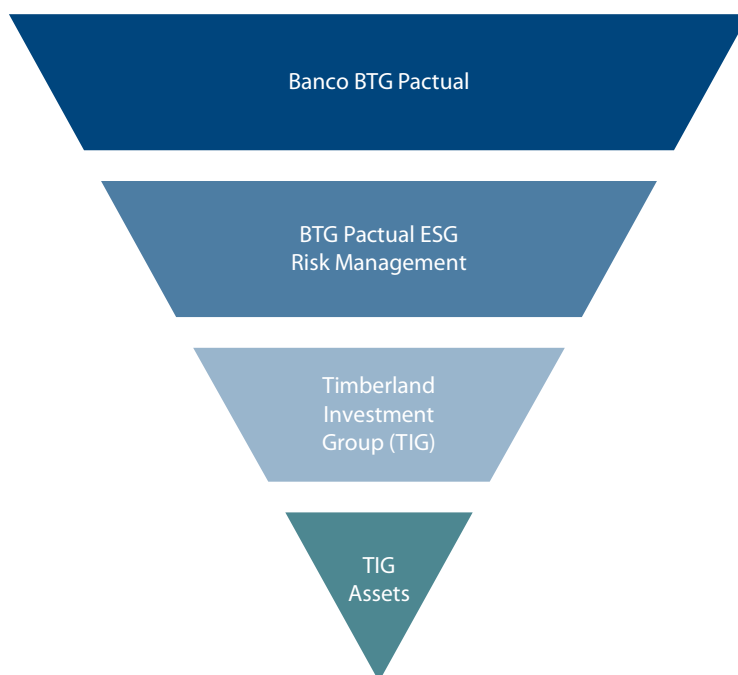
- Responsible for ESG risk identification
- Individual business units require ESG department approval to implement new procedures
- Ensure necessary measures are in place to mitigate ESG risk exposure





Commitment to ESG integration from BTG Pactual and TIG executives is further demonstrated by the close alignment of all internal stakeholders, as outlined in the chart below.

Responsible Group	Group Leader(s)	Primary Governance Documents	Focus Areas
<b>BTG Pactual</b> Board of Directors (Six members including two outside, independent members)	<b>Nelson Jobim</b> Executive Chairman  <b>Huw Jenkins</b> Vice Chairman	<ul style="list-style-type: none"> <li>• BTG Pactual Global ESG Policy</li> <li>• Global Code of Business Principles &amp; Ethics</li> </ul>	<ul style="list-style-type: none"> <li>• ESG criteria</li> <li>• ESG Global Policy approval process</li> </ul>
<b>BTG Pactual</b> Environmental, Social and Governance Risk Management Group	<b>Iuri Rapoport</b> Senior Partner  <b>Beatriz Freitas</b> Head of ESG	<ul style="list-style-type: none"> <li>• BTG Pactual Global ESG Policy</li> <li>• Global Code of Business Principles &amp; Ethics</li> </ul>	<ul style="list-style-type: none"> <li>• ESG Policies and Procedures</li> <li>• Regulatory compliance</li> <li>• Business opportunities</li> <li>• Eco-efficiency</li> <li>• Public Commitments &amp; Transparency</li> </ul>
<b>TIG</b> Investment Committee, Asset Management, and Acquisitions Group	<b>Gerrity Lansing</b> Head of TIG  <b>David Duncan</b> Head of U.S. Transactions, Asset Management and Strategic Initiatives	<ul style="list-style-type: none"> <li>• TIG Responsible Investment Policy</li> <li>• Third-party certification policies</li> </ul>	<ul style="list-style-type: none"> <li>• Compliance with environmental standards</li> <li>• Environmental protection &amp; enhanced biodiversity conservation</li> <li>• Report ESG performance with clarity and transparency</li> <li>• Respect and uphold human rights in all operations and contracts</li> <li>• Develop supply chain and prioritize local hiring</li> <li>• Strict compliance with anti-corruption and bribery regulations</li> <li>• Establish an open dialogue with the communities where TIG manages timberlands</li> <li>• Promote ESG awareness among employees by developing and providing specific training programs</li> </ul>
<b>TIG</b> Asset Management Group	<b>Steve Krietemeyer</b> Asset Manager, ESG Coordinator  <b>David Duncan</b> Head of U.S. Transactions, Asset Management and Strategic Initiatives	<ul style="list-style-type: none"> <li>• TIG Responsible Investment Policy</li> <li>• Third-party certification standards</li> <li>• TIG property management contract</li> </ul>	<ul style="list-style-type: none"> <li>• TIG influences and encourages sub-contractors and others in the forest management supply chain to adopt and comply with ESG principles through contractual obligations</li> </ul>



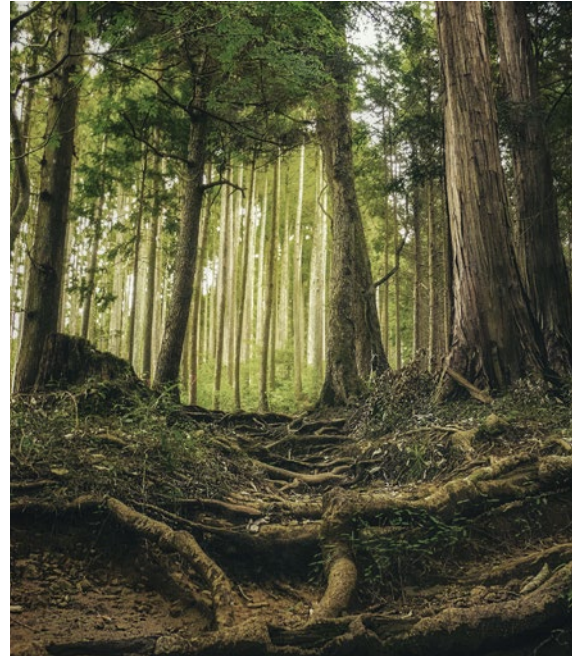
# The BTG Pactual Timberland Investment Group (“TIG”)

## History & Key Facts

The BTG Pactual Timberland Investment Group (“TIG”) is one of the world’s oldest and largest timberland investment management organizations. TIG manages assets and commitments of nearly US\$ 3.5 billion and 2.6 million acres across four continents. TIG and affiliates have over 100 professional staff members bringing exceptional local, regional, and global experience to bear on the careful management of client investments.

TIG offers several advantages to investors seeking exposure to timberland investments. These include:

- A long track record, with more than US\$ 1.8 billion returned to investors since inception, including full-cycle management of nine investment funds from asset acquisition through final exit
- A global perspective with assets throughout the U.S., Latin America, Eastern Europe and South Africa
- Dedicated ESG and Responsible Investment resources, including third-party certification such as Forest Stewardship Council (“FSC®”) and Programme for the Endorsement of Forest Certification (“PEFC™”)
- In-depth experience in timberland transactions, with more than 230 transactions executed since inception
- Large, specialized team of over 100 professionals with more than 800 years of combined investment, financial, agribusiness and timberland management experience



## Mission Statement

TIG is committed to delivering superior, risk-adjusted returns to our clients through disciplined research and construction of timberland portfolios, the application of industry-leading analytics to investment management, and best-in-class sustainable forestry practices that support the environmental and social integrity of the geographies and communities within which we invest. We accomplish our mission by leveraging the extensive global resources of the BTG Pactual platform and the deep, local expertise of our regional forestry staff, providing our clients with globally diversified timberland investment portfolios.

### Principled Investing

Best-in-class sustainable practices

- Long-term view
- Support the environmental and social integrity of the places in which we invest
- Retain both local and global talent
- Leverage global resources of BTG Pactual

### Disciplined Management

Focused asset and portfolio management

- Broad strategic analysis of business opportunities, risks and impacts
- Aggressive & disciplined risk mitigation
- Recognition that every basis point earned or saved is accretive to our clients

### Client Focused

Maximize risk-adjusted returns

- Risk/Return driven structure
- Tightly aligned interests
- Full transparency



# Responsible Investment Policy

Building on BTG Pactual's ESG commitments and policies, TIG maintains a timberland-specific Responsible Investment Policy based on nine core principles that ensure best practices are taken into consideration throughout our investment process.

## 1 Strictly comply with environmental, social, health and safety laws, regulations and standards

TIG complies with all applicable laws, regulations, and standards related to environmental, social, and governance issues in all locations where it manages timberland. BTG Pactual's structure of compliance and standard controls are used to monitor adherence to anti-corruption, labor and environmental laws. TIG also expects service providers to establish regionally appropriate health and safety standards and implement all industry best practices when providing services to TIG and its clients.

## 2 Foster environmental protection and enhance biodiversity conservation

TIG is committed to the enhancement of biodiversity in all regions where it manages property and promotes this initiative through the forest management supply chain by ensuring preferred positions to companies who demonstrate their commitment to ESG matters.

## 3 Respect and uphold human rights in all operations and contracts

It is mandatory for all TIG employees and third-party service providers to respect and uphold human rights in all regions where we manage timberland. BTG Pactual and TIG are committed to the United Nations Global Compact and encourage every stakeholder to engage in these principles. We encourage the support, respect, and furtherance of internationally recognized human rights.

## 4 Develop supply chain and prioritize local hiring

Service providers must comply with all applicable laws related to ESG standards and TIG also expects service providers to develop training programs focused on enhancing suppliers' qualifications and workforce competency. When possible, local suppliers are hired as a means to positively impact local communities and foster economic development.

## 5 Strictly comply with anti-corruption and bribery regulations

TIG avoids corruption in all forms, including extortion and bribery, and upholds compliance standards, and organizational integrity by complying with relevant antifraud and money-laundering regulations. Service providers are responsible for ensuring all anti-corruption and fraud compliance of their employees when performing operations and sourcing sub-contractors or materials on properties where TIG manages timberland.

## 6 Establish an open dialogue with the communities where TIG manages timberland assets

TIG is committed to engage with the communities influenced by our management activities. TIG's policy of engagement and open and transparent communication is a key component in this process. TIG holds service providers to a high standard which includes appropriate communication channels that guarantee local communities have a voice in the process.

## 7 Promote ESG awareness among employees by developing and providing specific training programs

TIG is committed to enhancing ESG awareness and knowledge within stakeholder groups by developing training programs and reporting on ESG issues. TIG also expects service providers to promote regionally appropriate ESG awareness throughout their companies and among its business partners.

## 8 Report ESG performance with clarity and transparency

TIG periodically discloses ESG performance through reports and website publications. We are committed to providing transparency to investors and other stakeholders about our activities related to responsible investing. Where appropriate, TIG also expects service providers to disclose ESG progress, detailing ESG risks, impacts and mitigation practices.

## 9 Commit publicly to global initiatives that strengthen our values

TIG publicly commits to relevant initiatives that demonstrate our engagement with ESG best practices and provides transparency to our investors. BTG Pactual is a signatory of UNPRI and United Nations Global Compact, which highlight TIG's commitment to ESG matters. We will seek to continue to be a signatory of these and other initiatives and disclose TIG's performance in incorporating them into our internal practices.



Responsible Investment Policy  
ESG 002  
Version: 1.2

### GLOBAL - Responsible Investment Policy

Timberland Investment Group  
Environmental, Social and Governance Risk Management

**Policy Objective:**

This Policy sets guidelines for investment activities by the Timberland Investment Group ("TIG") and defines the main investment principles and guidelines that drive decision making related to environmental, social, governance ("ESG") and risk issues.

**Related Rules:**

- ESG 001 – GLOBAL – Environmental, Social and Corporate Governance Policy
- COMP 035 – GLOBAL – Anti – Corruption and Anti-Bribery Policy

**Who does this Policy apply to?**

This Policy applies to all TIG employees.

Publication Date: June 2018 Page 1 of 5



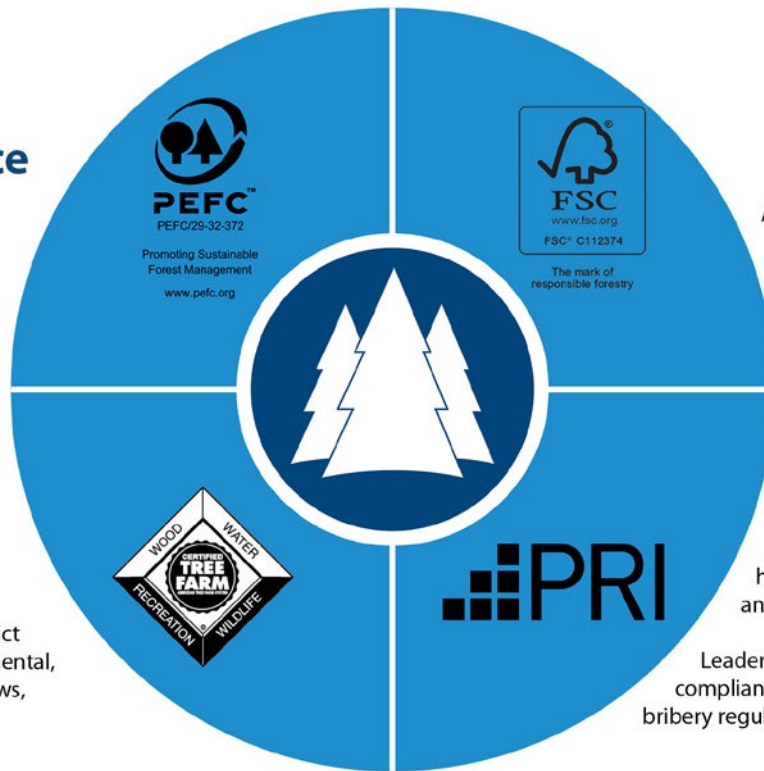


## Responsible Investment & Governance

TIG is held accountable to every aspect of the BTG Pactual Global Responsible Investment Policy

The Responsible Investment and ESG policies provide a daily guide to employees in making decisions

TIG operations observe strict compliance with environmental, social, health and safety laws, regulations and standards



A strong commitment to continuous improvement of forestry management practices is part of every TIG operation

TIG fosters environmental protection and works to enhance biodiversity conservation

TIG leaders are focused on respecting and protecting human rights in all operations and contracts

Leadership operates with strict compliance to anti-corruption and bribery regulations

## Environmental and Social Management System

TIG's commitment to providing investors superior returns through business practices supportive of environmental sustainability and social responsibility is expressed in our public support of the UN PRI and Global Compact and embodied within our internal policies. Executing on this commitment is the foundation of TIG's Environmental and Social Management System ("ESMS"), which has been implemented since 2016. This system of policies, procedures and measurement tools provides a framework for identifying and mitigating environmental and social risks associated with timberland investments across TIG's global footprint.

### ESG KPI Performance

One component of the ESMS is an annual assessment of how well it is functioning in protecting the environment and supporting the social and governance frameworks in which TIG operates. Supporting this annual review is a set of Key Performance Indicators ("KPIs") that are chosen to measure key components of the ESMS, enabling performance to be tracked over time across environmental, social and governance initiatives. Information on several of the KPIs is gathered from field service providers through a questionnaire regarding their policies and practices related to ESG principles. In addition to collecting information, this exercise serves as an educational tool in promoting ESG concepts and reinforcing TIG's core commitment to responsible investment.








TIG continues to deliver strong ESG performance across all of the KPIs applied to our global portfolio. These results demonstrate our commitment to industry best practices and the progress we have made toward supporting the United Nations Development Programme ("UNDP") Sustainable Development Goals ("SDGs"), which articulate the core aims of the 2030 Agenda for Sustainable Development. These 17 goals, specified in 169 targets, seek to promote prosperity while protecting the planet. The Forest Stewardship Council® has described how forest certification programs support 11 of the UN SDGs. In particular, UN SDG 15 (Life on Land), is embodied in responsible timberland management.



## 2019 Highlights: Global ESG KPIs

- From 2016 to 2019 TIG increased the percentage of assets that are certified and under 3<sup>rd</sup>-party forest management certification program from 88% to 92%
- TIG continued to protect and monitor endangered species populations and protected high-biodiversity areas in 100% of the sites where they are known to be present
- TIG increased the proportion of fertilizer and pesticide prescriptions that are tailored to address site-specific levels of vegetative competition, nutrient deficiency or insect and disease infestation from 96% in 2016 to 100% in 2019

## 2019 Global KPI Results: Comparing 2016 to 2019

Global KPI	Description	2016 Rating	Current Rating Based on 2019 Data
Environmental			
Pre-Acquisition Environmental Integrity	Percentage of assets acquired during the reporting period that underwent environmental due diligence by an independent third-party prior to acquisition.	100% 	100% 
Forest Certification Status	Percentage of assets that are certified under an audited and well-recognized forest management certification program.	88% 	92% 
Chemical & Production Inputs	Percentage of fertilizer and pesticide prescriptions tailored to address site-specific levels of vegetative competition, nutrient deficiency, or insect/disease infestation.	96% 	100% 
Protection of Special Sites & Biodiversity	Percentage of sites known to have resident populations of endangered species or sites of high biodiversity that are protected and the health of the populations monitored.	100% 	100% 
Protection of Water Bodies	Percentage of streams, rivers, and other water bodies protected by stream-side management zones, that meet or surpass local regulations or best management practices.	N/A	100% 
Tracking & Resolution of Environmental Non-Compliance	Percentage of timberland assets managed that are subject to a formal environmental non-compliance tracker and resolution review on a quarterly basis.	100% 	100% 

### Rating

 Satisfactory (95%+)    
  Opportunities for Improvement (80 – 94%)    
  Improvements Needed (<80%)



Global KPI	Description	2016 Rating	Current Rating Based on 2019 Data
Social			
Labor Compliance	Verification of property manager and sub-contractor compliance with federal and state labor laws and regulations.	100% ○	100% ○
Community Involvement & Landowner Outreach	Percentage of assets engaged in active community outreach programs.	97% ○	99% ○
Indigenous Rights	Percentage of assets examined at acquisition to identify any known rights related to land claims or access of indigenous people on the asset.	100% ○	100% ○
Governance			
Ownership & Local Land Rights	Percentage of assets with formal title search and review completed to verify chain of title/ownership.	100% ○	100% ○
Corporate Commitment & Responsibility	Percentage of total area whose local managers participate in national associations focusing on ESG improvement	98% ○	99% ○
Dedicated ESG Resources	Percentage of timberland assets with dedicated ESG resources at the local manager level.	90% ○	95% ○
Annual Executive Review	Percentage of timberland assets managed that are subject to an annual Executive Committee review.	100% ○	100% ○

## Environmental KPIs

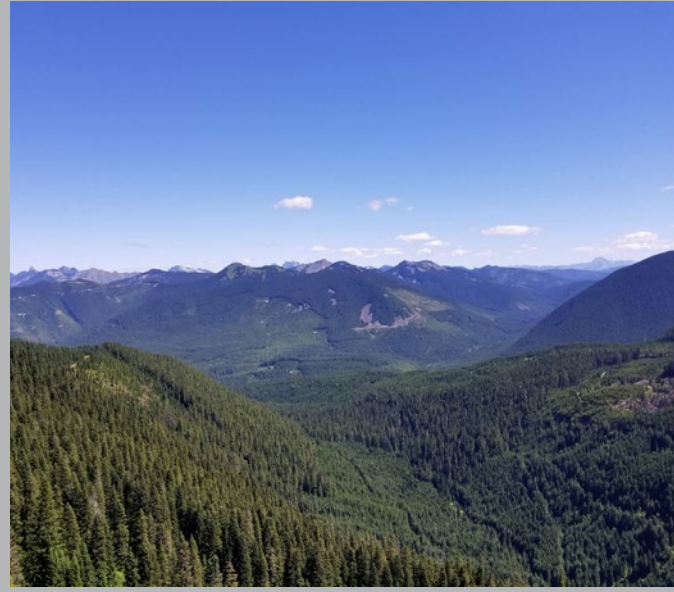
### Pre-Acquisition Environmental Integrity

An environmental assessment is conducted by independent third-parties for all TIG acquisitions. These assessments examine the potential presence of threatened and endangered species, existing and potential soil erosion, presence of waste, and document the land use history of the property, including any conversion of native forests into agricultural or other uses (the year in which fields were converted from native vegetation to agricultural use can impact the ability to obtain permitting and certification of operations). These assessments focus on assuring that TIG management supports UN SDG 15 (Life on Land) by avoiding actions that degrade natural habitats or pose a threat to biodiversity.



## Valuing Conservation

The purchase of the 15,281 acre Green River Tree Farm in Washington State, U.S., is a prime example of how the protection of environmental resources can be aligned with timberland investment. When the Green River Tree Farm became available for purchase, it had a cooperative agreement with the City of Tacoma protecting the Green River watershed. This agreement stipulated that any timberland management on the land could not compromise Tacoma's water supply. The agreement did not deter TIG from considering the potential transaction as a constructive addition to an investment portfolio, and TIG's analysis of the terms of the agreement found that our sustainable management practices aligned well with the protection of the water supply for the City of Tacoma, and compliance with the agreement was not deemed as an inhibitor of attractive returns while simultaneously protecting the quality of Tacoma's municipal water supply. While some buyers shied away from the asset due to the regulation of the municipal watershed, TIG proceeded by structuring an ultimately successful offer.



## Chemical and Production Inputs

As a steward of both financial and environmental resources, TIG seeks to utilize applications of fertilizer, herbicide, and pesticides in ways which maximize their efficacy while minimizing impacts to the environment. The key to this is evaluating levels of vegetative competition, nutrient deficiencies, and any insect or disease infestations on each site, then tailoring prescriptions to meet these challenges in a financially and environmentally sound manner. Prescriptions of inputs were tailored to site specific conditions on 100% of the land under management in 2019. Both UN SDG 12 (Responsible Consumption and Production), and UN SDG 15 (Life on Land) are supported by the responsible use of chemicals in timberland management.



## Reduction in Ant Control Pesticides

Left unchecked, leaf-cutting ants can cause substantial damage to plantations in Brazil, and thus application of pesticides is a standard practice to control ant populations. TIG's desire to produce superior returns for clients in a sustainable manner naturally leads to seeking ways to assure any use of chemical products will have a minimal impact on the environment. In line with this goal, TIG supports research into targeted pesticide application conducted by PROTEF, a joint industry-university cooperative focusing on forest protection. The insights and product development generated from this research has enabled TIG to reduce its use of ant bait by about one-third over the past decade. In contrast to historically applying ant bait across entire plantations, TIG now systematically surveys the location and size of ant colonies, and then tailors the amount of ant bait applied to match the size of the colonies. Additionally, the ant bait is now delivered in a biodegradable packaging that enhances its efficacy by reducing exposure to moisture and maintaining its appeal to the ants. These improvements in pesticide application help TIG support UN SDG Target 12.4 (Environmentally Sound Management of Chemicals).





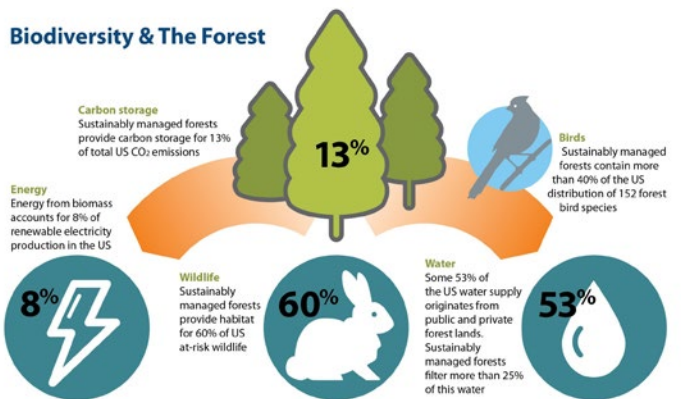
### Lands Under Certification

TIG is committed to pursuing third-party certification of our timberland management practices for all investments where financially and operationally feasible, and where the ownership structure allows such certification (for example, TIG holds short-term leases to some properties, which precludes certification because TIG doesn't retain management control after harvest). In 2019, 92% of the area managed by TIG was certified by FSC or a PEFC endorsed certification program. The robust requirements of FSC and PEFC endorsed certification standards uphold multiple SDGs. FSC has detailed that their certification standard helps in implementing 11 of the SDGs, and most directly help in addressing UN SDG Target 15.2 (Implementing the Sustainable Management of Forests).



### Protection of Special Sites & Biodiversity

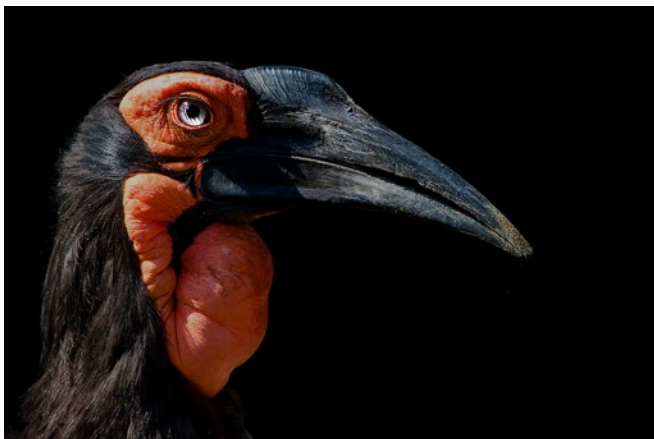
Ensuring sites that hold exceptional ecological, social, or historical significance remain intact for future generations is central to TIG's stewardship approach. When endangered species inhabit TIG-managed assets, measures are taken to protect and monitor the health of these populations. In 2019, 100% of TIG's properties known to host populations of endangered species employed measures to protect those populations. The protection of special sites and biodiversity help support UN SDG 15 (Life on Land). For example, Brazilian law requires managers to reserve a proportion of the land for native vegetation. To assure compliance with the spirit and letter of the environmental laws, "areas of legal reserve" and "areas of permanent protection" are documented and registered with governmental agencies. TIG-managed timberland designates 32,714 hectares as legal reserve ("RL") and 7,585 hectares are identified as areas of permanent protection ("APP"). In addition to the legal mandate, five areas comprising 2,341 hectares have been identified as areas of High Conservation Value ("HCV"). One of these HCV areas encompasses 622 hectares in the Jequitinhonha Valley in the state of Minas Gerais near the Araçuá River Environmental Preservation Area and the Acauã Ecological Station. This forest helps connect fragmented forests in the region to provide valuable habitat to mammals like the Ocelot, Tayra, and Jaguarundi. Similar to TIG's Global Protection of Special Sites and Biodiversity KPI, this KPI helps supports UN SDG 6 (Clean Water) and 15 (Life on Land) in a region exhibiting some of the highest biodiversity in the world.



Local programs are tailored to meet the specific needs and characteristics of the populations and sites being protected. Among the fauna currently being monitored are:

- The Red Cockaded Woodpecker in the U.S.
- The Oncilla in Brazil
- The Maned Wolf in Brazil
- The White-lipped Peccary in Brazil
- The Chestnut Seedeater in Brazil
- The Black-and-White Monjita in Uruguay
- The Southern Ground Hornbill in South Africa

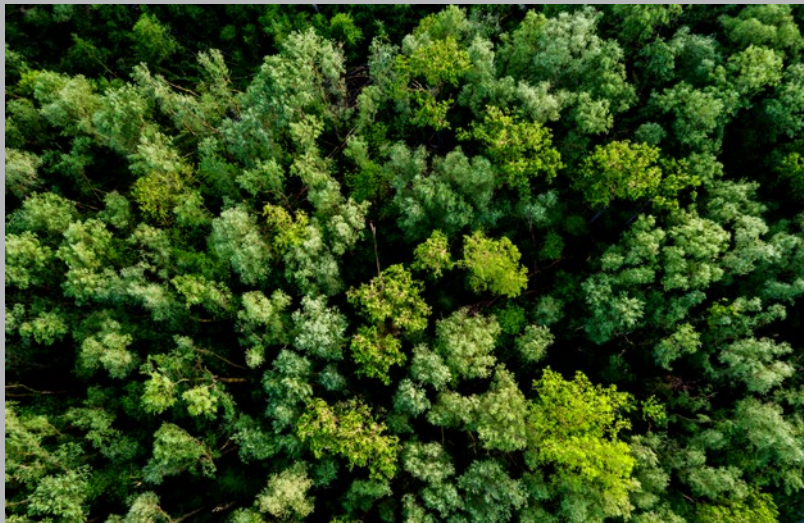
Flora monitored within areas of high conservation value include the endangered Hilton Daisy (*Gerbera aurantiaca*) in South Africa, and native grasses and forbs on Silurian barrens in Tennessee, U.S.





### Protection of Water Bodies

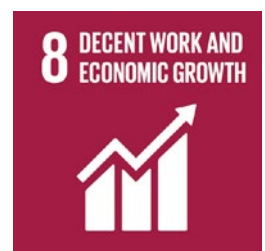
Forests play a vital role in maintaining water quality by filtering sediment and other pollutants before they enter streams and rivers, and in moderating water temperatures with shade they provide. Stream-side management zones (“SMZs”) are maintained on all assets managed by TIG, therefore a KPI to measure this attribute was not included when the ESMS was established in 2016. However, to more fully align the KPIs with the UN Sustainable Development Goals, and to emphasize the importance of protecting water bodies, this KPI was added in 2019. This KPI will also assure that if ever an asset is acquired that lacks established SMZs on all water bodies, that situation will be quickly remedied, supporting UN SDG 6 (Clean Water).



### Social KPIs

#### Labor Compliance

TIG seeks to respect and safeguard the health and fair treatment of all people working on our assets, including all interactions with and between our employees and contractors. In addition to contractual requirements, TIG requires to affirm their compliance with all applicable labor laws and regulations on an annual basis. This affirmation helps to convey to property managers the emphasis TIG places on ensuring workers’ rights and general well-being are upheld. This KPI helps to support progress towards UN SDG 8 (Decent Work and Economic Growth) by aiming to create sustainable and healthy work environments on TIG assets.



## Gender Equality

Promoting the fair and equal treatment of women in the workplace is not only the right action to take – it’s good business. Treating women fairly at work by creating a work environment that promotes the training and professional development of women, while ensuring their health, safety, and well-being, leads to improved workplace performance. Recognizing this, the leadership team of one of TIG’s assets (Lumin, located in Uruguay) has signed a commitment to support the Women’s Empowerment Principles (WEPs), a joint initiative of UN Global Compact and UN Women. In doing so, Lumin joined 39 Uruguayan companies as the first Uruguayan manufacturing company located outside of the urban center of Montevideo to commit to the seven WEPs. To more fully integrate the WEPs into their operations, Lumin participated in a series of workshops organized by UN Women. This program aligns with UN SDG 5 (Gender Equality).



## Community Involvement & Landowner Outreach

TIG recognizes that its ability to effectively manage the assets it has been granted stewardship over is linked to the health and engagement of the communities where it operates. Most visibly our activities provide local employment, protect water quality, and support infrastructure through tax payments. TIG and its affiliates also participate in community development activities and in outreach to neighboring landowners. Given the broad range of communities in which the assets are located, the degree of each program’s involvement varies to align with cultural heritage and current needs of each community. On 99% of the area in which TIG’s assets are located, local managers are engaging in programs to support education and other community development. These activities range from programs to meet specific needs of individual communities in Brazil, Uruguay and South Africa to programs designed to promote environmental education in the U.S.



## Environmental Education

Confronting the enormous challenge of climate change requires both knowledge and the skills to make informed decisions. Developing these traits in the next generation is the vision of Project Learning Tree® (“PLT”). Lumin, a TIG asset in Uruguay, has been promoting this environmental education program within the company’s operating region since 2012. In Uruguay, PLT provides educators with training and 96 lesson plans focused on environmental themes that teachers can use in their schools. This enables students to experience applying scientific processes and thinking skills in understanding and resolving environmental problems. At its core, the program teaches youth “how to think, not what to think” while developing an appreciation and awareness of the environment. With Lumin’s support, the program reached 74 schools, 254 teachers, and 5,793 students through 2017. The program has proved successful in the region, and in 2018 in conjunction with another forest products company, Lumin’s rights to PLT were transferred to Plan Ceibal, a Uruguayan educational initiative, allowing schools and youth throughout Uruguay

to benefit from the educational resources PLT provides. Programs such as these support UN SDG 4 (Quality Education) as they help to promote learning opportunities for local communities.





## Understanding Community Needs in Brazil

During 2017-18 in Brazil, TIG conducted an in-depth study of the communities near our managed timberland. The main objective was to identify how TIG could develop social and environmental programs to enable the presence of our operations to create lasting, positive impact.

The study included forty communities and consisted of utilizing interviews with residents, local leaders, public school representatives, social assistance centers, as well as our suppliers and workforce. The communities' primary interests and needs, along with the communities' ability to meet those interests and needs, were also examined. TIG also sought to know how community members perceived our work, if they were aware of our outreach programs, and how they accessed those programs. Finally, TIG wanted to gauge the public's level of knowledge regarding eucalyptus plantation management and how these plantations interact with the environment.

With this information, our team identified actions that TIG could utilize to meet expressed desires of the communities where our operations are located. Among the programs developed are courses to help small farmers improve their income security by diversifying crops and improving agribusiness techniques. This program is offered in coordination with local governmental institutions and includes presentations to high school students. Educational programs focusing on the environment and community health issues are other prominent projects. To date, more than 4,000 people have been touched by the various community outreach programs TIG supports in the communities where it operates, and TIG continues to leverage the findings from the study with goal of having a continuous positive impact on local communities.



## Governance KPIs

### Ownership & Local Land Rights

TIG seeks to work in conjunction with the communities where investments are located. This begins with assuring that our clients' rights to assets acquired are recognized by the public. As a standard component of acquisition due diligence, 100% of assets acquired have received a thorough legal review including a verification of chain of title, and an examination of indigenous landowner rights (where applicable).

### Corporate Commitment & Responsibility

TIG supports the participation in national associations that Promote ESG improvements. Of TIG's assets, 99% of them are participating in organizations that promote the advancement of ESG matters - the remaining 1% is not included because it represents a small timber deed to land not owned by TIG.



### Dedicated ESG Resources

To ensure that our ESG and responsible investment principles are applied at all levels of the organization, BTG Pactual, TIG, and our affiliates employ personnel dedicated to promoting and monitoring ESG principles and best practices. These dedicated staff are integrated into all aspect of TIG's work, from investment due diligence and underwriting to local asset management and help to ensure the continuous improvement of our ESG performance.





### Combating Climate Change

Efforts to reduce and sequester greenhouse gases are at work at both ends of the plywood production operation at Lumin, a TIG asset in Uruguay. Approximately 18,191 hectares out of a total area of 125,318 hectares consist of timberland plantations established on land that was historically used for grazing cattle. This working forest will remove 5.6 million tCO<sub>2</sub> from the atmosphere over the life of the carbon sequestration project registered under the Verified Carbon Standard. Lumin uses every part of the logs delivered from the plantations to the manufacturing facility preventing waste. Lumin has a dedicated wood biomass facility

fueled by portions of logs not converted to plywood and produces 100% of the steam and energy required to operate the manufacturing facility. Surplus energy not utilized by Lumin operations is sold to the national electrical grid. This full utilization of a renewable resource helps reduce the carbon footprint of electricity generation in Uruguay. These actions assist in achieving UN SDG 12 (Responsible Consumption and Production), 13 (Climate Action), and 15 (Life on Land).



<sup>2</sup>Verra develops and manages standards that help countries, the private sector and civil society achieve their sustainable development and climate action goals. For more information, please see <https://verra.org>



## Moving Forward: 2020 Goals

The world of timberland investments is dynamic and TIG's approach requires continual adjustments and enhancements as we seek to become better stewards of the assets we've been entrusted to manage. With this in mind, TIG's areas of focus for 2020 include:

- **Review of KPI Metrics**

TIG's vast global footprint encompasses diverse ecosystems, cultures, markets, and regulatory structures. This poses challenges in designing a system to measure how well TIG performs in meeting the goals of the ESG program. As TIG enters its fifth year under its ESMS, we are evaluating how effective the KPIs are in quantifiably measuring performance. One focus of the review is to determine how our indicators could be modified to better align with the targets of related UN SDGs, and if we possibly need to create new indicators to help us support these goals.

- **Continued Development of Carbon Credit Projects on U.S. Assets**

Opportunities exist to develop financially attractive carbon credit projects on some of the TIG-managed assets in the U.S. TIG will continue to assess which properties may be able to match the attributes of forest growth and stocking, silvicultural systems, markets, and client goals within the constraints of various carbon credit protocols.

## Summary

ESG and Responsible Investment considerations are a core tenant of TIG's approach to timberland investment. TIG believes that successful timberland management must also include the conservation of soil, air and water quality, biological diversity, wildlife and aquatic habitat, recreation and aesthetics. This approach to land stewardship is evident throughout every phase of TIG's investment process, and TIG measures its performance with full transparency through the use of its KPIs, which are designed to ensure that the group remains aligned with its goals of achieving target investment returns and respect for the environment, while also maintaining equitable relationships within the communities in which it operates.



# Disclaimer

This document has been prepared by BTG Pactual Asset Management U.S., LLC and BTG Pactual Timberland Investment Group, LLC (collectively, "BTG Pactual") for the exclusive use of the party to whom BTG Pactual delivers this material (together with its subsidiaries and affiliates, the "Company") using information provided by the Company and other publicly available information. This material does not constitute a Research Report according to Regulation AC, FINRA Rule 2241 and 2242 and should not be considered as such. Although the information herein is believed to be reliable and has been obtained from sources believed to be reliable, as of the date on which this material was issued and obtained from public sources, neither BTG Pactual nor any of its affiliates makes any representation or warranty, expressed or implied, with respect to the fairness, correctness, accuracy, reasonableness or completeness of the information and opinions. Prices in this material are believed to be reliable as of the date on which this material was issued and are derived from one or more of the following: (i) sources as expressly specified alongside the relevant data; (ii) the quoted price on the main regulated market for the security in question; (iii) other public sources believed to be reliable; or (iv) BTG Pactual's proprietary data or data available to BTG Pactual. BTG Pactual has no obligation to update, modify or amend this material and communication or to otherwise notify a recipient in the event that any matter stated herein, or any opinion, projection, forecast or estimate set forth herein, changes or subsequently becomes inaccurate. All and any information, opinions and amount indicated are subject to change, without prior warning. Any estimates or projections as to events that may occur in the future (including projections of revenue, expense, net income and stock performance) are based upon the best judgment of BTG Pactual from the information provided by the Company and other publicly available information as of the date of this material. Certain information contained in this material constitutes forward-looking statements, which can be identified by the use of forward-looking terminology such as "may," "will," "should," "expect," "anticipate," "target," "project," "estimate," "intend," "continue," or "believe," or the negatives thereof or other variations thereon or comparable terminology. The analysis contained herein, as projections, scenarios, investments, etc. are based on numerous assumptions. Different assumptions could result in materially different results. Additional information relating to the financial instruments, models, projections and scenarios discussed in this material are available upon request. There is no guarantee that any of these estimates or projections will be achieved. Actual results may vary from the projections and such variations may be material. The figures contained in performance charts refer to the past; past performance is not a reliable indicator of future results. BTG Pactual does not undertake that investors will obtain profits, nor accept any liability for any investments losses. Performance information and/or results, unless otherwise indicated, are un-audited and their appearance in this material reflects the estimated returns net of all expenses, including the management and performance fees. Past performance is not indicative of future results. Due to various risks and uncertainties, actual events or results or the actual performance of the investments described herein may differ materially from those reflected or contemplated in such forward-looking statements. This material reflects the economic conditions at the time it was created and there is no guarantee that any future transaction will be under the same economic levels specified here. BTG Pactual expressly disclaims any and all liability relating or resulting from the use of this material. BTG Pactual makes no warranty or representation, whether express or implied, and assumes no legal liability for the accuracy, completeness or usefulness of any information contained herein. BTG Pactual does not accept any responsibility or liability whatsoever caused by any action taken in reliance upon this material and/or its attachments. Neither BTG Pactual nor any of its affiliates, nor any of their respective directors, employees or agents, accepts any liability for any loss or damage arising out of the use of all or any part of this report. Any opinion and/or projection in this material is related to the authors opinions; and do not represent the BTG Pactual institutional opinion. This material has been prepared solely for informational purposes and is not to be construed as a solicitation, offer, invitation or inducement to buy or sell any securities or related financial instruments. Any such offer or solicitation may only be made by means of delivery of an approved offering memorandum and only in those jurisdictions where permitted by law. The Company should not construe the contents of this material as legal, tax, accounting or investment advice or a recommendation. Before making an investment decision, investors are advised to (i) obtain independent financial advice on their own particular circumstances; (ii) thoroughly and carefully review the offering memorandum with their financial, legal and tax advisers to determine whether an investment such as this is suitable for them. This material does not purport to be all-inclusive or to contain all of the information that the Company may require. This material should not be the only source of information in any investor's decision-making process. In all cases, investors should conduct their own investigation and analysis of such information before taking or omitting to take any action in relation to securities or markets that are analyzed in this report. The material should not be regarded by recipients as a substitute for the exercise of their own judgment. Investors are advised to carefully analyze all information and its risks vis-à-vis their personal objectives and its risk profile ("Suitability"). Nothing in this material constitutes a representation that any investment strategy or recommendation contained herein is suitable or appropriate to a recipient's individual circumstances or otherwise constitutes a personal recommendation. An investment in the products described is not suitable for all investors. The information contained herein does not take into account the particular investment objectives or financial circumstances of any specific person who may receive it. BTG Pactual assumes that by acceptance of this material and/or attachments that the recipient understands the risks involved – including the loss of some or all of any investment that the recipient or the entity that he/she represents. Investments involve risks and investors should exercise prudence in making their investment decisions. If a financial instrument is denominated in a currency other than an investor's currency, a change in rates of exchange may adversely affect the value or price of or the income derived from any security or related instrument mentioned in this report, and the recipient of this report assumes any currency risk. The physical assets are subject to nature events, weather damage, fire or market changes that can impact the property and returns. BTG Pactual, its subsidiaries and/or employees may hold long or short positions, trade on their own behalf, coordinate or manage transactions or offerings involving issuers discussed herein or make any other relevant investment. BTG Pactual and its affiliates have in place arrangements to manage conflicts of interest that may arise between them and their respective clients and among their different clients. Business areas within BTG Pactual and among its affiliates operate independently of each other and restrict access by the particular individual(s) responsible for handling client affairs to certain areas of information where this is necessary in order to manage conflicts of interest or material interests. BTG Pactual and its affiliates are involved in a full range of financial and related services including banking, investment banking, private equity and the provision of investment services. As such, BTG Pactual or its affiliates may have a material interest or a conflict of interest in any services provided to clients by BTG Pactual or such affiliate. This material has been prepared on a confidential basis solely for the use and benefit of the Company; provided that the Company and any of its employees, representatives, or other agents may disclose to any and all persons, without limitation of any kind, the tax treatment and tax structure of the transaction and all materials of any kind (including opinions or other tax analyses) that are provided to the Company relating to such tax treatment and tax structure. Distribution of this material to any person other than the Company and those persons retained to advise the Company, who agree to maintain the confidentiality of this material and be bound by the limitations outlined herein, is unauthorized. This material is approved and issued by BTG Pactual; reproduction or transcription of this material by any means, in whole or in part is strictly prohibited, without BTG Pactual's prior written authorization, and BTG Pactual accepts no liability whatsoever for the actions of third parties in this respect. If distributed in the EEA: This document is being distributed as per the request of the individual or entity located in the EEA to whom it is addressed. In those member states of the European Economic Area ("EEA") which have implemented the EU Directive on Alternative Investment Fund Managers (Directive (2011/61/EU)) ("AIFMD") and which have established transitional arrangements in relation to marketing for which the Fund qualifies, marketing of the Fund in a member state which was permitted prior to the implementation of the AIFMD may continue until the expiry of the transitional period in that member state. In those member states which have implemented AIFMD but in which transitional arrangements are not/no longer available, the Fund will only be offered in a member state to the extent that the Fund: (i) is permitted to be marketed into the relevant member state pursuant to AIFMD (as implemented into local law); or (ii) can otherwise be lawfully offered or sold (including at the initiative of investors). If distributed in Austria: Neither this document nor any other document in connection with the Shares in the Fund is a prospectus according to the Austrian Capital Markets Act (Kapitalmarktgesetz, KMG), the Austrian Stock Exchange Act (Börsegesetz, BörseG) or the Austrian Investment Funds Act (Investmentfondsgesetz, InvFG) and has therefore not been drawn up, audited, approved, passported and/or published in accordance with the aforesaid acts. This document is a marketing communication and has not been prepared in accordance with legal requirements designed to promote the independence of investment research. If distributed in Belgium: The offering of Shares has not been and will not be notified to the Belgian Financial Services and Markets Authority (Autoriteit voor Financiële Diensten en Markten/Autorité des Services et Marchés Financiers) nor has this material been, nor will it be, approved by the Financial Services and Markets Authority. The Shares may be offered in Belgium only to a maximum of 99 investors or to investors investing a minimum of €250,000 or to professional or institutional investors, in reliance on Article 5 of the Law of August 3, 2012. If distributed in Germany: Each purchaser of Shares acknowledges that the Fund is not and will not be registered for public distribution in Germany. This material and any other document relating to the Shares, as well as information or statements contained therein, may not be supplied to the public in Germany or used in connection with any offer for subscription of the interests to the public in Germany or any other means of public marketing. An offer of the Shares exclusively to credit institutions and financial services providers as defined in the German Banking Act, private or public insurance companies, investment companies and their investment managers as well as pension funds and their administrators is not deemed to be a public distribution. If distributed in Greece: This material does not constitute or form part of any offer or invitation to subscribe for or purchase Shares in the Fund which is not registered under the Greek law. Any distribution, advertisement or similar activities in Greece will constitute a violation of applicable law. Such distribution, advertisement or offer may only be effected if there is a prior permission of the Capital Market Commission. If distributed in Luxembourg: This document and the shares referred to herein have not been registered with any Luxembourg authority. If distributed in the Netherlands: This document is not addressed to or intended for any individual or legal entity in the Netherlands except individuals or legal entities who qualify as qualified investors (as defined by section 1:1 of the Act on financial supervision (Wet op het financieel toezicht), as amended). If distributed in Switzerland: The distribution of Shares in Switzerland will be exclusively made to, and directed at, qualified investors (the "Qualified Investors"), as defined in the Swiss Collective Investment Schemes Act of 23 June 2006, as amended ("CISA") and its implementing ordinance. Accordingly, the Fund has not been and will not be registered with the Swiss Financial Market Supervisory Authority (FINMA). This material relating to the Shares may be made available in Switzerland solely to Qualified Investors. If distributed in the UK: The Fund is not a recognized collective investment scheme for the purposes of the Financial Services and Markets Act 2000 of the United Kingdom (the "Act"). The promotion of the Fund and the distribution of this material in the United Kingdom is accordingly restricted by law. Unless specified to the contrary, issued and approved for distribution in the UK and the EEA by BTG Pactual Europe LLP, distribution is prohibited. This material has been issued in the UK only to and/or is directed only at persons who are professional clients or eligible counterparties ("relevant persons") for the purposes of the FCA's Conduct of Business Sourcebook. This material is exempt from the scheme promotion restriction (in Section 238 of the Act) on the communication of invitations or inducements to participate in unrecognized collective investment schemes on the grounds that it is being issued to and/or directed at only the types of persons referred to above. This material must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this document relates is only available to relevant persons and will be engaged in only with relevant persons. This material is issued to persons regarded as professional investors or equivalent in their home jurisdiction. Any recipient of this material who is an authorized person may (if and to the extent it is permitted to do so by the FCA rules applicable to it) distribute it or otherwise promote the Fund in accordance with Section 238 of the Act but not otherwise. Any recipient of this material who is not an authorized person may not distribute it to any other person. By accepting this document and/or attachments, you agree that you or the entity that you represent meet all investor qualifications in the jurisdiction(s) where you are subject to the statutory regulations related to the investment in the type of fund described in this document. This report is not directed at you if BTG Pactual is prohibited or restricted by any legislation or regulation in any jurisdiction from making it available to you. If you are not the intended recipient of this document, you are hereby notified that disclosing, copying, distributing or taking any action in reliance on the contents of this document is strictly prohibited.







ATLANTA

1180 Peachtree Street NE Suite #1810  
Atlanta, GA 30309  
+1 (404) 551-4021

NEW YORK

601 Lexington Ave - 57<sup>th</sup> floor  
New York, NY 10022  
+1 (212) 293-4600

SAO PAULO

Av. Brg. Faria Lima, 3477, Itaim Bibi,  
Sao Paulo - SP, 04538-133, Brazil  
+55 11 3383-2000