JGP Asset Management

JGP's Decarbonization Plan

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Introduction

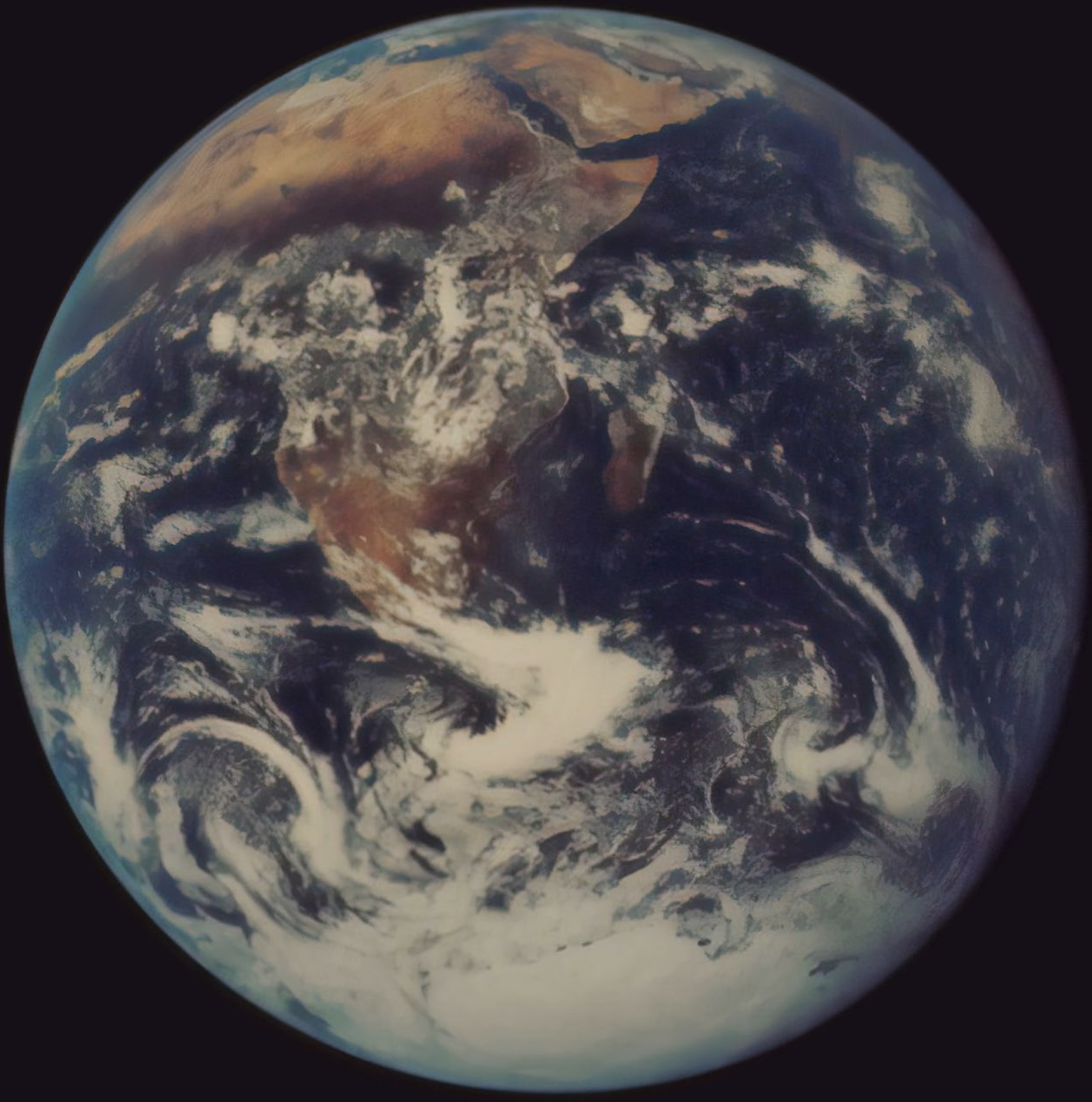
As we've seen, the global warming effects induced by man-kind and felt over many decades can be devastating and difficult to reverse, in contrast to those of the current pandemic we're experiencing now. As is the case for Brazil, we are now entering a stage whereby cumulative effects can severely impact many economies, especially those which are most fragile.

For resource managers such as JGP, we must align our goals and demand from the companies of which we are or may become shareholders or creditors to invest and foster technologies to reduce massive volumes of emissions of greenhouse gases for the next 30 years. Such a task has been unheard of in world history as it requires an enormous change to the global primary energy consumption given its urgency.

We've noticed Brazilian companies and financial institutions' actions towards energy transition and attention to climate change risks are insufficient. Our take is that the corporate sector should not wait for the government to regulate or provide subsidies. This sector should, if necessary, invest in technologies with negative NPV — especially those companies with significant GHG emissions, such as oil, metalworking, mining, refrigerating ones, among other sectors. Is the financial NPV negative? This is about a social contract for operation in which the company must show its adherence to help the rest of the crew avoiding shipwrecking.

The following pages will present you a Decarbonization Plan supporting our climate commitments to reduce by half the balance of our scope 1, 2, and 3 emissions until 2030, expecting to zero it by 2040.

Our view on Climate Finances



Overcoming the current model of green finance

The current strategies adopted for green finance have shown to be insufficient given the scale and urgency of the climate changes. One of the most extraordinary collective efforts from the global capital markets was fostering green finance practices, i.e., a system to award ESG-labeled investments and assets, whether concerning terms, conditions, interest rates, or pricing. One of the industry commitments, the NetZero Asset Managers Initiative, is signed by 220 investors and amasses a total of US$ 57 trillion in assets under its custody. Such commitments have massively grown within a short time frame — this same initiative, for example, in March 2021 was signed by 73 investors, with US$ 32 trillion under its custody, and before that, in January, it had only 30 investors with a proportional fraction of investment.

The transition from traditional funds to funds with carbon offset practices must become more prominent in the following years. The new global AuM balance for the availability of a climate-conscious capital and the urgency in the green transition may turn this green-awarding policy so standard at the moment into a scenario to restrict capital and markets for products not aligned with the strategy to overcome climate changes.

The consequent lack of capital for assets showing high indexes of negative externalities will primarily affect sectors with alternates to reduce such impacts, whether because of substitute technologies, insurgent sectors, or more eco-efficient business models.

Our point is that "going green" does not imply getting more. If you're not undertaking a green transition in your business, you'll face limited markets and less available capital.

Business Responsibility for Direct and Indirect Externalities

If the companies better understand their responsibility towards social and environment externalities due to their economic activities, that'll force the market agents to adopt policies to improve the control of their chains of production, consumption, and post-consumption of products. The resurgence of policies to hinder intensive stages towards such negative externalities throughout the production process will make the companies' competitive standing vulnerable as their mechanisms will fail to map and reduce the climate impacts from their business chains. We must pay attention to how environmental antidumping discourse has significantly impacted global tariff mechanisms, such as the Carbon Border Adjustment Mechanism (CBAM), and business vendor policy, related to companies not meeting the new environmental standards set by their buyers and target markets having a hard time finding any customers.

An Environmental Renovation Age Arises

Simply put, preserving is not enough. Companies relying on soil and being more conscious of their impact on externalities given their assets and services shall become involved with renovating biomes, mainly those with a larger capacity to stock carbon, and natural assets, such as forests. The IPCC report shows this is a trend we must follow as the report suggests the essential and urgent situation that requires an interruption of intensive GHG emissions and the need to remove such gases from the air. There are promising technologies such as DAC (Direct Air Capture) and CSS (Carbon Sequestration and Storage), but they are not timely or effective to our goal to reach acceptable levels of global temperature. If we want more efficient and proven actions to mitigate the impacts of climate change, we must act towards the environmental renovation and the recovery of the ecosystem's capacity to regulate the Earth's climate.

From this new trend will arise an increase in the markets and governments severity in restricting products requiring reduction of vegetable cover for their economic activities.

Climate resilience and capacity to undertake a transition program to a green economy as indicators of competitiveness

A close reading of the IPCC AR6 report will provide us with two main conclusions: the first one is that the global economy must transition as soon as possible to a more inclusive, regenerative, and greener model, while the second one is that the climate changes impacting us now will become worse in the next three decades. We must concoct new indicators to expose this new approach to reality in our analytical models for investment in companies and assets.

The climate resiliency and the capacity to successfully change from the current economic model to a new green one is a qualitative indicator we should consider to include in our analytical models. The first indicator measures the capacity of the company's business activity to face the climate changes informed in the IPCC report, such as increase of temperature, instability in the drought and rainfall regimes and water shortage, and how the formation of such resilience will impact the company's competitiveness. The second one demands we analyze the economic and scientific sufficiency and feasibility of the efforts made and required for the transition to these more competitive environmental models.

Unsatisfactory responses to one of these two indicators may lead to a company or industry not operating anymore because of its obsolescence or lack of resilience, actual risks we may see arise in the following years.

The case for offset-based NetZero strategies and the rise of inset

Most of the strategies introduced nowadays to zero the carbon balance are offset-based, i.e., the companies' acquisition of carbon credits from other projects. Experts have questioned this decarbonization plan as the number of NetZero commitments has primarily grown last year. The IPCC report's findings on the climate emergency may support even more their criticism. On the other hand, the adoption of inset practices, i.e., the companies upholding good practices towards the climate changes within their business chains, has been shown as the most desirable strategy to becoming carbon neutral.

Our Decarbonization Strategy

The decarbonization strategy to be adopted by JGP to achieve its neutral carbon goal in its investment portfolio is based on the following principles:

1.

A responsible, transparent, and segmented scientifical approach for all our classes of assets

2.

Prioritizing insetting as a portfolio management strategy

3.

Proactive work with invested companies

4.

Efficiency to allocate investments reflecting on aligning profitability to ecosystem impact

5.

Innovative design of financial mechanisms focused on climate changes

Each of these principles will be discussed on the following pages and the reasoning behind using them as strategic guidelines for our climate actions, how they affect their operations, and how we will assess our performance based on each of those principles.

A responsible, transparent, and segmented scientifical approach for all our classes of assets

JGP is an asset manager holding different classes of assets. Therefore, we have other ways to estimate the impact and measure the investment's responsibility. To exploit most of the efficiency in making decisions and achieving transparency in our positive and negative externalities, we've developed a specific approach to each of the said classes of assets managed by our team.

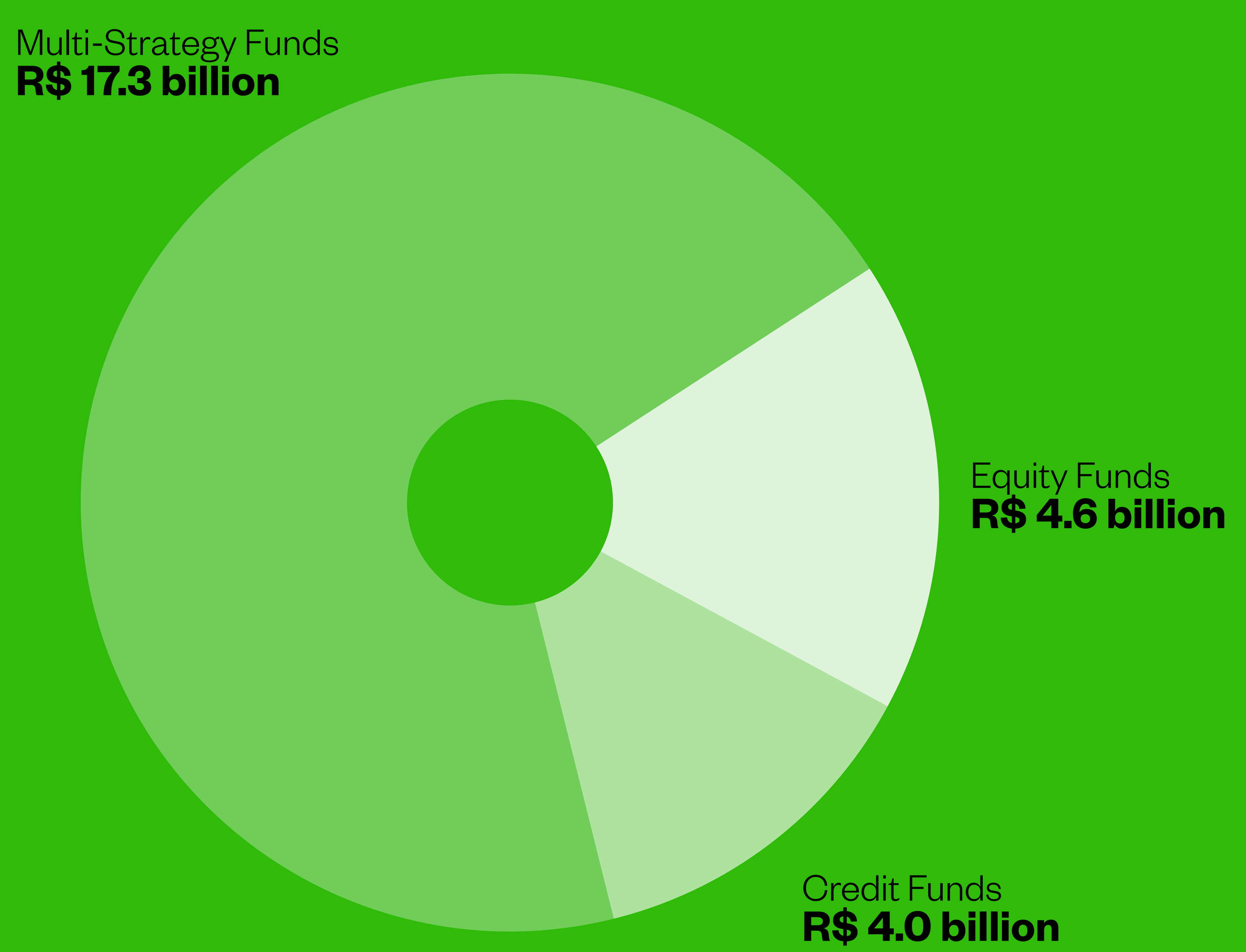
Our assets are split into the following segments: **A)** Currency, Interest, and Derivative. **B)** Credit, and **C)** Variable Income.

Our assets are represented as follows in our total AuM. It is worth noting that while the credit funds are essentially comprised of corporate and financial credit assets, the stock ones are comprised of variable income assets, and the multimarket funds are comprised of so many different assets:

JGP in numbers

R$ 25.8 billion in asset under management — divided in different strategies

Total Assets on September 30th, 2021.



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In our decarbonization strategy, the first class of assets (currency, interests, and derivatives) is temporarily excluded from our commitments as we lack a virtual global methodology to award or penalize assets in this class. JGP is committed to analyzing the different good practices for this asset class and researching their applicability in our portfolio management.

Concerning the private credit assets, we consider the total emissions of greenhouse gases avoided based on the procedures funded by the asset we have invested in. This indicator is annually monitored and represented in CO_2 tonnage.

The resulting assessment considers both the emission avoided that had been annually forecast and the forecasting of avoided emissions during the asset duration. The data is obtained from the SPOs issued for the operations and considers the most conservative view if they present different likely scenarios.

We use the following practices as a methodology to approach the externalities:

1. Assessment of Use of Proceeds from the emission as verified by a third party in the SPO (Second Party Opinion);
2. Monitoring the post-emission reports on the goals set and met for the labeled emission;
3. Considering the total of externalities generated by the emissions according to the percentage invested by JGP in the total volume of a given asset;
4. Comparing the performance of the most prominent indicators of the assets with other similar ones.

All externalities are approached based on scientific premises and third-party assessments. The constant monitoring of those externalities in the post-emissions is essential for achieving the excellence intended for our asset management.

The R$/avoided CO_2e and the R$/emitted CO_2e indicators were defined as the leading indicators for our assessments as they are easy to read if we compared to other indicators often used in debates on climate policies, such as the CO_2/PIB or the CO_2 per capita. They also better reflect the impact generated by the credit investments and the carbon balance intended in the carbon footprint management for our investments. While the R$/avoided, CO_2e represents the investment required to achieve the avoided equivalent to 1 ton of CO_2 given the impacts provided in the emission documents or post-emission reports, the R$/emitted CO_2e represents the allocation inefficiency. When we calculate the quantity of carbon emitted by our investments, we can compare it using the same denominator (ton CO_2e). The final balance of emissions for the total volume of investments in private credit is achieved, considering the difference between the emitted and avoided CO_2 tonnage. This way, we can calculate how efficient has been our strategy to purchase corporate and financial debt securities.

To achieve the most trustworthy figures, we decided to restrict our analyses to the amounts only found in the SPO, post-emission reports, or certified GHG inventories of the emitting companies, also considering the scope of proceeds set by the emission. This is the reason why we have disregarded from our calculation any impacts forecast in the reduction of emissions without assessing the total of gross emissions as those figures will be found on the post-emission reports.

The most positive performance of a credit asset is noticed when we find a lesser effort to be allocated so we can achieve a higher amount of avoided equivalent CO_2.

The methodology to assess the carbon footprints in credit assets without the use of proceeds set has been developed by JGP with a consulting company with expertise in the industry and is based on a formula set for equities based on the total of emissions from the invested asset, not just the result of the use of proceeds from the credit achieved.

We'll follow the PCAF guidelines in the Decarbonization Plan to calculate those emissions from investments in equities. PCAF requires financial institutions to measure and report their GHG emissions using the operational or financial control approach. It means the emissions from loans and investments from financial institutions (without operational or financial control) will be reported under scope 3, category 15, as set by the GHG Protocol.

Premises of our decarbonization plan

Emissions from our operations:

— JGP must be deemed responsible for 100% of the operations emissions, or one of its subsidiaries has control of and authority to introduce and implement operational policies.
— JGP must report 100% of the emissions for all the company's activities that may directly impact the financial and operational policies, possibly being economically beneficial to it.

Emissions from the portfolios managed by JGP:

The basic formula to calculate the emission in our portfolios will be the following:
Financed Emissions = Sum (Attribution Factor X Borrower's Emissions),

in which the following premises will define the attribution factor:
— JGP is responsible for a portion of the annual number of emissions from a financed company as set by the ratio between the institution's balance and the amount of the funded company
— The Factor represents the proportion of the debt with EVIC for the listed companies and the total equity + debt for private ones. EVIC represents the sum of capitalization of the stock market (ON and PN) at the end of the fiscal year and the book values from the total debt and minority shareholding.

Methodologically speaking, JGP's decarbonization strategy is different from many others, thanks to the comparison between the carbon emissions from the listed companies and the private ones.

For listed companies, the financed emissions are calculated as follows:
Financed Emissions = Sum ((Pending amount/EVIC) X Borrower's Emissions)

For private companies, this is the calculation:
Financed Emissions = Sum ((Pending amount/Total Equity+Debt) X Borrower's Emissions)

In both cases, the pending amount (numerator) is the actual pending amount from the listed company (MKT Cap) or the corporate securities (Book Value of the Debt). The pending amount must be set according to the denominator. In the case of listed companies, this denominator, the Company's Amount, also involves cash (EVIC) from said company. For private companies, one must sum the net equity and the company's debt.

The result from the formulas above for each fund will be weighted by the duration of the custody of the asset in the fund, being a portion of the time from its annual emissions and how much they comprise JGP's investments in the total equity or total debt of the emitting company.

According to the PCAF guidelines, JGP's Decarbonization Plan has three different options to calculate the financed emissions by order of priority, from 1 to 3.

— **Option 1:** Reported emissions, in which verified or non-verified emissions are collected from the sustainability reports of the company or indirectly through certified third-party providers (e.g., CDP)
— **Option 2:** Emissions based on physical activity, estimated by the financial institution based on primary physical activity data collected from the invested company (e.g., consumed megawatt or natural gas hour).
— **Option 3:** Emissions are based on industry economic activity, in which the emissions are estimated by the financial institutions that report them based on the economic activity data collected from the borrower or investing company.

The calculation of emissions from acquired assets will be present in our proprietary systems, which have been prepared to automatically supply the carbon footprint information based on legitimate sources, helping the portfolio managers to make decisions. Based on a schedule that must follow the general one for JGP's decarbonization, each manager must set this same strategy for its portfolio. Such a strategy must address the goals set in JGP's public commitments and comprehend the TCFD-reporting aspects.

Besides the efforts to assess the GHG inventory of our operation and the portfolios we manage, the Decarbonization Plan must also involve other ESG transparency initiatives from JGP, such as the analytical frameworks by industry and the ESG intelligence platform.

Challenges on our ESG journey

Since we started our ESG journey, we have identified some challenges to incorporate those factors in our analysis. Some have questioned the strategy's efficiency in generating value; there is the lack of pertaining didactic material about it, the timeframe required to implement it, etc. However, the main challenge at this initial stage of the process is that we lack data.

This issue is not limited to the companies not releasing specific data on ESG issues but the fact that so often the data is not correctly informed, hindering or making it impossible to be used. Some other issues come along with it:

first of all, the information must be material to the industry we are assessing. It needs to show that it is so relevant that it may impact the companies of said industry. Many companies are still lagging in their ESG journey, disclosing the usual data to meet the investors' demand. As they ignore their relevance, such data ends up not being helpful to the investors.

Second, the disclosed information must be somewhat standardized so we can compare companies from the same industry. The lack of standardization makes each company use a different criterion, and then we cannot efficiently compare the quantitative data.

And last, of all, it is worth mentioning that the way the data is disclosed is also essential. The information we seek is usually announced in many media (sustainability reports, reference forms, websites, etc.), making it difficult to gather them efficiently or through automated means. By the way, the market should consider a standardization process.

Our next step was seeking that information through external providers — and there are so many... However, as we studied their features, we noticed they did not address the issues we have found out. Most of them do not seek the company's data with a critical analysis. Unfortunately, because of such an approach, we have found many mistakes while comparing companies from the same industry. Most of those providers did not even contact the companies when they assessed their ESG, which we consider essential to the process.

Given such challenges and the lack of an external source that could provide us with quality services, we decided to develop our platform to gather both the quantitative information from the companies and our industry analysis frameworks.

From industry frameworks to a proprietary platform

To develop such frameworks, we assessed the materiality based on standards defined by the SASB (Sustainability Accounting Standards Boards), which seeks to understand which ESG themes are more sensitive to each industry,

Besides approaching ESG quantitative and qualitative indicators, the framework maps the disputes the company has faced recently. We use public information from the assessed companies and independent sources. The framework is fed based on the regular interaction between the analysts and the companies, and other stakeholders. We make the companies part of the process and engage them to collaborate with us.

In the end, each analyzed company receives an ESG score to help identity which ones are the most successful in transitioning to a more social and environmental conscious point of view. The result from such analysis is used in our decision-making process and proprietary platform. Such a platform provides us access to the ESG analysis of the companies, to understand which themes are material to each industry, to access their data and ESG score, and to compare industries using both scores and quantitative metrics.

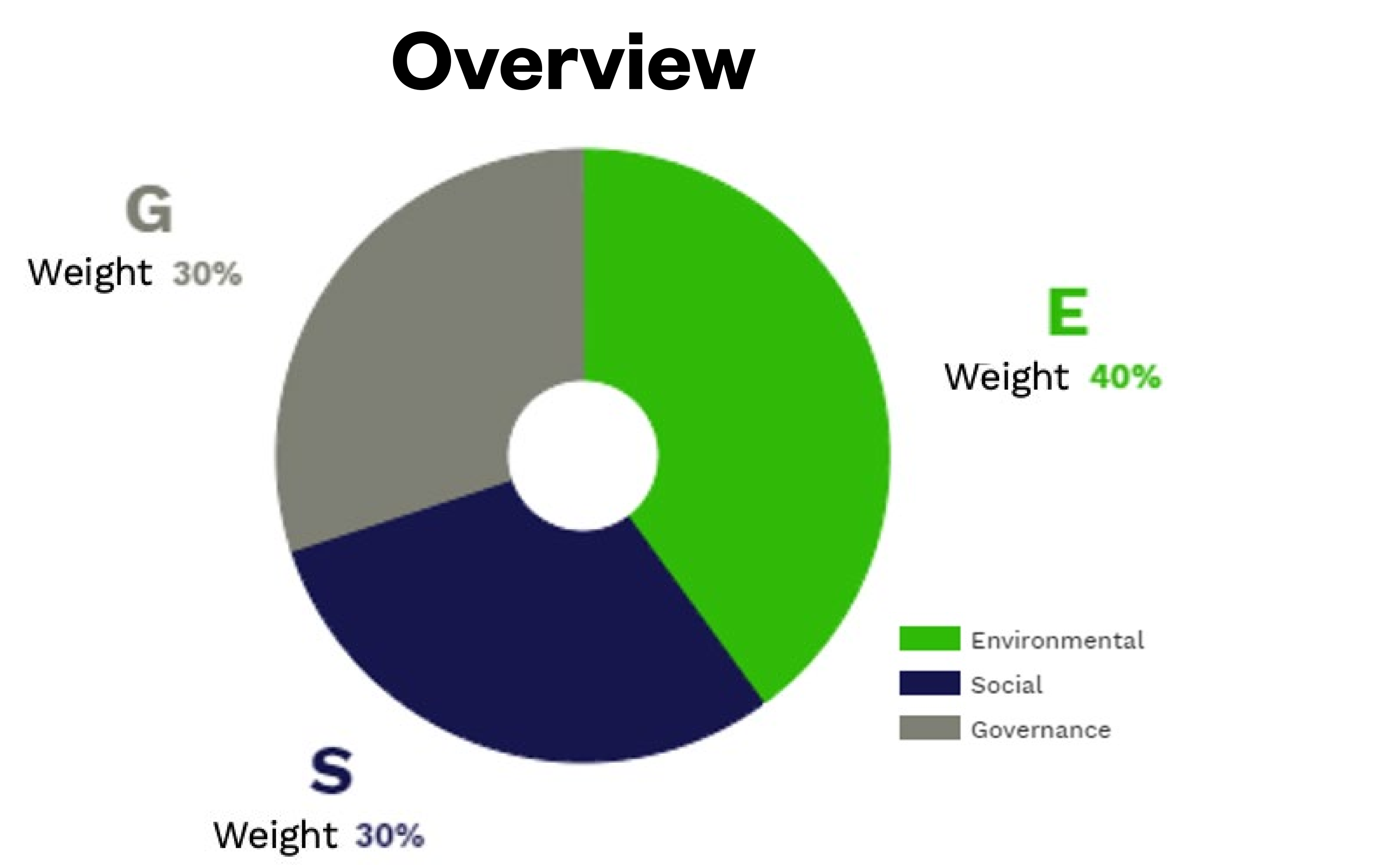
The platform also has a comprehensive database fed with material ESG indicators from the analyzed companies, and we evaluate how they are evolving in such aspects. This way, we can closely monitor each company's data and identify which ones are growing and need to go further and set more ambitious goals. Furthermore, the data is easily accessed and inserted into certain platform pages to search for them.

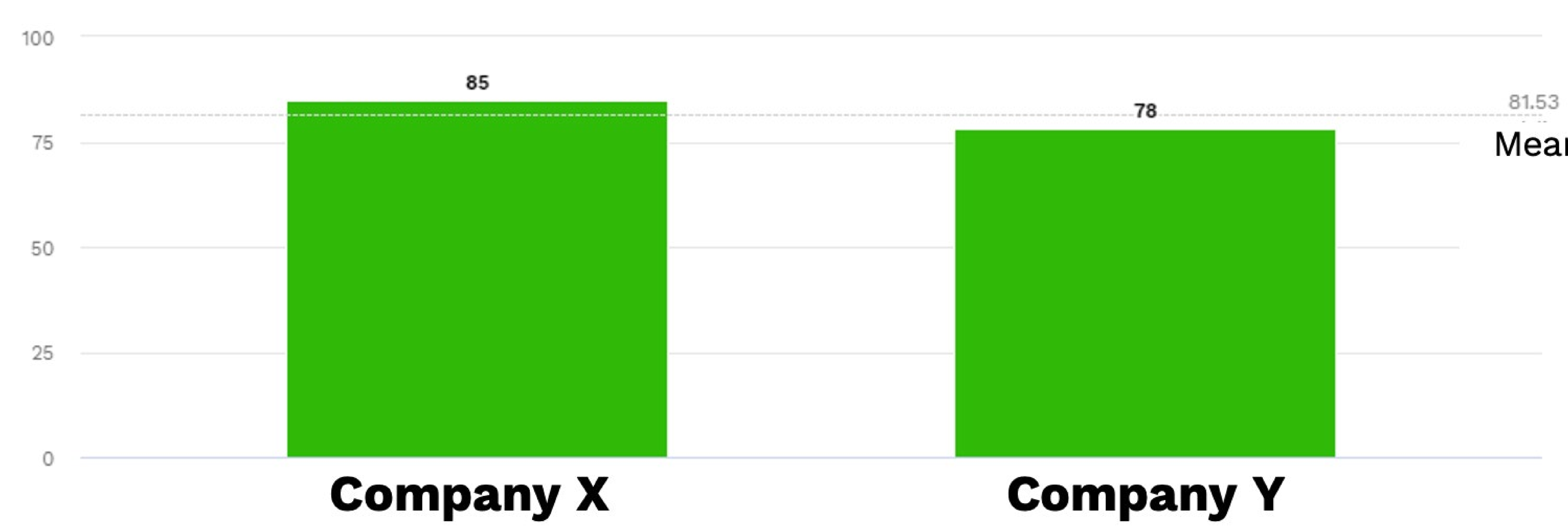
We believe our platform has many advantages when compared to other external providers, such as our intensive industry studies undertaken by our analysis team, who are also in charge to critically assess the data; the technological features of the platform, which seeks to make the process as automated as possible; and, at last, our ongoing relationship with the companies, from which we have highly productive interactions seeking to evolve in the ESG approach.

Our platform follows this model:

Year 2020

- **Overview**
- **Environmental** ›
- **Social** ›
- **Governance** ›
- **Controversies**
- **Scores**
- **Data**





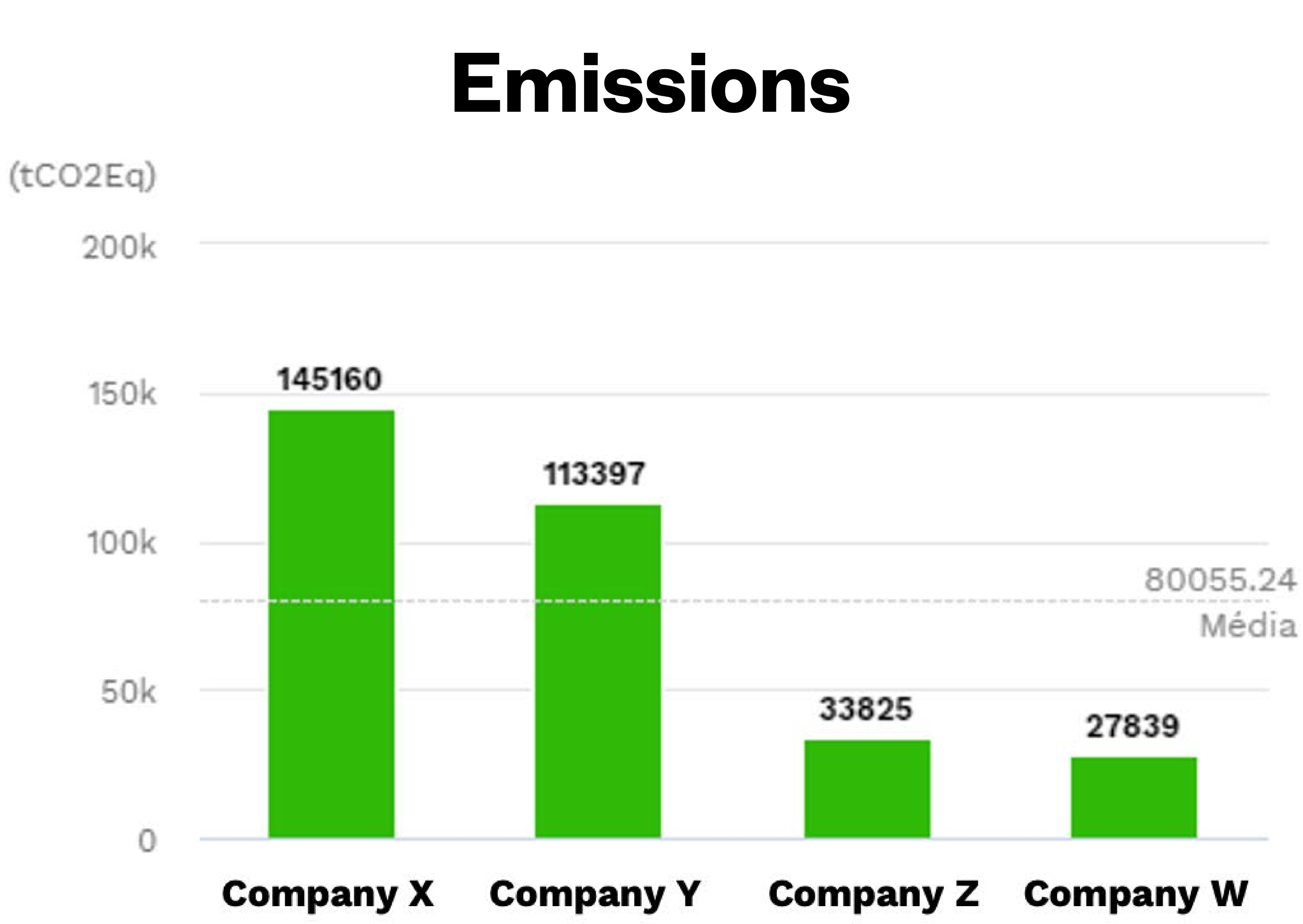
Among the other ESG metrics, it is possible to follow the emissions of greenhouse gases from the companies assessed in the frameworks:

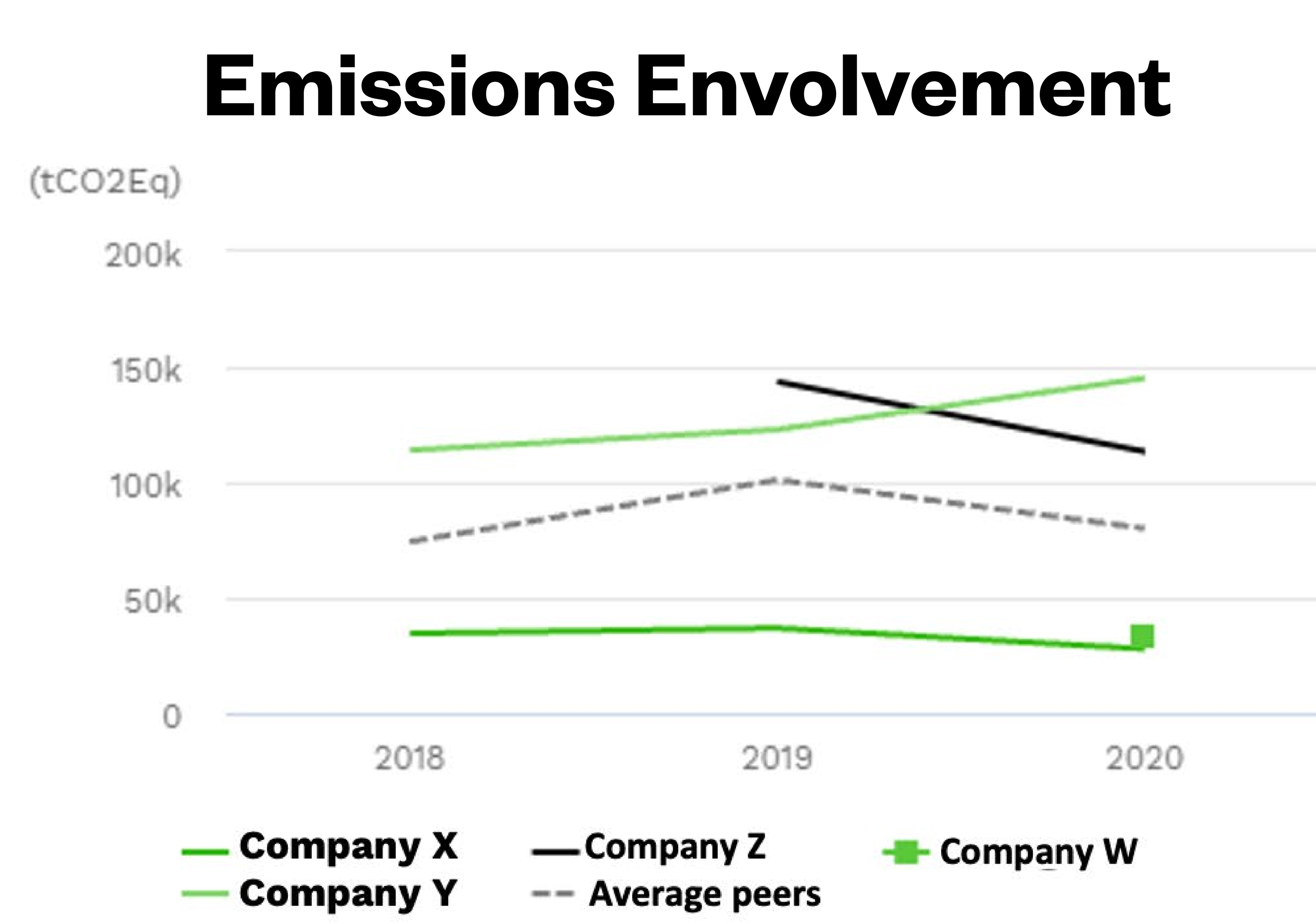
Environmental

Score	Ranking	Weight	Mean
88	1/9	40%	52

Climate Change

Score	Ranking	Weight	Mean
100	2/9	20%	43





Accountability

The results obtained from the total emissions found in the JGP's investment portfolio will be published annually in their TCFD-model climate impact report. The reports will be published every February after assessing the previous years, providing the actions to be adopted in the following annual cycle based on the lessons of the previous period analyzed to correct the decarbonization strategy adopted. From time to time, we will review the climate indicators of the portfolio to adopt corrective actions towards the carbon-neutral balance goal in different classes of assets, hopefully before 2040.

Prioritizing insetting as a portfolio management strategy

As described in our approach to the climate finance industry in a specific section of this document, we do not believe a decarbonization strategy should rely only on offsetting. The main effort of any company towards a carbon-neutral goal should be focused on its operational efficiency, taking care of its main activities to generate value. The operating efficiency of a resource manager such as JGP is focused on allocating its investments and prioritizing low-carbon, carbon-neutral, and net-zero carbon assets.

If we want to achieve the carbon-neutral balance by offset, we must ensure neutrality in our scope o operational emission in the company's structure, paying attention to energy consumption and transportation of employees. We must understand how the carbon emission factor and the emitted carbon credit origin factor can relate in these cases. For instance, if we discuss emissions from employees' transportation in Rio de Janeiro, then we must prioritize emitted carbon credits for urban mobility projects in this same city.

We'll always consider the use of offset to balance our investment portfolio as a statement of our inefficiency to acquire assets. Therefore, we must avoid and reduce it as much as possible. In these cases, we must also pay attention to how the emission and credit origin factors relate in case we think about acquiring them.

Proactive work with invested companies

These are the three practices concerning the invested companies that we'll employ as part of the carbon strategy to ensure carbon neutrality as soon as possible in our investment management:

1. Seeking low-carbon, carbon-neutral, and net-zero carbon assets;

2. Bringing awareness to the invested companies so they can adopt carbon neutrality commitments, preferably through insetting so they can work along with our climate commitments;

3. Active support to structure the credit assets using proceeds from carbon results favorable to achieve the carbon neutrality in our portfolio.

The first practice we have in mindset us apart from the standard practices of the financial industry of asset analysis as we adopt a climate impact perspective. The two other practices are proactive approaches we must adopt in JGP to achieve the desirable decarbonization goal.

Preparation and Education

One of the main challenges we face in our ESG integration process is the lack of pertaining material discussing sustainability within the Brazilian context. The lack of information about many essential social, environmental, and governance issues to be addressed by Brazilian institutions and corporations has led us to foster our own education and develop content internally.

However, during our research, we felt the need to disclose to the public all that knowledge we amassed to discuss ESG nationwide and try to make up for lost time. Therefore, we set the promotion of the ESG discussion as one of the priorities of our decarbonization process. So, JGP will engage the companies and develop content based on our charters for the following years.

Engaging

We believe engaging with companies is essential for our assessment and our exercise of active ownership, promoting the best practices. We have actively undertaken this process with the companies by contracting officers and advisors, asking them to positively impact society by evolving their social, environmental, and corporate practices and disclosing and standardizing ESG data. We believe this strategy is the best one possible for the investors as it provides them with the potential to generate positive externalities in the long term.

The engagement allows us to seek further information on the companies' activities and culture to understand our investments' ESG challenges and opportunities. Sometimes, based on how we approach, we discuss implementing new metrics or projects. We also try to share our vision on the industry's weak points, the most material issues for us, and the behavior we expect the companies to develop so they can become the "best in class."

Therefore, engaging is essential to our decarbonization plan. This stage will be critical to broadening the number of companies we may consider credible in their sustainability, compatible to our decarbonization commitments. The close contact with the companies will be of utmost importance to our mapping on their stand on ESG strategies and help those facing difficulties implementing them.

ESG Letters

In our internal process of ESG integration, we worked with several task forces and undertook industry and joint research. As a result, we gathered a pertaining data set about the industry materiality, the aggregated value of the ESG integrates, weak points in the development of the ESG market, among other issues. We understand that promoting this knowledge is a way to foster the discussion on the ESG, reach new stakeholders and ensure the development of didactic and scientific material about it in Brazil. We have set the goal to publish the ESG Charters to exploit said theme to provide the reader with a compilation of our studies.

We have made a significant effort to research, test theories, and develop the culture over the past years. JGP is now ready to take some of this expertise to other likely interested parties.

We believe these publications can expand our potential to change, promote the discussion on the ESG, point out companies' challenges and opportunities, and teach consumers and other relevant stakeholders along this cycle. We also want to encourage constructive criticism and debate in sustainability forums to eventually review and improve our assumptions and beliefs.

Therefore, the lesson involves an essential value that must go along with the activity undertaken for decarbonization strategy: to achieve net-zero, we should not see change and evolution as an individual pathway only — it is also necessary to mobilize society in order to build a consensus.

Climate Commitments

ESG shows there is a need for a more systemic understanding of the world, including business. Even though our values may differ from country to country, nations, individuals, and companies are interconnected. If we want to fight climate change and follow what is set by the Paris Agreement, we must cooperate. We believe the collective action of different economic bodies is essential to address the best practices of climate responsibility.

If we actively and diligently approach this issue, we can better work with the environment. Since October 2019, we have increased our involvement with different seals and groups on said commitments, most of them focused on environmental preservation. We intend to contribute to the development of a capital market more responsible towards social and environmental issues.

These are the initiatives we have committed to:

— **Principles for Responsible Investment** (PRI) – we publicly show our commitment to responsible investment to develop a global community seeking to build a more sustainable financial system.

— **AMEC Code of Principles and Duties of Institutional Investors** — we commit to helping develop the stewardship cultures in Brazil, promoting the idea of property to the investors and the responsible engagement as our fiduciary duty.

— **Investors for Climate** (IPC) – we commit to report any developments in risk management and climate opportunities from our portfolios and to engage with invested companies to address the climate changes in their policies and practices.

— **Corporate Manifesto of the CEBDS** — we defend priority points for sustainable development and fight deforestation in Brazil. The purpose of the CEBDS is to pressure the Brazilian government branches to fight deforestation in the Amazon rainforest.

— **Climate Action 100+** — this initiative aims to pressure the most significant corporate issuers of greenhouse gases to take the measures required towards climate change. This is how we contact said companies so they can reduce their emissions.

— **Carbon Disclosure Project** (CDP) — we support this not-for-profit institution that aims to mobilize investors, companies, and governments to develop and accelerate environmental actions. This is how we have access to the ESG data from several companies

— **Science-Based Targets Initiative** (SBTi) — this JGP-supported initiative sets goals to promote ambitious climate actions in the private sector so that the companies set their own for emissions reduction based on scientific findings.

— **Task Force on Climate-related Financial Disclosures** (TCFD) — we publicly support the TCFD recommendations to create a common standard for the companies to measure climate-related financial risks.

— **Net Zero Asset Managers Initiative** comprises an international group of resource managers committed to supporting the efforts to limit global warming to 1.5 ºC and setting goals to achieve NetZero. This initiative shows our commitment to becoming NetZero by 2040.

— **Innovative Finance for the Amazon, Cerrado, and Chaco** (IFACC) — the purpose of this initiative is to expand the funding for meat and soy production outside in those regions without the need for deforestation or land conversion.

— **Financial Sector Commitment Letter on Eliminating Commodity-driven Deforestation** — we support the commitment to fight deforestation resulting from the production of commodities.

— **Partnership for Carbon Accounting Financials** (PCAF) is our commitment to measure and disclose the emissions of greenhouse gases from our portfolios.

Green Credit

When we consider the lack of investments and current shortage to achieve carbon goals and given their competitiveness in the profitability for our investors, we have adopted a proactive standing in compiling and structuring green credit operations in the market.

Given the early low adoption of the Brazilian financial market with green and climate finances, we must adopt the internal structure of services of JGP to operate more broadly and systematically than the one we have effectively undertaken in our other segments of services that are more traditional. The practice of proprietary structuring of green operations is guided by four of our steps to each originated asset:

1. **Situational and governance Diagnosis**
   To take part in the sustainable finance market, the emitting companies must prove they employ the minimum levels of ESG governance in their operations. Also, their business strategies must be compatible with the premises of a positive balance of social and environmental externalities. At this point, we assess the company's profile and its needs for collection, suggesting adaptations and supporting them to meet our ESG requirements

2. **Modeling Credit Sustainable Solutions**
   Based on the company's position and investment interests, we check its ESG financial products and look for solutions that better suit their financial reality and business strategy. We look to build the best ratio between offer profile and optimization of produced social and environmental externalities with issuers.

3. **Full Structuring of Sustainable Credit Solutions**
   We work as a single point of convergence for the many activities related to structured credit products. We establish several partnerships so that the structuring of the solution chosen by the issuer is simple, objective, and does not compromise the focus and routine of the company and its executive officers.

4. **ESG Credit Product Management**
   We undertake the complete management of the credit solution. Our active management, found in the traditional products, provides ESG solutions, encompassing customized relationships with impact and concessional investors, monitoring the generated externalities, reporting financial results and ESG indicators, relationship with scientific committees, and other requirements specific to the most sophisticated ESG products.

Efficiency in allocating investments reflecting on aligning profitability to ecosystem impact

For us, there is no problem focusing both on financial earnings and generating positive externalities. The actual commitment to a positive change in the world is the best ethical and financial decision at the same time. However, developing a synergy between ESG and profitability is not simple.

We usually hear people saying that the investor should not think about sponsoring ESG externalities if s/he/they want to make a profit in the financial market. Many companies and projects that generate many externalities nowadays face restriction of capital offers in Brazil, primarily for being small or acting in particular markets. A fund committed to reaching those companies, supported by a team working with a sustainable ecosystem, can unlock said externalities. It promotes profitability equivalent to — or higher than — the debentures negotiated in the growing traditional credit market. JGP's work towards decarbonizing its portfolio aims to optimize this balance between sponsoring externalities and promoting profitability to the investors. We continue to be questioned by banks and financial intermediaries regarding the lower profitability one may expect from the security if the issuer commits to given metrics of sustainability. We generally explain that when seeking sustainability, one should not consider the financial cost reduction in the short term (such as debt bonds) that Is exhibited, however, focus on the fact that such strategy will be essential for the company's future success to grow and carry out continued business.

One of the activities provided in our Decarbonization Plan that must be fostered and maintained is the dedication to the active engagement with invested companies to deal with these "non-issues" and to offer possibilities of investment that exploit the most from the relationship between risk and return (either financial, environmental, social or any other generated externality).

Also, to transition from the previous strategies to the current ones and the decarbonization commitment, fiduciary prudence and responsibility must be taken into account by constant interaction with our investors on bringing awareness about the new green economy its impacts in the investment decision-making process.

We believe the theses of investment in decarbonization are naturally competitive as they provide a "green award" in this moment of transition and are protected from the "green inflation" noticed in sectors and products that did not migrate to the new economic model yet. However, our decarbonization plan must show how this transition can be engaging and that a climate agenda does not impair the return on investment. It is a matter of explaining the financial innovation behind the plan.

Innovation in the design of financial mechanisms focused on climate change

If we want to align the economic competitiveness of the financial products and their capacity to generate positive externalities, we need to rethink the traditional models of financial mechanisms, mainly those concerning credit products.

In terms of financial innovation, these are the main guidelines directing it in the decarbonization plan:

a) Incorporation of new green currencies to the credit mechanisms — the transition to a green economy must happen with the monetization of the environmental benefits assessed by the investments. To do so, we'll exploit the use of carbon credits, bio bonds and payments of environmental services in our financial structures of credit as ways to compensate investors, provide guarantees, amortize installments, and be used as performance assessment factors.

b) Partnership with not-for-profit and concessional entities — as the Brazilian investment market still lacks maturity, we believe the most proper format to broaden the scale of our impacts will be adopting blended finance platforms as an essential part of our credit portfolio. To expand the blended finance in our credit strategies, we'll enhance the existing relationship with concessional and not-for-profit entities capable of providing catalytic capital for impact investments to comprise financial mechanisms attractive to trade investors and compatible with the profile required for the climate transition of the invested companies.

c) Working with scholars — to quantify the climate impact of our portfolios and develop the best practices to mitigate the impacts from the invested economic activities, we'll need to rely on specific interdisciplinary knowledge not found in financial sectors. This alliance with scholars and scientific entities must shape our actions to fight climate change. This partnership will be enhanced through cooperation with other entities while providing scholarships and scientific education to JGP's employees. Intensification of open innovation partnerships with knowledge areas and research teams from the invested companies, deepening their commitment and the synergies of JGP's efforts in PD+I with the Brazilian and foreign financial ecosystems.

Inventory of Greenhouse Gases

We have started a collaboration with a consulting company to develop our inventory of emission of greenhouses gases to create a solid foundation for our climate management and design concrete environmental goals and plans. We are close to ending the calculation of scopes 1 and 2, and we have started the process for scope 3, which provides the assets in our portfolios as the primary sources of emission.

As we have dynamic portfolios, we believe the most transparent and realistic way is to calculate the emissions from our asset portfolios more than usual, not only once a year. To improve the process, we're developing a transfer of know-how on the calculation of emission of greenhouse gases to our team and systems with the contracted consulting company. We could internally calculate the emissions and have a more precise baseline to evaluate the decarbonization efforts. This transfer has been ongoing and undertaken through meetings drawing consensus, methodology disclosure, sharing the required materials, and educating our research and data analysis teams.

Decarbonization Plan Execution Schedule

	2S21	1S22	2S22	1S23	2S23	1S24	2S24	1S25	...	2030	...	2040
Closing the GHG Inventory for scopes 1 and 2	■											
JGP's ESG Platform Release	■											
JGP's TCFD Report Publication		■		■		■		■				
Review of the methodological results and decarbonization strategy			■		■		■					
JGP's TNFD Report Publication				■		■		■				
Implementation of the system to calculate GHG emissions from the acquired assets				■								
Disclosure of JGP's Scope 3								■				
Reduction of 50% of JGP's gross total emissions										■		
Neutrality achieved towards JGP's gross total emissions												■

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