



**JGP** Asset  
Management

Active Ownership Report  
2023

2023

# *Active Ownership Report*

March, 2024



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# 1.

## Foreword

*As part of the ongoing improvement of our resource management tools, we at JGP have realized that the commitment to balance between the stakeholders of our invested companies is crucial to increase the chances of perpetuating their business models. Evaluating the non-financial impacts for each stakeholder group has led to the creation of a dedicated team to measure the ESG aspects of our portfolios, with special attention to metrics aligned with each agreement and commitment related to externalities that we have made. This technical foundation has allowed us to better understand how each investment impacts its ecosystem and, more importantly, the real commitment of each company to material ESG issues for their operations. In this process, we make ourselves available to our invested companies to share data and knowledge of best practices through active engagement processes, detailed in this report.*

*Our belief in the pursuit of sustainable balance as a vector for organizational perpetuity and the urgent need to achieve climate goals continues to guide our investment process. Despite the long road that society still needs to travel to achieve the targets set by science, our optimism in increasing impacts through investments grows with a greater number of participants aligned with our objectives, whether they are invested companies, partner investors, or other financing agents. For the future, we will continue to act as comprehensively as possible to expand these coalitions and enhance the environmental and social impacts generated through financial instruments, recognizing the responsibility of the financial market and investment managers in this process.*



**Alexandre Muller**

Partner and Credit Fund Manager

*Our engagement has two main objectives: (i) to improve the risk-return profile of our investments and (ii) to contribute to directing businesses to improve their socio-environmental impact. In Brazil, our focus with companies is oriented towards engaging them in: reducing greenhouse gas emissions, especially related to deforestation, increasing diversity at all hierarchical levels, particularly combating structural racism in the country, and investing in people's basic needs such as sanitation, health, education, and housing.*

*This engagement by asset managers investing third-party funds must not and cannot, fiduciarily, lose sight of financial returns. Our experience is that much risk can be eliminated from portfolios through ESG criteria, and many opportunities can be found in a world that needs to invest hundreds of trillions of dollars in the coming decades – no other topic aggregates as much expected investment as the energy transition.*

*Our strategy has been to act on multiple fronts: (1) our voting policy guides us regarding our position at the General Meetings of invested companies - after adding ESG themes to our investment philosophy, we truly exercise stewardship on ESG issues that we identify as relevant to each company; (2) in some cases, we engage more deeply and join various international associations with purposes aligned with ours and take our role seriously, being recognized as local leaders (as we will show in this report); (3) creation of various financial instruments in equities, credit, and potentially, private equity to align and optimize capital and impact.*



**Marcio Correia**

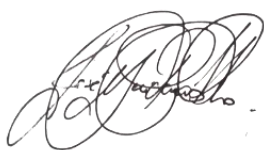
Partner and Equity Fund Manager

*The rapid – and necessary – transition from economic cycles to new standards of green economy demands a transformation in the concept of fiduciary duty, expanding its boundaries beyond the short-term protection of financial capital. New cultural, social, and environmental capitals converge in an expanded vision of fiduciary duty and guide JGP on its journey towards stakeholder capitalism. We observe in the adoption of engagement mechanisms an essential tool for the success of JGP's journey.*

*In 2023, we enhanced our leadership role in engagements within international coalitions, coordinating different initiatives to connect the transformation demands of Brazilian companies with major international investors and mobilizing local investor networks to join in the engagements. Internally, we have incorporated engagement and active ownership into our various policies as critical tools for the complete success of our operations.*

*In 2024, we will focus our efforts beyond the continuity of our current engagement activities, qualifying the positive impacts of engagements conducted, generating content, and transferring technologies that enable other asset managers and investors to incorporate expanded fiduciary duties into their operations.*

*The 2023 Active Ownership Report is an example of our public commitment, describing our engagements and providing details of our processes and technologies for review, improvement, and replication of JGP's best practices in these areas.*



**José Pugas**

Partner and Head of ESG

# 2.

## About JGP

We are an independent asset management firm with extensive experience in investments in Brazil and abroad. JGP was founded in 1998 by a group of professionals who have been working together since the early 1990s.

Since our inception, our goal has been to achieve excellence in fund management, aiming to combine consistent returns with active risk management to preserve the capital invested by our clients. Since 2020, we have integrated ESG concepts into our analysis and management processes.

We have an experienced and multidisciplinary team that manages a full range of funds: multimarket, equity funds, private credit funds, real estate funds, and pension funds. We also have specialized areas in wealth management for high-net-worth families and foundations: JGP Wealth and JGP Portfolio Solutions. Our focus is on understanding our clients' risk profile and needs, aiming to build customized portfolios to meet their demands.

In 2023, we celebrated an association with L6 Capital, an investment boutique focused on mergers and acquisitions and asset credit origination and structuring, reinforcing our origination ecosystem for structured funds and adding a corporate finance solutions platform, consisting of a team of +20 professionals and over 60 active mandates from L6 to the JGP Credit team, currently with +25 professionals. This association gave rise to JGP Financial Advisory.

# R\$ 36.4 billions

## in assets under management<sup>1</sup>

### Multi-strategy Funds R\$ 7.5 billion

- Macro Multi-strategy Funds
- Retirement Plans

### Equity Funds R\$ 2.9 billion

- Long Biased
- Long Only
- ESG
- Health Care
- Retirement Plans

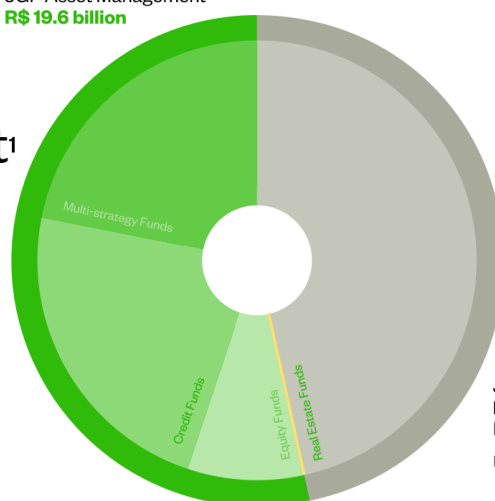
### Credit Funds R\$ 9.0 billion

- Liquid
- Brazil/International
- Infrastructure
- ESG/Agribusiness
- Special Situations
- Retirement Plans

### Real Estate Funds R\$ 177,7 million

- Real Estate Multi-strategy
- Real Estate Development

JGP Asset Management  
R\$ 19.6 billion



JGP Wealth Management  
R\$ 16.8 billion  
Portfolio Solutions

<sup>1</sup>Values related to JGP Asset Management's equity on February 29, 2024 and JGP Wealth Management's equity on January 31, 2024.

# 3. Our approach

We believe that driving companies towards best ESG practices, supporting them in addressing their most critical issues, is the most productive and effective way for their development, as opposed to simply excluding these companies from our investments.

We aim to encourage companies to achieve more responsible paths for their businesses, so they have more structured management processes and are better prepared to handle and mitigate the risks of their activities.

Stewardship activities contribute to creating value for companies through the adoption of good corporate governance practices. The development of the stewardship program is an ongoing movement that encompasses internal and external processes and practices, involving all stakeholders.

Through an active ownership approach, we use our influence as investors to maximize returns and create long-term value, prioritizing systemic objectives and collective efforts to generate concrete results. We encourage collective actions that promote climate stability, sustainable development, and a financial system that supports the real economy.

Engagement is a set of actions that aims to dialogue with an entity to improve its long-term performance on material ESG factors, with the goal of making the company's business model more sustainable and achieving a more favorable risk-return relationship.

JGP's overall engagement strategy unfolds into three engagement protocols: Responsive Engagement, Engagement derived from commitments made, and Engagement through our voting policy.

For prioritizing companies to engage with, we take into consideration:

- i. The percentage of asset participation in the investment portfolio, through the exercise of voting rights;
- ii. The materiality of the topic for the company;
- iii. The relevance of the issue to the Brazilian context.

It is worth noting that the topics discussed in the cases presented in this report do not necessarily summarize the material issues for the mentioned companies but rather the focus topics of engagement. Other material subjects not discussed in these engagements are addressed through other monitoring, reporting, and verification mechanisms at JGP.

# 4. Our ambition

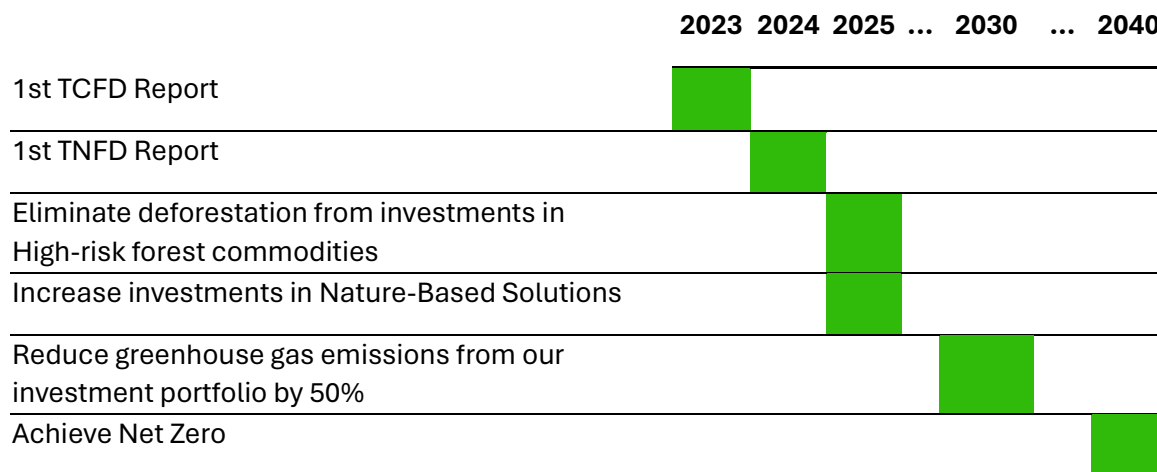
The process of integrating environmental, social, and governance aspects at JGP began in 2019, and since then, we have been on a journey of continuous improvement of our ESG practices as part of our fiduciary duty.

We believe it is the duty of the investor community to engage in sustainability to promote an inclusive, equitable, and responsible society. Therefore, we are committed to making a positive impact on society.

Over the years, we have joined forces with other players in pursuit of this common goal, which will unleash significant transformations in the economy. We understand that this journey cannot be pursued independently, and we must act together to overcome the crises threatening life as we know it on Earth.

Combating climate change and biodiversity loss while limiting the negative social impacts associated with these effects are essential for the economy and human development.

### Goals:



Source: JGP.



## Our climate commitment

As members of the Net Zero Asset Managers Initiative (NZAM), a global initiative of asset managers committed to supporting the goal of achieving net-zero greenhouse gas emissions by 2050 or earlier, in line with the objective of limiting the planet's average global warming to 1.5°C, we are committed to directing efforts towards decarbonizing the economy and transitioning to clean energy.

### By 2030:

We commit to reducing greenhouse gas emissions from our investment portfolio by 50%.

### By 2040:

We commit to achieving net zero emissions from our portfolio.

## Our zero-deforestation commitment

In Brazil, when we talk about climate change, it is impossible to separate it from deforestation. That's why we have become signatories of initiatives such as the Finance Sector Deforestation Action Initiative (FSDA) and Finance for Biodiversity (FfB), which aim to end commodity-driven deforestation and protect and restore biodiversity through investment activities, respectively.

As a result, we are working towards the following milestones:

### By 2022:

We assess the risk exposure to deforestation through financing or investment in holdings, focusing on "forest risk" agricultural commodities (palm oil, soy, beef and leather, pulp and paper).

We have established investment policies that address exposure to commodity-driven deforestation.

We have initiated engagement with holdings with the highest exposure to deforestation risk in their supply chains, operations, and/or financing.

We support the development of regulations that support a favorable environment for companies to avoid deforestation risks and impacts.

### By 2023:

We disclosed in our [1st Climate Report](#) the risks of deforestation and the mitigation activities of the portfolios, including due diligence and engagement.

**By 2024:**

We will collaborate and share knowledge on assessment methodologies, biodiversity-related metrics, goals, and financing approaches for positive impact.

We will incorporate biodiversity criteria into our ESG policies while engaging with companies to reduce their negative impacts and increase positive impacts on biodiversity.

We will assess our financing and investment activities regarding significant positive and negative impacts on biodiversity and identify factors contributing to its loss.

We will establish and disclose goals based on the best available science to increase significantly positive impacts and reduce significantly negative impacts on biodiversity.

We will report annually and be transparent about our significantly positive and negative contributions to global biodiversity objectives linked to our financing and investment activities in our portfolios.

**By 2025:**

Publicly report progress, in alignment with peers, on milestones to achieve the goal of eliminating deforestation caused by forest-risk agricultural commodities.

Increase investments and fund structuring in nature-based solutions.

Reinforcing our commitments, in 2023 we joined the Investor Policy Dialogue on Deforestation (IPDD), entered a PRI Advance engagement working group, an initiative for stewardship on social and human rights issues, and became members of the PRI's Stewardship for Nature Advisory Committee.

Additionally, we were selected by Global Canopy and Frontierra to participate in the pilot project of the TNFD (Taskforce on Nature-related Financial Disclosures), which covered the LEAP approach (Locate, Evaluate, Assess, and Prepare) to help us analyze and report risks and opportunities related to nature.

Furthermore, as part of our process to report TNFD recommendations, we were chosen by Nature Finance to participate in the pilot of the Nature Finance Alignment tool to monitor and identify sectors and regions less aligned with TNFD key indicators.

## 5. Engagement highlights

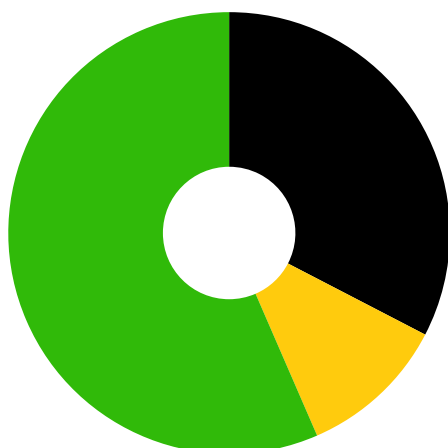
In 2023, JGP participated in 46 engagement meetings, either conducted individually or jointly with other investors. The main topics discussed were related to deforestation, climate change, executive compensation, and ESG-related goals. We had regular meetings throughout the year with representatives from Investor Relations, Sustainability, or senior management of these companies. On our side, engagements are conducted through representatives from the ESG, Research, and Compliance teams.

Furthermore, it's worth noting that we participated in 4 consultations for the establishment of national and international taxonomies for certain segments and responded to 3 materiality surveys from companies.

The role of engagements in which JGP participated can be divided into 3 types: Individual, Collective - Leader, or Collective - Participant. The first type refers to those created and conducted internally and individually by the JGP team, while the collective engagements are those carried out collaboratively with other national and international institutions. In engagements where we had a "Leader" status, JGP played a leadership role, whereas in those where we acted as a "Participant," our role was that of supporters.

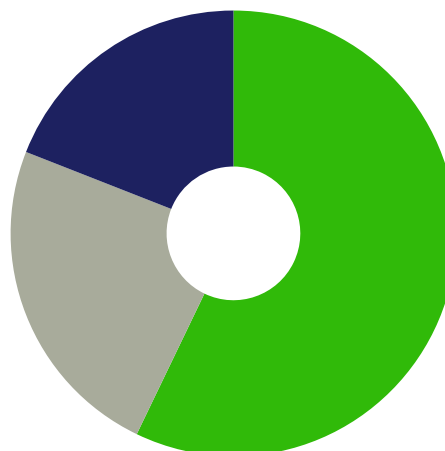


### JGP's role



- 33% Individual
- 11% Collective - Leader
- 57% Collective - Participant

### Breakdown of ESG aspects of engagements



- 57% Environmental
- 24% Social
- 19% Governance

### Top 5 themes:

**21**  
Deforestation



**10**  
Climate Change



**6**  
Compensation



**5**  
Human Rights



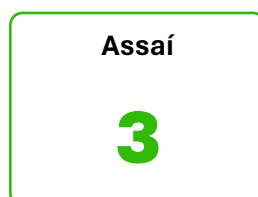
**4**  
Governance



Filtering by a geographic scope, our engagement presence is

**100% in Brazil.**

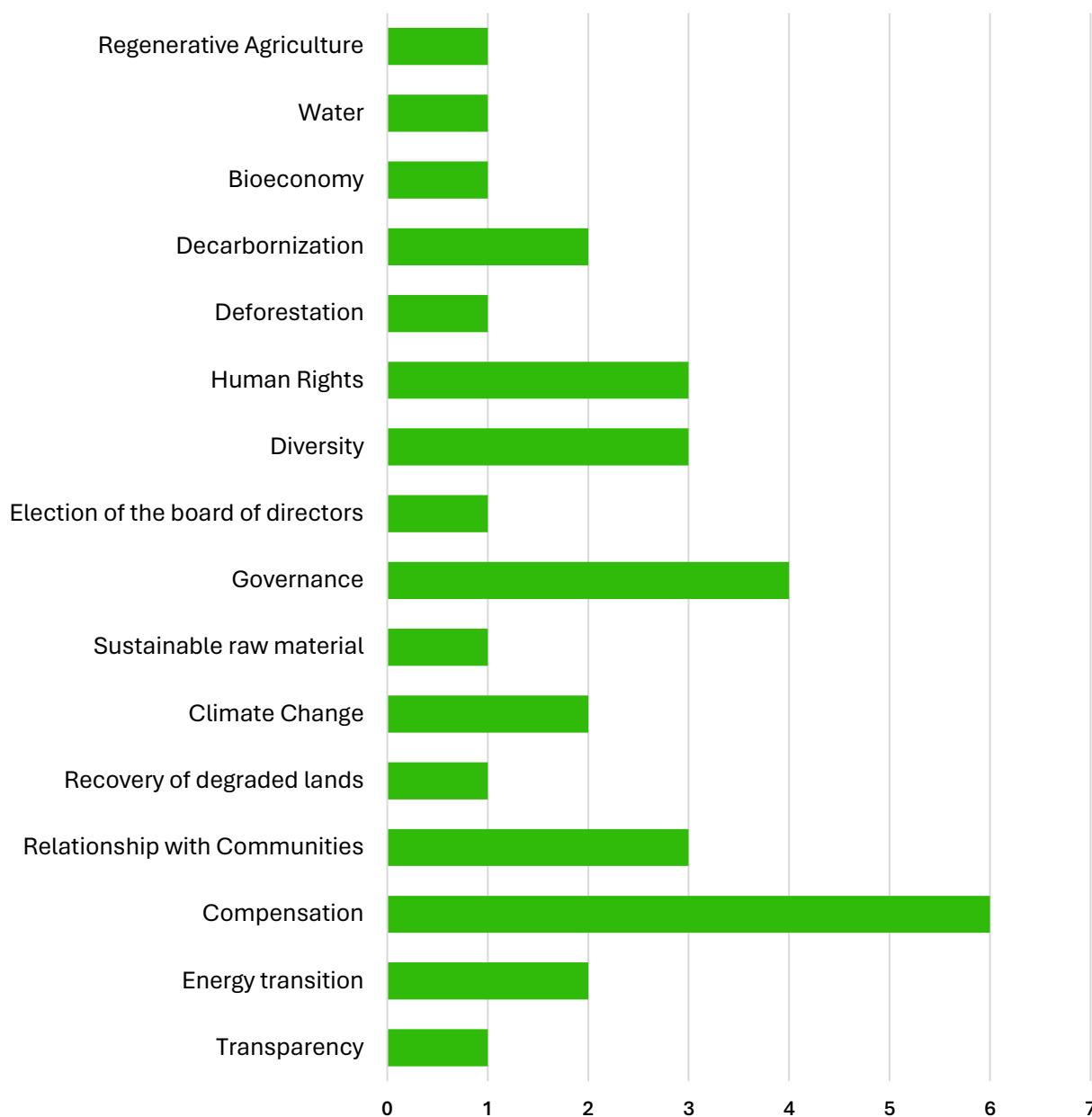
### Companies with the highest number of engagements conducted:



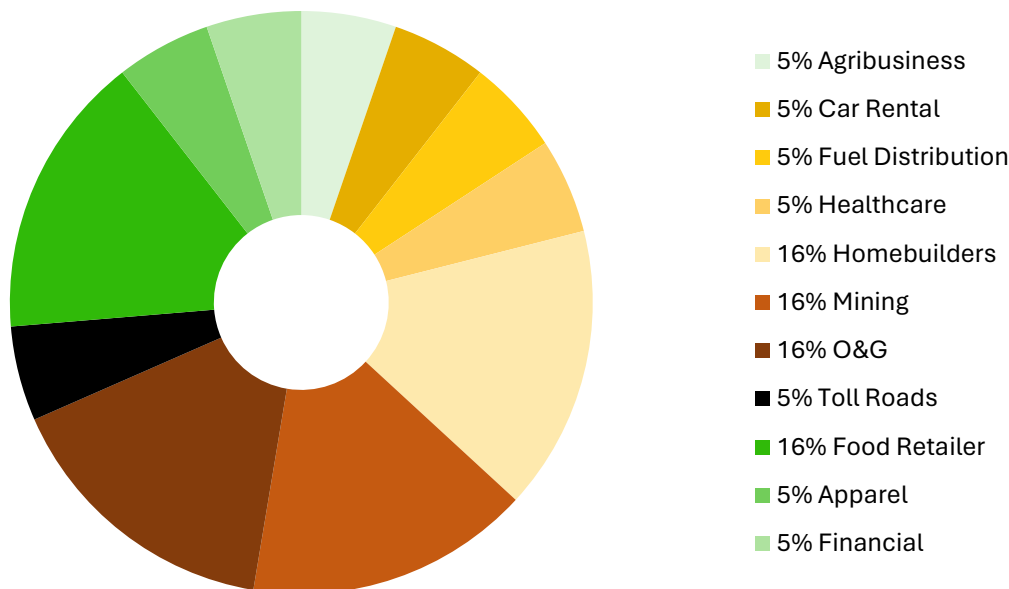
# 6. Engagements

In our solo engagement approach, we had at least 15 interactions with 11 different companies in 2023.

## Themes



## Sectors



Source: JGP.

The most discussed topic in these interactions was related to executive compensation, an important theme for better alignment of stakeholders with the company's direction. Below, we share two examples of engagements conducted by our research team with two Brazilian companies, one in the food retail sector and the other in car rental.

### Assaí:

In April 2023, we had the opportunity to engage directly with Assaí's CEO during the election process for the new Board. In this meeting, our main focus was on addressing the need for diversity on the Board, specifically the inclusion of a Black individual. This demand was based on the observation that a significant proportion of Assaí's customers are Black, and there was a growing concern related to cases of prejudice and inappropriate approaches in the stores. We believe that representation on the Board could significantly contribute to improving these issues.

During the conversation, we presented our position and offered assistance in finding qualified candidates. We emphasized the possibility of voting against the new Board proposal if the issue was not adequately addressed. However, the CEO's response was enlightening and demonstrated a deep understanding of combating racism within the company. He explained the measures already in place at Assaí to address this issue and argued that the inclusion of a Black individual on the Board, while valuable, would not be the sole solution to the challenges faced. Following this discussion, we decided not to oppose the new Board, acknowledging the company's ongoing efforts to promote racial equality.

In June 2023, following the election of the new Board, we had a second significant meeting with Assaí. The context was the rejection of the Administration's compensation proposal at the previous Assembly. In this scenario, the newly elected Board sought to engage with influential shareholders with expertise in the subject to develop a new compensation proposal.

At this meeting, we shared our principles, tools, and conditions that we consider essential for an effective, fair, and value-aligned compensation plan. Our goal was to ensure that the new proposal reflected a balance between the interests of executives and shareholders, promoting strong corporate governance and sustainable management. We are now looking forward to the presentation of the new proposal at the Extraordinary General Meeting of 2024, confident that the contributions provided will be considered for the mutual benefit of all parties involved.

## Localiza:

In July 2023, we had a crucial engagement with Localiza, where we spoke with the Chairman and founder of the company. This meeting served to update and deepen discussions that began in 2021, focusing especially on Localiza's compensation plan and the company's performance in ESG criteria.

### ESG and Environmental Challenges

We extensively discussed the environmental challenge faced by Localiza, particularly concerning the consolidation of greenhouse gas emissions inventories and the methodological differences between Localiza and other companies in the sector, such as Unidas and Movida. The Chairman highlighted the company's efforts to establish decarbonization goals, including the partnership with WayCarbon for technical guidance. Additionally, he emphasized Localiza's focus on ethanol as a more viable alternative for Brazil compared to electric vehicles (EVs), citing the productivity of sugarcane and corn in ethanol production and the company's more skeptical stance on the feasibility of EVs in the Brazilian context.

### Neutralize Program and Electrification

We addressed the Neutralize program, focused on carbon offsetting, which has shown significant progress, especially among individual customers, and discussed strategies to expand this program to the corporate segment. The Chairman expressed caution regarding the adoption of EVs, considering Localiza as a likely late adopter due to the costs and challenges associated with batteries and the required infrastructure.

### **Executive Compensation Plan**

In the discussion regarding the executive compensation plan, the Chairman emphasized that there will be no variable remuneration for the Board of Directors, following common practices in the market. However, he highlighted the importance of maintaining Localiza as an owner-minded company, encouraging significant equity participation from executive directors. He also mentioned the need to balance the risk for directors, considering the long vesting period and the possibility of termination.

### **Diversity**

Finally, we discussed diversity issues at Localiza. The Chairman acknowledged the lack of women representation on the Board of Directors and the underrepresentation of women in executive positions, despite a higher female presence at lower hierarchical levels. The issue of Black representation was also addressed, with the company actively seeking to improve diversity through initiatives such as the Trainee Program, which uses innovative selection methods to facilitate inclusion.

This engagement with Localiza was a valuable opportunity to better understand the company's strategies and challenges regarding sustainability, governance, and diversity. It was a productive exchange of ideas where we could present our ESG framework and offer perspectives that may assist Localiza in its future initiatives.

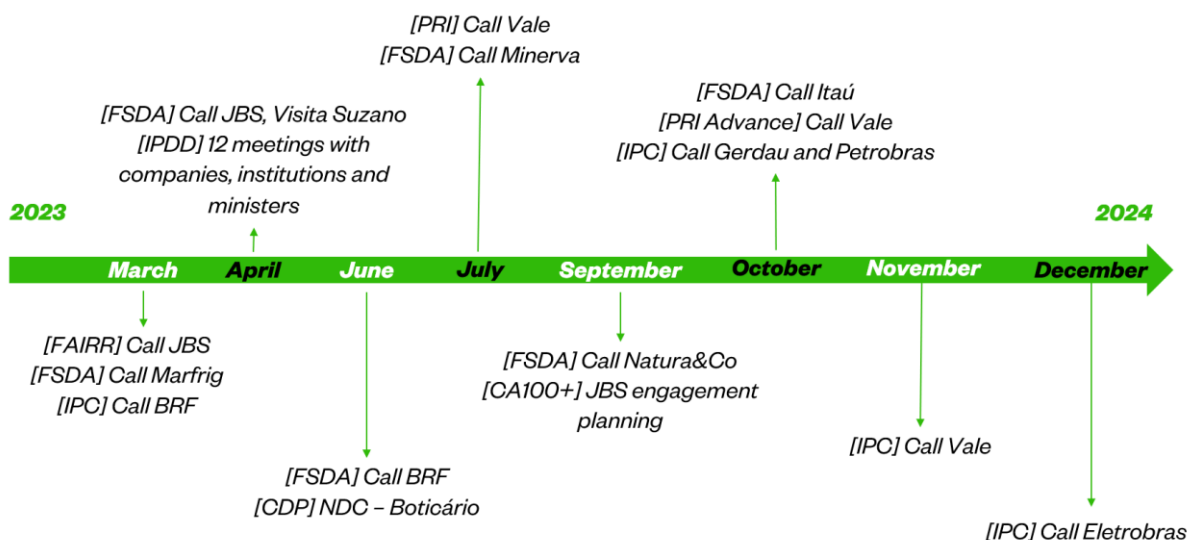


# 7. Collaborative engagements

As our climate and social ambitions are shared by many other actors, we see collaborative work as an opportunity to address our challenges and generate positive outcomes for the world.

We are signatories to the key global commitments aimed at combating deforestation and reversing climate change, and these, in turn, promote collective engagement actions.

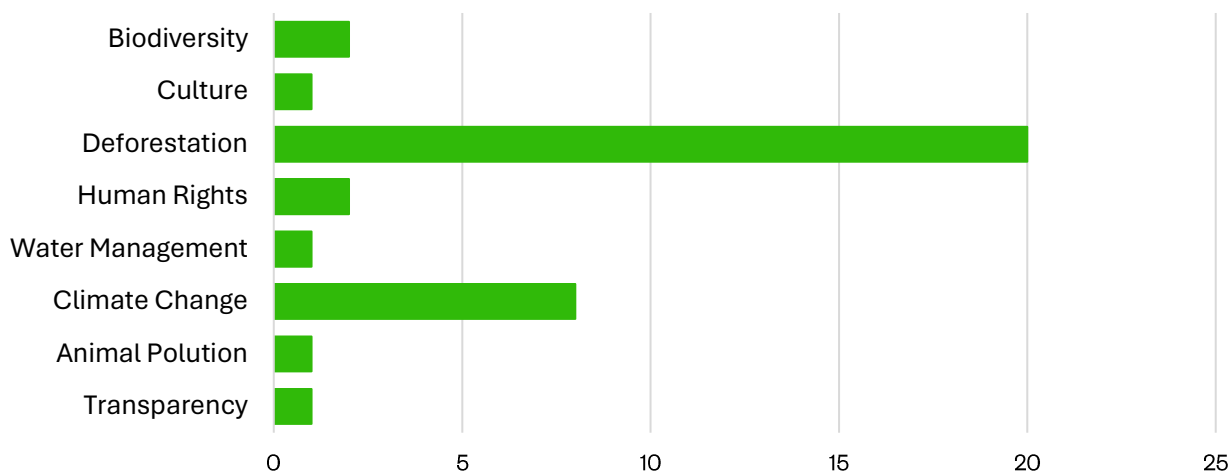
## Timeline Overview



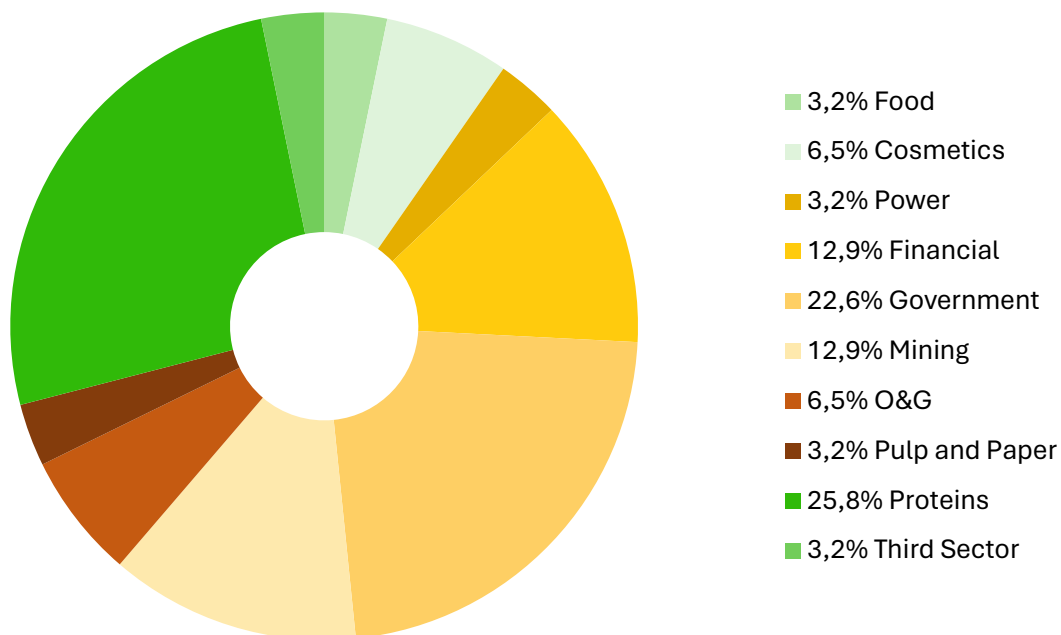
Source: JGP.

Throughout 2023, we generated 31 collaborative engagement interactions with 22 different organizations (companies and civil society entities) from 10 sectors.

**Themes**



**Sectors**



Source: JGP.

The most discussed topic was deforestation, followed by climate change. The sector with the most activity was the protein sector, followed by governmental entities.

Below is a table with the engaged companies and the overlap of coalitions with engagements.

	CA100+	IPC	CDP	FAIRR	FSDA	IPDD	PRI Advance
Agrogalaxy			X				
Ambev			X				
Banco do Brasil			X			X	
Bradesco			X				
BRF		X	X	X	X		
Cosan			X				
Eletrobras		X					
Gerdau		X					
Grupo Boticário			X				
Itaú			X		X		
JBS				X	X	X	
Marfrig					X	X	
Minerva					X		
Natura&Co					X		
Petrobras	X	X					
Suzano	X				X		
Vale	X	X					X

Source: JGP.

Here, we will delve into each of these actions performed by our team.



## Climate Action 100+:

We became members in 2020 of the world's largest investor engagement initiative. The initiative is led by investors to engage with companies that are the largest emitters of greenhouse gases, as well as systematically important companies for the transition to a low-carbon economy. With over 700 investors combining \$68 trillion in assets under management, the initiative engages with over 170 companies globally.

Since JGP joined the initiative, we have participated as a contributing investor in three engagement fronts with distinct Brazilian companies (Vale S.A., Suzano S.A., and Petróleo Brasileiro S.A.). The role of the contributing investor is to proactively support the leading investors in the engagements.

With the launch of Phase 02 of CA100+ and the maturation of JGP's engagement strategy, we took another step and became co-leaders in the engagement of a newly added target company. JGP, together with BB Asset and 8 more contributing investors, will engage starting in 2024 with JBS, the world's largest meat supplier and systematically important due to its climate impacts.

*“We are excited and optimistic about working collaboratively with JGP in leading the CA100+ engagement with JBS. Initiatives like this play a crucial role in combating the global climate crisis and generating returns on investments. This collaboration exemplifies how the pooling of efforts can produce transformative impacts in transitioning to a more sustainable and carbon-efficient economy.”* - **Daphne Breyer, Head of ESG at BB Asset Management**

Based on benchmark analysis, these companies have the following result:

	<b>Petróleo Brasileiro S.A. (Petrobras)</b>	<b>Suzano S.A.</b>	<b>Vale S.A.</b>	<b>JBS</b>
Net Zero Greenhouse Gas (GHG) Emissions by 2050 (or sooner) Ambition	Partial	No	Partial	Not currently assessed
Long-term (2036-2050) GHG Reduction Target(s)	Partial	No	Partial	Not currently assessed
Medium-term (2027-2035) GHG Reduction Target(s)	Partial	Yes	Partial	Not currently assessed
Short-term (until 2026) GHG Reduction Target(s)	Partial	Partial	Partial	Not currently assessed
Decarbonization Strategy	No	No	Partial	Not currently assessed
Capital Allocation	Partial	No	No	Not currently assessed
Climate Policy Engagement	No	No	No	Not currently assessed
Climate Governance	Partial	Partial	Partial	Not currently assessed
Just Transition	No	No	No	Not currently assessed
TCFD Disclosure	Yes	Yes	Partial	Not currently assessed

Source: Climate Action 100+, adaptation JGP.

When analyzing the Brazilian companies assessed in the benchmark, it becomes clear that there is partial alignment with the objectives of the initiative, but also several gaps that need to be improved upon.

We will continue to actively participate in these groups, with the additional challenge of driving the CA100+ agenda with JBS.



## Investidores pelo Clima – IPC:

Member of Investors for Climate since 2020, in 2023 we actively participated in the engagement cycle on the climate agenda with Brazilian companies promoted by the initiative.

Through a voting process among the signatories to select target companies, 5 companies were selected in this cycle: Eletrobras, Gerdau, Petrobras, Petrorio, and Vale. Petrorio was the only one that did not agree to engage in conversations with investors.

To promote transparency and data availability to the market, the IPC has made the conducted analysis available, which is accessible [here](#).

*"JGP's participation in the collective engagements led by the IPC was fundamental for the quality of dialogues with companies, enhancing impact and fostering ambition." – Marina Briant, Program Manager at ERM NINT.*

Below is an analysis with JGP's perception of two of the engagements conducted:

### **Gerdau:**

Gerdau is the largest Brazilian multinational steel producer and one of the main suppliers of long steel in the Americas and specialty steels worldwide.

The company's goal for scopes 1 and 2 emissions is to reduce from 0.93 tCO<sub>2</sub>e/t of steel produced to 0.83 by 2031. This medium-term target is aligned with the 1.5°C scenario of the Paris Agreement, according to the Transition Pathway Initiative (TPI). The company appears to be well-positioned compared to its sector peers, who have an average of 1.89 tCO<sub>2</sub>e/t of steel produced.

Additionally, Gerdau participates in dialogue groups discussing public policies for the sector and is a member of the Advisory Group of the Science-Based Targets Initiative. However, in the Climate Change questionnaire of CDP in 2022, the company scored a B, a good rating but not a leadership one. To advance in the criteria and achieve an A rating, the company needs to commit to establishing long-term goals aligned with science and, for this, engage with entities in its supply chain representing scope 3 emissions.

It is important to note that the company currently relies on natural gas and the consolidation of green hydrogen to reduce its emissions. However, green hydrogen is not yet widely available, and there are still many uncertainties about its use.

## Eletrobras:

Eletrobras is the largest electric power company in Latin America, leading in generation and transmission in Brazil. With a key role in making Brazil's energy matrix even cleaner and renewable, the company is committed to science-based targets and being net zero by 2030.

In 2023, Eletrobras sold the Candiota Thermal Power Plant, its last coal asset representing about 30% of the company's emissions. This sale is part of the switch project, which deals with the divestment of fossil fuel generation assets and is an important part of the organization's climate strategy.

With a phasing out approach regarding natural gas, the focus of the planning remains on divestment, and if possible, decommissioning. This leads us to the topic of just transition and its relationship with surrounding communities. However, it raises the question: even if the company gets rid of its most polluting assets, the sale doesn't solve the problem, as these assets will continue to emit greenhouse gases.

Nevertheless, it is worth noting that Eletrobras announced a partnership with BNDES (Brazilian Development Bank) at COP28 for the decarbonization of the Amazon and restoration of Brazilian river basins, reinforcing its green positioning.





## Carbon Disclosure Project – CDP:

As members of CDP, in 2023 we had the opportunity to participate in 2 engagement campaigns promoted by the organization: Non-disclosure and science-based targets.

The **Non-Disclosure Campaign** (NDC) is an annual campaign where CDP signatories from the capital markets interact with companies that have not responded to requests to disclose their Climate Change, Forests, and/or Water Security questionnaires.

JGP, aware of the risks that deforestation and other environmental degradations pose to the current and future business of its investees, along with the impacts that commercial operations can have on the ecosystem, encouraged Grupo Boticário to respond to the Forests questionnaire to bring more exposure to the issue and the company's plans to mitigate these risks.

We are actively combating deforestation and climate change in Brazil, notably engaging with companies in strategic sectors such as cosmetics, which have high materiality in their supply chains in the sourcing of non-timber forest products and agricultural commodities. Through interactions with the Grupo Boticário Foundation in supporting territorial development initiatives and generating positive socio-environmental externalities, as well as the level of exposure of Grupo Boticário to nature and climate risks in critical biomes, it is essential that we remain engaged in the ongoing assessment of trends and actions of companies within the Group.

In response, Grupo Boticário acknowledged the importance of the questionnaire and stated that they invited their suppliers involved in the issue to respond to the questionnaire, as the supply of forest raw materials is concentrated with them. The Group already responds to the Climate Change and Water Security questionnaires, demonstrating their commitment and transparency on these matters. However, they did not respond to the Forests questionnaire yet, but they are structuring and deepening the sharing of information about the supply chain, indicating their intention to respond in future cycles.

JGP is proud to have joined the **Science-Based Targets Campaign** again in 2023-2024, along with 307 other financial institutions and 60 multinational corporations with over \$33 trillion in assets, to urge 2,100 highly greenhouse gas-emitting companies to set reduction targets aligned with the 1.5°C scenario.





As a result of the 2022-2023 campaign, 99 companies joined SBTi, representing 9% of the target companies at that time. Of these, 58 have short-term commitments, 8 have net-zero commitments, and 33 have both. This resulted in 4% of total emissions (scopes 1 and 2) being incorporated into commitments, around 0.22 Gt CO<sub>2</sub>e.

*“Investors have transformative power in pressuring companies to increase their environmental transparency through engagement campaigns. By doing so, they ensure that their financial resources are directed towards companies committed to concrete solutions for the environmental challenges we face. By engaging companies to join existing initiatives such as the Science Based Targets initiative, investors are strengthening corporate sustainability and sending a clear signal that sustainability and financial performance are intrinsically linked. Since 2021, JGP has participated in the Non-Disclosure Campaign and Science Based Target campaigns by CDP, and in 2023, the institution endorsed the request for over 2,100 high greenhouse gas emitting companies to establish science-based emissions reduction targets. Globally, the engaged companies are valued at over USD 28 trillion in market capitalization and generate over 8.3 gigatons of CO<sub>2</sub>e emissions in scopes 1 and 2. By engaging these companies to reduce their emissions, the institution encourages companies to adopt environmentally conscious measures, improve their practices, and seek more sustainable solutions aligned with 1.5°C.”* — **Lais Cesar, Head of Capital Markets at CDP Latin America**



## Farm Animal Investment Risk and Return – FAIRR Initiative:

FAIRR is responsible for coordinating collaborative engagements with investors in the food sector. Among the 6 engagement fronts they currently coordinate, we joined the Biodiversity, Waste & Pollution Engagement 2022/23.

We joined in the first phase of this engagement focused on addressing biodiversity risks caused by nutrient pollution and animal waste. The goal of the engagement is to encourage pork and poultry producers to conduct significant risk assessments around manure and animal waste management and implement action plans to reduce their impact on biodiversity.

The importance of addressing biodiversity risks arising from the inefficient use and inadequate management of nutrients is highlighted in the [Kunming-Montreal Global Biodiversity Framework](#), in Target 7, which aims to halve excessive losses of nitrogen and phosphorus to the environment by 2030.

The intensification of meat and dairy production, combined with poor manure and animal waste management, will continue to increase nutrient loss to the environment, a planetary boundary

already widely exceeded. Therefore, livestock companies must address the biodiversity risk from nutrient pollution and transition to more circular practices to effectively manage nutrients and minimize risks.

Ten publicly traded pork and poultry producers with significant market share and two fertilizer companies, which include the extraction and commercialization of nutrients from manure among their services, were selected. Among these 12 companies, two were Brazilian: BRF S.A. and JBS S.A., and we expressed our intention to participate in both cases. However, due to the engagement's design and the large number of interested parties with different profiles, we only managed to join the one involving JBS.

In the meeting with the global Brazilian multinational leader in protein-based food industry, in addition to the investor group and FAIRR members, the company's Global Head of Sustainability and Head of Sustainability for Brazil, along with a member of the Investor Relations team, participated. JBS openly discussed the various management strategies implemented in the different regions where it operates. Positively, the company is implementing initiatives to increase nutrient circularity in some of its feed supply chains. The company invested R\$ 134 million in a new business located in Campo Forte to produce fertilizers using organic waste from the Group's units.

Furthermore, JBS has a focus on land use change and deforestation risks in its supply chains in Brazil and is working to reduce its greenhouse gas emissions to achieve its net zero emissions goal. However, this strategy seems to be generated from a holistic view of the company's exposure to associated risks, where other material risks are considered less important.

With the end of phase 01 of the campaign, we signaled our interest and will continue engaging in phase 02, which will begin in 2024.



**THE FINANCE  
SECTOR  
DEFORESTATION  
ACTION (FSDA)  
INITIATIVE**

## Finance Sector Deforestation Action Initiative - FSDA:

We signed, at COP26, a commitment together with more than 30 financial institutions - totaling over \$8 trillion in assets under management - to eliminate deforestation risks driven by agricultural commodities (beef, soy, palm oil, pulp, and paper) in investment portfolios and loans by 2025. Signatories are working to drive progress towards a net-zero emissions and nature-positive economy, and the eradication of deforestation is crucial for this goal.

FSDA members focus on actively engaging with the aim of eliminating a significant portion of the impacts associated with agricultural commodities, as a key element in the global transition to sustainable production practices.

As part of the commitment, JGP published in [2022 the Deforestation Positioning](#), where we specify our perception and approach towards zero deforestation. Our focus is on regions considered high-risk, especially in the Amazon and Cerrado biomes, but our commitment applies to all regions. Our first rule is that we only invest if we can engage - not in a confrontational way, but as critical allies. FSDA clearly outlines [expectations](#) based on relevant science and best practices for companies to achieve sustainable production and develop zero deforestation goals.

In 2023, we engaged in 7 engagements through FSDA, leading engagements with BRF Brasil Foods S.A., Minerva S.A., Natura&Co, and Itaú Unibanco, and participating as supporters in engagements with Suzano, JBS, and Marfrig Global Foods. These companies have different levels of maturity and approaches, but a common challenge - not to promote deforestation in their supply chains. We engaged with these companies asking about their policies and programs to limit exposure to deforestation risk. The interactions were very enriching, and we share two cases as examples:

### Natura&Co

<b>Sector:</b>	Cosmetics
<b>Status JGP:</b>	Leader, + 2 support investors
<b>Company responsiveness:</b>	Very good

Based on our interactions with Natura and analysis of the company's practices, it exhibits good practices in combating deforestation. However, Natura has areas for improvement in terms of organizing and consolidating its practices and policies, which would contribute to better performance in rankings such as the [Forest 500](#) - a tool used to assess companies' alignment in

combating deforestation and related human rights abuses - and in [CDP](#) questionnaires, facilitating investors' analysis of the company's real impact and progress as well.

The company is aligned with FSDA expectations; however, to further enhance its reporting, Natura could annually disclose metrics outlined in the FSDA expectations "disclose" section, such as those related to the volume of commodities considered deforestation-free, for better monitoring by its stakeholders.

In 2024, we will continue our engagement with the company to check for updates regarding actions to ensure full traceability of its high-risk forest commodities and its projects to protect biodiversity and uphold human rights.

## Suzano

<b>Sector:</b>	Pulp and Paper
<b>Status JGP:</b>	Support
<b>Company responsiveness:</b>	Very good

Suzano is committed to connecting half a million hectares of priority preservation areas in the Cerrado, Atlantic Forest, and Amazon biomes by 2030. The company has reported that it has already achieved 6% of the target and has a biodiversity monitoring system in place.

From a social perspective, the pulp and paper company aims to lift 200,000 people out of poverty by 2030, with a focus on women and marginalized groups. To promote local economies, the company is rethinking its procurement strategies to prioritize local suppliers.



Source: JGP.

## Visit to Suzano operations

As a continuation of the engagement started with Suzano in 2022, we were invited to participate in an immersion and learn about the company's projects and practices in April, especially related to water and biodiversity.

We had the opportunity to get a close look at the farms and understand the different processes the company uses to promote sustainability in its business, such as the climate monitoring system for precipitation modeling and more efficient water management.

At the Igaratá farm, Suzano has an experiment of a mini watershed where they conduct various studies. In line with this, the company has a long-term goal (by 2030) to increase water availability in 100% of its critical watersheds. Currently, only 6% of Suzano's watersheds in Brazil are considered critical, equivalent to 44 watersheds. It would be interesting for the company to establish an intermediate goal to measure progress towards this target.

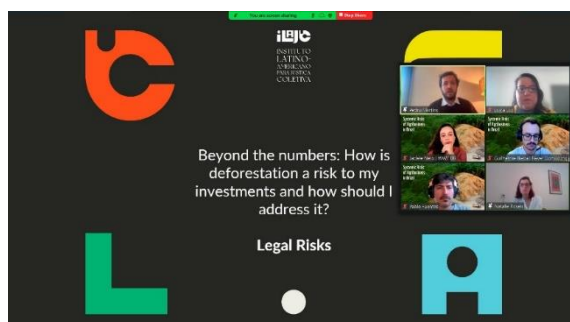
After visiting the farms, we went to the Ecofuturo Institute in [Parque das Neblinas](#). The park is a nature reserve area maintained by Suzano, with a rich biodiversity of flora and fauna. The park spans over 60 years and 7,000 hectares, which for decades underwent deep degradation as it was used for charcoal production for the steel industry. After acquiring the area, Suzano dedicated it to environmental restoration and research, reforesting with juçara palm trees, which allowed the forest to return. Additionally, the park is open for visitation and has initiatives to support local family farming and environmental education programs.

One of the messages conveyed to Suzano is the encouragement to explore more pilots to promote biodiversity within eucalyptus plantations and to continue evaluating climate and biodiversity risks in monocultures.

We thank Suzano's employees and the Robeco engagement team for the invitation and partnership. *“Agriculture-driven deforestation and biodiversity loss have been important topics for Robeco since 2014, linking not only directly to climate change but also indigenous peoples’ rights and local development. By joining forces with JGP throughout our dialogues with Brazilian companies and public institutions, we were able to complement JGP's local knowledge with Robeco's engagement experience, strengthening the investor voice across Brazil to drive progress in halting deforestation.”* - **Peter van der Werf, Head of Engagement at Robeco**

## Beyond the numbers

In November 2023, we co-hosted with WWF the workshop "Beyond the numbers: How deforestation poses a risk to my investments and how should I address it?" which featured experts from WWF-Brazil, Rever Consulting, and the Latin American Institute for Collective Justice (ILAJUC) discussing the risks associated with deforestation in investments and how we should address them to avoid promoting the conversion of native vegetation.



The event was held virtually and was open to our employees, clients, and some partners. It was an opportunity for rich exchanges on the various impacts of deforestation on the economy and how investors should address this complex challenge in their investments.

As a final takeaway from the experience, the message is that investors play a central role in promoting the necessary changes. It is essential to have engagement and cooperation from all parties to work together towards more sustainable and ethical business and investments.



# IPDD

Investor Policy Dialogue on Deforestation

## Investor Policy Dialogue on Deforestation – IPDD:

The IPDD is a collaborative initiative of investors aimed at engaging with public entities and sectoral associations to combat deforestation in tropical forests.

### Dialogue with the Brazilian government

In April 2023, JGP and other members of IPDD traveled to São Paulo, Brasília, and Alta Floresta to discuss actions under the new government. We met with various representatives from the Ministry of the Environment (MMA), Planning (MPO), Indigenous Peoples (MPI), and other key organizations such as the Brazilian Institute of the Environment and Renewable Natural Resources (IBAMA) and the Chico Mendes Institute for Biodiversity Conservation (ICMbio), as well as private actors, to understand how and if political promises were being upheld.

The meetings mainly focused on discussing solutions to the key challenges associated with deforestation, aiming to generate social and environmental benefits.



Source: JGP.

### Marco Temporal

Under the advocacy actions of IPDD, we joined a working subgroup to monitor Bill 2903/23, regarding the Indigenous Lands Marco Temporal. We followed the progress of the discussions in Congress and mobilized to share, through a letter, the views that there was no legal certainty and that the approval of a proposition contrary to original rights would bring adverse consequences for investments in national territory.

#### → Risk for infrastructure investments in Brazil:

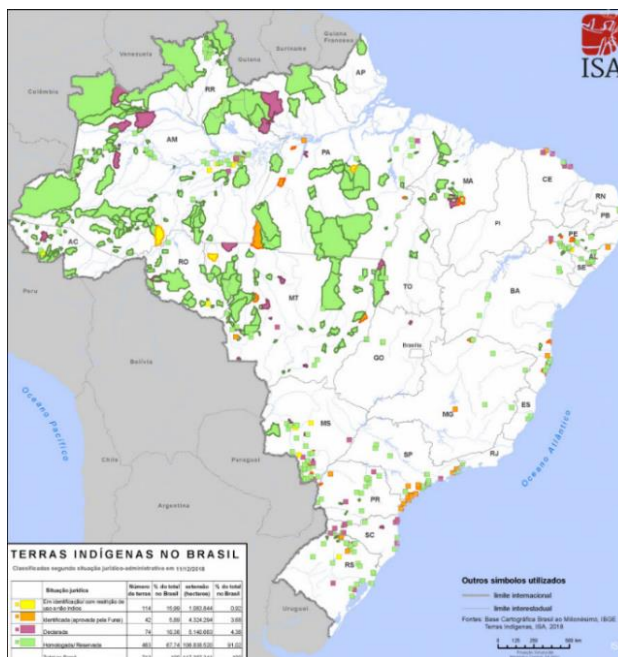
Many projects would not comply with the OECD/G20 Principles for Quality Infrastructure Investment because Free, Prior, and Informed Consent (FPIC) for Indigenous peoples would not be a requirement.

➔ Risk for the Brazilian agribusiness:

It would further limit exports to the United Kingdom and the European Union, and increased forest conversion would further exacerbate extreme climate trends affecting agricultural productivity.

➔ Risk to sovereign agreements:

Brazil would fail to meet its NDC because the commitment to zero deforestation by 2030 would not be a reality, and the Amazon would possibly reach a point of no return and savannization, leading to increased conflicts and violence against indigenous communities.



Source: Instituto Socioambiental.



**PRI Advance:**

We were invited to participate in PRI Advance, an initiative promoted by the Principles for Responsible Investments focused on human rights and social issues. Through this collaborative initiative, investors seek to promote human rights and positive outcomes for people through responsible investment management.

In line with international standards and following the UN Principles, our activities must respect human rights, and we do not accept violations related to Labor Conditions, Labor Rights, Gender Equality, as well as those associated with deforestation, such as Smallholder Inclusion, Free, Prior, and Informed Consent (FPIC) of relevant communities, Protection of Rights to Land, Resources, and Territory of Indigenous Peoples and Local Communities, and Zero Tolerance for Threats and Violence against Forests, Lands, and Human Rights Defenders.



PRI Advance is engaging with over 35 companies in the metals and mining sectors and renewable energies.

Continuing our existing relationship, we have chosen to engage with the mining company Vale. *“JGP has been indispensable to LAPFF’s engagement with Vale. When LAPFF was looking for partners in Brazil to engage Vale in relation to the horrendous dam collapses in Mariana and Brumadinho, JGP was the only Brazilian investor to come forward. The JGP team went out of its way to support LAPFF and organize investor meetings during LAPFF’s visit to Brazil in 2022, and it continues to be an excellent partner to LAPFF in engagement with Vale through the PRI Advance programme. LAPFF looks forward to a continued fruitful relationship with JGP on a range of ESG topics.”* – **Cllr Doug McMurdo, Chair of the Local Authority Pension Fund Forum (LAPFF)**

Following planning for engagement with other investors, a first hybrid meeting was held in October 2023 with Vale's team to explain the initiative and already address some issues related to the whistleblower channel, employee and community health and safety, and updates on the construction of houses in Mariana, Minas Gerais.



## 8. Voting

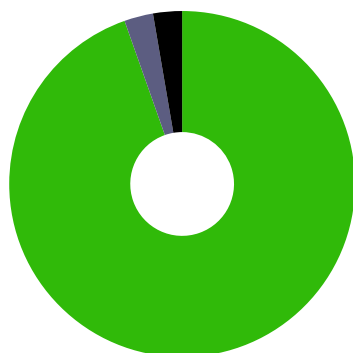
At JGP, we understand that voting is an important instrument for controlling the actions of administrators and/or controlling shareholders, as well as a crucial way in which we fulfill our duty to seek the best interests of our shareholders. In this regard, aiming to comply with current self-regulation guidelines, JGP, as a resource manager and investor in publicly traded companies, has a published voting policy on its website.

Despite recognizing the challenge that resource managers face in general in striking a balance between exercising the right to vote and allocating financial and human capital for participation in assemblies, JGP is aware that voting serves as an essential right. When exercised with diligence and rigor, it positively contributes to enhancing governance practices and broadening the boundaries of the "G" in the ESG acronym.

With that said, in 2023, JGP successfully adhered to its voting policy and even went beyond the policy limits by engaging through voting with companies with which it seeks closer ties. We can cite examples such as the General Shareholders' Meetings of companies like Natura & Co, Smartfit S/A, Três Tentos S/A, and Lojas Renner S/A, among others, that showed greater sensitivity to certain topics where we believed our contribution would be productive.

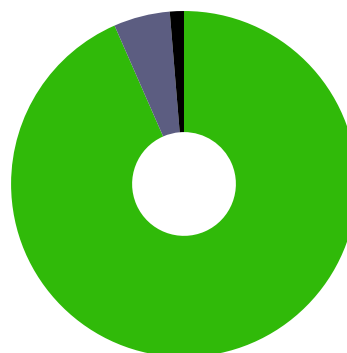
In 2023, we participated in 27 General Shareholders' Meetings of publicly traded companies. The votes cast by JGP were not simply an analysis of the management's proposal disclosed in the 30 days leading up to the meetings. The outcome of JGP's journey is the result of the continuous work of our analysis team in monitoring invested companies through regular meetings and deep knowledge of their main objectives and strategies. Thus, we understand that evaluating the topics of a General Shareholders' Meeting involves complexity, requiring a contextualized monitoring of invested companies to understand aspects such as the election of administrative boards or the definition of executive remuneration.

### Participation in AGM



■ Approval - 95% ■ Rejection - 3% ■ Abstention - 3%

### Participations in EGM



■ Approval - 93% ■ Rejection - 5% ■ Abstention - 1%

Therefore, we believe that General Shareholders' Meetings of publicly traded companies play a provocative role, and in these moments, JGP positions itself as a "Critical Shareholder" even in companies with non-significant ownership percentages. We understand that the General Meeting is an opportune sphere for us to express our position to the market and the company regarding their duties and governance practices, as exemplified in the voting statements below at the General Meetings of Vale S.A. and Light S.A.:

**Vale's Annual and Extraordinary General Meeting:** Oral vote at the assembly, approving the company's remuneration plan, but contesting the lack of solution in Mariana.

The proposed changes in the AGM and EGM resolutions align with the company's strategy. We chose to reject the item related to the adoption of the multiple voting process, as we are in agreement with the slate chosen for the board of directors, as well as the candidates selected for the Audit Committee. Although we voted in favor of approving all the matters deliberated, we submitted a voting statement regarding the remuneration of administrators, as we believe it is important to highlight to the company that the portion of remuneration tied to the full delivery of repairs related to the incidents in Mariana and Brumadinho, currently only attributed to the Sustainability Director, should be extended to directors in strategic positions such as the CEO and CFO.

**Light's Annual and Extraordinary General Meeting:** We voted against the proposed overall remuneration for the management.

As shareholders of the company, our main concern is to see implemented a remuneration policy that better aligns the interests of the Board with the sustainability of the business and the well-being of its various stakeholders.

Regarding the items listed in items 2 and 3 of the AGM, we opted to reject the proposal to reduce the number of Directors proposed by the company, as we believe it is detrimental to maintaining its governance standards. As for item 6 in the AGM agenda and items 1 and 2 in

the EGM agenda, we chose to reject these items and submitted a voting statement to the company, expressing our disagreement with the proposed Overall Remuneration for the Company's Administrators, as we believe that the Long-Term Incentive Plan proposed for the Board is not aligned with the business's sustainability, for the following reasons:

- 1) The current board proposed a stock options package equivalent to 5% of the company's capital tied to certain goals, one of which is the renewal of the concession, which if achieved, would guarantee the delivery of 40% of the total options. However, there is a history in Brazil of renewals of electricity concessions being done automatically, which undermines the challenge of the goal to be achieved by the administrators. Furthermore, the renewal of the Concession Contract does not guarantee anywhere near the sustainability of the Company. Only a good contract that addresses important structural issues for a concession area with unique operational challenges would guarantee the company's sustainability, and this should be the main alignment item for management. For this goal, there is a smaller percentage, which shows the lack of alignment of goals with the real structural issues in the business;
- 2) We also saw the Exercise Price and Payment of the proposed Options as a point of concern, as they are not adjusted to market best practices. The proposed reference price of R\$0.01 (one centavo) for each lot of 1,000 (thousand) shares of the company was not related to the current quotation of the Company's shares, in clear disconnect with the practice adopted in other plans by companies in the sector and with CVM guidelines for the establishment of a Long-Term Incentive Plan.

In addition to that, we participated as creditors in over 69 meetings through JGP Credit, with the main topics discussed related to breaches of financial covenants, changes in shareholding within the economic group, approval of hiring or replacement of service providers, approval of extraordinary amortization or changes in guarantees.

In 2023, we also had the opportunity to participate in the Public Consultation CVM SDM 01/2023 on remote voting, which proposed changes to CVM Resolution 81. Contributions were made in collaboration with the Anbima working group aimed at making the remote voting process clearer and less bureaucratic for investors.

Lastly, for the year 2024, we will continue our efforts to participate and engage quantitatively and qualitatively in meetings of the invested companies, along with ensuring our participation in issues related to the topic. We will do this by monitoring and contributing to regulatory transformations and investing in our internal team for continuous and satisfactory work.

# 9.

## More actions

In addition to direct interactions with companies, we consider other forms of stewardship in our process, such as participating in consultations for instruments that may shape scenarios for a sustainable future, contributing to companies' materiality research, joining advisory committees for initiatives with a positive socio-environmental bias, and participating in national and global events to raise awareness.

### Consultancy

Our participation in generating positive results goes beyond direct interactions with companies. Another form of engagement occurred through our intellectual contributions to public consultations that helped shape more sustainable scenarios.

We highlight here the contributions of the JGP team to the development of 4 instruments:

#### **SBTi Fossil Fuel Consultancy**

Feedback on the international consultation of the Science-Based Targets Initiative regarding the financial sector's positioning towards companies in the fossil fuel sector.

Several criteria related to Disclose, Arrest, Transition, and Phase-out for coal, oil, and gas were discussed, and we contributed our opinion aiming for a scenario aligned with the 1.5°C target and energy transition.

— Topics discussed: Energy Transition, Decarbonization, and Climate Change.

#### **IPC – Transition Taxonomy for Highways**

Feedback on the IPC consultation regarding the taxonomy for labeling debt operations or portfolios associated with the road sector as "transition."

Several criteria related to Climate Change, Deforestation, Licensing & Transparency, and Adherence to the sector were discussed, and additionally, we suggested the inclusion of aspects related to community engagement.

— Topics discussed: Energy Transition, Climate Change, Deforestation, and Community Engagement.

### **IFACC – Agroforestry**

Feedback on the Innovative Finance for the Amazon, Cerrado, and Chaco consultation regarding aspects of the initiative's declaration and guidance. JGP's contribution was requested regarding the IFACC taxonomy for productive models based on agroforestry systems (SAFs) and the exploitation of non-timber forest products (NTFPs) in native forests. The considerations aim to define socially and environmentally positive models, favoring their permanence in the territories.

— Topics discussed: Regenerative Agriculture, Restoration of Degraded Areas, and Bioeconomy.

### **PRI Investors Data Needs Framework**

Feedback on the PRI consultation about the framework aimed at identifying corporate sustainability data with the goal of ensuring that disclosure standards, rules, and laws produce data useful for decision-making that reflects the diverse needs of investors.

The framework is based on three general requirements: that the data must be available, of sufficient quality, and relevant to the responsible investment process.

— Topics discussed: Sustainability, Transparency, Data.

## **Materiality survey**

Another form of engagement can occur through our participation in materiality surveys of the companies we invest in. In 2023, we participated in this process for three companies, where we contributed our opinion to the review and update of their materiality matrices.

The materiality matrix is a guiding instrument for companies' strategies and can serve as a guide for constructing their upcoming reports. In October 2023, we were invited to respond to Minerva Foods' materiality study, aligning internally with the micro-research and ESG teams to provide our position on the topics that should be prioritized.

In November of the same year, after our first engagement meeting with Itaú's ESG team, we received an invitation to participate in an interview for updating the bank's materiality matrix. At the end of 2023, we also had the opportunity to contribute as stakeholders to the materiality survey of Banco Inter.

## Advisory Committees

In addition to public consultations, we joined the Advisory Committee of PRI's Stewardship for Nature (Spring), which is a new initiative from PRI aimed at maximizing the investment community's contribution to tackling and reversing biodiversity loss, focusing on three priority areas: forest loss and degradation, systemic policy alignment, and responsible policy engagement. The initiative aims to engage with 80 companies worldwide.

We also participated in the Strategic Investors Committee, the FSDA's body responsible for overseeing the strategic actions and governance of the initiative.

## Sharing knowledge

In 2023, our team participated in a series of sustainability-related lectures: we were panelists at the Amazon Summit, Amazon and New Economies International Conference, New York Climate Week, Building Bridges, and COP28.

Additionally, we are proud to share that we hosted the first **JGP ESG Day** in partnership with Bloomberg. The event took place in São Paulo on August 29<sup>th</sup> and featured a very special program.

We filled Bloomberg's auditorium to discuss the benefits that Brazil can receive from new flows of capital directed towards the green economy. With renowned Brazilian and international speakers, we discussed the current landscape and trends of green finance, exploring the available technologies for ESG management and how these new practices are creating opportunities for investments in sustainable businesses in Brazil.



Source: JGP.

Internally, we also seek to promote bi-weekly meetings on ESG topics to engage our employees. These meetings are open to all areas of the company, and throughout the year, we held 19 of these discussion forums, with an average of 27 participants.

# 10. Next steps

Engagement and voting are key to a promising and sustainable future. We prioritize open and constructive dialogue on our journey towards a more positive scenario for society and the environment.

In our relentless pursuit of a more balanced world, we reaffirm our commitments to zero deforestation by 2025 and net zero by 2040. We recognize the vital importance of forests in our global ecosystem and continue to take concrete measures to preserve and restore these precious natural resources.

Facing the challenges of climate and social change, we understand that collective action is essential. Our proactive approach to mitigating environmental impacts reflects our commitment to responsible practices, always oriented towards a sustainable future.

We look forward with hope and determination. We believe that through continuous dialogue, absolute transparency, and a firm commitment to sustainability, we can shape a more promising tomorrow for future generations.

We thank everyone involved for their collaboration, feedback, and support throughout 2023. Together, we are agents of positive change, driving significant transformation towards a greener and more equitable world. In 2024, we will move forward stronger and united to achieve even more promising results.





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