# Climate and Biodiversity Report

## Following the TCFD and TNFD recommendations

June, 2024

Image by James Naphtali (via Unsplash)

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# 1. Introduction

Climate change is a threat to human wellbeing and the health of the planet, it presents a systemic risk to global economic structures across all industries and sectors. There is an urgent need to effectively invest in climate change adaptation and mitigation measures, setting the financial market as a key actor to enable innovative solutions.

The Global Risks Report 2024 from the World Economic Forum reveals that environmental risks constitute half of the top 10 risks anticipated over the next decade. The top three risks identified are extreme weather events, critical change to Earth's systems, and the loss and collapse of biodiversity and ecosystems.

## Global risks ranked by severity over the long term (10 years):[1]


It highlights the importance and seriousness of climate and nature-related risks in the upcoming years, identifying them as the most crucial challenges on a global scale. These risks surpass geographical limitations, industry sectors, and value chains, necessitating an immediate and collaborative approach.

Real actions are needed to remediate this scenario and implement effective conservation strategies for our planet. As an important step to drive change, in 2022 was signed during the Convention on Biological Diversity (COP 15) the Kunming-Montreal Global Biodiversity Framework which established objectives for the conservation, restoration, and sustainable use of biodiversity and ecosystems by 2030.

This landmark agreement sets out an ambitious pathway to reach a world living in harmony with nature by 2050. We need to follow this path and mobilize global financial flows to protect, restore and conserve nature because biodiversity loss is a systemic risk and one of the biggest challenges of our society.

[1]Source: Global Risks Report 2024.
[2]Webiste Investidores pelo Clima
[3]iCS (climaesociedade.org)

# 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.**

OUR HISTORY

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

We have an experienced and multidisciplinary team that manages a comprehensive range of funds, including multi-strategy, 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 Management and JGP Portfolio Solutions. Our focus is on understanding the risk profile and needs of our clients to build personalized portfolios that meet their demands.

In 2023, we celebrated a partnership with L6 Capital, an investment boutique focused on mergers and acquisitions, origination and structuring of credit assets. This strengthened our origination ecosystem for structured funds and added a corporate finance solutions platform, consisting of a team of over 20 professionals and more than 60 active mandates. This partnership gave rise to JGP Financial Advisory.

BRL

**37,2 billion**

**in assets under management[1]**

**JGP Wealth Management**

BRL

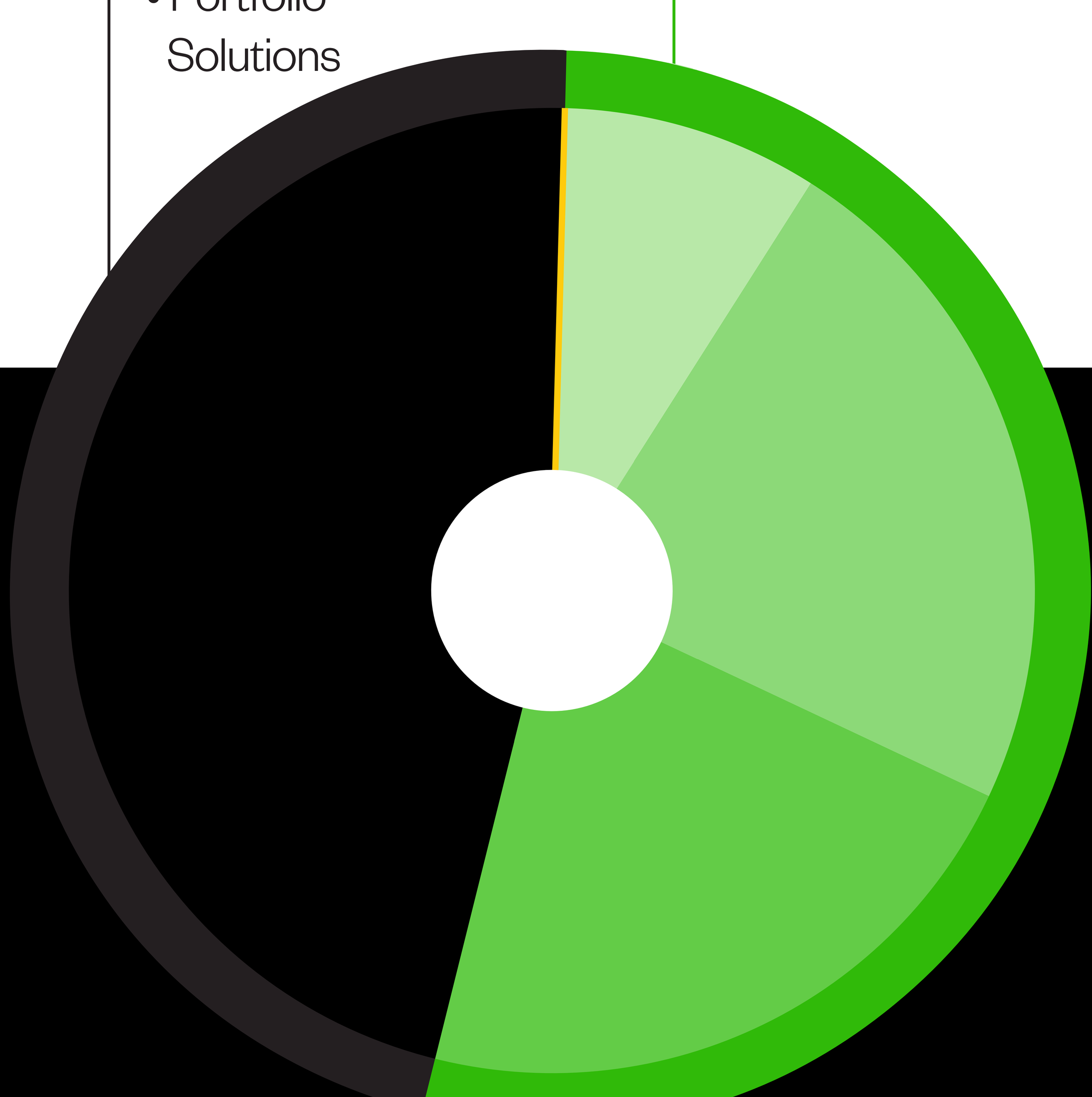
**17,4 billion**

- Portfolio Solutions

**JGP Asset Management**

BRL

**19,8 billion**



**Credit Funds**

BRL

10,8 billion

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

**Multi-strategy Funds**

BRL

6,3 billion

- Macro Multi-strategy Funds
- Retirement Plans

**Equity Funds**

BRL

2,4 billion

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

**Real Estate Funds**

BRL

220 million

- Real Estate Multi-strategy
- Real Estate Development

[1]Final, unaudited numbers related to JGP Asset Management's equity on May 31, 2024 and JGP Wealth Management's equity on March 31, 2024.

At the beginning of 2024, JGP and BB Asset, the leader of the investment fund industry in Brazil with over R$ 1.6 trillion under management, announced a strategic partnership focused on the structuring and management of sustainable funds, aiming to expand the offer of these products to national and foreign investors. We truly believe the partnership will play an important role in the financing ecosystem for projects and companies committed to ESG practices.

SEE MORE

As a member of the Net Zero Asset Managers Initiative (NZAM) we have the ambition of becoming Net Zero by 2040, and we are aware that we need to address the biodiversity loss crisis to achieve this goal.

In our journey, we have committed to and engaged in initiatives that help us navigate this path, such as:

- Climate Action 100+ (CA100+)
- Farm Animal Investment Risk and Return (FAIRR) Initiative
- Finance Sector Deforestation Action Initiative (FSDA),
- Investor Policy Dialogue on Deforestation (IPDD)
- Finance for Biodiversity Pledge (FfB)
- Becoming member of the Advisory Committee of PRI's Spring initiative
- TNFD Early Adopter.

OUR NET ZERO PLAN

*Signatory of:*

# 3. About this Report

This report is part of our commitment with transparency of our activities, and it is a continuation of our first Climate Report. All figures and scope of performance data are related to the full year ended December 29th, 2023. All financial information is presented in Brazilian Reais (R$).

The climate disclosures were built on following the recommendations of Task Force on Climate-related Financial Disclosures (TCFD) and the organizational boundaries for accounting and reporting GHG emissions are company-wide, and it covers direct emissions (Scope 1) and indirect emissions (Scope 2 and 3).

For accounting financed emissions, we follow the reporting guide to disclose GHG emissions associated with loans and investments under the Partnership for Carbon Accounting Financials (PCAF) Standard.

This report has not been externally verified, however for collecting activity data and calculate the emissions, JGP uses the standards and guidelines of the GHG Protocol Program.

In September 2023 the Taskforce for Nature-related Financial Disclosure (TNFD) released its Final Recommendation framework, enabling companies and financial institutions to disclose and act to integrate assessment and corporate reporting related to nature.

Our report outlines our progress in measuring biodiversity-related metrics, guided by the TNFD. Going forward, we commit to annual reporting on our significant positive and negative contributions to the global biodiversity goal of reversing loss by 2030. These contributions are directly linked to our financing activities and investments across our portfolios.

Following four beta versions of the TNFD framework, we signed up for Global Canopy's TNFD piloting program and we worked with Frontierra to have a better understanding of our nature-related risks and opportunities.

We received analytical support and capacity building from technical experts to assess our impact, with a specific focus on deforestation. As a result, JGP committed to adopting the framework and announced this commitment during Davos, making it the sole asset manager in Brazil to do so.

**We are delighted to be a TNFD Early Adopter, as was announced during the Annual Meeting of the World Economic Forum in Davos on the 16th of January 2024.**

We see nature-related issues as a strategic risk management issue and believe the TNFD recommendations and guidance will support us in identifying and assessing our nature-related dependencies, impacts, risks, and opportunities.


**Through the pilot, we took a deep dive into a key component of the TNFD framework, the LEAP approach, an integrated assessment approach for nature-related risk and opportunity management. The key phases are:**

- **L**ocate your interface with nature;
- **E**valuate your dependencies and impacts;
- **A**ssess your risks and opportunities; and
- **P**repare to respond to nature-related risks and opportunities and report.

By design, LEAP is consistent with existing assessment frameworks, and we have incorporated it in our internal due diligence assessment process to ensure that the process adequately addresses nature-related issues.

Our case study on piloting TNFD's LEAP approach was published on Global Canopy's website and can be accessed here. Our sincerely thanks to Global Canopy and Frontierra teams for all the support.

# 4. Governance

JGP's governance of climate- and nature-related dependencies, impacts, risks and opportunities are based on monitoring our activities and investments portfolios. This oversight is entrusted to the Sustainability Committee and falls under the purview of our Head of Sustainability.

## Board's oversight

The Sustainability Committee is the ultimate level of monitoring and managing climate and nature-related issues. JGP' Sustainability Committee has 5 working groups and the committee's members are responsible for deciding the final and appropriate approach on climate and nature-related matters.

As an example, the members discuss JGP's ambitions, targets and commitments related to nature, as to eliminate by 2025 commodity-driven deforestation from portfolios.

The Committee has the participation of the main shareholder and founder of JGP, André Jakurski, and partners and collaborators who perform functions in Portfolio Management, ESG, Analysis, Investor Relations, and Compliance teams.

The board is informed about climate- and nature-related topics whenever there is a new initiative or relevant information regarding JGP's commitments or investees' performance. The frequency of this is sporadic and depends on the emergence of important issues, but it occurs at least a few times a year.

Regarding competences, with a strong background in sustainable agriculture, our Head of Sustainability is the main responsible for JGP's oversight and management of sustainability issues, such as climate and biodiversity. Within our ESG Research team, which currently comprises seven members, we boast diverse backgrounds. Our team members hold degrees in fields such as Agricultural & Environmental Engineering and Biological Sciences. Importantly, they report directly to the Head of Sustainability. While direct performance metrics for climate and nature-related issues are not integrated into the remuneration policy, the achievement of goals related to these matters may be considered during individuals' semi-annual performance evaluations if relevant for the collaborator attributions.

## Management's role

The management's role in assessing and managing climate and nature-related dependencies, impacts, risks, and opportunities is carried out based on ESG Research team reports.

Through our proprietary ESG Framework, with quantitative and qualitative indicators, we can assess how our investments portfolio's companies are performing on these matters, if material for the assessed company.

With this ESG integration process, the companies' evaluations are conducted at least annually and discussed with both Listed Equity and Credit Research teams, incorporating it into the portfolio construction process. Portfolio Managers are constantly provided with material ESG factors performance within this collaborative process.

Our Engagement team also monitors and assesses companies in a diverse range of topics, such as deforestation, climate change, management compensation, human rights, among others. After every interaction with the company, the team prepares a report and informs the management about it.

The highest level of responsibility and accountability for climate and nature policies, commitments and targets are under the Head of Sustainability scope, and the frequency of communication of performance and progress to management is whenever there is a relevant information that can somehow influence the decision-making process.

Through these control and procedure methods, the management is informed about the company's impacts and operational updates.

## Human rights policies and engagement activities

We recognize the interdependence between delivering differentiated returns while preserving the capital under management and respecting fundamental rights.

Considering historical social distortions and controversies surrounding corporate governance, coupled with the understanding that a company's contemporary social role should involve the reduction and compensation of its adverse impacts and the maximization of its positive impacts, JGP acknowledges its responsibility to promote respect for human rights among all its stakeholders – employees, third parties, clients, suppliers, partners, and investors.

We've joined PRI-led collaborative initiative where institutional investors seek to advance human rights and positive outcomes for people through investor stewardship. Through PRI Advance we are engaging specifically with one company of the metals & mining sector.

When we talk about respect of human rights and engagement activities related to nature, we must prioritize Indigenous Peoples, Local Communities and affected stakeholders because they are the most vulnerable to suffer with the lack of it. We follow the UN Guiding Principles on Business and Human Rights to assess and manage nature-related dependencies, impacts, risks and opportunities.

In line with international standards, our activities and investments must respect human rights, as so we consider issues related to working conditions, labor rights, gender equality, as well as those associated with deforestation, such as the inclusion of small farmers, Free, Prior, and Informed Consent (FPIC) from relevant communities, protection of the rights to land, resources, and territory of indigenous peoples and local communities, and a zero-tolerance approach towards threats and violence against forests, lands, and human rights defenders.

Our ESG assessment process is conducted through our proprietary ESG Framework. With it we can identify potential practices and controversies that may violate the guidelines of Universal Declaration of Human Rights.

To identify, prevent, mitigate, and address the negative impacts of investments on human rights, constant monitoring of invested securities issuers and their ESG performance is conducted. Our analyses are regularly updated based on positive or controversial events that may impact the Companies. Additionally, engaging with these companies is an important part of our ESG analysis process, as it's a way to verify that the sustainability practices identified at the beginning of the investment are still valid or if they can even be improved upon.

When a company faces a controversy, the monitoring of that specific case begins. We study and analyze the issue, interview different stakeholders to gain a better understanding, and attempt to contact the company for clarification on the incident, providing them with the opportunity to explain the facts and inform us of the measures being taken for mitigation and to prevent recurrence. If the response is inadequate or unsatisfactory, based on our ESG Policy, we most probably will divest from the asset and even include the company on our temporary exclusion list, depending on the severity of the incident.

This process involves analyzing companies based on their official reports, phone and email communication, and collaborative meetings between JGP and the analyzed company to discuss relevant points in their reports. In these meetings, we encourage positive changes for the companies through suggestions related to the quantity and/or quality of data publicly disclosed on their official website and the Investor Relations website.

In addition, we highly recommend that our investees have an anti-corruption policy and implement integrity and ethics practices, along with a public mechanism for receiving complaints, covering the rights of Indigenous Peoples and Local Communities where relevant.

As per in JGP, our Compliance team is our Ombudsman channel who serves as a complaint's mechanism.

It is the responsibility of the JGP Ombudsman to receive, record, analyze, instruct, and respond to all sorts of queries, suggestions, complaints, criticisms, compliments and reports from customers on activities related to the securities market, from employees or other stakeholders related to conduct that violates aspects of human rights. Contact can be made by email at: **ouvidoria@jgp.com.br**.

# 5. Strategy

## Identified impacts, dependencies, risks, and opportunities

The climate and nature impacts, dependencies, risks, and opportunities that may affect our business are expected to increase in the next decades and it may have a relevant impact in the financial returns on the long-term.

We have updated our previous heatmap to identify the likelihood of climate physical and transitional risks and opportunities across sectors, and we have developed one specific for nature and biodiversity.

This process was conducted by our ESG Research team. Note that this list is not exhaustive and is an example of risks and opportunities that may impact the sectors that we invest in or can invest in.

# *Climate*

Table I

| Share of JGP's portfolio, % | | | | 14,2% | 13,7% | 10,6% | 4,7% | 4,0% | 3,2% | 2,0% | 2,0% | 0,3% |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Risk** | **Type** | | **Term** | **Utilities** | **Financials** | **Transportation** | **Metals & Mining** | **Oil & Gas** | **Food & Beverages** | **Pulp and Paper** | **Cosmetics** | **Construction and buildings** |
| **Floods** | Physical | Acute | Short | High | Physical | Acute | Short | High | Moderate | High | High | Low |
| **Drought** | Physical | Acute | Short | High | Physical | Acute | Short | High | Low | Moderate | Low | Low |
| **Storms** | Physical | Acute | Short | High | Physical | Acute | Short | High | Low | High | Moderate | Low |
| **Wildfires** | Physical | Acute | Short | Moderate | Physical | Acute | Short | Moderate | Low | High | Low | Low |
| **Landslides** | Physical | Acute | Short | Moderate | Physical | Acute | Short | Moderate | Low | Moderate | High | Low |
| **Changes in precipitation patterns** | Physical | Chronic | Long | High | Physical | Chronic | Long | High | Low | Low | High | Low |
| **Ocean acidification** | Physical | Chronic | Long | Low | Physical | Chronic | Long | Low | Low | Low | Low | Low |
| **Sea level rise** | Physical | Chronic | Long | Moderate | Physical | Chronic | Long | Moderate | Low | Low | Low | Low |
| **Heat waves** | Physical | Chronic | Long | High | Physical | Chronic | Long | High | Low | Moderate | Low | Low |
| **Sea temperature increase** | Physical | Chronic | Long | Moderate | Physical | Chronic | Long | Moderate | Low | Low | Low | Low |
| **Carbon-pricing** | Transitional | Policy & legal | Medium | Moderate | Transitional | Policy & legal | Medium | Moderate | Low | Low | High | High |
| **Litigation** | Transitional | Policy & legal | Medium | Moderate | Transitional | Policy & legal | Medium | Moderate | Moderate | Low | Low | High |
| **Technology disrupt** | Transitional | Technology | Medium | High | Transitional | Technology | Medium | High | Low | Moderate | High | High |
| **Insurance increase** | Transitional | Market | Medium | High | Transitional | Market | Medium | High | Low | Low | Low | Low |
| **Capital access** | Transitional | Market | Medium | Moderate | Transitional | Market | Medium | Moderate | Low | Low | High | High |
| **Changes in clients preference** | Transitional | Reputa-tional | Medium | Moderate | Transitional | Reputational | Medium | Moderate | Low | Moderate | Moderate | High |

Table I

| Opportunities | Type | Term | Utilities | Financials | Transportation | Metals & Mining | Oil & Gas | Food & Beverages | Pulp and Paper | Cosmetics | Construction and buildings |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Use of more efficient production and distribution processes** | Resource efficiency | Short | High | Low | Low | High | High | High | Low | Low | High |
| **Use of public-sector incentives** | Markets | Short | High | High | Low | Moderate | Low | High | Low | Moderate | Low |
| **Participation in renewable energy programs and adoption of energy-efficiency measures** | Resilience | Short | High | Low | High | High | High | Moderate | Low | Low | High |
| **Participation in carbon market** | Energy source | Medium | High | High | Low | Moderate | Low | High | Low | High | Low |
| **Shift in consumer preferences** | Products and services | Medium | Moderate | Low | Low | Moderate | Low | High | Low | Low | Moderate |
| **Access to new markets** | Markets | Medium | High | Low | Low | Low | Low | High | Low | High | High |

Even though we listed some of the risks as short terms (up to 5 years), we understand that in the medium (5 – 10 years) and long term (over 10 years), these climate risks are expected to increase and may have a major impact on long-term returns.

When we look across sectors, food & beverages will be one of the most negatively impacted from climate change effects. It is even more alarming when we look at a national scenario, since the Brazilian agribusiness represents more than 23% of the country's GDP[1] .

On the other hand, it also encompasses a lot of opportunities for the sector. Through this, agriculture companies with new technologies, sustainable practices (such as silvopasture and agroforestry) can prosper and fight global warming as they capture carbon and mitigate the effects of climate change.

**Table I**
Source: JGP, as of 29-December-2023

[1] Cepea/CNA, March 2024.

# *Nature*

Table II

| **Share of JGP's portfolio, %** | | | | | | | **14,2%** | **13,7%** | **10,6%** | **4,7%** | **3,2%** | **2,0%** | **2,0%** | **0,4%** | **0,3%** |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Risk** | **Type** | | **Land** | **Realm Water** | **Air** | **Term** | **Utilities** | **Financials** | **Transportation** | **Metals & Mining** | **Food & Beverages** | **Apparel** | **Pulp & Paper** | **Cosmetics** | **Construction and buildings** |
| **Forest fires** | Physical | Acute | X | | X | Short | Moderate | Low | High | Low | High | High | High | High | Moderate |
| **Pests** | Physical | Acute | X | | | Short | Low | Low | Low | Low | High | Moderate | Moderate | Moderate | Low |
| **Water scarcity** | Physical | Acute | X | X | | Short | High | Low | Low | High | High | High | High | High | Low |
| **Water contamination** | Physical | Acute | | X | | Short | Low | Low | Low | Low | High | Low | Low | Low | Low |
| **Contamined soils** | Physical | Acute | X | X | | Short | Low | Low | Low | Low | High | Moderate | High | Low | Low |
| **Anti-defor-estation law (e.g. EUDR)** | Transition | Policy | X | | | Short | Low | High | Low | Low | High | Moderate | High | Low | Low |
| **Replacement of plastic to biodegradable** | Transition | Technology | X | X | | Short | Low | Low | Low | Low | Moderate | Low | Low | Moderate | Low |
| **Replacement of fossil fuels with biofuels** | Transition | Technology | X | | | Medium | Low | Low | High | Low | Moderate | Low | Low | Low | Low |
| **Soil erosion** | Physical | Acute | X | X | | Medium | Moderate | Low | Moderate | Low | High | Moderate | High | Low | High |
| **Biodiversity loss** | Physical | Chronic | X | X | X | Long | Low | Low | Low | Low | High | Moderate | Moderate | High | Low |
| **Reach Amazon's tipping point** | Ecosystem | Stability | X | X | X | Long | High | Moderate | Low | Low | High | Moderate | High | High | Low |

Table II

| Opportunities | Type | Land | Realm Water | Air | Term | Utilities | Financials | Transportation | Metals & Mining | Food & Beverages | Apparel | Pulp & Paper | Cosmetics | Construction and buildings |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Land recovery** | Ecosystem restoration and regeneration | X | X | | Short | Moderate | High | Moderate | High | High | High | High | High | High |
| **Reforestation** | Ecosystem restoration and regeneration | X | X | X | Short | Moderate | High | Moderate | High | High | Moderate | High | High | High |
| **Regenerative agriculture** | Ecosystem restoration and regeneration | X | X | | Short | Moderate | High | Low | High | High | High | High | High | Low |
| **Bioeconomy** | Products/services | X | X | | Short | Low | High | Low | Low | High | Low | Low | High | Low |
| **Urban biodi-versity credits** | Ecosystem restoration and regeneration | X | X | | Medium | Moderate | Moderate | Low | Low | Low | Low | Low | Moderate | High |
| **Circular econ-omy** | Products/services | X | X | | Medium | Low | Moderate | Low | Low | High | Moderate | Low | High | High |
| **Nature-based solutions as infrastructure** | Products/services | X | | | Medium | High | Moderate | Low | Low | Low | Low | Low | Low | High |
| **Urban and peri-urban agriculture** | Products/services | X | | | Medium | Low | Low | Low | Low | High | Low | Low | Low | High |

Also, when we look at nature's risks and opportunities, the food & beverages sector will be the most impacted by the biodiversity loss. Nature is vital for agriculture, and it relies on the quality of it. In the same way, agribusiness has a lot to gain, when a company operates in areas of degraded biodiversity, it has therefore the potential to implement actions to significantly improve biodiversity. For example, implementing an agroforestry system in a degraded pasture would enable nature enhancement and increase natural protection, increase species number and type, and provide overall ecosystem improvements.

**Table II**
Source: JGP, as of 29-December-2023

## Resilience

Our strategy's resilience is mostly based on engagements and financial innovations. Through an active ownership approach, we are engaging with companies and the Brazilian public sector to fight climate change and tropical deforestation. We are also working with different stakeholders to develop nature-based mechanisms to increase our positive impact through our financing activities and investments.

## Engagements

In 2023, JGP participated in 40 engagement meetings with Brazilian companies and entities specifically to discuss about climate and biodiversity issues, either conducted individually or jointly with other investors. 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.

Chart I

### Number of engagements by theme

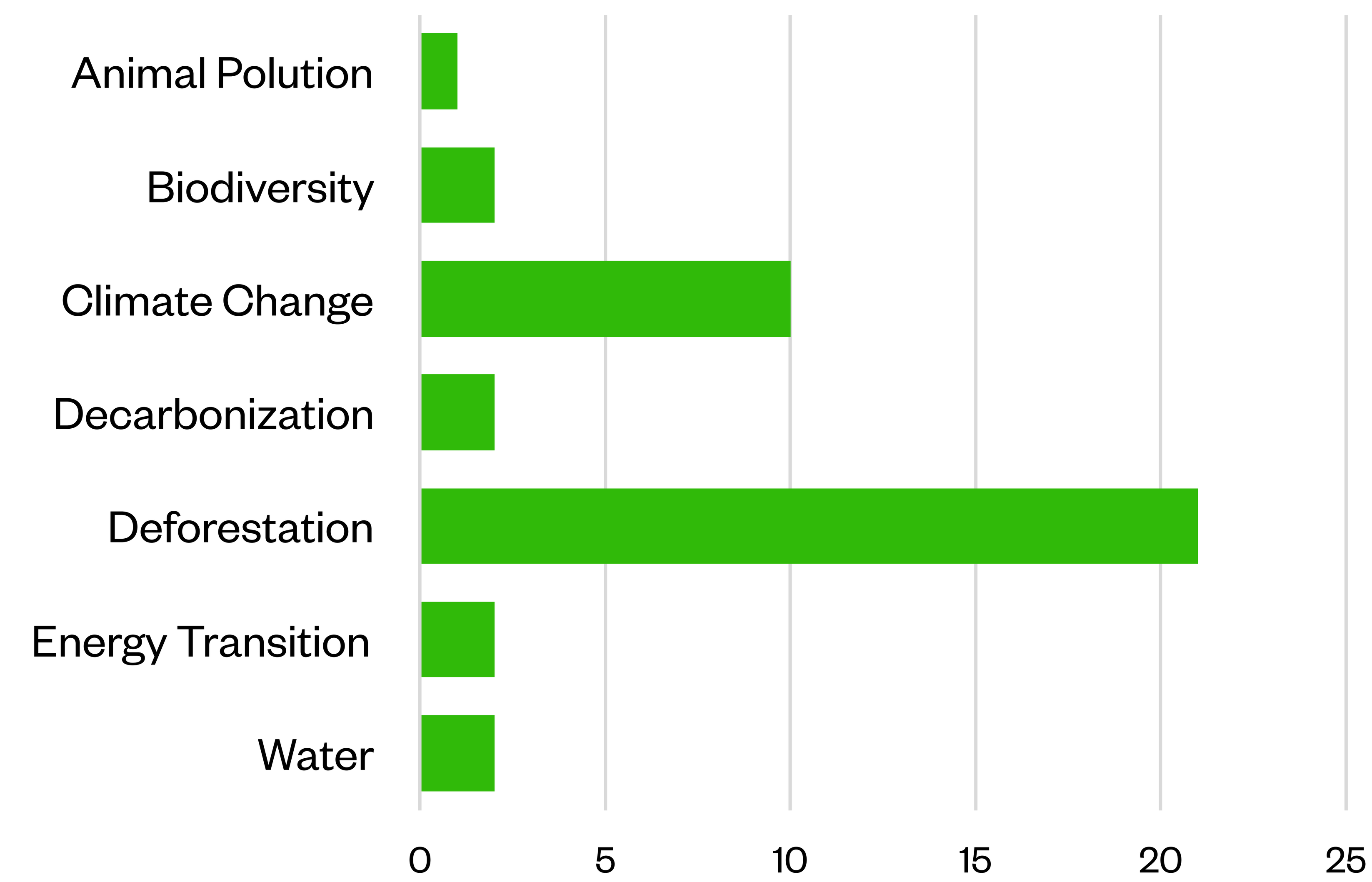



Chart II

### Sectors

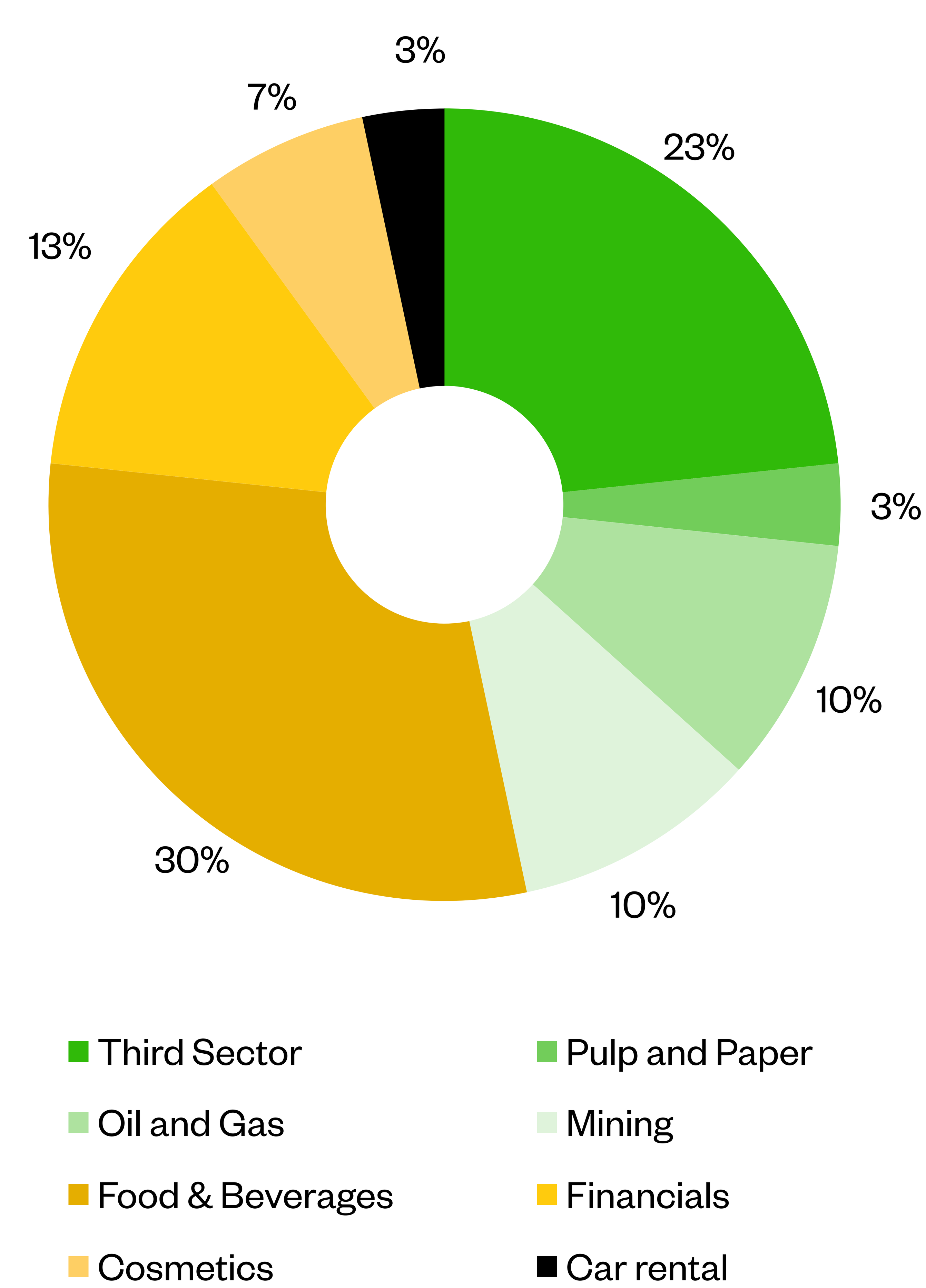



**Chart I e II**
Source: JGP

**As our climate and biodiversity 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.**

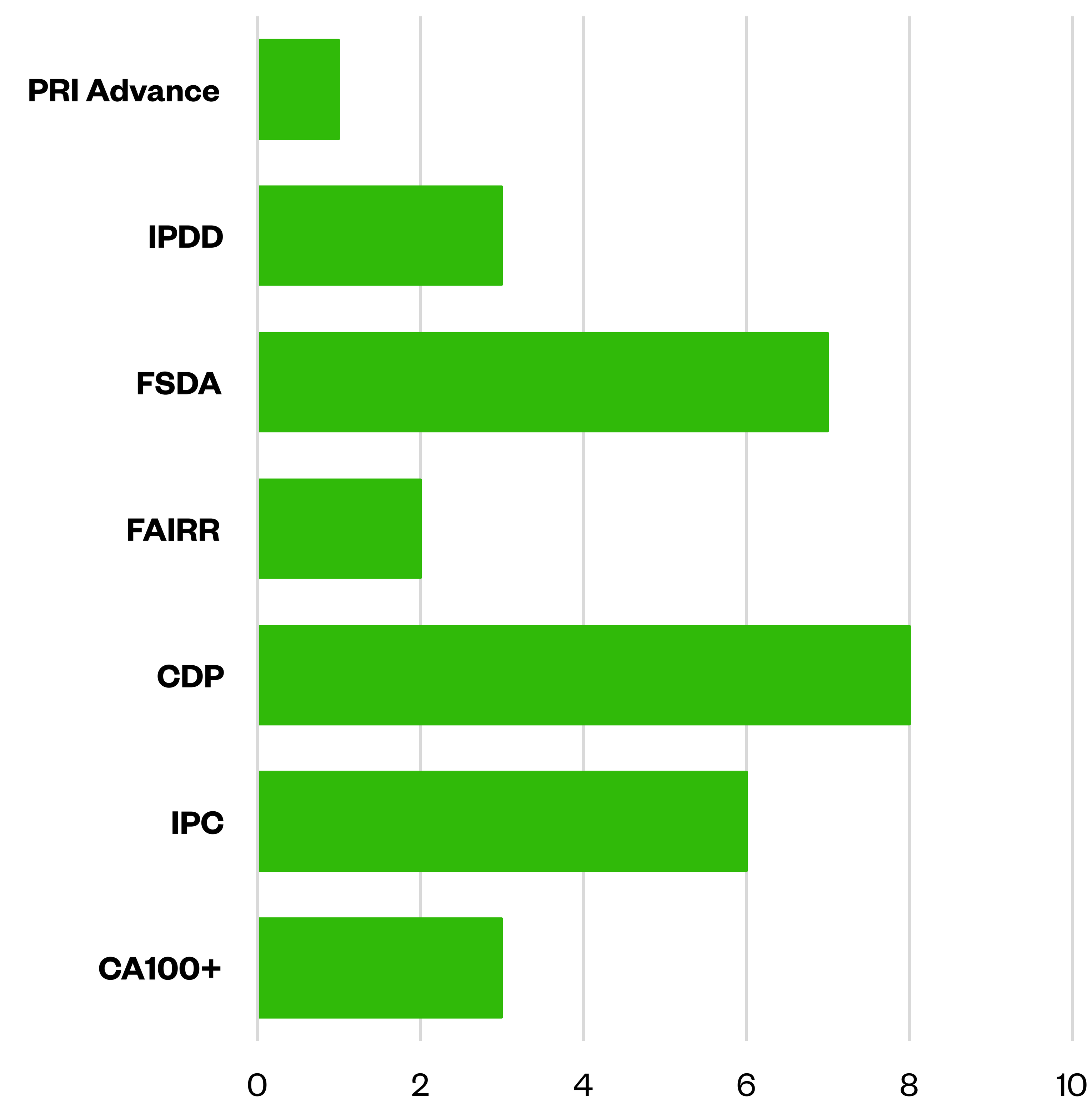
We are signatory to the key global commitments aimed at combating deforestation and reversing climate change, and these, in turn, promote collective engagement actions.

Chart III

## JGP´s role


Chart IV

## Number of companies engaged per initiative




*Initiatives*

Climate Action 100+ — Global Investors Driving Business Transition
CDP
FAIRR — A COLLER INITIATIVE
ipc — Investidores pelo Clima
THE FINANCE SECTOR DEFORESTATION ACTION (FSDA) INITIATIVE
Finance for Biodiversity Foundation
IPDD — Investor Policy Dialogue on Deforestation

**Chart III and IV**
Source: JGP

**FSDA:**

As founder member of Finance Sector Deforestation Action Initiative, launched at COP 26, we are committed to eliminating deforestation risks driven by agricultural commodities (beef, soy, palm oil, pulp, and paper) from investment portfolios and loans by 2025. A key pilar of it is through actively engaging with companies, in 2023 we have engaged as allies with 7 Brazilian companies to support them not to promote deforestation in their supply chains.

When discussing deforestation in Brazil, one of the main concerns is related to meatpackers, as cattle ranching is the primary activity responsible for deforestation in the Legal Amazon region. Together with other investors, we engaged with the largest Brazilian meatpacking companies to understand the strength of their policies and monitoring practices in their supply chain, as well as projects aimed at promoting a more sustainable chain.

Based on our monitoring of company performance and the dialogues conducted, below is a comparative analysis of the strength of commitments and the level of traceability of their direct and indirect suppliers, to avoid promoting deforestation.

Source: JGP

**Brazilian Meatpackers Status:**

Table III

| Cut-off date | Amazon | Cerrado | Other biomes |
|---|---|---|---|
| **BRF** | Zero, 2008 | Illegal, 2008 | - |
| **Minerva** | Illegal, 2008 | Illegal, 2008 | Illegal, 2008 |
| **Marfrig** | Zero, 2020 | Zero, 2020 | Zero, 2020 |
| **JBS** | Zero, 2008 | Illegal, 2020 | Illegal, 2020 |

| Traceability | Direct Suppliers | Indirect Suppliers | Target |
|---|---|---|---|
| **BRF** | 99,9% | 79% | 2025 |
| **Minerva** | 100% | ? | 2030 |
| **Marfrig** | 100% | 72% | 2025 |
| **JBS** | 100% | 62% | 2025 |

As we can see, Marfrig has committed to zero deforestation (both legal and illegal) across all Brazilian biomes, with a cut-off date of 2020. They are also transparent about their progress in tracking their suppliers and aim to achieve full traceability by 2025, aligning with the European Union Deforestation-Free Regulation (EUDR). This new legislation aims to prohibit the import and trade within the European bloc of products derived from certain commodities (cattle, soy, oil palm, coffee, cocoa, timber, and rubber) originating from deforested areas after December 31st, 2020.

**Table III**
Source: JGP

On the other hand, Minerva appears to be lagging, as it has committed only to illegal deforestation (following the Brazilian Forest Code) and plans to achieve full traceability in its supply chain by 2030, five years later than the requirements of the EUDR (2025).

**IPDD:**

In 2023, we further advanced our anti-deforestation agenda by joining the Investor Policy Dialogue Deforestation (IPDD), which aims to collaboratively engage with public entities and sector associations to combat deforestation in tropical forests.

In April 2023, JGP and other IPDD members 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), as well as other key organizations like the Brazilian Institute of Environment and Renewable Natural Resources (IBAMA) and the Chico Mendes Institute for Biodiversity Conservation (ICMBio), along with private actors, to understand if and how political promises were being kept. The meetings primarily focused on discussing solutions to the main challenges associated with deforestation to generate social and environmental benefits.

In addition to our dialogue with the Brazilian government, we joined a sub-group of the initiative to monitor discussions in Congress related to the Marco Temporal.

The group mobilized to share, through a letter, the understanding that there was no legal certainty and that the approval of proposals contrary to indigenous rights would have adverse consequences for investments in national territory. Such actions would pose risks to investments in national infrastructure, risks to the Brazilian agribusiness, and risks to sovereign agreements.

**FAIRR:**

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

We joined 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.

Ten publicly traded companies producing pork and chicken that have significant market share in their respective markets were selected, along with two fertilizer companies that, among their range of services, include the extraction and commercialization of nutrients from manure. Between 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 structure and the large number of interested parties with different profiles, we were only able to join the one with JBS.

In the meeting with the Brazilian multinational company, in addition to the investor group and FAIRR members, the company's Global Head of Sustainability, Brazil's Head of Sustainability, and a member of the Investor Relations team were present. With the purpose of understanding the JBS' assessment of biodiversity risk stemming from waste and nutrient pollution, the company openly discussed the various management strategies implemented in the different regions where it operates.

Source: IPDD

**Overview of company performance and level of engagement with FAIRR and the investor coalition:**

Table IV

| Company | Risk assessment | Value chain coverage | Risk mitigation | Circularity | Company engagement |
|---|---|---|---|---|---|
| **BRF SA** | Good | Poor | Poor | Poor | Good |
| **JBS SA** | Poor | Poor | Medium | Good | Good |

None of the companies assessed adopt best practices across risk assessment and action plans, exposing themselves to biodiversity risks and not capitalizing opportunities for their businesses.

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

Image by Diego San (via Unsplash))

### Financial Innovation

JGP, based on its international commitments, has developed a set of financial theses that align with its objectives of financial returns for our investors and compliance with decarbonization goals, along with a positive approach to natural and social capital. Supporting these theses, we have a theory of change that covers short, medium, and long-term cycles. This theory, guided by Brazilian federal public policies and international climate efforts, can be analyzed through the diagram below:

**Table IV**
Source: FAIRR 2023.

| Our approach to systemic transformation | Results we expect to generate within a 3 to 6- year horizon | | Objectives of systemic transformation (7 to 10 years) | Target groups | Economic Transition Objectives (10 years) |
|---|---|---|---|---|---|
| Innovate Financial Products | The insertion of new sustainable industries and business models into the Brazilian capital market | Accelerating new businesses for the restoration of biodiverse landscapes, green development of communities, and infrastructure, and energy transition | The competitiveness and leadership of the Brazilian market in the global green economy, notably in nature -based solutions and green infrastructure | Economic, social, and governmental actors in the success of their climate transition plans and the incorporation of environmental, social, and governance aspects into their institutional agendas | Implementation in Brazil of a Nature - Based Economy aligned with the 1.5°C Climate Goals and comprised of diverse, resilient, socially and productively inclusive communities that are financially competitive |
| Mobilize Domestic and International Capital at Scale | The fair transition of established economic sectors to the new green economy | The implementation of new financial architectures capable of leveraging the scale of philanthropic and concessional capitals and the impact of commercial capitals | The fulfillment of the Paris Agreement, with social inclusion and promotion of human rights, preserving biodiversity, and protecting indigenous peoples and local communities | | |
| Develop and Share Financial Intelligence | Including in the practice of financial capital markets the other cultural, social, and natural capitals | The establishment of business ecosystems, products, and services based on nature, with full transparency and scientific diligence | The integration of the Global South and the maturation of the Brazilian and international financial markets to meet the new demands of Stakeholder Capitalism | | |

The interconnection between our financial strategies, public policies, international coalitions, and promotion of new economies enhances the relevance of our presence in the global financial ecosystem and our positive legacy in Brazilian society. By eliminating the dichotomy between financial returns and impact, we enable businesses that we consider positive transformational forces to find the necessary capital to expand their competitiveness without penalizing investors, making them attractive to non-environmental investors as well. This creed guides our engagement with invested assets, where we not only act as investors but as stakeholders in the success of their businesses, supporting them beyond capital infusion. We believe that this close engagement with our investees has been critical in maintaining the financial performance of our funds less vulnerable to events that could have been anticipated or entirely avoided through the proximity between our management teams and the teams of the companies in our portfolio.

**The theory of change unfolds into seven theses of sustainable investments:**

**From Tree to Key**
Investments in the Use of Wood in Civil Construction and Infrastructure

**From Energy to Movement**
Investments in the Electromobility Infrastructure

**From Carbon to Food**
Investments in Carbon Positive Food Production

**From Nature to Technology**
Investments in Nature-Based Solutions

**From Yesterday to Tomorrow and Beyond**
Investments in Transition of Hard Industries from Slaughter

**Legacy Fund**
Corporate Private Concessional Investments, with emphasis on supply chain transition and carbon removal.

**Restoration Funds**
Corporate Blended Finance for voluntary restoration targets.

These investment theses indicate transitions from current scenarios to preferred future scenarios, guiding our cross-sectoral involvement in various industries that enable the configuration of these desirable scenarios. Among these industries, we prioritize the following transition movements and market approaches:

**Biological and Regenerative Transition**

— Biological Inputs
— Biomaterials
— Bioenergy
— Bioeconomy
— Transition of Soil-Intensive Production Chains
— Cellular Cultivation and Precision Fermentation
— Adaptation of Productive Territories

**Energy Transition**

— Renewable Energies
— Low-Carbon Hydrogen
— Low-Carbon Mobility
— Electromobility Infrastructure
— Energy Transmission Infrastructure Retrofit

**Infrastructure Transition**

— Green Infrastructure
— Climate Adaptation and Resilience for Cities
— Nature as Infrastructure
— Green Building Technologies

**Technological Transition**

— Artificial Intelligence
— Predictive Systems
— Precision Agriculture
— Human-Free Economy
— Decarbonization of Hard-to-Abate Sectors
— Geopolitical Transition

**Power Shoring**

— Technologies for food, productive, and energy autonomy
— Humanitarian Technologies
— Productive Clusters
— Regulatory Adaptation of Production Chains
— Neo industrialization

The transition finance strategy is operational at JGP, serving as the foundation for the company's sustainable investment funds, notably the JGP ESG Credit Fund. In this fund, we have the main assets invested in these strategies.

Below are investment cases that we have originated and/or helped structure based on these transition theories:

**Energy Transition**

Kompass
RZK energia
Sol Agora

**Biological and Regenerative Transition**

Tobasa Bioindustrial – Uma companhia ecológica
urbem – Uma empresa Amata
SoluBio
Oak Berry
Green Galaxy
Belterra

**IFACC:**

In 2021, we joined IFACC (Financial Innovation for the Amazon, Cerrado, and Chaco), an initiative aimed at accelerating loans and investments for sustainable beef and soy production in these biomes.

The initiative has the collective goal of reaching US$1 billion in disbursements by 2025 and US$10 billion by 2030 to support these sustainable business models.

We acted as an anchor investor and collaborated on structuring a CRA (Certificate of Agribusiness Receivables) worth R$25 million. AgroGalaxy is one of the largest companies in Brazilian agribusiness, becoming the first input retailer to create a green financing line to support farmers in transitioning to sustainable, low-carbon, and regenerative agriculture.

The fundraising goal is to redirect these funds to up to 20 active grain producers, such as soy, wheat, corn, and coffee. The project should cover at least 10,000 hectares in areas located in the Amazon, Cerrado, and Atlantic Forest biomes.

This funding was necessary for us to finance the GreenGalaxy program, providing credit on favorable terms to deforestation-free farmers committed to transitioning from chemical pesticides to bioinputs in their agricultural practices.

We also launched, in partnership with Fundo Vale and under the IFACC seal, an innovative blended finance initiative for sustainable recovery of degraded areas. The project pilot is pioneering in the bioeconomy and aims to achieve 4,000 hectares of degraded area recovery in the Atlantic Forest and Amazon, with an initial investment of approximately 130 million Brazilian reais, potentially reaching a total investment of over 1.5 billion reais by 2030. The execution plan will be divided into phases, with the first phase focused on financing 700 hectares across 11 targeted properties, 76% in the Amazon and 24% in the Atlantic Forest, followed by 2,800 hectares, and finally the last 500 hectares.

Due to being a cross-cutting strategy across JGP's various sustainable investment financial products, the theory of change approaches are foundational to both credit and equity strategies. Unlike credit strategies, which are more agile in targeting companies from less mature priority market segments, public equity strategies—restricted to

Source: JGP

listed and thus more mature companies—take a less focused approach on fostering the acceleration of new economies and instead focus more on active engagement with companies to encourage their transitions to higher standards of green economy.

By taking an active ownership stance in these companies, we guide them to align their operations not only with excellence standards in managing their risk and opportunity factors in environmental, social, and governance aspects but also ensure that their business models are tied to the transition paths we prioritize. The analysis of these positive actions by the companies' senior management is one of the elements considered in investment decisions.


### Sharing knowledge

In 2023, our team participated in a series of sustainability-related panels to help mobilize finance with sustainability. We were panelists of some of the most relevant events linked to the ESG financing universe, such as the Amazon Summit, Amazon and New Economies International Conference, New York Climate Week, Building Bridges, and COP28.


We believe in collaborative action to advance sustainable finance, to fight climate change, conserving biodiversity and combating deforestation.


Source: JGP

*Location*

JGP's headquarter is based in **Rio de Janeiro**, with **180+ employees**, and we have an office in São Paulo, with around 10+ employees.

Our investment portfolio is concentrated in companies that operate in Brazil, with smaller portions allocated mostly to companies in the United States, Mexico, Canada and Colombia.

# 6. Risk & Impact management

## Dependencies and Impacts

At a portfolio level, to explore the way in which a sector relies and impacts on ecosystem services and natural capital, we assessed ENCORE to list direct potential dependencies and impacts related to nature.

In general, we evaluated the dependencies and impact of the sectors of the companies in our portfolio, always considering the highest level of dependency or impact.

Image: (via Unsplash)

# JGP's holdings in sectors with a high impact and dependence on nature resources and ecosystems:

Table V

| | | Dependencies | | | | Impacts | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| **Sector** | **Share of JGP's portfolio (%)** | **Direct Physical Input** | **Enables Production Process** | **Mitigates Direct Impacts** | **Protection from Disruption** | **Water use** | **Terrestrial ecosystem use** | **Freshwater ecosystem use** | **GHG emissions** | **Solid waste** |
| **Utilities** | 14,2% | Very High | Very High | Medium | Very High | Very High | Very High | Very High | High | |
| Electric Utilities | 8,4% | Very High | Very High | Low | Very High | Very High | Very High | Very High | High | Medium |
| Water Utilities | 5,8% | Very High | Very High | Medium | Medium | High | High | High | | |
| **Financials** | 13,7% | | | | Low | | | | | Medium |
| **Consumer Discretionary** | 5,2% | Very High | Medium | Medium | High | Very High | Very High | High | High | |
| Homebuilding | 0,3% | Medium | Medium | Medium | High | High | Very High | High | High | High |
| Apparel | 2,0% | Very High | Medium | Low | Medium | Very High | High | | | High |
| Education | 0,6% | | | Very Low | Low | High | | | | Medium |
| **Metals & Mining** | 4,7% | High | High | | High | Very High | Very High | High | High | High |
| **Energy** | 4,0% | Very High | High | Medium | High | Very High | Very High | Very High | High | High |
| **Consumer Staples** | 3,6% | Very High | Very High | Medium | Very High | Very High | Very High | Very High | High | High |
| Drug Retail | 0,2% | | | Very Low | Low | High | | | | Medium |
| Food Retail | 1,1% | | | Very Low | Low | High | | | | Medium |
| Agricultural Products | 2,1% | Very High | Very High | Medium | Very High | Very High | Very High | Very High | High | |
| **Forestry & paper** | 2,4% | Very High | Very High | Medium | Very High | | Very High | | High | |

**Table V**
Source: JGP, ENCORE as of 29-December-2023.

Important to note that the analysis conducted is relevant in all time perspectives. With this analysis, it becomes clear the high dependence on some sectors, such as water utilities, and the high impact of some, such as energy.

## Risks and Opportunities

JGP adopts the Responsible Investment Policy for all Funds under its management. This policy considers the impact that invested companies have or may cause to society and the environment. We apply a Permanent Restriction List determining sectors and companies that we believe are extremely harmful to the development of society and the environment.

For ESG Funds, we expand the list of restricted sectors and prohibit investment in segments considered particularly harmful to society and the environment, applying the concept of "do no significant harm." Additionally, these funds seek to support companies and industries that generate positive externalities that we deem transformative for the planet.

To identify and assess nature- and climate-related risks we apply a combination of screening associated with quantitative and qualitative ESG integration factors (Framework) to most of our investments. Screening involves the practice of creating filters applicable to investments, with its most common form being negative screening, which excludes sectors and/ or companies from the investment universe that do not align with the values of the investor seeking an ESG investment.

JGP's ESG Framework has a section on Climate Change for every sector; it is worth emphasizing that the weight varies according to the materiality of the issue for each sector. Through the framework, we capture companies' greenhouse gas emissions (scopes 1, 2, and 3), their climate goals, controversies, and their climate-related governance.

For biodiversity, we've also overall indicators for all sectors, but we do have specific questions and indicators for sectors that have a big dependency on nature, such as meatpackers and utilities.

**Example of metrics:**

| Climate | |
|---|---|
| GHG emissions | $tCO_2e$ |
| Scope 1 | $tCO_2e$ |
| Scope 2 | $tCO_2e$ |
| Scope 3 | $tCO_2e$ |

| Biodiversity | |
|---|---|
| Total water consumption and withdrawal | m3 |
| Water reduced, reused or recycled | m3 |
| % of water withdrawn from water-stressed areas | % |
| Effluents | m3 |
| Waste | t |
| % of recycled waste | % |
| Sites owned, adjacent to, or managed in protected areas or key biodiversity areas (KBAs) | # |
| Sites owned, adjacent to, or managed in protected areas or key biodiversity areas | ha |

To manage these risks, based on the collected data, the ESG Research Team assesses the company and generates reports that contribute to mitigate risks. We also use engagement as a mechanism to manage risks, with divestment as a last resort.

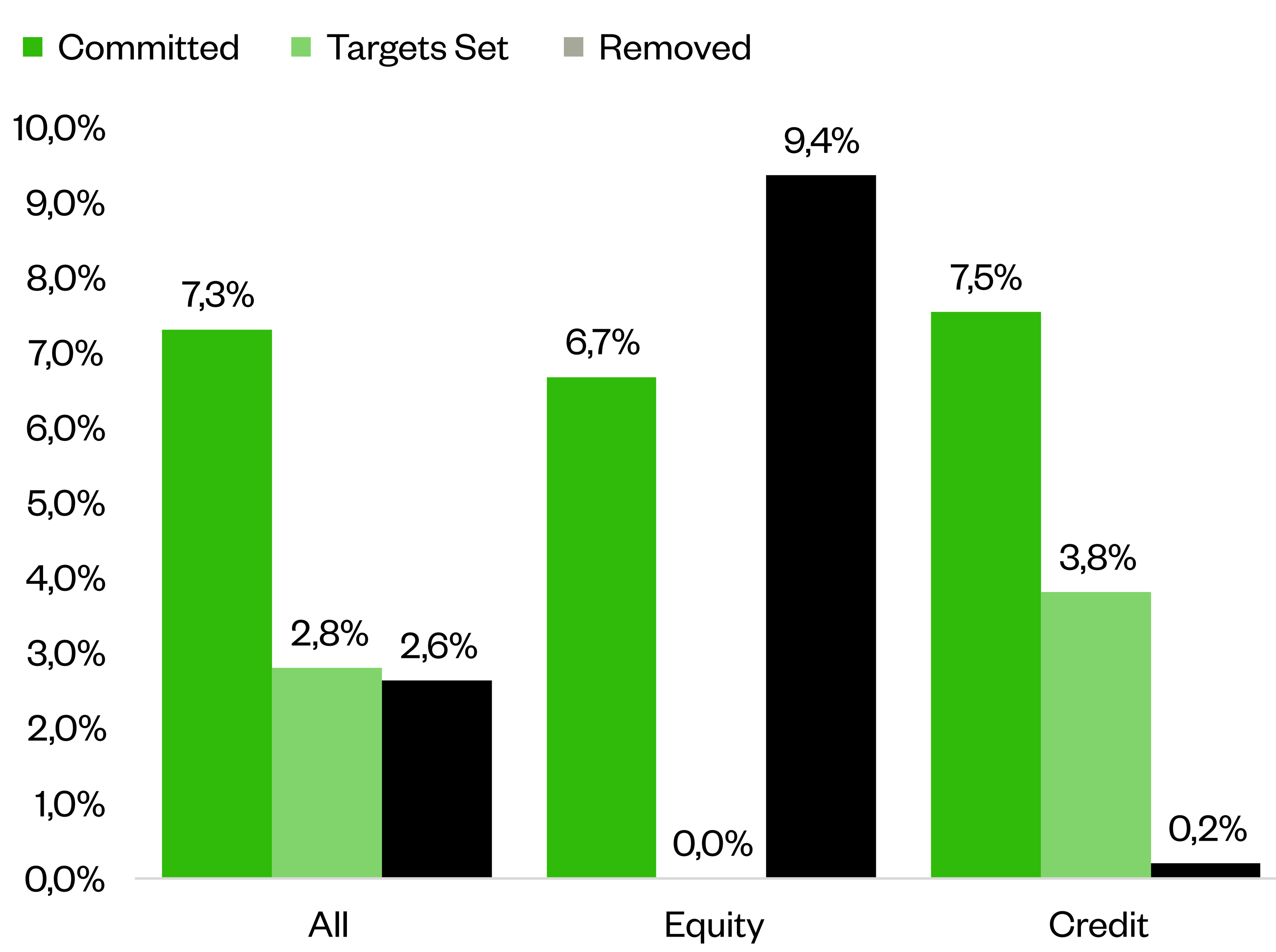
## Science Based-Targets Portfolio Alignment

Besides the absolute greenhouse gas emissions of the companies we invest in, we consider whether the companies have committed to or set greenhouse gas reduction targets that are aligned with science. Targets are considered 'science-based' if they are in line with what the latest climate science deems necessary to meet the goals of the Paris Agreement – limiting global warming to 1.5°C above pre-industrial levels.

For such analysis, we rely on the companies and financial institutions listed on the Science Based Targets Initiative (SBTi) dashboard. The SBTi defines and promotes best practices in science-based target setting. Offering a range of target-setting resources and guidance, the SBTi independently assesses and approves companies' targets in line with its strict criteria.

Chart V

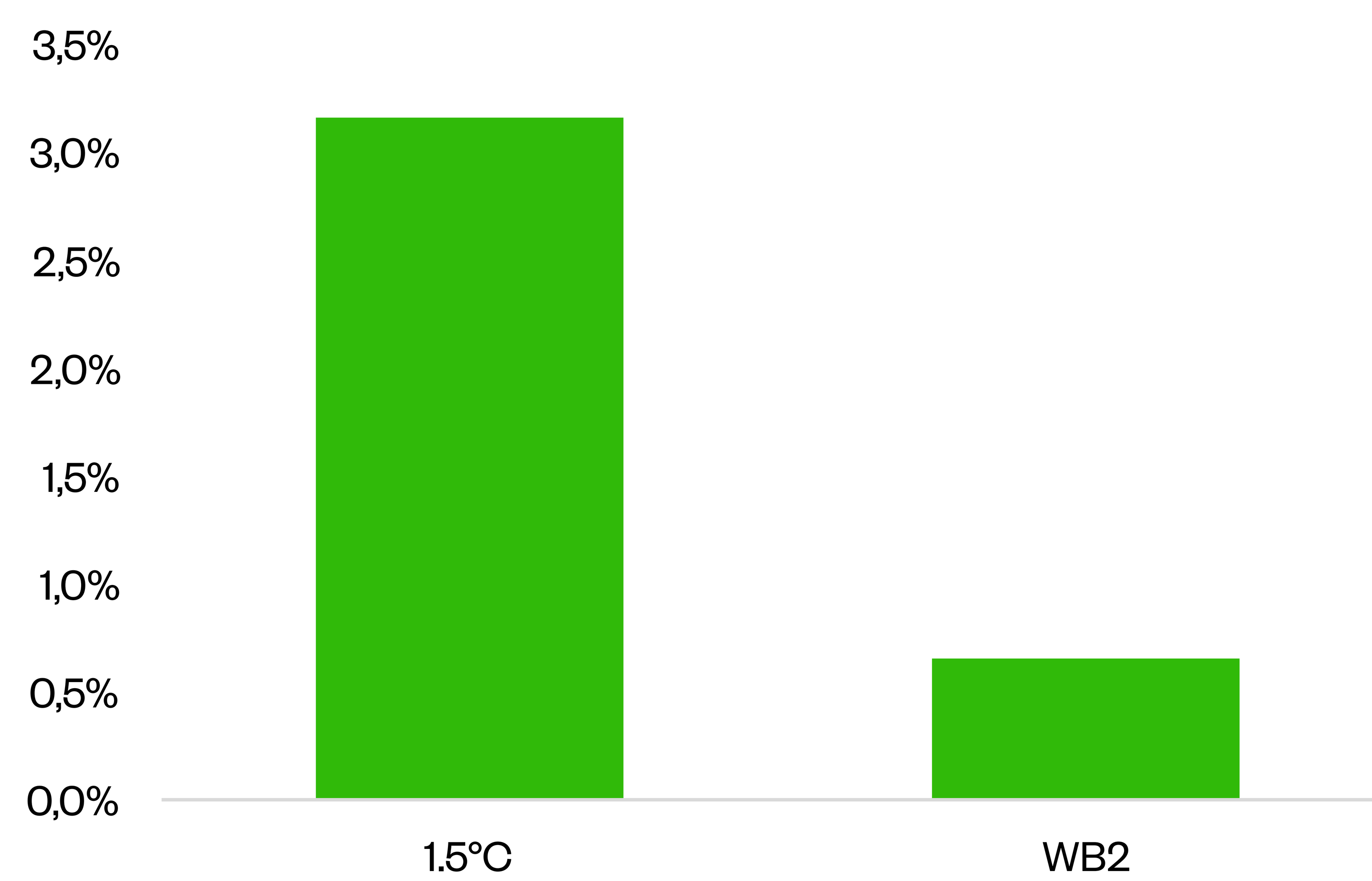
## Alignment (% of AuM) of JGP's portfolio with SBTi




When we look at JGP's total portfolio, 7.3% are committed to establishing science-aligned reduction targets in the coming years, and only 2.8% have approved targets. In the equity portfolio, we have no companies with approved targets and 9.4% had their targets removed, but 6.7% are committed to establishing targets. In the credit portfolio, 7.5% is committed, 3.8% have approved targets, and only 0.2% had their commitments removed.

Chart VI

## Breakdown of Defined Credit Portfolio Targets




Looking at the breakdown of companies with approved targets in the credit portfolio, 3.2% are aligned with a 1.5°C scenario and 0.7% with a well-below 2°C scenario. This demonstrates that the credit portfolio is the most aligned within JGP.

## Climate Transition

To assess the maturity level of climate transition planning among some of the companies in our portfolio, we actively participate in the CDP's Climate Transition Plan Campaign. A climate transition plan is a time-bound, action plan that clearly outlines how an organization will pivot its existing assets, operations, and entire business model towards a trajectory that aligns with the latest and most ambitious climate science recommendations. i.e., halving emissions by 2030 and reaching net-zero by 2050 at the latest, thereby limiting global warming to 1.5°C.

**Chart V and VI**
Source: JGP, SBTi as of 29-December-2023.

Through this campaign, we had access to an evaluation of whether an organization's climate transition plan disclosure is sufficient (and credible).

Table VI

## Alignment of Climate Transition Plans

| Companies | Organizational disclosure to all indicators |
|---|---|
| Ambev S.A | 72% |
| Banco Bradesco S/A | 83% |
| Banco do Brasil S/A | 83% |
| COSAN S.A. | 78% |
| Itaú Unibanco Holding S.A. | 72% |
| Petróleo Brasileiro SA - Petrobras | 72% |
| BRF S.A | 67% |
| Grupo Boticário | 72% |
| Tres Tentos Agroindustrial | 33% |
| AgroGalaxy Participações S.A. | 39% |

We selected this sample based on companies in our equity and credit portfolios that responded to CDP Climate Change Questionnaire and that we would like to evaluate their performance.

We will use it to directly engage with a subset of our portfolio on certain areas of climate transition plan disclosure, such as financial planning to achieve net zero, external policy engagement activities, etc.

**Table VI**
Source: CDP

## Deforestation Risk

The loss of carbon storage in forests is alarming, tropical forests play a crucial role in absorbing carbon emissions generated by human activities, serving as significant carbon sinks. Nonetheless, recent scientific findings suggest that the capacity of tropical forests to store carbon in trees is decreasing, possibly due to the adverse effects of drought and rising temperatures. Notably, the Amazon rainforest might no longer capture additional carbon after the year 2040. This changing scenario implies that the consequences of climate change in the tropics could be more pronounced than initially anticipated. This underscores the urgency of conserving existing tropical forests.

We recognize deforestation, conversion, and associated human rights abuses as a business threat, as it can be related to financial, operational, competition and reputation risks.

Effectively managing risks associated with natural capital is crucial in combating the conversion of native vegetation and biodiversity loss, which are essential for achieving global climate goals.

## Deforestation Action Tracker

Global Canopy's Deforestation Action Tracker monitors financial institutions with significant climate commitments including those in Race to Zero and Glasgow Financial Alliance for Net Zero (GFANZ), to track their action on deforestation, conversion and associated human rights abuses.

In the 2023 assessment of more than 700 financial institutions, JGP ranked as the number 1 asset management in Latin America, achieving the highest Total Score.

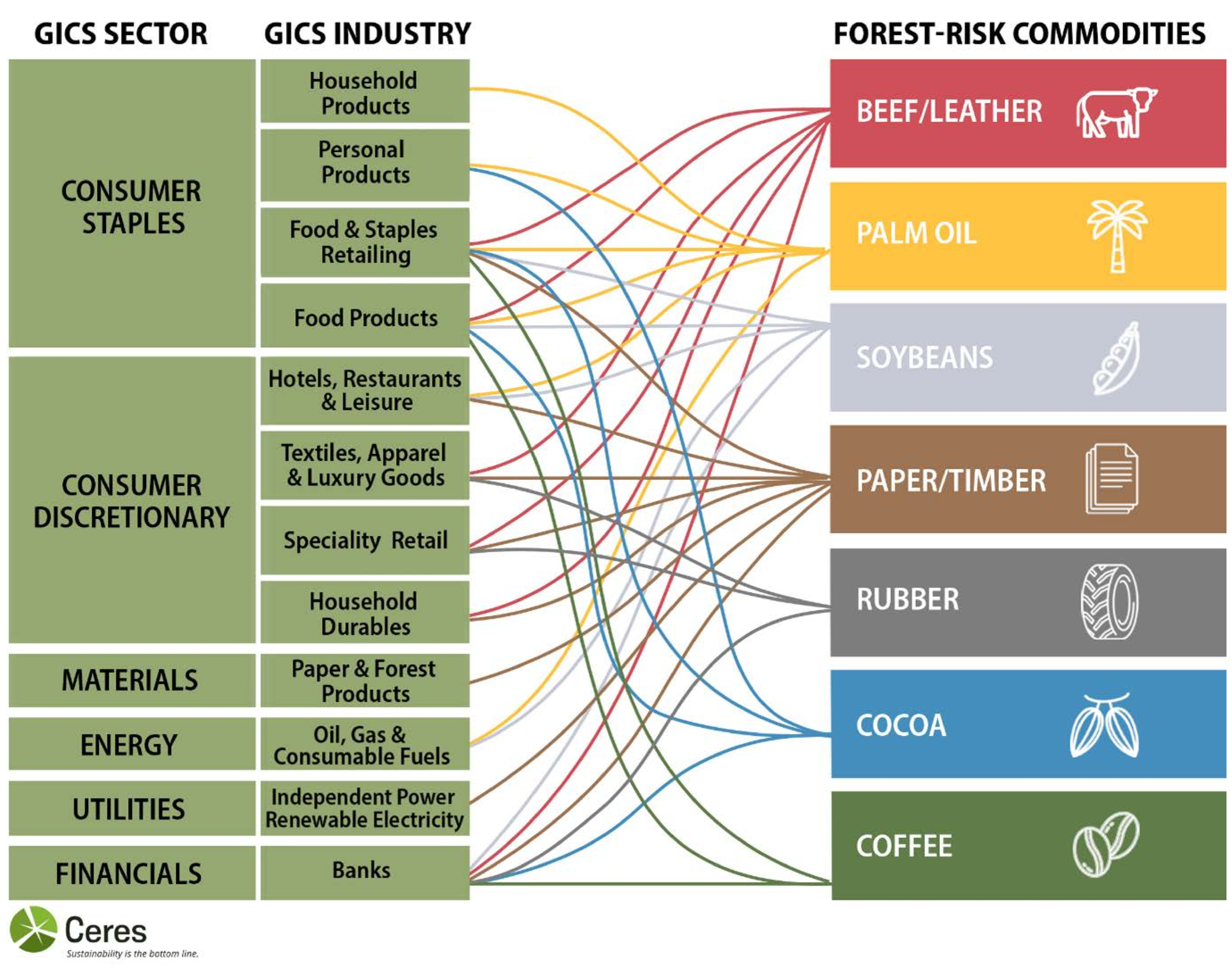
**However, we recognize that much work remains to be done. We need to see greater improvements and faster progress. We commit to reporting transparently about our actions and progress in tackling deforestation on an annual basis.**

When investing in a company equity or debt, regardless of the size, we require that their operations and business practices comply with all applicable national, and international laws and regulations.

For the ESG Funds, we consider legal and illegal deforestation after December 31st, 2020, as causing significant harm and thus do not allow investment in companies that promote this type of deforestation. Regarding our traditional funds, we prohibit illegal deforestation and, starting in 2025, we will also prohibit investment in companies directly and indirectly connected to deforestation associated with high-risk forest commodities, with the cutoff date as December 31st, 2020. We are committed to eliminating deforestation risks driven by agricultural commodities (beef, soy, palm oil, pulp, and paper) from investment portfolios and loans by 2025 through the FSDA Initiative.

Source: JGP

## Sector and industry exposure to deforestation due to agriculture and forest commodity sourcing:




In our investment decisions, we carefully evaluate high-risk forest commodities, including beef/leather, palm oil, soy, pulp and paper, timber, rubber, cocoa and coffee, with a focus on both FSDA and Ceres.

To identify, prevent and mitigate commodity-driven deforestation in our financial portfolios, we have adopted the **Deforestation-Free Finance Roadmap**, which provides step-by-step recommendations to eliminate financing of commodity-driven deforestation, ecosystem conversion and associated human rights abuses.

With the goal of identifying such deforestation exposure risks in assets, we have adopted the Deforestation Free Finance Decision Tree, a guide that outlines practical and detailed steps to assist JGP in conducting its assessment.

For the analysis of socio-environmental and legal risks of assets classified as high and medium risk, we use a series of platforms to verify their compliance based on properties with Rural Environmental Registry (CAR ID) in Brazil. For example, the Mapbiomas platform, with high-resolution satellite images, contributes to identifying deforestation and potential overlaps with Indigenous Lands, Conservation Units, among others. In our process, we verify the following nature intersection layers: Biome; Biodiversity Hotspot; Protected Areas; Indigenous Areas; Deforestation Fronts; Deforestation from previous five years; Water Stress.

According to TNFD, sensitive locations are considered as:

- Areas important for biodiversity, including species; and/or
- Areas of high ecosystem integrity; and/or
- Areas of rapid decline in ecosystem integrity (i.e. deforestation front); and/or
- Areas of high physical water risks; and/or
- Areas of importance for ecosystem service provision, including benefits to Indigenous Peoples, Local Communities, and stakeholders.

Based on that, it is highly likely that most of the agricultural companies in Brazil operate in sensitive locations.

Source: Ceres

## Results

To identify which of our investments are most susceptible to promoting deforestation, we've evaluated the **Forest 500** rank by Global Canopy. This ranking assesses the exposure of 350 companies that have a significant impact on tropical deforestation through forest-risk commodities, along with the 150 financial institutions that provide substantial financing to these companies.

Table VII

### Company Rankings – 2023

| Company Name | Total Score | Overall Approach | Associated Human Rights Abuses | Commodity Score | Commitment Strenght | Reporting and Implementation |
|---|---|---|---|---|---|---|
| Suzano SA | 72.5% | 8 \| 8 | 65 \| 92 | 14 \| 14 | 43 \| 64 | 8 \| 14 |
| Natura&Co | 34.6% | 6 \| 8 | 29 \| 92 | 9 \| 14 | 17 \| 64 | 4 \| 14 |
| BRF Brasil Foods S.A. | 18.2% | 3 \| 8 | 16 \| 92 | 2 \| 14 | 10 \| 64 | 4 \| 14 |

Table VIII

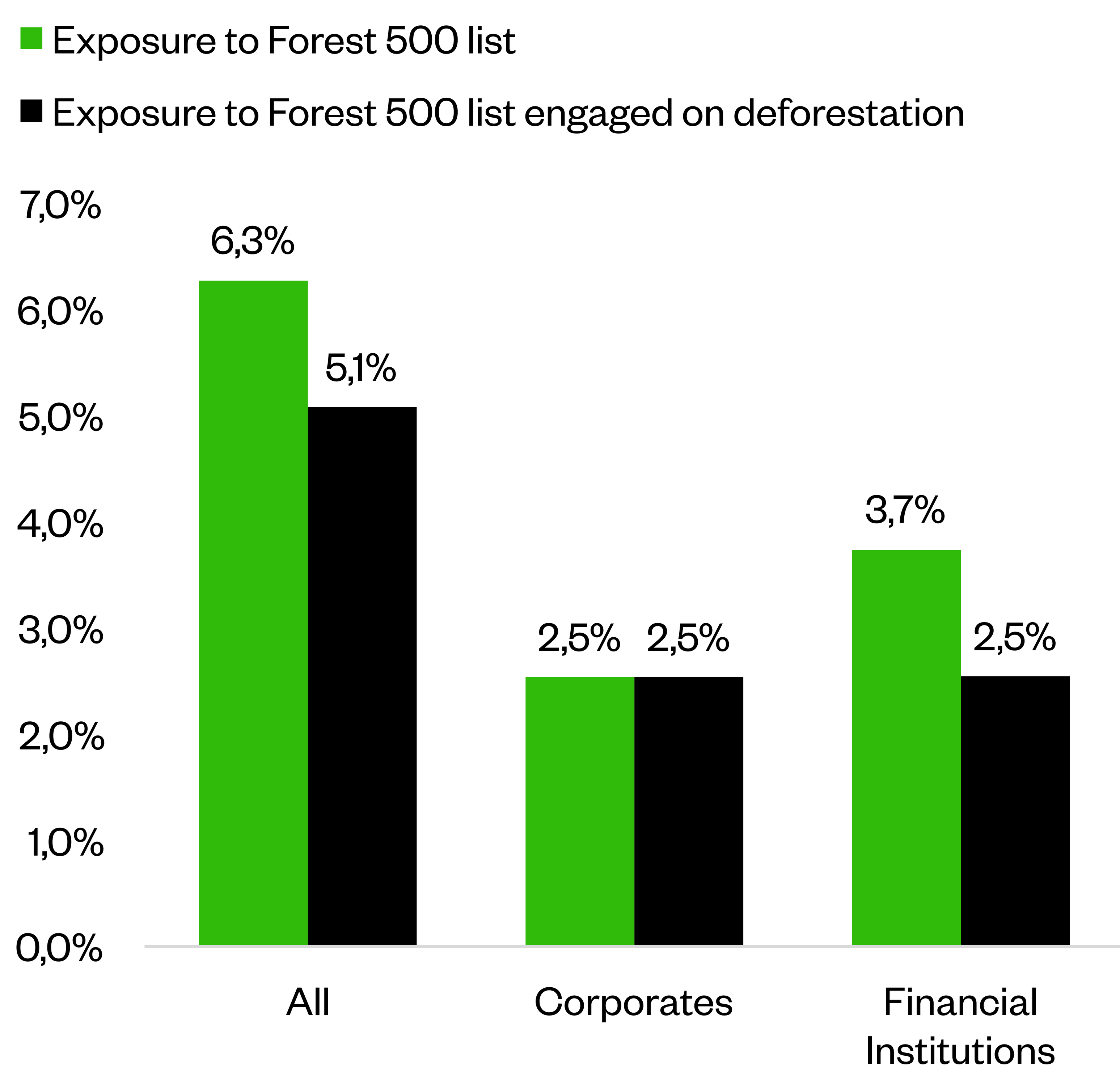
### Financial Institutions - 2023

| Company Name | Total Score | Overall Approach | Commodity Score | Policy Strenght | Implementation and Reporting | Associated Human Rights Abuses |
|---|---|---|---|---|---|---|
| Banco do Brasil | 19.2% | 2 \| 6 | 11 \| 44 | 6 \| 21 | 6 \| 50 | 5 \| 23 |
| BTG Pactual | 15.1% | 2 \| 6 | 5 \| 44 | 3 \| 21 | 9 \| 50 | 1 \| 23 |
| Itaú Unibanco | 7.9% | 1 \| 6 | 2 \| 44 | 2 \| 21 | 5 \| 50 | 0 \| 23 |
| Bradesco | 4.8% | 2 \| 6 | 3 \| 44 | 3 \| 21 | 0 \| 50 | 0 \| 23 |
| Grupo XP | 0% | 0 \| 6 | 0 \| 44 | 0 \| 21 | 0 \| 50 | 0 \| 23 |

**Table VII and VIII**: Forest 500

Chart VII

## Exposure (% of AUM) to corporates and financial institutions on the Forest 500 list




Only 6.3% of JGP's portfolio has exposure to these companies and financial institutions, with 5.1% of these being engaged in deforestation. We have engaged with all the corporates, and only two financial institutions have not been engaged yet on such theme to address these risks. Our intention is to engage with one of these financial institutions through PRI Spring and the other individually.

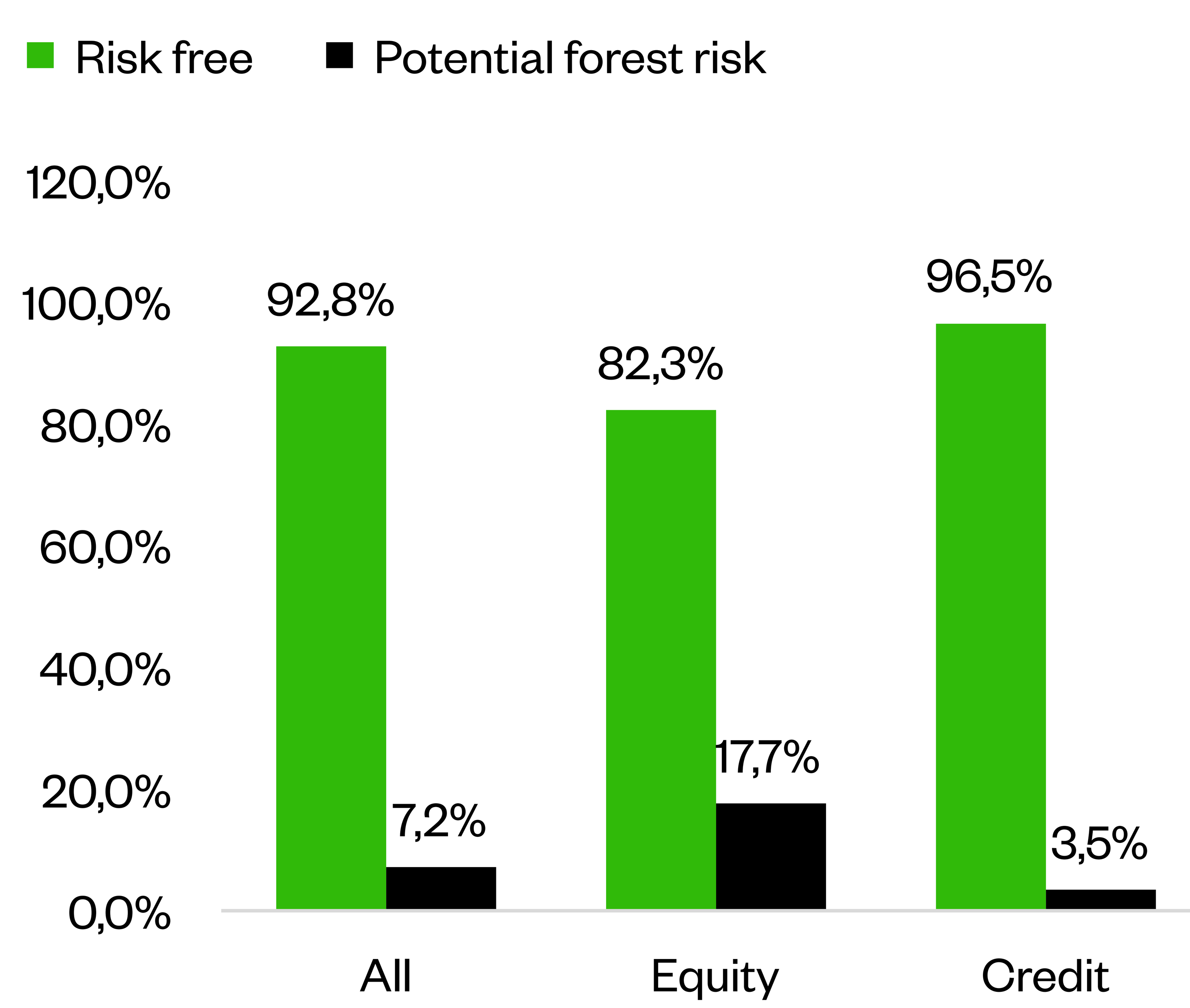
**Table I e II**
Source: Forest 500

To have a macro view of companies' risk that may have a negative socio-environmental impact on forests in our portfolio, we relied on the analysis conducted by Forest IQ for screening, risk assessment and stewardship. Forest IQ brings together aligned, best-in-class, and actionable data on how more than 2,000 major companies are addressing their links to deforestation. It is aligned with the Accountability Framework initiative (AFi).

The Forest IQ assesses companies' exposure to deforestation/conversion by estimating the volume of commodities sourced or produced with risk of deforestation. For financial institutions, this assessment estimates the amount of financing provided to companies with exposure to deforestation.

Chart VIII

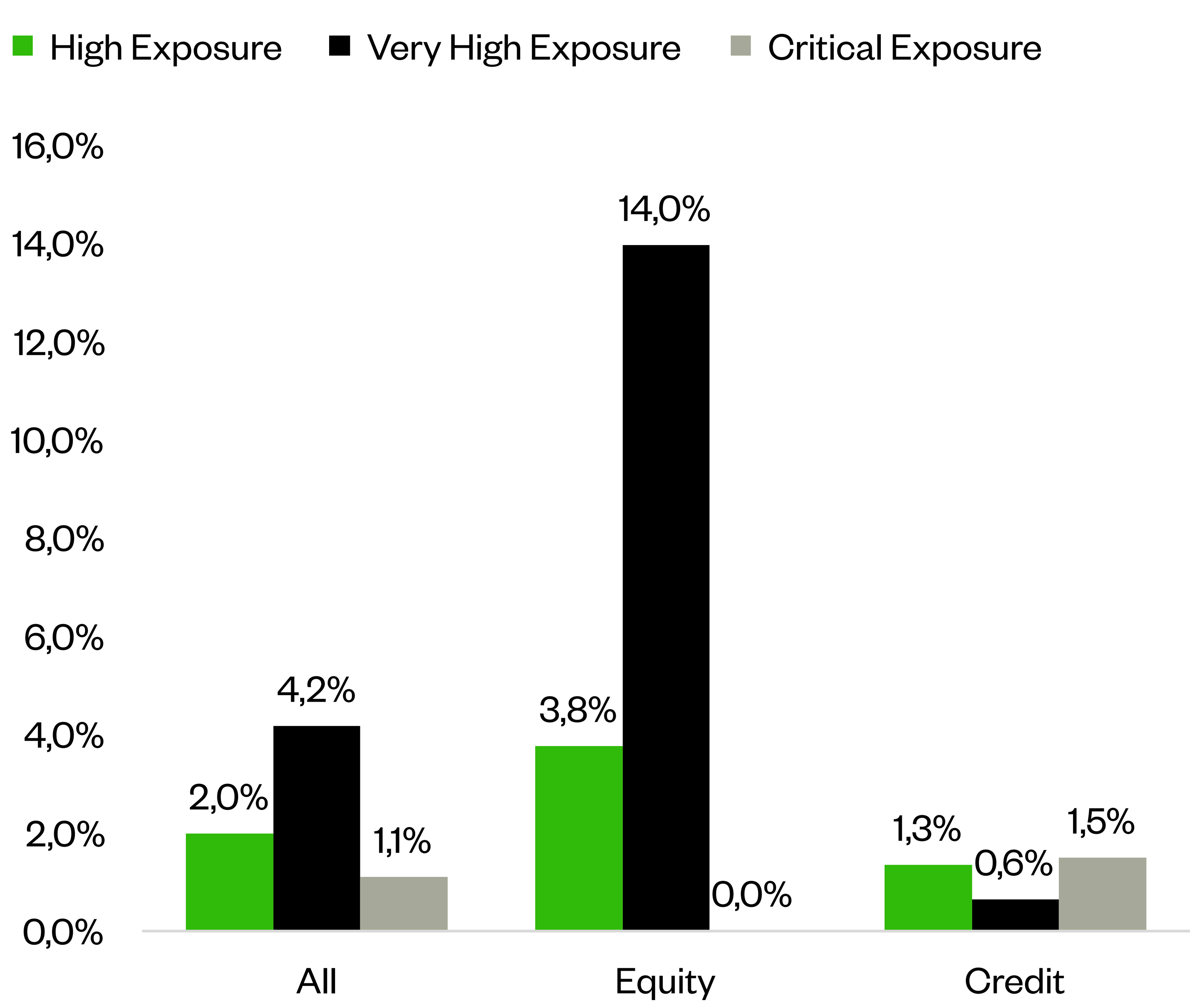
## Assessment of the Portfolio of Commodities with potential forest risk



Based on Forest IQ assessment, when we look at all JGP's financial portfolio, 7.2% is invested in companies exposed to commodities with high forest risk (FRC). In the listed equities portfolio, it's 17.7%, and in credit only 3.5%.

Chart IX

## Exposure (% of AUM) to deforestation and conversion of natural ecosystems




When we look at the level of exposure to deforestation and conversion of natural ecosystems, based on Forest IQ data and methodology, we find that 4.2% of the entire portfolio has Very High Exposure, 2.0% has High Exposure, and only 1.1% has Critical Exposure. In the Equity portfolio, 14.0% has Very High Exposure and 3.8% has High Exposure, while in the Credit portfolio, there's 1.3% High Exposure, 0.6% Very High Exposure, and 1.5% Critical Exposure.

**Assessment of deforestation, conversion and human rights risks in our portfolios:**

**Step 1** - Results from deforestation risk assessment:

- 9% of AuM invested in companies with direct (own operations) and 3% with indirect (upstream/downstream) material exposure[2] to forest-risk commodities.

- 7% of AuM invested in companies identified as high-risk client/holding by any third-party providers.

## Commodities breakdown:

Chart X

### Exposure (% of AuM identified in Step 1) to potential forest-risk commodities

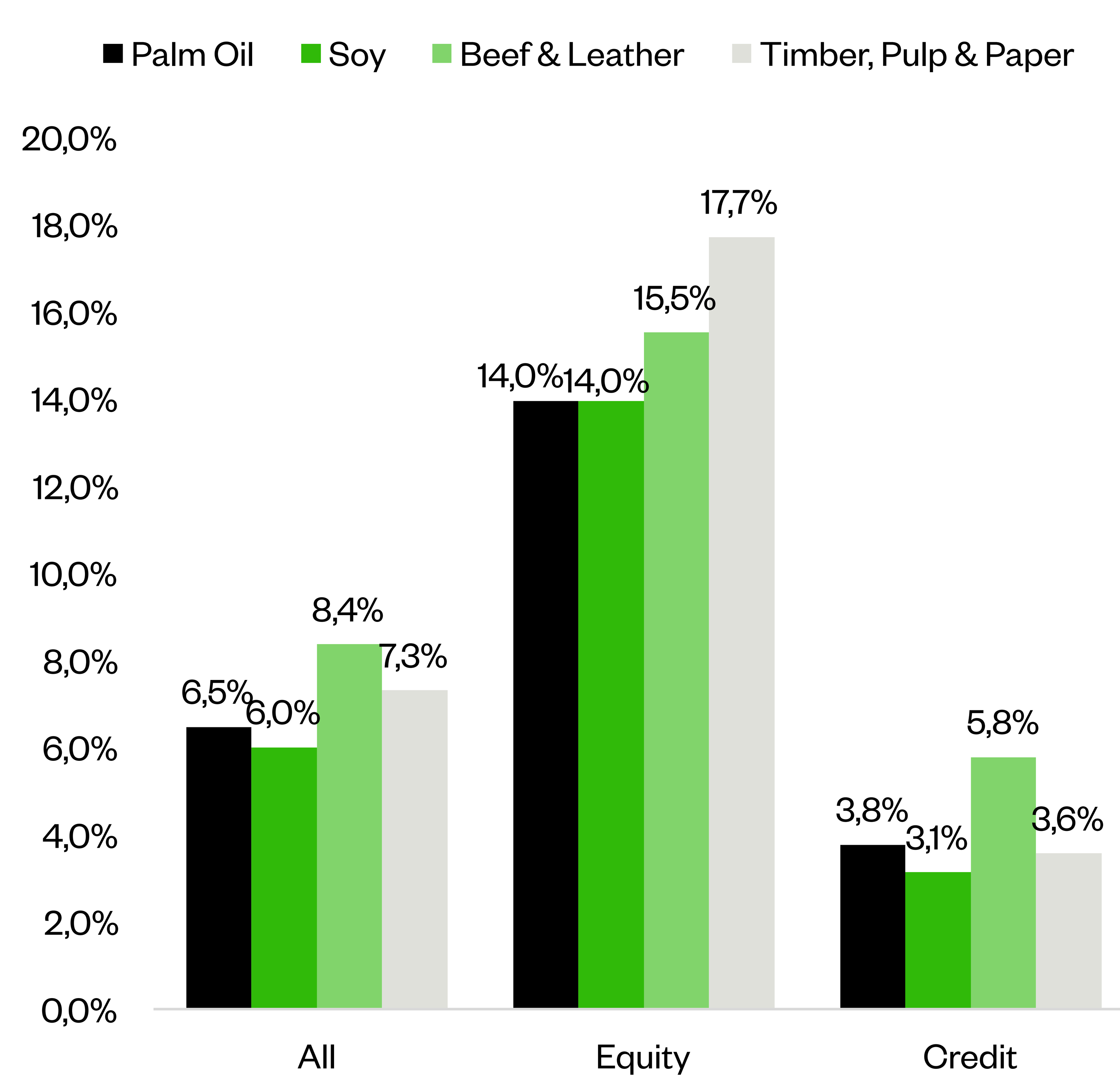



**Chart IX**
Source: JGP, Forest 500 as of 29-December-2023.
**Chart X**
Source: JGP, Forest IQ as of 29-December-2023
[2]Material exposure is defined as with a revenue threshold >33% from activities linked to forest-risk commodities under scope.

Considering the value invested in companies identified in Step 1, the commodity with the highest forest risk exposure in our portfolios is cattle, with beef & leather accounting for 8.4%. Soy has the lowest exposure, with 6.0%. In the Equity portfolio, the commodity with the highest exposure is related to Timber, Pulp & Paper, accounting for 17.7% of the invested value in companies in this segment, while Palm Oil and Soy have the lowest exposure, both with 14%. In the Credit portfolio, the commodity with the highest exposure is Beef & Leather, with 5.8%, and Soy has the lowest, at 3.1%.

## Sector breakdown:

Chart XI

### % companies per sector identified in deforestation risk assessment

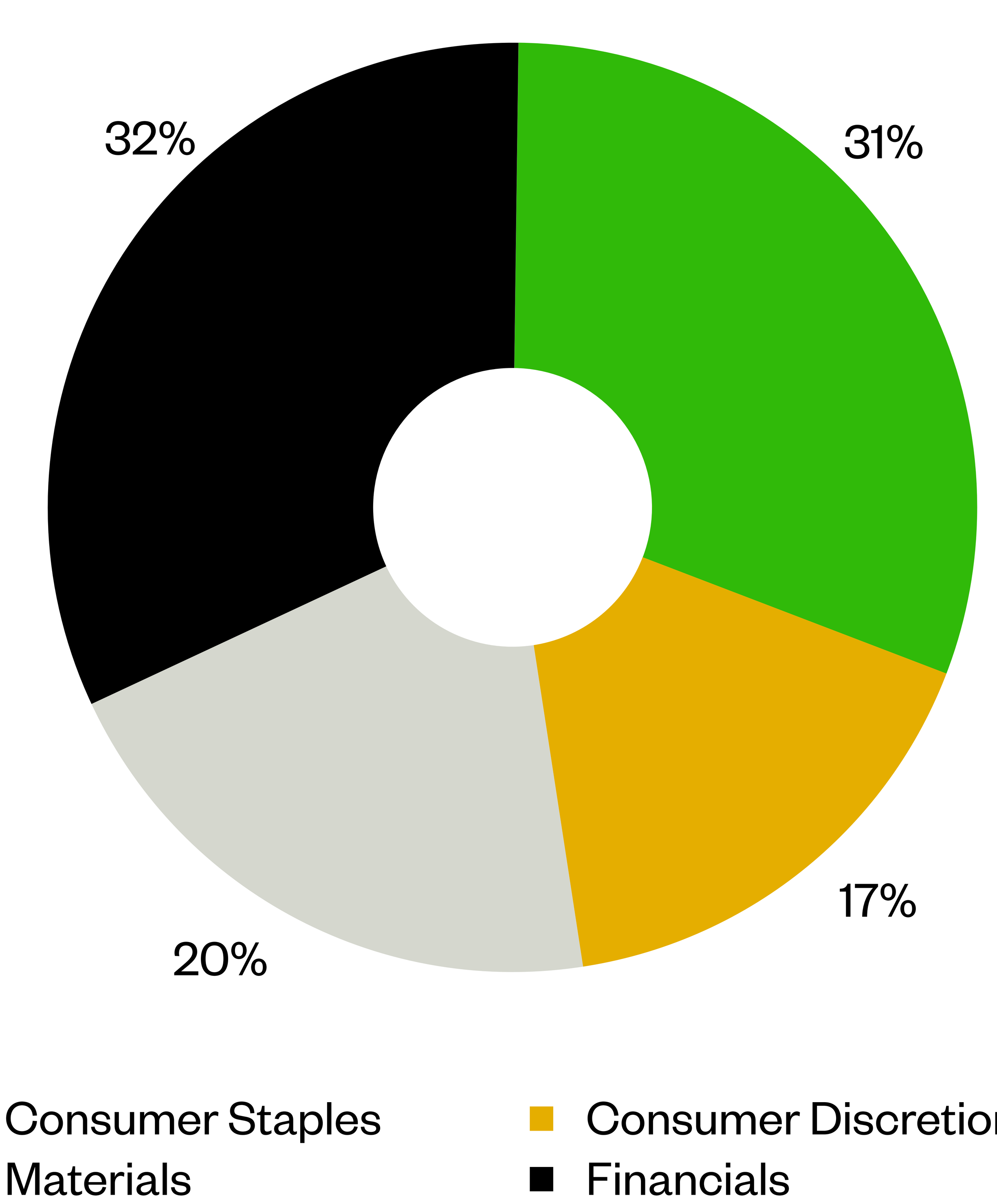



**Chart XI**
Source: JGP

**Step 2** - Assessment performance on deforestation, conversion and human rights risks:

- 43% companies identified in Step 1 for which data is available to conduct its assessment (Forest IQ, FAIRR, Forest 500).
  - **Exposure to deforestation:** 0% of companies were involved in land use change controversies.
  - **Risk management** – policies on deforestation, conversion and human rights: 33% companies identified in Step 1 have policy in place, and 67% do not have any policy.
- 57% companies for which data is unavailable.

For the companies for which data is unavailable, we will follow our risk analysis and measurement protocol. We will also engage in the implementation of policies with the 67% of companies identified that do not have anti-deforestation policies.

### CDP Forest

We also checked the responses from CDP Forests to gain a better understanding of companies' performance; however, the response rate for Brazilian companies is still very low. We hope to be able to share a broader analysis based on this.

## Risk Department

This process for identifying, assessing, prioritizing and monitoring climate- and nature-related risks is integrated into our overall ESG risk management processes.

We have also a specific Risk Department and an Overall Risk Management Policy, which establishes the guidelines and control procedures adopted by JGP in the management process of different types of risk: **(i)** market risk; **(ii)** operational risk; **(iii)** liquidity risk; **(iv)** credit risk; **(v)** concentration risk; and **(vi)** counterparty risk.

Regarding ESG issues, the Risk Department verifies whether all assets in the IS (Sustainable Investment) funds have undergone ESG integration and have the approval of the team.

Image: (via Unsplash)

# 7.

# Metrics & Targets

## Climate

Based on Greenhouse Gas Protocol, JGP has completely evaluated 2023 Scopes 1, 2 and 3 emissions, and under category 15 – Investments, we have followed the PCAF Standard.

With that we were able to calculate our financed emissions for listed equities, corporate bonds, business loans and unlisted equities.

Table VIII

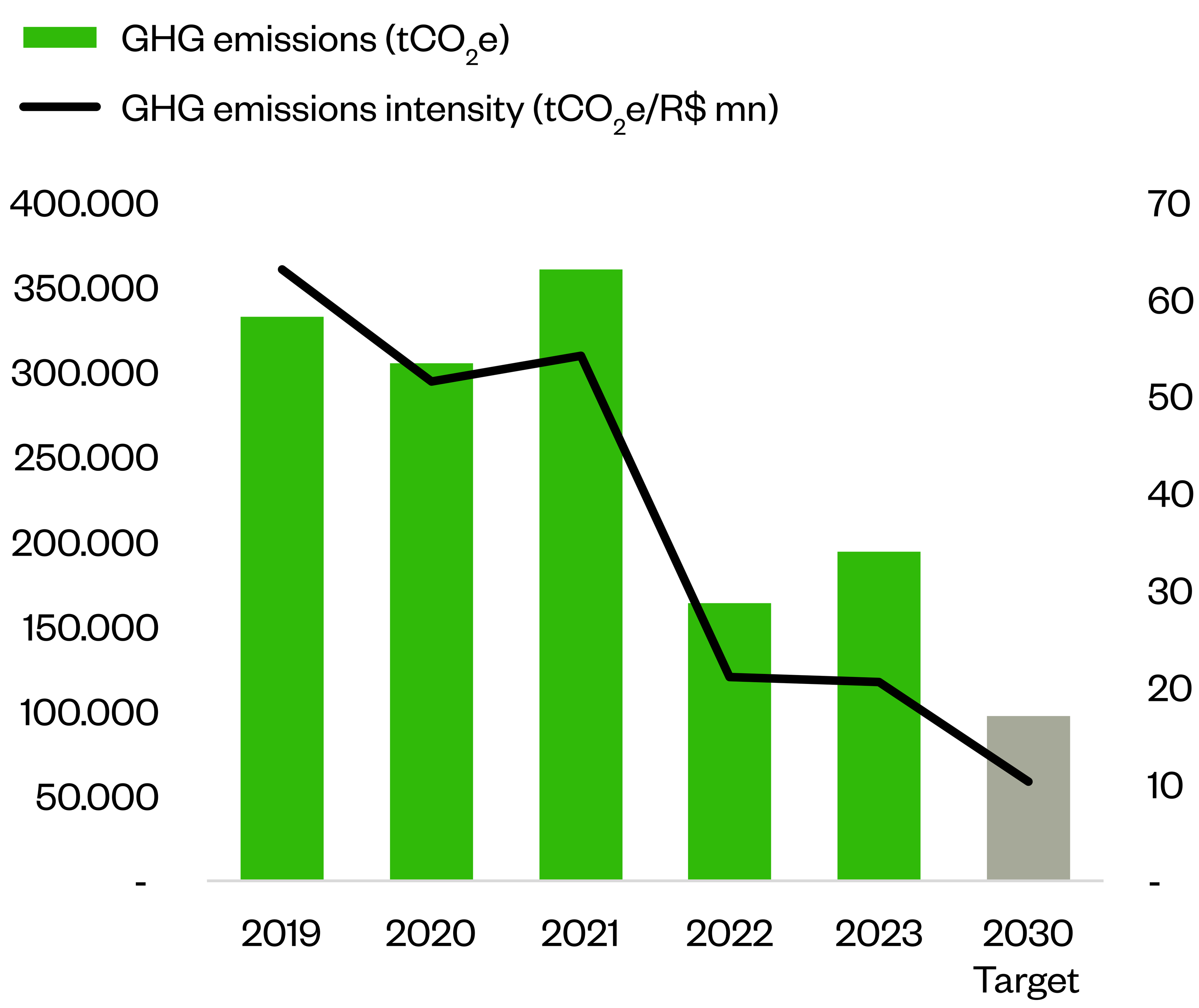
### 2023 Overall GHG Emissions Metrics

| Scopes and categories | 2023 |
|---|---|
| **Scope 1 emissions ($tCO_2e$)** | |
| Stationary combustion | 0,26 |
| Fugitive emissions | 0,07 |
| **Scope 2 emissions ($tCO_2e$)** | |
| Purchased electricity | 13,37 |
| **Upstream scope 3 emissions ($tCO_2e$)** | |
| Category 5: Waste generated in operations | 13,09 |
| Category 6: Business travel | 76,28 |
| Category 7: Employee commuting | 95,65 |
| **Downstream scope 3 emissions ($tCO_2e$)** | |
| Category 15: Investments | 193.647,60 |
| **Total emissions all scopes ($tCO_2e$)** | |
| Scope 1 total emissions | 0,34 |
| Scope 2 total emissions | 13,37 |
| Scope 3 total emissions | 193.832,62 |
| **Overall total emissions** | **193.846,33** |

Table VIII
Source: JGP

Chart XII

## Our pathway to zero




On our journey towards net zero, we are committed to halving our emissions by 2030 and achieving net zero by 2040. We began measuring our emissions in 2019 and have been able to reduce both absolute and intensity emissions. However, we decided to update our target to be even more ambitious, redefining the base year to 2023.

**Chart XII**
Source: JGP

## Operational greenhouse gas emissions

JGP's operational emissions are minimal compared to the emissions from our investment activities. Our scope 1 emissions include stationary combustion and fugitive emissions, scope 2 emissions relate to the purchase of electricity for our offices, and in scope 3, we measure business travel, employee commuting, and waste.

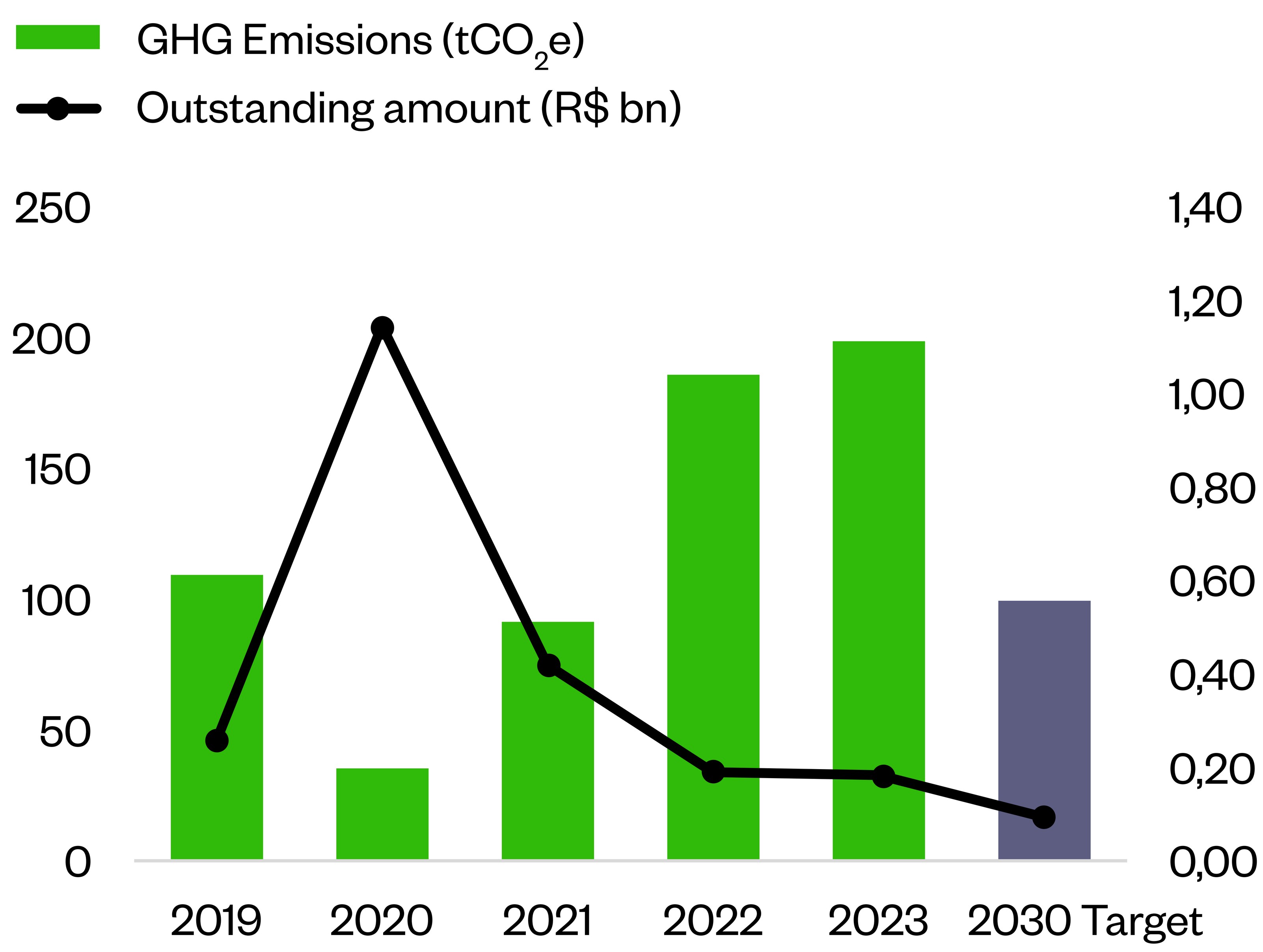
**Regarding Scope 1**, there was a decrease in fugitive emissions due to the air conditioning models used. The building's cooling system is a fan coil, which uses chilled water for refrigeration, eliminating the need for any type of gas cylinder. For stationary combustion emissions, only the Rio de Janeiro office was considered in the calculation, as we do not have our own power generator in São Paulo, and the energy consumed is shared with other tenants, making it insignificant for JGP.

**Regarding Scope 2**, there was an adjustment in the data accounted for measuring greenhouse gas emissions in the 2022 inventory because the condominiums started negotiating energy in the free market, showing greater efficiency compared to previous years.

**Regarding Scope 3**, with the increase in employees and the intensification of travel for in-person meetings, an increase in absolute emissions is expected.

Chart XIII

### Scopes 1, 2 and 3 excluding category 15 - Investments




JGP joined the Partnership for Carbon Accounting Financials in 2021 and with this commitment we began to evaluate the methodology for calculations and disclosures requirements.

Emissions data are from 31-December-2019, 31-December-2020, 30-December-2021, 30-December-2022 and 29-December-2023. It accounts for the seven gases under the Kyoto Protocol converted to $CO_2$ equivalents and expressed in metric tons of $CO_2e$ ($tCO_2e$).

Our results are based on emissions factors extracted from the PCAF Database in December-2023, which were derived from EXIOBASE V.3.8.2. Emissions factors were converted from EUR to BRL using a conversion factor for December-2023.

When we look at the performance of our operational emissions, in general there was an increase in absolute emissions due to the increase in employees, but in relation to the intensity of emissions per number of employees, we had a slight reduction compared to 2022.

## Financed greenhouse gas emissions

Financed emissions, scope 3 under category 15 of Investments, are those associated with investments and loans. When we invest or finance a specific activity it indirectly contributes to the release of GHG emissions.

Chart XIV

### Total financed emissions and AuM

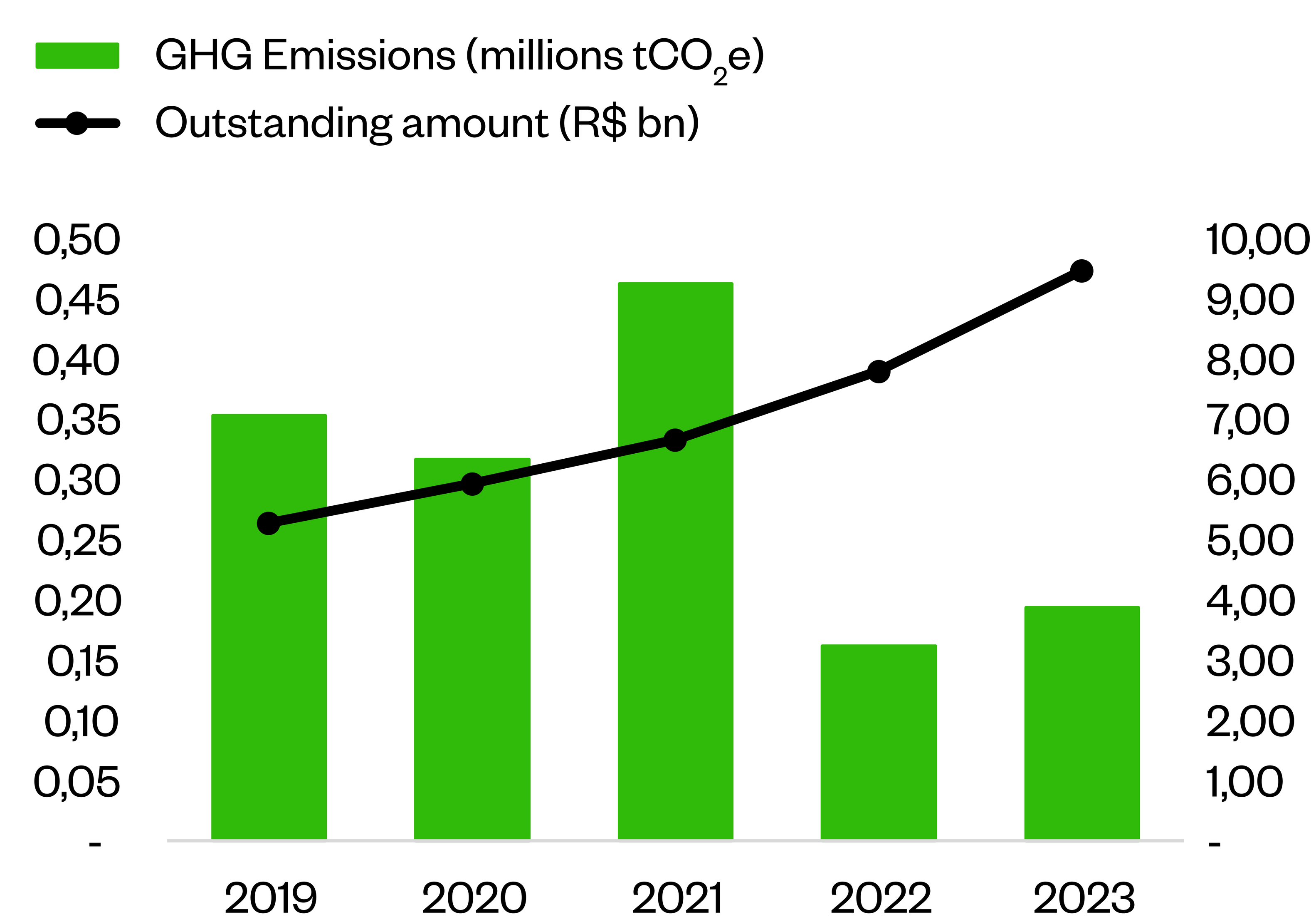
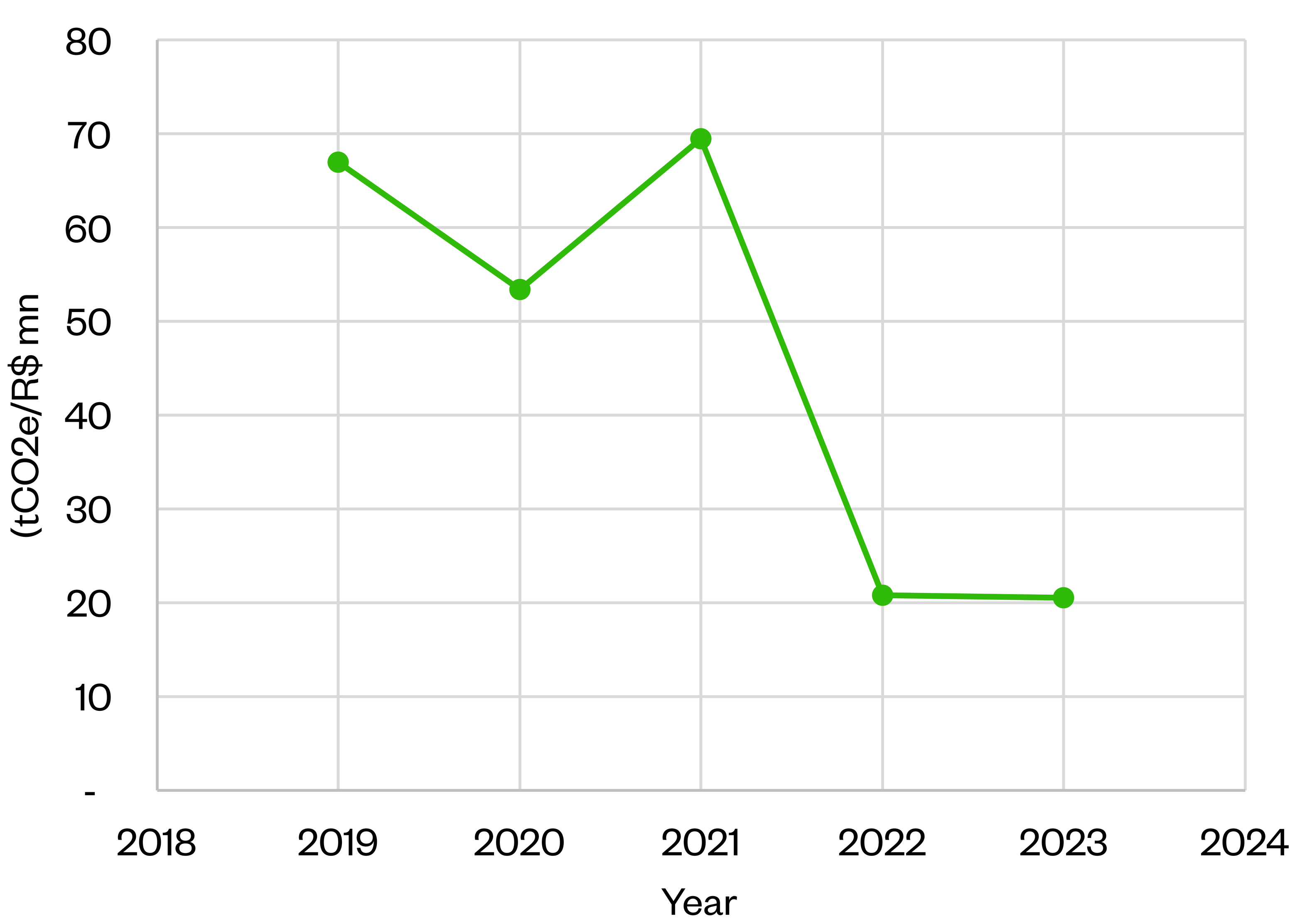



**Chart XIII and XIV**
Source: JGP

To each of these years, we were able to calculate the following percentage of the total portfolio: 83% for 2019, 88% for 2020, 81% for 2021, 83% for 2022, and 84% for 2023. Even with the constant increase in assets under management (AUM), we have managed to keep emissions low. When we look at emission intensity, it becomes even clearer.

Chart XV

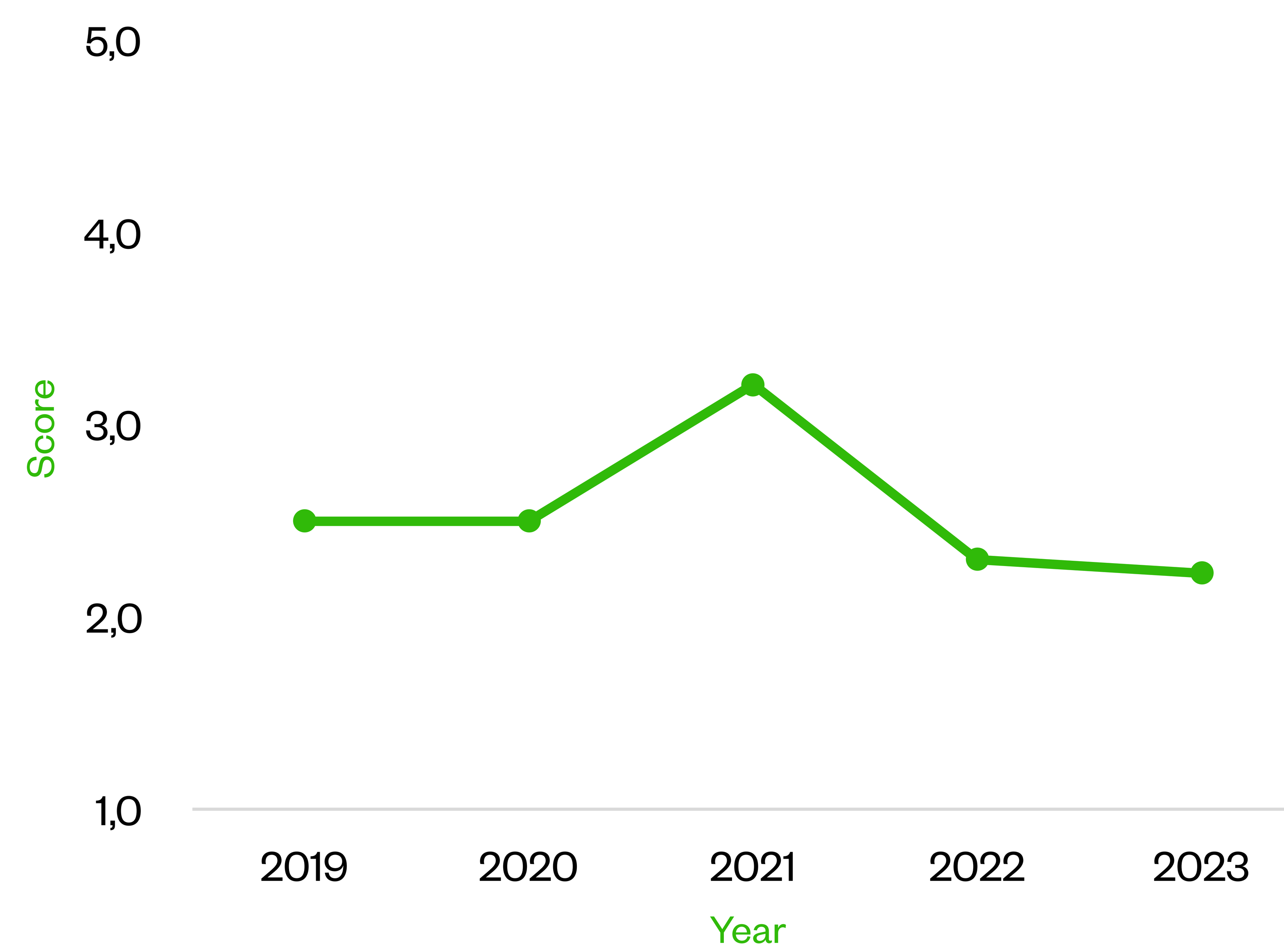
## Financed GHG emissions intensity over time




The intensity of emissions (tCO2e/ R$ mn invested) managed to decrease slightly compared to the 2022 inventory. This progression can be attributed to various factors, with one of them being the increased availability of high-quality data for measurement and the progress of the invested companies to tackle its emissions.

Chart XVI

## Data Quality Score (DQS)




The process to improve the quality of the scores of the inventories used to estimate our scope 3 emissions was rewarded; we managed to improve the score from 2.3 to 2.2, demonstrating a slight increase in the confidence of the data used. It is worth highlighting the score in the listed equity and bonds category, which went from 1.6 to 1.4, thus demonstrating that a significant portion of the data used is reported by the invested companies and verified.

**Chart XV, XVI**
Source: JGP

## Data Quality Scorecard

Having access to data and high-quality data is an intrinsic challenge associated with financed emissions. On a scale from 1 to 5, the closer to 1, the higher the quality of the inventory data, and the closer to 5, the more imprecise the data used. It is important to note that, in the absence of data, a less accurate estimate is more appropriate than no estimate at all.


## Recalculation base year emissions policy

In line with the GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard requirement and following the best practices, we have established a baseline for the recalculation policy to ensure consistency, comparability, and relevance while maintaining efficiency. We have determined that a significant change resulting in a 5% difference in the total emissions for the base year would trigger a base year emissions recalculation.

This change may be related to structural changes, such as mergers and acquisitions, changes in calculation methodologies, such as improvements in data accuracy or discovery of significant errors or changes in the categories or activities included in scope 3 inventory.

## 2023 financed emissions

For this report, we are disclosing absolute Scope 1 & 2 emissions and Scope 3 emissions separately, categorized by asset class and specific sectors. Within the asset class, emissions from metals & mining and oil & gas are disclosed only in relation to business loans and unlisted equity, providing a more detailed breakdown of these specific sectors.

For emissions per sector, we separated some sectors of our portfolio for better data granularity. It is worth noting that the Metals & Mining sector is the most carbon-intensive in our portfolio. On the other hand, electric utilities showed lower intensity compared to Oil & Gas, as in Brazil, most of our energy matrix is composed of renewable energies, and the companies in our portfolio reflect this.

Table IX

| Activity | Total outstanding loan and investments covered (R$ mn) | Scope 1 & Scope 2 emissions ($tCO_2e$) | Scope 3 emissions ($tCO_2e$) | Emission intensity ($tCO_2e$/R$ mn) | Weighted data quality score (High Quality = 1, Low Quality = 5) |
|---|---|---|---|---|---|
| **Absolute financed emissions per asset class** | | | | | |
| Listed Equity & Bonds | 5.738,35 | 20.232,63 | 52.086,56 | 12,60 | 1,4 |
| Business Loans and Unlisted Equity | 3.720,28 | 47.672,89 | 73.655,47 | 32,61 | 3,8 |
| - Metals & Mining | 56,48 | 3.717,23 | 2.264,30 | 105,90 | 4,0 |
| - Oil & Gas | 243,99 | 5.993,02 | 2.747,21 | 35,82 | 4,0 |
| **Total** | **9.458,63** | **67.905,52** | **125.742,04** | **20,47** | **2,23** |
| **Absolute financed emissions per sector** | | | | | |
| Financials | 1.767,37 | 4.589,01 | 10.771,95 | 8,69 | 2,4 |
| Electric Utilities | 1.046,27 | 5.180,00 | 2.693,24 | 7,53 | 1,4 |
| Transport | 987,91 | 4.222,12 | 17.514,60 | 22,00 | 3,3 |
| Healthcare | 616,89 | 1.108,19 | 7.095,09 | 13,30 | 1,8 |
| Oil & Gas | 813,30 | 6.694,95 | 9.720,83 | 20,18 | 2,1 |
| Metals & Mining | 364,19 | 8.334,08 | 5.076,61 | 36,82 | 3,0 |
| Food & Beverage | 326,39 | 4.285,72 | 2.460,77 | 20,67 | 2,0 |
| Water Utilities | 450,44 | 285,94 | 3.813,59 | 9,10 | 1,9 |

**Table IX**
Source: JGP

**Risk**

JGP's operational emissions represent a small risk compared to the climate risk of the financed emissions in our investment portfolios. Investing in companies that are not aligned with the Paris Agreement, meaning those without commitments and targets to reduce their emissions, poses a risk to JGP's own net zero 2040 target.

**Target**

To address these risks and reinforce the resilience of our targets to halve emissions by 2030 and achieve net zero by 2040, we will rely on the following strategy:

— JGP will continue to measure and disclose its scope 1, 2 and 3 emissions on a yearly basis and improve its data quality score;

— Through active ownership JGP will engage with portfolio high emitters to reduce their emissions and develop approved science-based targets;

— JGP will collaborate with investors and other stakeholders to create awareness and develop shared capacity building for climate finance;

—JGP will be vocal and participate in public debates to engage late adopters and laggards and articulate critical stakeholders in climate governance;

— JGP will keep and grow investments in climate-tech and nature-based solutions to improve its portfolio towards SBTi goals.

**Nature**

On our sustainability journey, we had set the goal of reporting in line with the recommendations of the Taskforce on Nature-related Financial Disclosures. It is with great joy that we share this first integrated climate and biodiversity report in 2024, referring to the financial year of 2023, demonstrating an achievement by our team.

Another target we have is from the Finance Sector Deforestation Action Initiative by which we commit to eliminate commodity-driven deforestation from our portfolio by 2025.

Our ambition is to increase investments in nature-based solutions to support IFACC's collective goal and help close the annual billion-dollar funding gap required for these solutions globally by 2030. Current biodiversity finance flows (US$ 200 billion) need to almost triple to achieve US$ 542 billion per year by 2030 and to quadruple to US$ 737 billion by 2050 to meet Rio Convention targets[3], and to accomplish this, we will delve into the origination and structuring of investment cases to contribute to this finance flow.

[3] State of Finance for Nature 2023, UNEP.

# 8.

# Next steps

We are very pleased with the assessments and results presented in this report; it marks an evolution in our ESG integration process. For the first time, we have disclosed the impacts of our investment activities on climate and biodiversity, following both TCFD and TNFD recommendations.

We understand that this journey is just beginning, and we have a long way to go. The path to halting and reversing biodiversity loss by 2030 and achieving net-zero emissions by 2040 is complex and will require considerable effort and collaborative actions.

We will continue to actively participate in public debates to promote investment in technological solutions that will contribute to achieving these goals. We will also continue to contribute to the origination and structuring of investment cases based on nature-based solutions.

Moreover, we will continue to engage with companies in our portfolios to reduce their emissions and engage with companies exposed to commodities with high forest risk to ensure deforestation-free commodities.

For future reports, we expect to further enhance the data quality score of our GHG emissions fund inventories to provide even more accurate data.

**Thank you for reading; we hope to see you again next time.**

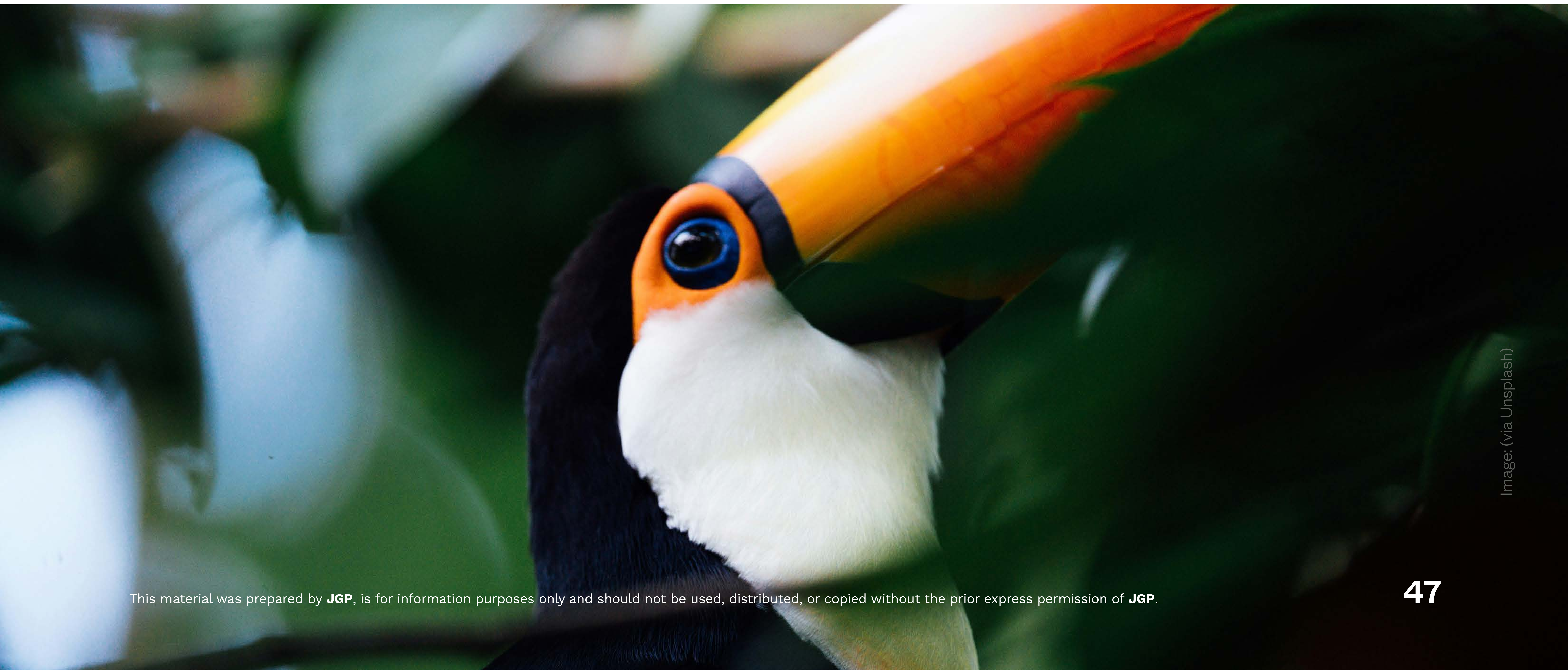


Image: (via Unsplash)

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