



ESG Annual Report

BTG Pactual Timberland Investment Group
2016 / 2017



TIG
Timberland Investment Group



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Letter from the Head of TIG

BTG Pactual's Timberland Investment Group ("TIG") has a history dating back to the first institutional timberland investment made in early 1980's. This is important to highlight given the long-term nature of timberland and the responsibility entrusted to us by our clients to be not only focused on investment results, but also on being good stewards of the assets that we manage.

TIG's commitments to Environmental, Social and Governance issues, as well as Responsible Investment are integral parts of its fiduciary oversight. As we strive to service our clients in reaching their respective financial goals, we believe we can likewise adhere to best practices relating to environmental, social, and governance issues.

Although TIG manages our clients' timberland primarily for timber production, we believe that successful management must also include attributes such as the conservation of soil, air and water quality, as well as biodiversity, habitat and recreation. Accordingly, this philosophy is evident throughout every phase of our timberland investment process.

We hope you enjoy this year's report.

Gerrity Lansing

Managing Director, Partner & Head, BTG Pactual Timberland Investment Group



Introduction

BTG Pactual at a Glance

Founded in the early 1980's, BTG Pactual is a publicly-traded, diversified global investment company with US\$ 37.9 billion in assets under management, and over 2,100 employees globally. Key lines of business and financial highlights of BTG Pactual are:

Wealth Management¹

- Brazil's leading UHNW adviser²
- US\$ 25.2 billion of WuM
- Access to leading entrepreneurs, wealthy families and business owners in the region

Investment Banking¹

- One of the largest independent investment banks in LatAm³
- Leading franchise in M&A and capital markets in Brazil³
- #1 equity Research House for Brazil and LatAm⁴

Asset Management^{1,5}

- US\$ 37.9 billion of AuM
- Complete range of products in LatAm:
 - Equities and Fixed Income
 - Private Equity, Infrastructure, Real Estate, Hedge Funds and Timberland

BTG Pactual Financial Highlights¹

Revenues

R\$ 1.6
billion

Net Income

R\$ 720
million

Total Assets

US\$ 39.5
billion

Shareholder's Equity

US\$ 5.8
billion

Basel Index Capital Ratio

19.5
%

ROAE

18.7
%

Notes: ¹ As of March 31, 2017 - BRL/USD at 3.1684; the figures presented in this slide are those of Banco BTG Pactual S.A., and its affiliates, which includes BTG Pactual Timberland Investment Group LLC. ² #1 Best Private Banking Services Overall, Best Range of Investment Products and Best Relationship Management, by Euromoney Private Banking and Wealth Management Survey 2013; ³ Top 1,000 World Banks: Latin America and Caribbean, "The Banker" magazine, July 2016; ⁴ Awarded #1 Equity Research Team from 2005-2009, #1 Brazil Equity Research from 2013 to 2015 and #2 Brazil Equity Research in 2016 by Institutional Investor and Best Equity House in Brazil in 2002-2005, 2007, 2008, 2010 & 2011 by Euromoney; ⁵ BTG Pactual's Asset Management team was voted one of the best managers in the Brazilian funds industry, garnering the "Top Management 2013" award, in the category "Fixed Income and Flexible Equities/Income Allocation" from Valor Econômico.

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

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

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

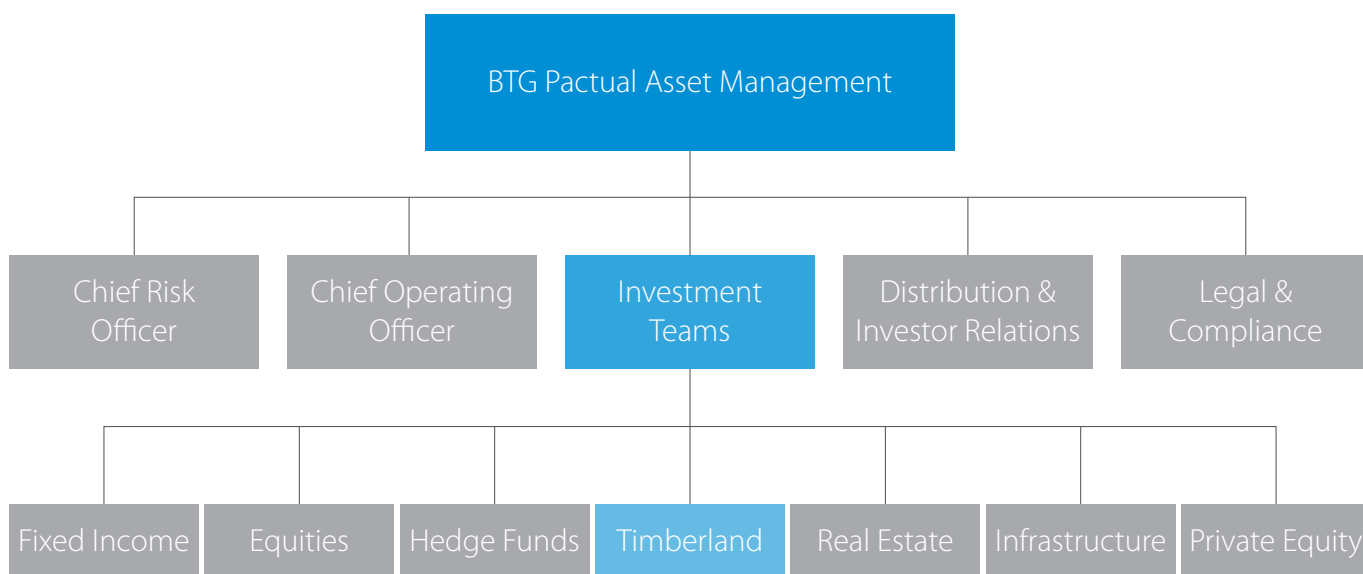
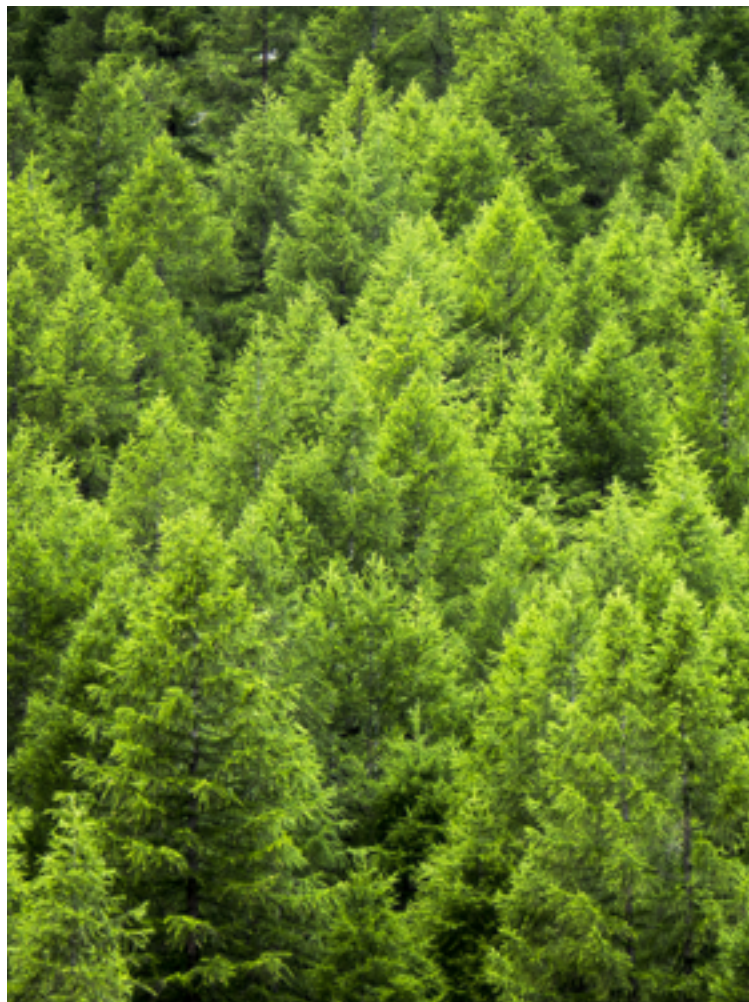


Global Asset Management & ESG Risk Management

BTG Pactual's Asset Management business unit has over 100 employees, including several senior partners strategically located in New York, London, Santiago, São Paulo, Rio de Janeiro, Medellin and Mexico City.

Our investment expertise includes a broad strategy which encompasses equities, fixed income, real estate, private equity, infrastructure, hedge funds and timberland. For each strategy there is an established and dedicated team, with local presence and experienced professionals.

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





UN PRI Membership

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



UN Global Compact Membership

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



CDP Membership

- Member of Carbon Disclosure Program
- An international initiative represented by institutional investors engaged in transforming the way the world does business to prevent climate change and protect natural resources
- Looks for company disclosures on carbon management and associated risks



As outlined below, ESG is integrated within BTG Pactual's corporate structure and touches multiple parts of the organization and governance structure. The dedicated ESG & Risk Management team guides ESG integration through all business units. The company's Board of Directors has implemented and approved a Global Policy and is responsible for the oversight of ESG throughout all facets of its business. In addition, an ESG Committee was created to drive the actions and provide support to ESG and Responsible Investment initiatives. The Committee is chaired by a senior partner and is comprised of the Head of Compliance and the Head of the ESG Risk. The ESG team regularly conducts training in order to engage and educate every member of our organization.

Board of Directors

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

ESG Committee

- Responsible for overseeing and managing the firm's ESG risk profile as well as implementing ESG into the Risk Management & Control Framework
- Responsible for adherence to the ESG Policy

ESG Risk Management Department

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

Business Units

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



Timberland Investment Group (“TIG”)

History & Key Facts

TIG, a subsidiary of BTG Pactual, is one of the world’s oldest and largest timberland investment management organizations. TIG manages over 1.8 million acres of timberland investment properties diversified across four continents, representing assets and commitments of nearly US\$ 3.0 billion¹. The Group’s 80+ professional staff bring exceptional local, regional, and global experience to bear on the careful management of client investments. TIG has a 35-year history investing in the U.S. as one of our predecessor companies offered the first timberland commingled fund to institutional investors in 1981.

TIG offers a number of advantages to investors seeking exposure to timberland investments, including:

- Managing timberland assets for institutional clients since 1981
- A global perspective with assets throughout the U.S., Latin America, Eastern Europe and South Africa
- Dedicated ESG and Responsible Investment resources, including third-party certification such as Forest Stewardship Council (“FSC”), Sustainable Forestry Initiative (“SFI”), Program for Endorsement of Forest Certification (“PEFC”), and American Tree Farm (“ATF”)
- Executed more than 225 transactions since inception
- Returned more than US\$ 1.6 billion to investors since inception, including nine distinct U.S. funds from acquisition to disposition
- Over 80 professionals with more than 800 years of combined investment, financial, agribusiness and timberland management experience

Mission Statement

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

Principled Investing

Best-in-class sustainable practices

- Long-term view
- Support the environment and local communities in which we invest
- Retain both local and global talent
- Leverage global resources of BTG Pactual

Disciplined Management

Focused asset and portfolio management

- Broad strategic analysis of business impacts
- Aggressive & disciplined risk mitigation
- Recognize that every basis point earned or saved is accretive to returns

Client Focused

Strive for maximizing returns

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

Operational Vision

- TIG is return-driven in its structure, management, and decision making
- TIG maintains a long-term view, considering the strategic impact of business decisions, as well as their impact on the communities and landscapes in which we invest
- TIG applies consistent investment discipline by utilizing industry-leading analytics to improve the management of clients’ investments and of our own business
- TIG provides quality, cost-efficient asset management in the U.S., and closely managed and tightly integrated asset management overseas, allowing TIG to manage and mitigate the risks of investing in complex geographies
- TIG takes a practical, impartial approach to investment management, evaluating all options to reduce risk and maximize investment returns
- TIG recognizes that every basis point earned or saved is accretive to returns

¹As of May 31, 2017

Responsible Investment Policy

TIG's Responsible Investment Policy is based upon nine core principles which ensures market best practices are being taken into consideration during our investment process. These nine core principles are further defined below:

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

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

2 Foster environmental protection and enhance biodiversity conservation

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

3 Respect and uphold human rights in all operations and contracts

It is mandatory for all TIG employees and third-party service providers to respect and uphold human rights in all regions where we manage timberland. BTG Pactual and TIG are committed to the United Nations Global Compact and encourage every stakeholder to engage in these principles. We encourage the support, respect, and furtherance of internationally proclaimed human rights to help ensure there are no human rights abuses.

4 Develop supply chain and prioritize local hiring

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

5 Strictly comply with anti-corruption and bribery regulations

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

BTGPactual

Responsible Investment Policy
[Reference N°]
Version: 1.2

GLOBAL - Responsible Investment Policy

Timberland & Agriculture Group
Environmental, Social and Governance Risk Management

Policy Objective:

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

Related Rules:

- LC 009 – GLOBAL – Environmental, Social and Corporate Governance Policy
- LC 035 – GLOBAL – Anti – Corruption and Anti-Bribery Policy

Who does this Policy apply to?

This Policy applies to all TAG employees.

Publication Date: April 21, 2017

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6 Establish an open dialogue with the community where TIG manages timberlands

TIG is committed to local communities and is receptive to any and all feedback provided by these communities. TIG's policy of open and transparent communication is a key component in this process. TIG holds service providers to a high standard which includes appropriate communication channels that guarantee local communities have a voice in the process.

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

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

8 Report ESG performance with clarity and transparency

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

9 Commit publicly to global initiatives that strengthen our values

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

Responsible Investment & Governance

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

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

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



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

TIG fosters environmental protection and works to enhance biodiversity conservation

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

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

Environmental and Social Management System

TIG's Environmental and Social Management System ("ESMS") is a set of policies, procedures, and measurement tools which affirm TIG's commitment to Responsible Investment. The ESMS requires investments to not only clear the hurdle of being financially viable, but they must also be environmentally suitable and socially equitable. ESMS begins with our public commitment to the UN PRI and our embodiment of these principles within our internal policies. While BTG Pactual's Global ESG Policy expresses the firm's commitment to responsible and sustainable development, TIG's Responsible Investment Policy adds clarity in applying these values to TIG's operations. ESMS provides a framework for identifying and mitigating environmental and social risks associated with timberland investments throughout our global footprint.

2016 Performance

To assess how well the Environmental Social Management System is being implemented in our global timberland asset management operations and where improvement efforts should be focused, TIG established a set of key performance indicators ("KPIs") focusing on environmental, social, and governance issues. These KPIs seek to quantifiably measure key components of our ESMS, allowing performance to be tracked over time. To gather information on several of the KPIs, TIG property managers are required to complete a questionnaire regarding their policies and practices related to ESG principles. This exercise not only gathered information, but served as an educational tool in promoting ESG concepts and emphasizing how ESG principles are core to TIG. Since Brazil has a more stringent regulatory environment than other countries where TIG operates, a complementary set of environmental and social KPIs were developed to address particular Brazilian concerns.

Across our large and global portfolio, we are performing well on the majority of KPIs, which reinforces our continuous commitment to industry best practices.



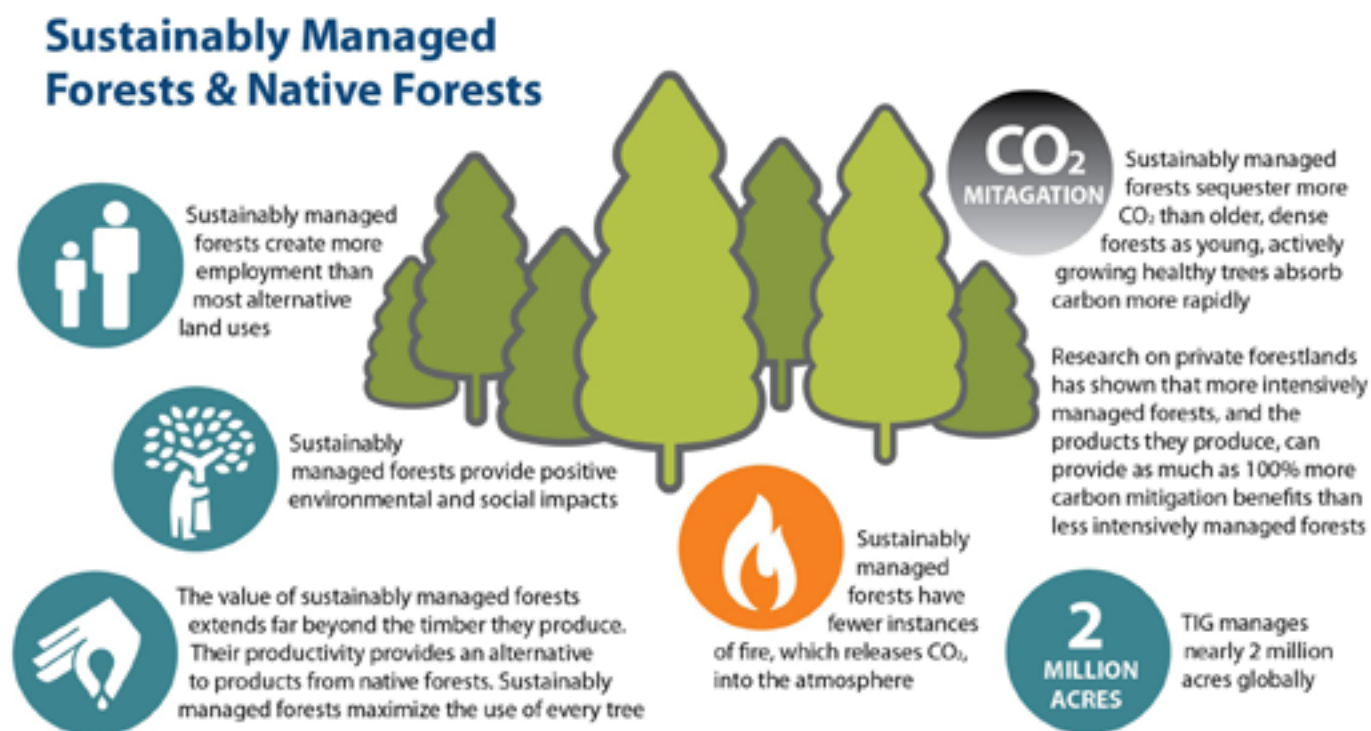
Tracking Global KPI Progress

| Key Performance Indicator | Description | Current Rating Based on 2016 Data |
|---|--|-----------------------------------|
| Environmental | | |
| Pre-Acquisition Environmental Integrity | Percentage of assets acquired during the reporting period that underwent environmental due diligence by an independent third-party prior to acquisition | 100% |
| Lands Under Certification | Percentage of assets that are certified under an audited and well-recognized forest management certification program | 88% |
| Chemical & Production Inputs | Percentage of fertilizer and pesticide prescriptions which were tailored to address site specific levels of vegetative competition, nutrient deficiency, or insect/disease infestation | 96% |
| Protection of Special Sites & Biodiversity | Percentage of sites which have resident endangered species populations or which are identified as special sites of high biodiversity, for which specific measures have been implemented to protect and monitor the health of these populations | 100% |
| Tracking & Resolution of Environmental Non-Compliance | Percentage of timberlands managed that are subject to a formal tracker and resolution review on a quarterly basis | 100% |
| Social | | |
| Labor Compliance | Percentage of property managers and sub-contractors agreeing to comply with applicable labor laws and regulations | 100% |
| Community Involvement & Landowner Outreach | Percentage of assets engaged in active community outreach programs | 97% |
| Indigenous Rights | Percentage of assets checked in order to identify any known rights related to land claims or access of indigenous people on the asset | 100% |
| Governance | | |
| Ownership & Local Land Rights | Percentage of asset with formal title search and review completed to verify chain of title/ownership | 100% |
| Corporate Commitment & Responsibility | Indicates the percentage of property managers participating in national associations focusing on ESG improvements | 98% |
| Appropriate ESG Resources | Percentage of timberlands managed that have dedicated ESG resources at the property manager level | 90% |
| Annual Executive Review | Percentage of timberlands managed that are subject to an annual Executive Committee review | 100% |

Tracking Brazilian KPI Progress

| Key Performance Indicator | Description | Current Rating Based on 2016 Data |
|---|--|---|
| Environmental | | |
| Biodiversity Conservation | Amount of area protected under legal reserve ("RL"), permanent protection area ("APP"), and designated areas of High Conservation Value ("HCV"), including areas valuable in maintaining biodiversity | RL 33,607 ha APP 21,888 ha HCV 691 ha |
| Species Monitoring | Percentage of high conservation areas that have in place measures implemented in order to monitor species and biodiversity conservation | 100% |
| Social | | |
| Pre-Acquisition Traditional Community Check | Percentage of assets acquired during the reporting period that underwent independent, third-party due diligence to verify the existence of traditional communities, both indigenous people and quilombolas (slave's descendants which have special legal rights) | 100% |
| Community Engagement Programs | Percentage of assets that have programs in place to engage with local communities | 42% |
| Worker Health & Safety Training | Percentage of workers trained on health and safety measures prior to entering the forests | 99% |

In the following section we present additional detail on each KPI and explain the rationale behind our approach and analysis.



Environmental

Pre-Acquisition Environmental Integrity

An environmental assessment was conducted by independent third-parties on 100% of the assets acquired in 2016. Among the many items these assessments examined were the potential presence of threatened and endangered species, existing and potential soil erosion, presence of waste, and conversion history of native areas into agricultural use (the year in which fields were converted from native vegetation to agricultural use can impact the ability to obtain permitting and certification of operations).

Chemical & Production Inputs

As a steward of both financial and environmental resources, TIG seeks to utilize applications of fertilizer, herbicide, and pesticides in ways which maximize their efficacy while minimizing impacts to the environment. The key to this is evaluating levels of vegetative competition, nutrient deficiencies, and any insect or disease infestations on each site, then tailoring prescriptions to meet these challenges in a financially and environmentally sound manner. Property managers reported that prescriptions of inputs were tailored to site specific conditions on 96% of the land under management as of year-end 2016.

Lands Under Certification

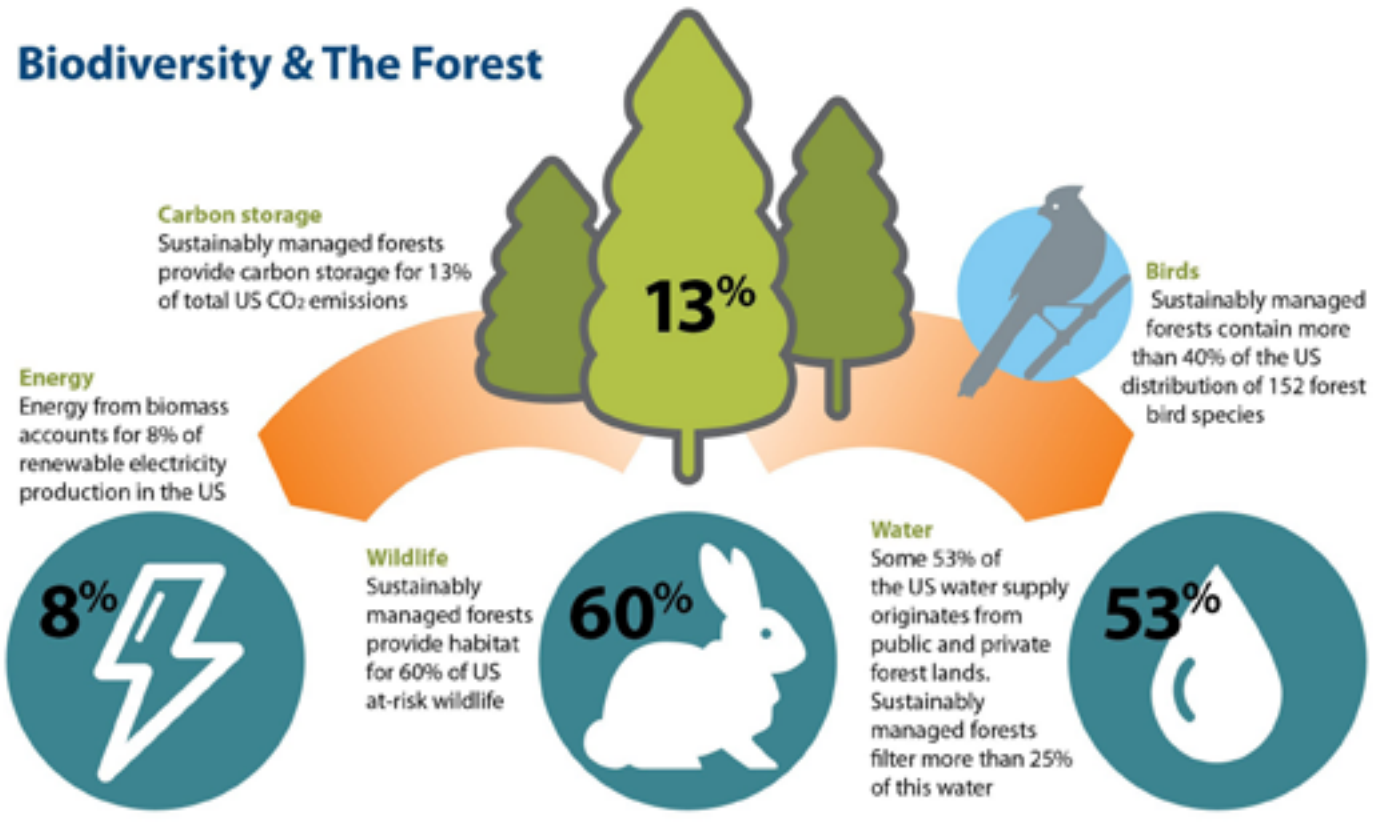
TIG is committed to pursuing third-party certification of our forest management practices for all investments where it is financially and operationally feasible. Some of the current investments are in timber deeds, without rights to control management of the land after the timber is harvested. In these cases, the inability to guarantee reforestation after harvest precludes certification under several programs. Regarding fee land managed by TIG, 88% of the area was certified by FSC or a PEFC endorsed certification program at year-end 2016.



Protection of Special Sites & Biodiversity

TIG seeks to identify and protect sites which hold exceptional ecological, social, or cultural significance. When populations of endangered species are located on TIG managed properties, measures are taken to protect and monitor the health of these populations. Measures have been taken to protect populations on 100% of the sites that are currently known to have resident populations of endangered species. Local programs are tailored to meet the specific needs and characteristics of the populations and sites being protected. Among the fauna being monitored are the Red Cockaded Woodpecker in the U.S.; the Ocelot, Tayra, and Jaguarundi in Brazil; and the Ground Hornbill in South Africa. Flora monitored within areas of high conservation value include Podocarpus lambertii in Brazil and the endangered Hilton Daisy (*Gerbera aurantiaca*) in South Africa.

Biodiversity & The Forest



Tracking & Resolution of Environmental Non-Compliance

Monitoring environmental non-compliance is conducted primarily through two programs. For properties under certification programs, internal and third-party audits may identify non-compliance with the published program standards. When a non-compliance event is observed, the occurrence is noted and progress in resolving the issue is tracked quarterly. For 100% of the properties under management, compliance with best management practices are reported for all harvesting operations. When any non-compliance event associated with harvesting operations is observed, the local property managers are required to remediate the issue before the project can be registered as completed and any performance deposits returned to the operators.

Biodiversity Conservation (Brazil KPI)

Brazilian law requires managers to reserve a proportion of the land for native vegetation. To ensure compliance with the spirit and letter of environmental laws, the area of “legal reserve” and “areas of permanent protection” are documented and registered with governmental agencies. TIG has designated 33,607 hectares of timberland as legal reserve (“RL”) and 21,888 hectares as areas of permanent protection (“APP”). In addition to the legal mandate, two areas have been identified as areas of High Conservation Value (“HCV”). For example, in the state of Rio Grande do Sul, 69 hectares have been designated as an area of HCV for the protection of *Podocarpus lambertii* trees which are classified as near threatened. Also, 622 hectares in the Jequitinhonha valley in the state of Minas Gerais are also named as a HCV Forest. This forest helps to connect other protected forests in the region and provide valuable habitat to mammals like the Ocelot, Tayra, and Jaguarundi.

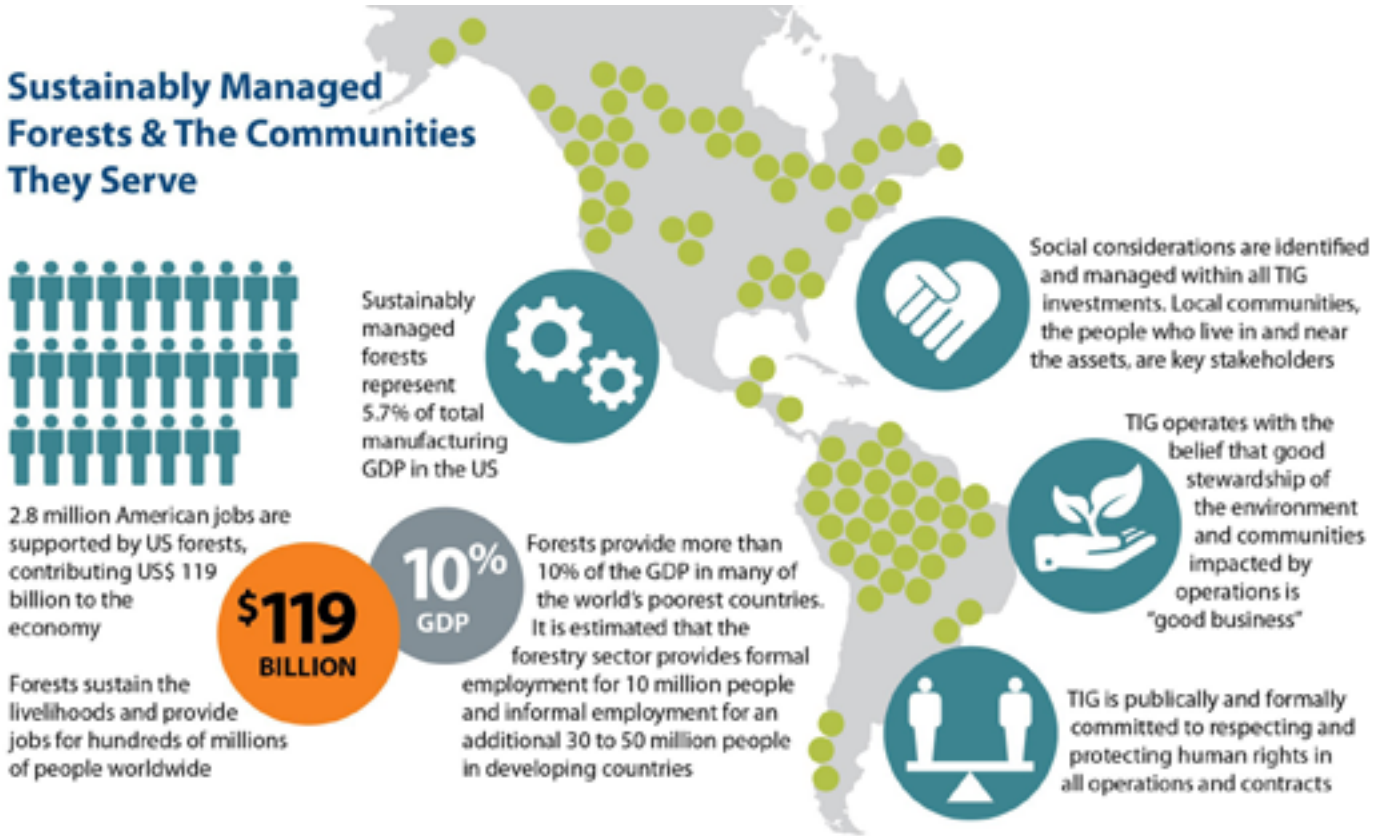
Species Monitoring (Brazil KPI)

Programs to monitor populations of both flora and fauna are active on 100% of TIG’s HCV Forests in Brazil. Flora is surveyed annually and the fauna biennially. Results of the surveys are shared with certification bodies and other stakeholders.



Labor Compliance

It is important to TIG that the health and fair treatment of all persons working on properties managed by TIG are supported by our employees and contractors. In addition to contractual requirements, it is imperative that service providers adhere to all labor laws and regulations, and that 100% of the property management firms retained by TIG annually uphold this commitment by signing a statement affirming their compliance with all applicable labor laws and regulations. This affirmation helps to convey to property managers the emphasis TIG places on ensuring workers' rights and general well-being are upheld.



Community Involvement & Landowner Outreach

TIG recognizes that its ability to effectively manage the assets it has been granted stewardship over is linked to the health and engagement of the communities where it operates. Most visibly our activities provide local employment, protect water quality, and support infrastructure through tax payments. TIG also encourages our service providers to participate in community development activities and in outreach to neighboring landowners. Given the broad range of communities in which the assets are located, the nature of the involvement programs is varied to align with the cultural heritage and current needs of each community. On 97% of the area in which assets are located, local property managers are engaging in programs to support education and other community development. These activities range from programs designed for meeting specific needs of individual communities in Brazil and South Africa to promoting environmental education in the U.S.

Indigenous Rights

In some regions where TIG is managing timberland assets, indigenous people are present and often have outstanding claims of rights to land in the area. Before an asset is acquired, the potential for a claim on the property by indigenous people is considered on 100% of the properties. For those properties located in regions with recognized indigenous populations, the history and potential for claims to assets by the community is diligently examined in the title search.

Pre-Acquisition Traditional Community Check (Brazil KPI)

In Brazil, in addition to indigenous populations, descendants of escaped slaves often reside in communities known as *quilombolas*. The quilombolas frequently have claim to rights over assets near their communities. Acquisition due diligence within Brazil requires a third-party examination of the potential for claims by both indigenous communities and quilombolas for 100% of the properties purchased.



Community Engagement Programs (Brazil KPI)

Development of community engagement programs within Brazil is a focus of the Brazilian property managers. One of the property management firms TIG uses has recently hired an individual to concentrate on this issue. In 2016, 42% of the properties had active community engagement programs. Recent initiatives encompass environmental education, establishing communication channels with communities and their leaders, training of small farmers and high school students in agribusiness techniques, and community health workshops. These programs are being extended to many additional communities in 2017.

Worker Health & Safety Training (Brazil KPI)

Property managers in Brazil are required to ensure that all workers are trained in health and safety measures related to their jobs. In 2016, 99% of the workers received this training, which is typically conducted by outside firms specializing in health and safety compliance.



Governance

Ownership & Local Land Rights

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

Corporate Commitment & Responsibility

Local property managers are encouraged to participate in national associations that promote ESG improvements. Property managers overseeing 98% of the assets are participating in organizations which promote the advancement of ESG matters.



Appropriate ESG Resources

Both BTG Pactual and TIG have dedicated personnel charged with promoting and monitoring ESG concerns. Additionally, property managers supervising 90% of the assets have employees tasked with managing ESG related issues. Considering the nature of our business, all property managers focus on environmental health on a daily basis.

Annual Executive Review

TIG's executive committee annually reviews ESG compliance and initiatives covering 100% of the assets under management. BTG Pactual and TIG executives are committed to ESG and Responsible Investment in all aspects throughout the business. The table on the following page describes the internal ESG stakeholders:

Banco BTG Pactual

| | |
|------------------------------|---|
| Responsible Group | BTG Pactual - Board of Directors (6 members including 2 outside, independent members) |
| Group Leaders | Marcelo Kalim - Executive Chairman Huw Jenkins - Vice Chairman of the Board |
| Primary Governance Documents | <ul style="list-style-type: none"> • BTG Pactual ESG Policy • Global Code of Business Principles & Ethics |
| Focus Areas | <ul style="list-style-type: none"> • ESG criteria • ESG Global Policy approval process |

BTG Pactual ESG Risk Management

| | |
|------------------------------|---|
| Responsible Group | BTG Pactual - Environmental, Social, and Governance Risk Management Group |
| Group Leaders | Iuri Rapoport - Senior Partner Beatriz Freitas - Head of Environmental, Social, and Governance Risk Management |
| Primary Governance Documents | <ul style="list-style-type: none"> • BTG Pactual ESG Policy • Global Code of Business Principles & Ethics |
| Focus Areas | <ul style="list-style-type: none"> • ESG Policies and procedures • Regulatory compliance • Business opportunities • Eco-efficiency • Public Commitments & Transparency |

Timberland Investment Group ("TIG")

| | |
|------------------------------|--|
| Responsible Group | TIG - Investment Committee, Asset Management and Acquisitions Groups |
| Group Leaders | Gerrity Lansing - Head of Timberland Investment Group Chris Lipton - Head of Asset Management and Global Transactions |
| Primary Governance Documents | <ul style="list-style-type: none"> • TIG Responsible Investment Policy • Third-party certification policies |
| Focus Areas | <ul style="list-style-type: none"> • Compliance with environmental standards • Environmental protection and enhanced biodiversity conservation • Report ESG performance with clarity and transparency • Respect and uphold human rights in all operations and contracts • Develop supply chain and prioritize local hiring • Strict compliance with anti-corruption and bribery regulations • Establish an open dialogue with the community where TIG manages timberlands • Promote ESG awareness among employees by developing and providing specific training programs |

TIG - Related Entities/Subcontractors

| | |
|------------------------------|--|
| Responsible Group | TIG - Asset Management Group |
| Group Leaders | Chris Lipton - Head of Asset Management and Global Transactions Steve Krietemeyer - ESG Coordinator and Asset Manager |
| Primary Governance Documents | <ul style="list-style-type: none"> • TIG Responsible Investment Policy • Third-party certification standards • TIG property management contract |
| Focus Areas | • TIG influences and encourages sub-contractors and others in the timberland management supply chain to adopt and comply with ESG principles through contractual obligations |

Highlighted Practice(s) by Region

Brazil

Beekeeper Partnership

In an effort to connect with the local Brazilian communities, TIG established a partnership in 2012 with a local Brazilian beekeepers association. The partnership includes the right of the beekeepers to install and manage beehives and produce honey on TIG-managed forests, which will be processed and sold locally.

The success of the initial partnership motivated TIG to broaden the size of the program and in December, 2016, TIG had seven partnerships benefitting 42 associated communities, including an area of 104,893 hectares of managed timberland. The production of honey in 2016 achieved a local record, and we are proud to report that 1.5 tons of honey was distributed to the local market, creating jobs and economic opportunities for the community. In the near term, we expect to increase this number as some local associations have installed additional beehives and hired more employees in order to accommodate the increased demand for the product.

Each associated beekeeper must obey several security measures imposed by TIG and the related property manager. These include measures related to health and safety of workers, beehive positions, natural resource conservation, legal requirements, and labor issues. The responsibility of security for the beehives is shared between TIG's property managers and the beekeepers.



Community Outreach

The Timberland Group (“TTG”), TIG’s largest property manager in Brazil, dedicated significant resources in 2016 to developing and implementing a body of programs focused on community development. Program design began with assessing a community’s attributes, a vital component of which was identifying existing social organizations that could be a partner in disseminating educational programs. Programs were designed to jointly address needs expressed by the communities, and guidance of certification programs and local permitting agencies. While occasionally some materials are donated (e.g. water tanks), most of the programs are focused on public education. Training has been held on healthcare, environmental education, and agribusiness development for small farmers. In 2016, 2,500 people participated in these training sessions and an expansion of these programs is planned for 2017.



Stakeholder Engagement

Many of TIG’s property managers are active participants in associations focusing on issues important to timberland owners. Among their many projects, these groups track proposed legislation, support landowner rights, and help coordinate efforts to combat threats from fire, insects, and disease. One of TIG’s Brazilian property managers participates in national and state associations which focus on the regulation of timberland plantations. Having our local managers participate in these groups allows us to stay apprised of emerging issues and fosters local and regional discussions promoting sustainable forest management.

Supporting Climate Change Research

Risks associated with potential climate change pose complex questions to fiduciaries. If local weather patterns simultaneously become warmer and drier, how resilient are forest plantations and what can managers do to mitigate changing conditions? TIG is a member of the Forest Productivity Cooperative (“FPC”), which is a partnership of forestry faculty at North Carolina State University and Virginia Polytechnic Institute and State University in the U.S., the Universidad de Concepcion in Chile, and the Universidade Federal de Santa Catarina in Brazil along with dozens of forestry related companies throughout the Americas. FPC conducts both basic research into tree growth and applied research into how forests respond to silvicultural management practices. Current lines of research are examining how the resilience and sustainability of forests facing variable climates can be enhanced, how carbon sequestration by forests can be increased, and how to improve the efficiency of nitrogen and other fertilizer inputs. The Instituto de Pesquisas e Estudos Florestais (“IPEF”), a similar research cooperative in Brazil, has installed a rainfall exclusion study on a TIG managed property in the state of Minas Gerais. This study focuses on how trees respond to water and thermal stresses and what mechanisms allow them to respond differently to these different stresses. The more we understand how trees respond to stress, the better we will be able to adapt our management to changing climatic conditions.



United States

Valuing Conservation

TIG actively explores opportunities to monetize conservation values in ways that create benefits for both investors and the environment. To keep in touch with the current interests and project funding of the conservation community, TIG meets annually with stakeholders, such as The Conservation Fund. These meetings help facilitate the identification of properties where our interests align. A case in point is the 2016 sale of the Denny Cove tract, managed by TIG in the Cumberland Plateau region of Tennessee. This 685 acre tract of primarily Appalachian hardwood forest contains a cliff line admired by local climbers. In a multi-year effort, The Conservation Fund helped facilitate the sale of Denny Cove to the Southeastern Climbers Coalition with support from the Access Fund and the Land Trust for Tennessee. This tract has recently been transferred to the Tennessee State Park system. In addition to the public gaining access to the cliffs' climbing routes, this sale supports the conservation of scenic views and an ecosystem that is considered resilient.



South Africa

Protection of Special Sites

In addition to managing timberland plantations in the KwaZulu-Natal region of South Africa, TIG is working to conserve 135 hectares of native grassland designated as areas of High Conservation Value ("HCV"). Two native grassland ecosystems known as Northern Zululand Sourveld and Midlands Mistbelt Grassland found on these sites have been classified as vulnerable and endangered. These areas are vitally important in maintaining biodiversity and ecological corridors for a wide range of species. There are 39 rare, threatened, or endangered plant and animal species identified and observed in or near these HCVs. Hilton's Daisy (shown in the picture below) is one of the endangered plants found on this property. As with the conservation of any resource, community support is a key component of protecting these sites. While fire is a regular event in the natural history of these ecosystems, uncontrolled human initiated fires can be damaging. Conservation plans embrace the engagement of neighboring communities in helping reduce the number and severity of fires. This is accomplished in part through incentive programs which annually reward communities with monetary grants if the damage created by human initiated fires is kept below an established threshold.



Short-Rotation Coppice Plantations for Biomass

Reduction in the use of fossil fuels is the primary means of curbing levels of atmospheric CO₂, and the substitution of biomass in energy production systems is one tool available to us. The 3,500 hectares of poplar plantations managed by TIG in Hungary is one of the largest areas of short-rotation coppice ("SRC") plantations dedicated to producing biomass in Europe. The particular advantage of poplar plantations as a source of bioenergy is that their exceptionally rapid growth enables them to generate large yields, thus requiring a smaller area to be cultivated than other renewable energy crops. Plantations of poplar also require fewer applications of fertilizer and pesticides compared with other bioenergy crops, especially considering TIG's active management of vegetative competition through mechanical disking and close monitoring of insect populations to minimize the use of pesticides. Numerous animals prefer the early successional stage forest presented by the poplar plantations. In particular, some populations of breeding birds benefit from the growth characteristics of SRC, as do insect groups due to decreased use of pesticides. Several studies show that hybrid poplar fields host larger numbers of particular species (e.g. epigeal invertebrates, butterflies and springtail species) than average cropland. As harvesting is conducted in the winter, there is less disturbance to animal life and soil health, thus supporting the maintenance of the community of species inhabiting these plantations.



Moving Forward: 2017 - 2018 Goals

Developing a strong responsible investment program is a continuous and dynamic process. A full assessment of how TIG is progressing naturally leads to identifying areas of enhancement and allocating the necessary resources to improve results. Accordingly, the primary areas where TIG will focus its attention in 2017 and 2018 are:

Expansion of Community Engagement Programs in Brazil

Our primary property manager's hiring in 2016 of a coordinator for community engagement programs has resulted in the establishment of a comprehensive plan for interacting with communities throughout their operational footprint. Communities on 42% of the properties were reached in the initial implementation of this program. A continuing expansion of this program in 2017 should greatly enhance our outreach to neighboring communities.

Forests Under Certification

While we have done exceptionally well in obtaining third-party certification of our forest management in some regions (100 % of fee land in the U.S.), integrating recent acquisitions into certification programs is an ongoing focus in certain regions. A primary aim in 2017 is to increase the number of properties holding third-party certification. We will continue to pursue certification on all properties where fiduciary responsibilities are in alignment with the costs of third-party certification.

Promoting ESG Awareness

The distribution of an ESG questionnaire to property managers in 2016 served as an initial introduction to ESG concepts for many. The production and distribution of this report will be the next big step in our efforts to promote ESG awareness.

Third-Party Benchmarking and Grading

TIG's approach to ESG and Responsible Investment is thorough and transparent; however, there are certain segments and KPIs that are influenced by internal opinion due to a lack of third-party involvement. Our longer-term goal is to have all metrics reviewed and graded by unrelated and impartial parties by year-end 2018.



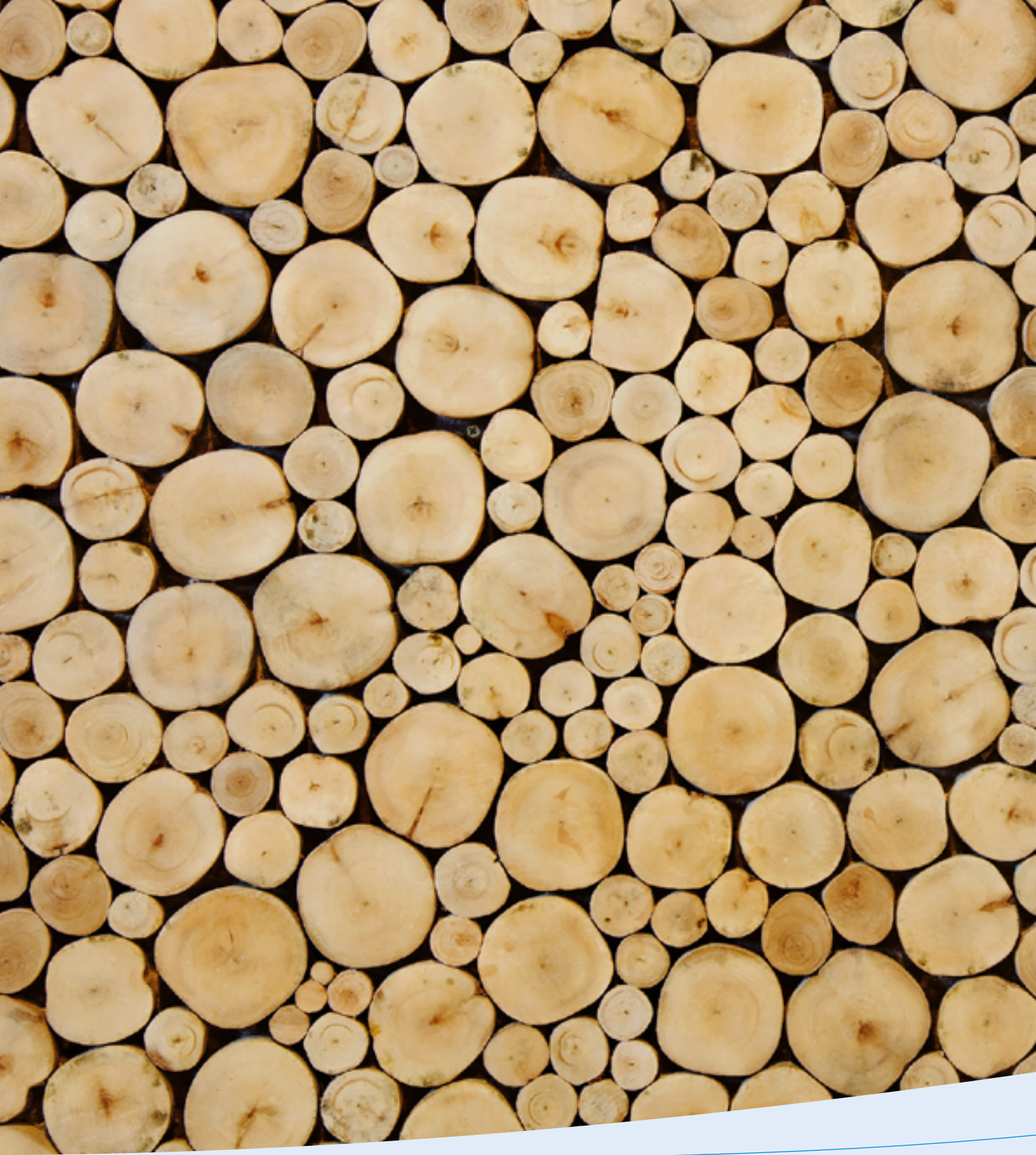
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