

GLOBAL – Responsible Investment Policy

Category: Environmental Social and Governance / Asset Management

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Objective:

The policy for selecting assets by BTG Pactual Asset Management comprises a set of principles and directives that guide the management of assets of the funds managed by this institution. Our policy places emphasis on a long-term vision, ethically and responsibly, always seeking value creation with a commitment to preserve capital.

Related Norms:

- COMP 001 – GLOBAL – Code of Business Principles and Ethics
- ESG 001 – Global Sustainability Policy

To whom?

All investment strategies of BTG Pactual, including, but not limited to BTG Pactual Asset Management, and other companies of the economic group, when these do not have their own policies and when their corporate purpose includes the management of third-party assets.

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1. Fundamentals of Responsible Investment Process

The Responsible Investment Process Policy of BTG Pactual (“Policy”) places emphasis on a long-term vision, ethically and responsibly, always seeking value creation with a commitment to preserve capital.

Since capital preservation is the main commitment by BTG Pactual to its clients, the institution believes that resource allocation decisions are crucial to the success in managing resources. As a result, BTG Pactual devotes a lot of attention to the investment decision-making process, as well as placing major value on discipline in its execution. The decision-making process is highly formalized and considers environmental, social and corporate governance aspects (“ESG” in English), as well as risk and return aspects, respecting the particularities of each investment strategy – Equity, Debt, Real Economy, Real Estate and Timberland. We seek businesses that bring scalable solutions to the current challenges of society. The investment teams seek aligned companies that support changes in society via positive, impacting measures for society, the environment and governance, together with performance and high returns. Sectors such as infrastructure (sanitation and sustainable transport), renewable energy, sustainable agribusiness, health and wellbeing, education, financial inclusion, are examples of our investment areas focused on sustainable growth.

The commitment of BTG Pactual to responsible investment reflects our long-term ambition and unconditional commitment to sustainable development. We operate with a consistent focus on the implications and long-term results of our actions, prioritizing long-term benefits over short-term gains, always observing ESG risks and opportunities. We believe that solid commercial practices and business responsibility are long-term drivers that should be applied daily to generate value for stockholders via sustainable growth.

2. ESG Directives in the Responsible Investment Process

BTG Pactual believes that success in the management of third-party assets is the result of a combination of market expertise under strict risk control with excellence in research and technology. Thus, the decision-making process used is highly dynamic. As a result, we understand that ESG factors represent different risks and opportunities in the various investment strategies where we have a position. Thus, for each strategy, BTG Pactual has an approach for ESG factors, using own methodologies and specialized external services in ESG matters, as per the necessity of each fund.

Equity Strategy: BTG Pactual’s team integrates ESG aspects into the top-down analysis of the companies selected. The models used are our own and apply a DCF method.

Credit Strategy: BTG Pactual’s team incorporates ESG elements into the analysis of the company, in the cash flow modeling and in the credit diligence, considering the qualitative and quantitative risks in assessing the risk profile of the companies issuing the invested assets.

Real Economy Strategy: BTG Pactual uses negative filters, excluding specific sectors from the investment theses, as well as practices such as slave and child labor, combined with the integration of ESG aspects. All assets undergo initial due diligence that considers these factors and supports the decision-making process.

Real Estate Strategy: this investment considers the combination of negative filters and ESG integration. Here, environmental factors are crucial and may negate a real estate development. Other ESG aspects are integrated into the initial due diligence of the assets.

Timberland Strategy: investments integrate ESG aspects in the initial due diligence of the assets and follow a proprietary responsible investment policy with specific indicators for the management of these assets. The indicators consider, among other things, the percentage of certified assets and active relationship with the local community.

3. Investment Committee

BTG Pactual Asset Management has a Fund Management Committee that is responsible for analyzing the macroeconomic scenario, the analysis of funds' positions and determining/adapting strategies to the investment funds.

As a result, the daily performance of the management and analysis teams is accompanied by the Asset Management Committees.

The performance of the Management teams is assessed weekly by the Asset Management Committee, where all the funds are compared to their benchmarks and respective market peers. The comparison uses metrics such as: return, volatility, Sharpe index, Treynor index, Balzer charts, satisfaction analysis (methodology developed internally), as well as other tools.

The decisions of this Committee are registered in BTG Pactual minutes and their main attributions can be summarized as follows:

- Assessment of the funds and portfolios managed by BTG Pactual Asset Management in relation to the main positions, their performance (relative and absolute), risk level and volatility, etc.
- Decision on form of suggestion of allocation of BTG Pactual Asset Management resources to be passed on to all its clients via distribution areas. This decision is taken after an intense discussion of scenarios.
- Evaluation of performance of distribution areas.
- Other decisions linked to the asset management area such as Compliance, launch of new products, organization of events, analysis of the competition, etc.
- Establishing communication policy and evaluating and monitoring our institutional image in the eyes of clients, regulators and competitors.
- Monitoring asset management industry, its trends and moves by main competitors

4. Transparency and Engagement

Feedback and transparency are an essential part of our commitment to responsible investment and we will annually report on our progress on the agenda of responsible investments via specific ESG reports and our annual report.

Collaboratively, we also engage with other market peers to develop the local and international ESG market. We also engage with investee companies in order to understand the stage of maturity in relation to the relevant ESG factors and to move the agenda forward, using good market practices.

5. Exceptions

Exceptions to this Policy must be approved by the investment committee responsible for each strategy and taken to the ESG Committee, which, if it deems necessary, shall take the discussion to the Board of Directors.