Operating Principles for Impact Management
Disclosure Statement

April 2023

BTG Pactual Impact Investing Fund (the "Signatory") hereby affirms its status as a Signatory to the Operating Principles for Impact Management (the "Impact Principles").

This Disclosure Statement applies to the following assets (the "Covered Assets"):
BTG Pactual Impact Investing Fund

The total assets under management in alignment with the Impact Principles is R$ 542 million, approximately equivalent to US$ 107 million as of March 31st, 2023[1].

Patricia Genelhú
Head of Sustainable and Impact Investing
March 31st, 2023

[1] Central Bank, PTAX Closing Rate as of March 31st, 2023 (R$ 5.0798)

Principle 1:
Define strategic impact objective(s), consistent with the investment strategy.

The Manager shall define strategic impact objectives for the portfolio or fund to achieve positive and measurable social or environmental effects, which are aligned with the Sustainable Development Goals (SDGs), or other widely accepted goals. The impact intent does not need to be shared by the investee. The Manager shall seek to ensure that the impact objectives and investment strategy are consistent; that there is a credible basis for achieving the impact objectives through the investment strategy; and that the scale and/or intensity of the intended portfolio impact is proportionate to the size of the investment portfolio.

The Impact Investing Fund seeks to have a unique private equity and impact approach to investing in Brazil, focusing on mission-aligned small and medium-sized companies with existing revenue generating assets. The Fund looks to attain intentional and measurable positive social and environmental impact alongside strong financial returns, seeking scalable solutions to pressing challenges with business performance and deep ESG integration, following our Guiding Principles and Values, stated below:

1. **Governance approach to drive impact:**

    - Equity: focus on strong governance approach and active board participation to allow the Fund to make changes in the Portfolio Companies dynamics towards ESG and impact value creation. The Fund seeks an active role in the Portfolio Companies' strategy and its operations in a variety of manners, including by appointing a representative to the Board of Directors.

    - Convertible debt: structuring with upside potential for value creation which includes ESG impact, whilst also mitigating downside risk. The Fund includes specific impact and ESG clauses into Investment Agreements to increase Portfolio Companies' commitment.

2. **Mission-aligned companies with strong returns:** companies that drive intentional and measurable social and environmental impact alongside business performance through scalable solutions to pressing challenges

3. **Diversified allocation, mitigating concentration risks:** this includes diversification by geography, ensuring adequate pacing of investments during the investment period as well as ensuring diversification of sectors and segments. The Fund seeks investments across every region of Brazil.

4. **Allocation to private equity transactions as well as proven Small & Medium Enterprises (SMEs):** target larger companies as well as proven SMEs, with existing revenue generating assets, predictable, recurring, and stable margins, and long-term cash flow. These companies may be related to the non-exhaustive list of eligible segments ('Inclusion List'). Other business models with a clear intension of seeking to solve S&E issues into its core activities is also be eligible.

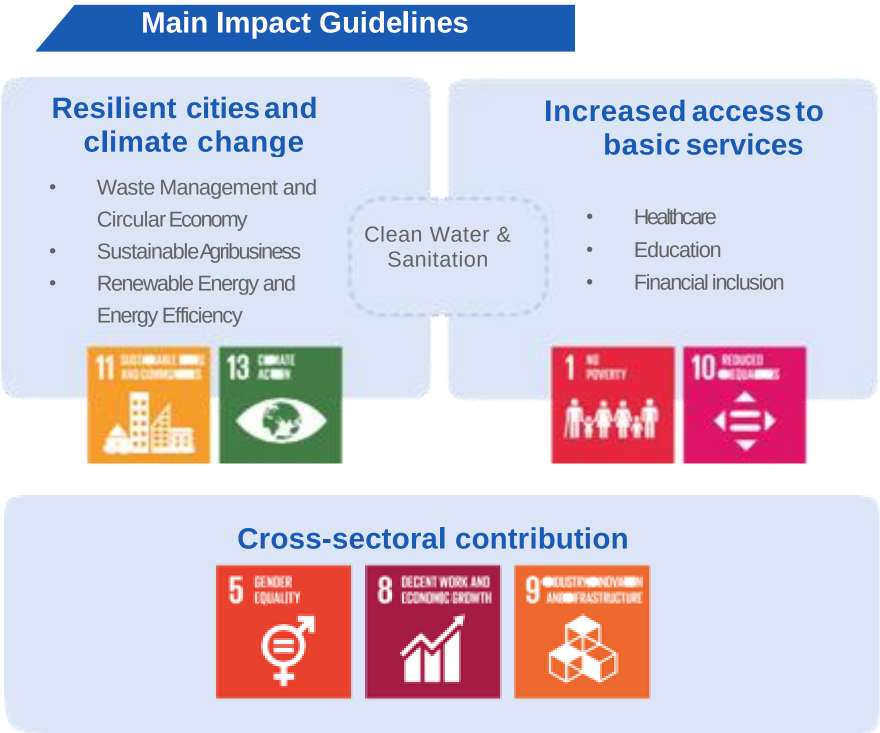
5. **Active ownership:** The Fund understands that it shall be a value-add investor to its Portfolio Companies. Our participation in the Portfolio Companies' operations, including at the Board of Directors level, increases our contribution as shareholders. Based on our active ownership strategy, we aim to maximize positive S&E impacts that would otherwise not occur. This is done by incorporating impact management practices into the Portfolio Companies' strategy. The Fund ensures that Portfolio Companies' 100-day Action Plan, Value Creation Plan and Five-Year Action Plan is adhered to Fund's ESG and Impact Management.

SDG alignment: The Fund's investment focus among the eligible segments is aligned with the United Nations Sustainable Development Goals (SDGs)[2]. The Fund understands that the above-mentioned aspects ('Allocation to private equity transactions as well as proven SMEs' and 'Active ownership') have cross-cutting contribution to Sustainable Development Goals #8 and #9.

[2] Sustainable Development Goals: https://sdgs.un.org/goals

Also, the Fund commits to foster the increase of gender diversity among all Portfolio Companies (SDG #5). In addition, the target sectors have a potential direct contribution to thirteen other SDGs. The Fund screens potential investments vis-à-vis the potential contribution to positive S&E impacts, at the SDG target's level.

We maintain an Exclusion List to screen out businesses that conflict with municipal, state, and national laws and norms, BTG Pactual's values and/or Fund's applicable requirements. Besides this negative screening, we have a positive screening to prioritize investments with a greater potential of generating positive S&E impact. The Fund prioritizes investments related to the following target sectors:



The Fund's investment process is based on a set of international market-led initiatives and references to measure, evaluate and enforce impact opportunities, aligned with the Impact Management Project (IMP)[3], the IRIS+ (GIIN) [4]and the 2X Challenge[5], contributing to the United Nations Sustainable Development Goals (SDGs).

BTG Pactual developed an Impact Framework to support and enforce Fund's impact strategy. The framework is based on the three pillars that guide the Fund's impact strategy:

- Fund's intention of generating and/or maximize positive S&E impact
- Impact generation alongside a financial return
- Measurement and management of positive S&E impact

The Impact Framework combines Fund's Impact Strategy, covering the fund sector-focused impact strategy themes, and a set of tools to serve as guidelines for its: (i) Strategic Intent, (ii) Origination & Structuring, (iii) Portfolio Management, (iv) Impact at Exit. As a result, the Manager believes that its Impact Framework serves as a robust method, designed to guarantee that new investments are suitable to the Fund.

[3] IMP: https://impactmanagementproject.com/
[4] IRIS +: https://iris.thegiin.org
[5] 2X Challenge: https://www.2xchallenge.org/criteria

Principle 2:
Manage strategic impact on a portfolio basis.

The Manager shall have a process to manage impact achievement on a portfolio basis. The objective of the process is to establish and monitor impact performance for the whole portfolio, while recognizing that impact may vary across individual investments in the portfolio. As part of the process, the Manager shall consider aligning staff incentive systems with the achievement of impact, as well as with financial performance.

The Fund's investment process is based on frameworks to identify, measure, evaluate, and enforce impact opportunities, aligned with the Operating Principles for Impact Management (Impact Principles), the Impact Management Project, the 2X Challenge and the IRIS+. The investment process follows a rigorous Impact & ESG policy with initiatives across different stages, as shown below:

	Planning, Origination & Structuring	Due Diligence	Investment Committee	Portfolio Monitoring
Impact & ESG Processes	**Origination:** Originating transactions across the impact investing ecosystems **Screening:** Performing an ESG negative screening and eligibility assessment regarding Fund's Impact guiding values **Structuring:** Defining the Theory of Change for potential investments and assessing how it connects to Fund's Investment strategy. **MOU:** Providing with a specific term regarding the relevance of ESG and impact issues	- **Dedicated ESG and Impact Due Diligence:** to assess company's performance vis-a-vis legal ESG requirements and other Fund's requirements regarding ESG and Impact issues, as well as review its Theory of Change. It is undertaken in parallel with legal, technical and financial due diligences, before a binding offer - **Designing an Action Plan:** to mitigate ESG risks and maximize both ESG value creation and the impact generated to the society	**Investment Committee's appraisal:** Approval of investments by the IC, that includes two members of the Impact & ESG team, who will provide expertise on this topic. **Investment Agreement:** Company's agreement to implement the measures to mitigate ESG risks and maximize both ESG value creation and the impact generated to the society	**Active ownership:** Participation in the Portfolio Companies' operation, at the Board of Directors level **Quarterly monitoring:** Activities to assess key ESG and Impact indicators, as well as monitor the implementation of Action Plan **Transparency:** periodic report of the Portfolio Companies' ESG and Impact performance, as well as the alignment of the Fund to its Impact guiding values
Impact & ESG Tools	• Exclusion list • Inclusion list • E&S Risk Categorization Form • Eligibility Tool • Preliminary Impact Assessment • Impact & ESG clauses (MoU)	• Preliminary Impact Assessment (review) • Impact & ESG Due Diligence (Guidance + Report) • List of Documents • Menu of Impact & ESG Indicators • BTG Impact Scoring Tool • Impact & ESG Action Plan	• Impact & ESG Action Plan (final version) • Impact & ESG clauses (Investment Agreement)	• Impact & ESG Action Plan (monitoring) • Menu of Impact & ESG Indicators (quarterly report) • Impact & ESG Annual Report
	Impact & ESG Policy			

During the investment committee and before any binding offer, we establish Impact & ESG clauses that should be followed by the executives of each investee. Together with the management, we define ESG & Impact goals and objectives for the senior executives of each company, which should also be tracked and reported together with the other established KPIs, in a quarterly and annual basis.

A range of KPIs selected from a pre-defined list of ESG & Impact Indicators is quarterly monitored at the Portfolio companies' level. The monitored KPIs are based on cross-sectoral aspects, observing the impact relationship to the Sustainable Development Goals. Also, each invested Company has a unique list of KPIs to be observed according to their ESG & Impact Plans. With the assistance and external review of a third-party consultant (NINT, formerly Sitawi's Sustainable Finance Program) engaged as the \most experiences ESG & Impact consultancy group in Latin America, we monitor and assess the development of these KPIs.

Strategic KPIs and goals are also established with senior executives of the Company, aligning their incentives to the impact performance of the Company overall. We are still discussing how staff's incentives will be associated with the different ESG & Impact goals and will disclose this information once we have it better defined.

The main framework used to assess impact across 5 dimensions is the one established by the Impact Management Project (IMP). Based on the IMP, BTG Pactual developed their own scoring tool to measure and monitor impact across all investees – the ImPactual Scoring Tool. During the due diligence phase, we calculate an initial score between 1 and 5, which we consider the baseline score. Our goal over the course of the investment is to increase this score through a robust Action Plan to maximize impact. Quarterly and annual reports contain updates regarding ESG & Impact Action Plan progress of each investment. Any constraint regarding the Action Plan implementation shall be reported by the Portfolio companies to the Fund's Monitoring team.

The Portfolio Monitoring phase includes the active ownership of Portfolio Companies, as well as monitoring and reporting of the Fund and Companies' ESG & Impact performance. These activities aim to increase the transparency of the results achieved by the Fund, as well as support the continuous improvement process of ESG and impact management.

Principle 3:
Establish the Manager's contribution to the achievement of impact.

The Manager shall seek to establish and document a credible narrative on its contribution to the achievement of impact for each investment. Contributions can be made through one or more financial and/or non-financial channels. The narrative should be stated in clear terms and supported, as much as possible, by evidence.

Since 2015, BTG Pactual has a division fully focused on integrating ESG into the bank´s decision-making processes and into its culture. Consistently developing its engagement during the last years, the bank has joined several networks and became signatory of different international initiatives of ESG and Impact Investing. The ESG mindset is core to BTG´s business strategy, supporting clients to adopt more sustainable practices. In 2020, it was created a new division focused on Sustainable & Impact Investing, to consolidate BTG Pactual as a hub to connect global investors to such opportunities in Latin America. Since then, the division has been recognized by two international awards such as "Outstanding Sustainable Financing in the Emerging Markets" by the Global Finance and "Impact Initiative of the Year – Latin America and Caribbean" by Environmental Finance. Also, in 2020, we became member of the GIIN (Global Impact and Investing Network) and signatories of the Green & Social Bond Principles (ICMA) in 2022, both initiatives firming our commitment to the development of the industry in the region.

With serious approach and solid initiatives, BTG Pactual is increasingly structuring new business opportunities that generate strong long-term financial, environmental, and social value for stakeholders. Contributing to shift the sustainable and impact investing industry across Latin America, it is setting new benchmarks and boosting such underdeveloped market, with significant financial volumes starting to be allocated into solutions to pressing challenges in the region, with promising perspectives ahead.
BTG Pactual believes that incorporating environmental, social and governance issues (ESG) into the investment process improves decision-making and promotes sustainable development. ESG integration into BTG Pactual strategy drives long-term value and mitigates risk for our investees. In that context, BTG Pactual Impact Investing Fund looks to attain intentional and measurable positive social and environmental impact alongside strong financial returns, seeking scalable solutions to pressing challenges with business performance and deep ESG integration.

The Investment team understands that it shall be a value-add investor to its Portfolio Companies, the Fund actively participate in the Portfolio Companies' management, including having a strong governance with Board representation and requisite shareholder rights, seeking to be positioned on top of and have influence over decisions that potentially affect the value of each investment. It enables the Companies to establish and document a credible narrative on the impact generation. This is done by incorporating impact management practices into the Portfolio Companies' strategy. The Fund ensures that Portfolio Companies' 100-day Action Plan, Value Creation Plan and Five-Year Action Plan is adhered to Fund's ESG and Impact Management.

Principle 4:
Assess the expected impact of each investment, based on a systematic approach.

For each investment the Manager shall assess, in advance and, where possible, quantify the concrete, positive impact potential deriving from the investment. The assessment should use a suitable results measurement framework that aims to answer these fundamental questions: (1) What is the intended impact? (2) Who experiences the intended impact? (3) How significant is the intended impact? The Manager shall also seek to assess the likelihood of achieving the investment's expected impact. In assessing the likelihood, the Manager shall identify the significant risk factors that could result in the impact varying from ex-ante expectations. In assessing the impact potential, the Manager shall seek evidence to assess the relative size of the challenge addressed within the targeted geographical context. The Manager shall also consider opportunities to increase the impact of the investment. Where possible and relevant for the Manager's strategic intent, the Manager may also consider indirect and systemic impacts. Indicators shall, to the extent possible, be aligned with industry standards and follow best practice.

As a result, the Fund expects to increase its contribution as shareholders on ESG and impact issues. We also measure, monitor and report quarterly to its Limited Partners the impact metrics and relevant key performance indicators, defined during the investment process.

All our investees follow a rigorous assessment based on international frameworks and internal analysis on the expected impact of their core business. As part of our investment process, we align each investee with relevant impact objectives, such as the SDGs and measure their impact through our ImPactual Scoring Tool, based on the IMP's 5 dimensions. As part of our Due Diligence process, we establish a baseline impact score with the expected contribution of each investee and our goal is to increase this score throughout time.

btg IMPACTUAL SCORING TOOL

BTG ImPactual Scoring tool is the impact measurement methodology created by our team, based on the IMP. During due diligence phase, we calculate an initial score between 1 and 5, weighted based on the five dimensions of impact. Our goal throughout the investment period is to increase this score through a robust action plan to maximize Company's impact.

1. What is the impact?	Environmental, social and/or economic Impact, according to the Company's contribution to the Sustainable Development Goals.
2. How much?	Stakeholder outcome (scale, depth, and the durability of the change for stakeholders)
3. Who?	Stakeholder who will benefit from the impact being generated
4. Contribution	Additional results over those that would have occurred if the company did not exist
5. Risks	Possibility of deviations by the company in relation to the expected impact.

We have a third party ESG and Impact consultant (Sitawi) that performs and independent verification due diligence on each investee that helps us understand the level of ESG Integration in each Company. Together with the Company's Management Team, we define an Action Plan to target material KPIs for each Company. Like stated before, we work closely with our investees to identify opportunities to increase the impact of our investments, for example, we establish internal ESG committees, develop strategic products, and measure environmental and social objectives and initiatives, monitoring the established Action Plan closely to the Management and defining priorities based on each Investee's materiality assessment.

We also follow best practices and align our analysis with industries standards, such as KPIs in alignment with, but not limited to, the IRIS+ (from the Global Impact Investing Network) and the 2x Challenge. The IRIS+ are critical to ensure that impact metrics are relevant and credible in measuring the impact performance of our investments. Moreover, we ensure that each investment of the Fund has a Theory of Change, a model that specifies how we will impact society.

Principle 5:
Assess, address, monitor, and manage potential negative impacts of each investment.

For each investment the Manager shall seek, as part of a systematic and documented process, to identify and avoid, and if avoidance is not possible, mitigate and manage Environmental, Social and Governance (ESG) risks. Where appropriate, the Manager shall engage with the investee to seek its commitment to take action to address potential gaps in current investee systems, processes, and standards, using an approach aligned with good international industry practice. As part of portfolio management, the Manager shall monitor investees' ESG risk and performance, and where appropriate, engage with the investee to address gaps and unexpected events.

We believe that our purpose to generate S&E positive impacts shall also consider best ESG practices to mitigate risks and create value. Our ESG Risk analysis follows best practices, such as:

Principles for Responsible Investment
Voluntary and aspirational set of principles to incorporate ESG issues into the investment practice. The United Nations-supported Principles for Responsible Investments (PRI) is a network of international investors working together to put such principles into practice. BTG Pactual is signatory of PRI since 2015.

IFC Performance Standards
Framework developed by the International Finance Corporation that provides an international benchmark to identify and manage E&S issues. It provides a set of E&S Performance Standards to evaluate investment opportunities and monitor investment portfolios.

Corporate Governance Framework
Harmonized approach created by a group of Development Financial Institutions (DFIs) on how to deal with corporate governance risks and opportunities in investment operations. It builds on the IFC Corporate Governance Methodology, which defines parameters related to governance structure and ethical conduct.

For each investment, we complete a full due diligence that takes into consideration Impact and ESG risks. The due diligence phase is conducted also engaging NINT (formerly Sitawi), the most renowned ESG & Impact consultant in Latin America. Through the diligence process, we can identify ESG best practices and Company's impact by following a rigorous process of interviews with management, materiality assessment, compliance with labor, environmental and human rights laws, eco-efficiency initiatives, diversity and inclusion, governance, among others, and outline an action plan to develop better ESG practices.

In our ImPactual Scoring Tool, we also evaluate the risks associated with the investment opportunity. We analyze whether the positive impact will not be achieved or if it will be different than expected, due to specific risk types and levels (severity and likelihood). These risks include but are not limited to i) incorrect attribution of the impact when other factors also contribute for the positive outcomes, ii) incorrect assessment/prediction of stakeholder's engagement, iii) incorrect prediction of the use of products, iv) company's vulnerability to governmental changes, v) inadequate use of products and vi) high turnover of individuals that compose the stakeholder's group. Looking at peripheral negative impacts, we also evaluate the Company and understand the risks associated with i) non-compliance with labor laws, health & safety regulatory norms, ii) occupational diseases, iii) significant energy and water consumption, iv) lack of waste sorting, v) significant GHG emissions, vi) number of complaints, among others. The risk score is also taken into consideration and composes the final impact score of the Company.

Principle 6:
Monitor the progress of each investment in achieving impact against expectations and respond appropriately.

The Manager shall use the results framework (referenced in Impact Principle 4) to monitor progress toward the achievement of positive impacts in comparison to the expected impact for each investment. Progress shall be monitored using a predefined process for sharing performance data with the investee. To the best extent possible, this shall outline how often data will be collected; the method for data collection; data sources; responsibilities for data collection; and how, and to whom, data will be reported. When monitoring indicates that the investment is no longer expected to achieve its intended impacts, the Manager shall seek to pursue appropriate action. The Manager shall also seek to use
the results framework to capture investment outcomes.

We document the process in a due diligence report followed by an Action Plan that must be accomplished by the investee throughout the investment period. This Action Plan contemplates gaps that are identified and must be addressed accordingly, alongside strategies to maximize the impact generated by the investee and ESG & Impact risk mitigation.

Once the investment is made, we establish an ESG & Impact Committee in each invested company that is responsible for implementing ESG best practices and the action plan. Fund's management actively participates and engages in these meetings in a recurring basis to seek company's commitment to take action to address potential gaps in their current monitoring, processes, and systems.

For each investee, we establish an impact score that is based in our ImPactual Scoring Tool, mentioned above. The score analyses the Company at the current investment stage and defines a baseline impact score and an expected impact score, that takes into consideration the development of the Action Plan. In our Action Plan, we prioritize the different activities and define next steps and deadlines that must be reported to the fund's management in a regular basis. Every year, throughout the investment period, Management will analyze each Company's Action Plan and redefine the impact score. Our goal is to maximize company's impact and ESG best practices and improve this score every year.

Together with the management of the Companies, we define the different departments responsible for each initiative and goal, conduct monthly meetings to support and guide the team, establish internal ESG & Impact Committees that count with the different divisions of the Company and encourage synergies across the different investees. Our goal is to benchmark ESG & Impact goals and initiatives between them and share experiences that could be replicated in every Company.

In addition, we are responsible for the recruitment of the ESG & Impact executives that will be in charge for the development of ESG & Impact best practices in each Investee. The ESG department of each Company will collect the necessary data, implement interviews with the different department stakeholders, provide ESG training to all employees and provide the analysis and Action Plan when monitoring is no longer expected to achieve the intended impact.

Fund's managers will assess regularly, in a quarterly and annual basis, all information gathered by each ESG Committee and provide the necessary guidance to keep each Investee on track to maximize and potentialize the intended impact.

Principle 7:
Conduct exits considering the effect on sustained impact.

When conducting an exit, the Manager shall, in good faith and consistent with its fiduciary concerns, consider the effect which the timing, structure, and process of its exit will have on the sustainability of the impact.

We truly believe that strong ESG & Impact performance can positively impact valuations and exit multiples. Incorporating best practices should be considered in every exit, with the different Managers engaged to continue with the sustainability of the impact through the Company's lifetime.

The decision to exit an investee is discussed within the Investment Committee to analyze the negative impact on every stakeholder involved and the sustainability plan of the buyers of the Company. The Fund will assess strategic buyers, including the ones that value the improvement of Companies' ESG & Impact performance. During the exit process, we will re-evaluate the Company's impact score, using our ImPactual Scoring Tool and all the KPIs that were defined during the investment period. With our quarterly and annual reports, we are able to have a qualitative summary of all the achievements, the dimension of the impact caused by the Company in its stakeholders and evaluate the progress that the Company had during all the investment period.

Principle 8:
Review, document and improve decisions and processes based on the achievement of impact and lessons learned.

The Manager shall review and document the impact performance of each investment, compare the expected and actual impact, and other positive and negative impacts, and use these findings to improve operational and strategic investment decisions, as well as management processes.

In general, there is still much to be developed by market participants regarding the management of impact investment strategies: impact measurement, evaluation, monitoring, and transparency are still evolving. Therefore, when we designed the Impact Investment Fund, the team was keen to create a strategy that would present well-defined metrics and always be able to report to investors with transparency.

We follow a standardized approach to track the ESG & Impact trajectory of our investees and monitor the impact score and Action Plans established by the team. Fund's management ensures that any insight from periodical analysis is taken into consideration and strategically adapted or modified to improve our ongoing analysis. We take into consideration the lessons learned from our investees to improve operational and investment decisions. For example, we engaged with a strategic consultant that are experts in collecting data for surveys who oriented us on how to improve the monitoring and gathering of information regarding important KPIs from our clients and employees. We also encourage synergies among the different investees, having periodic meetings to share experiences and benchmark their best practices and initiatives.

In addition, as part of the Impact Investing community, we are always seeking advice and orientation in the improvement of our Impact Measurement and Management. We are dedicated to refining our own impact measurement and management as the industry matures, considering the achievement of impact and lessons learned during the investment cycle. We are signatories of the Principles of Responsible Investing, the GIIN, and Patricia Genelhu, our head of Sustainable & Impact Investing team, was recently named Chair of the LATAM Regional Committee of the Impact Principles. Our participation and the leading of these discussions prove our commitment to improve our own processes and the development the industry overall.

Principle 9:
Public disclose alignment with the impact principles and provide regular independent verification of the alignment.

The Manager shall publicly disclose, on an annual basis, the alignment of its impact management systems with the Impact Principles and, at regular intervals, arrange for independent verification of this alignment. The conclusions of this verification report shall also be publicly disclosed. These disclosures are subject to fiduciary and regulatory concerns.

Solid impact measurement and management processes are an essential component of BTG Pactual's impact investing strategy. BTG Pactual became signatory of the Impact Principles in April 2021, being this disclosure our second one, and we affirm our commitment to publicly disclose alignment with the Impact Principles in an annual basis. This year, our impact framework and analyses, alongside our alignment with the Impact Principles were verified by AttestESG (a local consultant) which the report will also be publicly available by the end of April 2023.