RISK MANAGEMENT POLICY

MARCH 2019

1. RISK MANAGEMENT CULTURE

Copa Investimentos disseminates a risk understanding culture, recognizing the importance of risk management and admitting personal responsibility for risk identification and management.

We believe that our potential risk identification culture is as much important as our risk management policies and structures. This potential risk identification culture is based on the recognition of individual responsibility, at all levels and by all members, in the identification and management of risks. To this effect, we have several routine practices in place, such as:

- Company employees are on the alert as to potential risks and proactively consider the risk involved in their several daily routine activities.
- There is openness and willingness on disclosing risk-related information, and challenging concepts and pre-established points of view.
- All levels of the organization feel responsible for adopting principles of good risk governance within a cooperative basis which provides supervision not only from the top to the bottom, but also an upward engagement from the risk takers of the company´s front line.
- The risk function is seen as an important factor of support and contribution to the business success, rather than only as a tool for imposing controls and constraints.
- There is good coordination between risk and underwriting functions as part of an appropriate structure for assessment of investments adjusted to the related risks.

There is a good balance between quantitative and qualitative risk assessment - employees are struggling for quantitative sophistication - however, they understand its limitations, including assumptions, data availability, and system capacity.

2. COMMON RISKS AND RISK MANAGEMENT STRATEGIES

We list below the risks commonly associated with our activities, both in the management of funds and in the activities of investee companies, and the corresponding approach of Copa Investimentos in face of its risk management policy. The list below is not intended to be an comprehensive description of all the risks we are exposed to in our operations, but merely to used as a set of examples.

2.1. Fraud

Occupational fraud schemes are usually classified into three categories: misappropriation of assets (theft of money, data, property, etc.); corruption; and financial statement tampering schemes (willful tampering, misrepresentation or failure to report data in the financial statements).

According to the Association of Certified Fraud Examiners ("ACFE"), although asset theft accounts for small average losses, historically, these schemes have been responsible for the vast majority of reported fraud activities. Within this category, there are several techniques which an employee may use to steal company assets and resources, including theft of cash receipts and fraudulent payments, such as through billing schemes, fictitious suppliers, fraudulent reimbursement of expenses, or tampering with checks.

Given that fraud involves, by nature, information concealment efforts, our approach involves internal anti-fraud structures and controls that reduce opportunities for fraud performance, through proper segregation of functions, involving asset custody, authorization of transactions which affect the assets and records/reports of related transactions.

At the level of investment management, all of our investments are carried out through equity investment funds (FIPs), which benefit from strong regulatory and governance rules, with effective segregation of functions being one of the main pillars. Examples include:

» Copa is unable to directly access the bank accounts of its managed Funds. Instead, it should require managers to issue instructions to the treasurer/controller of the fund, which will be done only if such requirement is in accordance with the procedures established in the Fund's regulation. This ensures, at all times, a clear distinction between the company´s assets and those of the funds that Copa Investimentos manages.
» Copa is not responsible for and does not interfere with the accounting records and shares of the FIPs it manages, functions performed by the manager or by an independent financial institution providing accounting, treasury and control services.
» Copa is not responsible for and does not interfere with the custody and deposit of the financial assets of the FIPs it manages, functions exercised by the manager or by an independent financial institution to provide deposit services and custody of assets.

At the level of asset management, we also give effect to the practice of segregation of duties, where a single employee should not be in a position that allows him both to perform and then to conceal fraudulent activities.

» With a particular focus on ensuring adequate cash management standards, portfolio companies' back office operations flow entirely through ERP systems, which record all transactions and require different levels of approvals for disbursement clearance.
» Reconciliation of bank accounts (bank reconciliations, cash in hand, etc.) and bank statements. Segregation of functions is also implemented in the bank reconciliation process, onvr in this process accounting, bank reconciliation and authorization of payments are separate.

According to the fraud triangle theory[1], those who commit fraud tend to be influenced by three factors: pressure, opportunity, and rationalization. According to this theory, the threat of probable detection of possible fraud is one of the most powerful tools in its prevention, because it neutralizes the distorted perceptions that tend to lead to fraudulent practices. For this purpose, Copa Investimentos routinely adopts the following practices:

- Audit of financial statements and surprise audits
  - The financial statements of our funds and investees must be annually audited by one of the big four audit firms.
  - From time to time, Copa Investimentos conducts surprise audits on investees through outsourced companies specializing in accounting expert examination.

- Revaluation of the assets of the funds by independent third party
  - Our funds have annual evaluation policies in place, which are in line with the best international practices, based on independent third party evaluations and mandatory appraiser turnover at every 3 years.
- Incentive to Suggestions
  - Copa promotes an open and accessible environment, with the aim of stimulating the initial detection of fraud through suggestions.

2.2. Incorrect pricing of invested assets by the use of faulty/inadequate methodologies

We believe that the most relevant investment risk in our business is in the incorrect pricing of a timberland asset. A material error in pricing an investment usually overshadows any potential efficiency gains, improved returns, and reduced costs, and has the potential to generate permanent capital losses. This risk of bad pricing may result not only from the adoption of excessively optimistic assumptions but also from not considering or underestimating the risks, liabilities, costs and other key assumptions of the business plan.

The internal Investments Committee of Copa Investimentos is made up of a diversified group of individuals with complementary backgrounds and experiences. Our culture encourages exhaustive due diligence processes and discussions of business plans, as well as post-investment account rendering. Professionals who will be responsible for post-investment performance (forest productivity, operational efficiency and cost budgets, among others) participate in the investment underwriting process. These same professionals have the long-term alignment of interests with our investors through performance incentives and corporate participation in the funds management.

The search for a "margin of safety" in our subscriptions, trading and structuring of transactions, is an key element of our investment philosophy. Thus, our risk culture strongly emphasizes the adoption of conservative assumptions and realistic scenarios/understandings in assessing investment opportunities. In this way, we are better prepared to carry out adequate evaluations and develop contractual protections to mitigate the main risk factors of the projects/transactions.

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2.3. Risks related to timberland assets

Timberland investments managed by Copa are naturally exposed to a variety of risks including:

- Physical risks
  - Factors affecting the quality or volume of forest production - often biological and physical events such as forest fires resulting from severe drought or diseases affecting tree health.
  - They may also be the result of human activities, such as theft of timber and criminal fires.

[1] http://www.acfe.com/fraud-triangle.aspx

- Financial Risks
  - Increase in the price of inputs, including fertilizers and seedlings.
  - Reduction in the price of products, such as pulpwood, sawmills and the forest itself.
  - Inadequate capital structures
  - Credit risk

- Operational risks
  - Factors that affect daily operations in forests, from climatic impacts to access problems

- Regulatory risks
  - Changes in regional and national government policies that address land use regulations or modifications to the requirements for operational procedures, both of which can reduce efficiency and increase short- and long-term costs.
  - Green certifications and social pressures may also have political implications.

Our investment policy addresses portfolio diversification as a key element in risk management. This view is reinforced by the fact that most investors in our timberland asset funds have limited exposure to this asset class. We believe that diversification is essential to ensure an attractive risk/return profile for the portfolio as a whole, including diversification by the following criteria, among others: (i) geography; (ii) final market; (iii) species; (iv) age; (v) price (spot market vs. pre-defined prices in supply contracts); and (vi) own or leased land.

We believe that professionally managed forests benefit from risk mitigation resulting from the diligent adoption of best practices, which include various aspects of day-to-day operations, including: (i) the adoption of handling regimes that are consistent with productive capacity and with the general conditions of a region; (ii) selection and implementation of appropriate genetic material; (iii) the constant monitoring of assets and operations; (iv) the agile implementation of silvicultural interventions, such as pest control and irrigation; (V) adequate maintenance and prevention of fires, monitoring and control infrastructure; etc.

Our investment philosophy is also based on an incessant search for efficiency and low cost. This stems from the recognition that being a low-cost producer is paramount to ensuring attractive returns, given that our end product is a commodity exposed to market forces. This is reflected in our preference for vertical integration and an active approach to management of our funds´ forests.

2.4. Reports

In the event an employee becomes aware of situations where a material risk is not being detected or is being neglected or otherwise mismanaged in our organization, whether or not such employee has individual responsibility for the identification and management of such risks, such employee must report this fact using the following email: compliance@copainvest.com.br.

No employee should be affected in his relationship with the company for reporting cases related to risk management concerns. All information will be treated as confidential and secret.