

STATEMENT

Portucel Moçambique is developing an unparalleled project in Mozambique which successful implementation will surely bring social and economic development to the Country, Provinces and Communities located in the Project area. The accomplishment of the Social Development Plan (PDSP), the Corporate Social Responsibility projects and the training and hiring of local workers and service providers for silviculture activities, and others, are generating new opportunities for sustainable value creation in the regions where the Project is developed.

There are clear signs of this positive impact, resulting from the company's operations and its social programmes, monitored by external entities: some communities have, for the first time, access to drinkable water; there is an early increase in productivity in agricultural fields from the adoption of practices disseminated by the Company; hundreds of kilometres of community roads have been improved; more families have been able to improve their housing conditions and their quality of life, and public transport has begun to reach more communities.

This transformation is felt in a Project which, nonetheless, still finds itself at a very early stage of its implementation. Portucel Moçambique only began full operations after earning its Social and Environmental Licence (2015), and PDSP started to be implemented in the second half of that same year. Following a period of preparation and assessment in which some plantation tests were developed, only after this date the implementation of the Project was initiated on a wide scale, albeit not yet extensively to all areas of the DUAT (Right to Use and Benefit from the Land).

With the increasing scale and maturity of the Project, more employment will be generated, and more communities will gain access to social benefits, therefore increasing the direct and indirect contributions to the population and the region.

Portucel Moçambique has worked with communities, central and local governments, local authorities, Civil Society Organizations (CSOs) and other national and international partners, in a constant search to improve its Project. Since the beginning of its activities, the Company has endeavoured to respect the Mozambican law and adhere to the best international standards. It has done so in its Community Consultations performed for the concession of the DUATs; in the execution of a detailed and rigorous Social and Environmental Impact Studies, performed by the most prestigious Mozambican company in the sector and internationally renowned specialists; and in the definition of its internal practices.

The results of this responsible attitude and the permanent contact with communities are the development of procedures and instruments for the implementation of the Project and the management of relations with communities, or the decision to implement the agroforest mosaic model, entirely innovative in the Country. This model aims to avoid social and economic displacement within the populations, preserving their possessions, their culture and the environment, as well as to promote their integration in the jobs created, and being created, by the Project, sharing the benefits of its growth.

Although the Project is still at an early stage, many other procedures have been created. To mitigate the potential social and environmental impacts identified in the Environmental Impact Studies, the company decided to create the Land Access Procedure, the Grievance Management Mechanism, several Technical Norms for the forest operations, among other instruments which have been constantly improved, resulting from the lessons, experience and knowledge, often generated outside the Company.

To monitor the well-being of the communities, the respect for the environment and the success of these procedures and tools, several studies were performed (soil, water, areas of high conservation value, soil erosion, food safety, fire prevention, the locating of small dams, among others) and regular monitoring practices created which aim to continually improve the Project.

This continuous work has allowed Portucel Moçambique, despite its short life span, to make significant achievements, of which we highlight:

- The plantation of 13,200 ha (4% of the 356,000 hectares of both DUATs);
- The construction of a plant nursery which has already produced over 11 million eucalyptus plants, with workers from local communities, for whom it was necessary to provide training;
- Voluntary Land Grant Agreements with approximately 3,500 families;
- The payment of over 300 million Meticaís in remunerations to local workers (around 2.4 million daily wages);
- Over 160 million Meticaís paid in tax contributions;
- Approximately 1,500 km of roads and tracks repaired or built;
- PDSP, at the beginning of its third year, now reaches around 5,500 families;
- Channels of dialogue with the communities were created and maintained, among which:
 - 14 community consultative committees
 - Monthly community meetings
 - 40 community liaison agents

- Regular meetings with community leaders
- A pilot for the demarcation of Community Land, developed through Terra Firma and ORAM;
- Solar light lamps were distributed to 700 households;
- The initiation of a programme of construction and repair of boreholes budgeted at 14 million Meticaís;
- The initiation of a food conservation programme through the construction of around 2,000 improved barns.

In total, since its establishment in Mozambique, the company has invested approximately 110 million USD in the Country, five of which in PDSP.

In environmental management, the Project took important steps to prevent, minimize and mitigate potential impacts identified in the social and environmental impact studies, and throughout the entire process. Some examples:

- Study of identification and management of areas of high conservation value;
- Demarcation of community land;
- Protocol for the monitoring of the water quality in each micro basin;
- Establishment of protocol with a Mozambican company for the recycling of plastic material for the manufacture of tables and chairs, etc.;
- Community training for awareness and prevention of uncontrolled fires;
- Definition of erosion control and soil fertility practices;
- Development of an integrated approach to biodiversity and ecosystems using international best practices to mitigate any negative impacts of the Project.

To raise awareness of the development of its activity and impacts on communities, Portucel Moçambique started publishing its Social and Environmental Report in 2015, which reveals how the Project has evolved, in all its economic, social and environmental forms. The annual report addresses the performance of the company in different areas and activities, mapping good practices and challenges. This is a public document accessible to all national and international stakeholders.

Aiming to gather inputs for the improvement of the Project and to contribute to the communities' development, the Company supported the establishment of the Portucel Moçambique Consultative Committee in 2015, which is composed of CSOs, and includes the participation of a representative of the Government and other of Portucel Moçambique.

This process of investment in the creation of an innovative and sustainable forest Project in Mozambique, in compliance with Mozambican law, with the contribution

of communities, Civil Society in general and using international best practices, is only possible with the active participation of all interested parties.

The shareholders of Portucel Moçambique (The Navigator Company and the International Finance Corporation (IFC), member of the World Bank Group), have made significant efforts and investment to ensure that active participation has significant positive impact on the Project and on the communities.

The Navigator Company is an internationally renowned company with strong track record and reputation in social and environmental issues, which operates in approximately 130 countries, manages over 120.000 ha of forest area in Portugal, which obtained certification of the forest management by the most recognized international systems, and has regular direct and indirect relations with tens of thousands of forest producers.

With IFC as an investor in the project, Portucel has committed to adhering to IFC's Performance Standards and conducting our business in a sustainable manner. Portucel is applying these internationally recognized sound environmental and social practices, intended to encourage transparency and accountability that contributes to positive development impacts.

In Mozambique, the two entities continue to work with many other national and international entities to ensure the Portucel Moçambique Project is a success. We therefore welcome all feedback and perspectives about our Project and take them very seriously, analysing them as opportunities to improve.

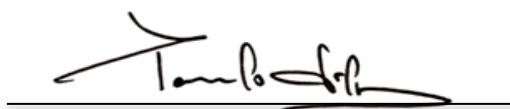
Through a constant dialogue with all interested parties, we work for Portucel Moçambique to be in a continuous improvement process, so that this Project may bring to the Country, and in particular to the provinces and communities where it is being implemented, the desired social, rural and economic development in a sustainable manner.

Maputo, 15th December 2017

Board

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João Lé

A handwritten signature in black ink, appearing to read "Paulo Silva", written over a horizontal line.

Paulo Silva