



Sustainable Financing Framework

October 2021

btgpactual.com

Table of Contents



Company Overview	04
BTG Pactual: Committed to Sustainable Development	07



Dedicated Sustainability Plan	12
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Use of Proceeds	15
Process for Project Selection and Evaluation	23
Management of Proceeds	24
Reporting	24
External Review	26



Background

1.1 Company Overview

BTG Pactual is a financial institution with origin and headquarters in Brazil, acting in the main Latin American markets. BTG Pactual has over four thousand professionals providing services of investment banking, asset management, wealth management and corporate lending. Through a platform with high capability of international distribution, it provides a comprehensive range of financial services to a regional and global client base. A few years ago, BTG Pactual focused on large corporations, institutional investors, governments, and high net worth individuals (“HNWI”). More recently, in addition to the institutional clients that BTG Pactual has notably served for decades, the bank has also gained market share in the high-income retail segment of the population. BTG Pactual is now capable of servicing individuals through the launch of BTG Pactual Digital (investments platform) and BTG+ (retail bank).

Founded in 1983, BTG Pactual considers that its more than three-and-a-half-decade experience and the firmly established brand are key success factors in the decision to explore new opportunities in the retail banking market, leveraged by technological innovations. BTG Pactual’s first incursion in this market was the launch, in January 2016, of BTG Pactual Digital, an online investment platform dedicated to retail. Combined with BTG+ and other initiatives, BTG Pactual Digital integrates the digital retail unit (DRU) that, under a unified and exclusively dedicated leadership, comprises: (i) investment, credit and banking solutions to retail; (ii) credit and other banking services to small and medium-sized businesses; (iii) distribution of insurance; (iv) investment in Banco PAN ; (v) training in data and investment content analysis; (vi) BoostLAB , the scale-ups accelerator and business originator; and (vii) the launch of BTG Pactual Advisors in the context of the acquisition of Ourinvest, which offers a digital investment platform combined with personalized advisory services through a network

of independent financial agents.

BTG Pactual operates under a meritocratic partnership, which currently consists of 258 partners. It has local coverage in six of the main cities in Brazil, including São Paulo and Rio de Janeiro, in addition to Chile, Colombia, Mexico, Peru and Argentina. BTG Pactual also has strategic presence in New York, Miami, London, and Lisbon, focused on distribution of a wide variety of banking products in Latin America and managing global clients’ funds. It holds a leadership position in the Brazilian market and, as a result of the expansion and strategic focus on Latin America, BTG Pactual has been increasing business volume in Chile and Colombia.

BTG Pactual’s operational strategy is focused on the following main business areas:

- Investment Banking, which provides financial advisory and capital markets services;
- Corporate Lending, which offers financing, structured credit and guaranteed loans to companies;
- Sales and Trading, which offers financial products and services to a diverse group of clients in local and international markets, including market-making, brokerage and clearing services, research and equities, derivatives, interest rate, foreign exchange, energy and commodities transactions for hedging and trading purposes, as well as insurance and reinsurance products and services;
- Asset Management, which offers asset management services with a broad range of products across several international asset classes, especially in Latin America, to local and international clients;

- Wealth Management & Consumer Banking, which provides investment advisory, financial planning services and investment products to HNWI, institutions and individual investors; and
- Corporate Lending and SME, which provides financing and loans to large companies as well as small and medium sized companies in Brazil and Latin America.

BTG Pactual is focused on offering disruptive products and services to meet clients' evolving expectations through expanding its presence and product offerings in Latin America while taking advantage of opportunities arising from an accelerated transformation of banking intermediation as a result of technological innovations and an increasing maturity of Brazilian investors. In this scenario, and in addition to a growth perspective in BTG Pactual's traditional markets, its digital retail platform will be fully dedicated to capture opportunities in market segments not yet well explored by BTG Pactual.

Materiality Assessment & Sustainable Finance Commitments

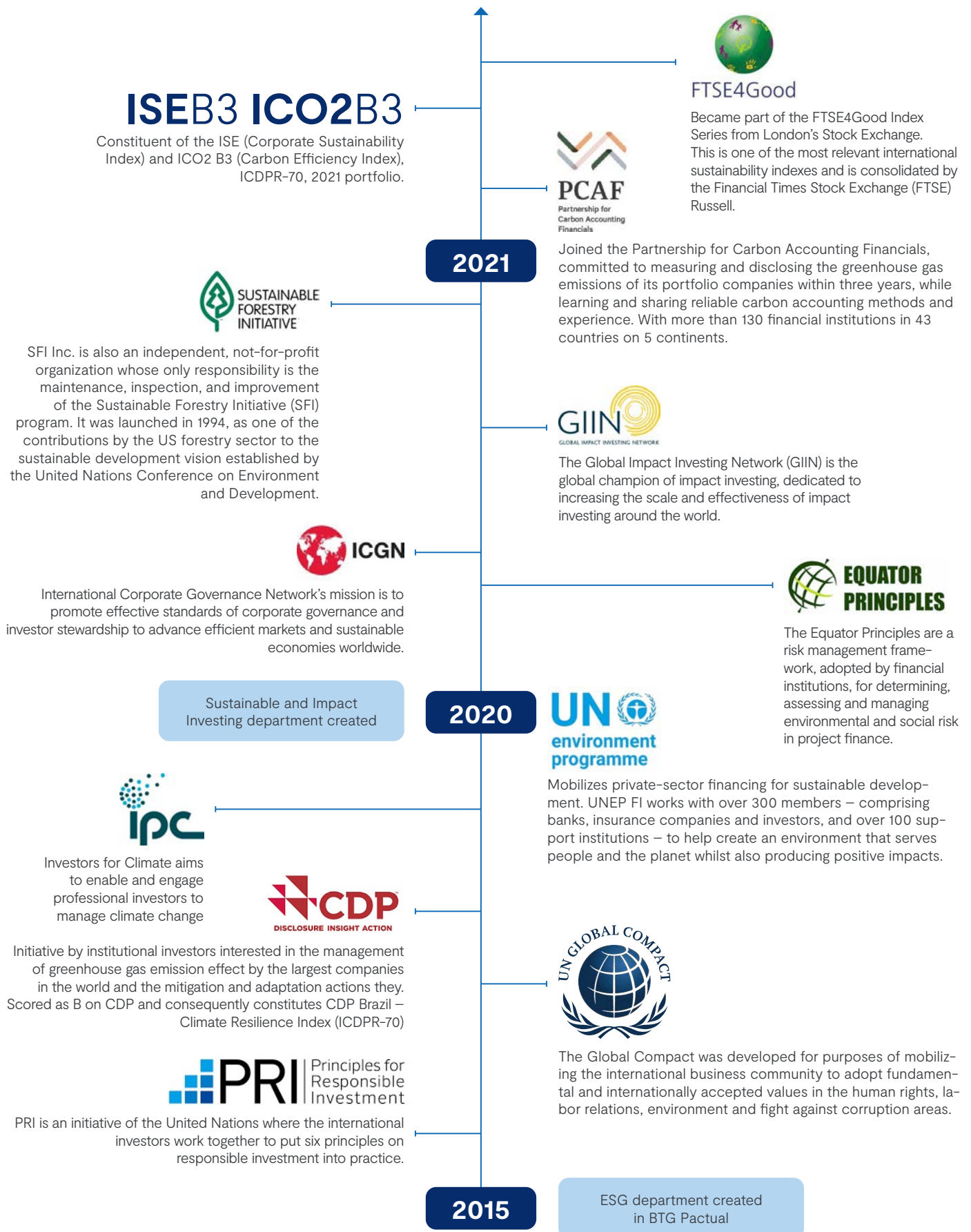
In 2021, BTG Pactual conducted an in-depth materiality assessment to understand the main sustainability-focused risks and opportunities faced by the bank. This process included the engagement of 1492 people representing the main stakeholders across the market, from specialists in financial and sustainability matters, investors, suppliers, customers and members of BTG Pactual's Board of Directors.

This process helped identify the most material issues for the bank, will influence the sustainability strategy and support greater alignment with the Sustainable Development Goals ("SDGs"). As a result of this materiality process and based on Global Reporting Initiative Standards (GRI), BTG Pactual set 6 main themes as priorities to its sustainable and integrated disclosure and annual reports. For each main theme, BTG Pactual included the related SDG it can positively impact.

1. Ethical Conduct - SDG 16
2. Human Capital/People - SDGs 4 and 5
3. Responsible Investing - SDGs 5,8,10,12 and 15
4. Innovation and Digitalization - SDGs 8 and 9
5. Socioeconomic Inclusion - SDGs 4,8 and 9
6. Eco-Efficiency and Climate - SDGs 12,13 and 15

As a signatory to the United Nations Global Compact, BTG Pactual commits to implementing and observing the ten principles upholding fundamental responsibilities in the areas of human rights, labor, environment and anti-corruption. Additionally, BTG Pactual is a signatory to the Brazilian Business Pact for Integrity and Against Corruption which is dedicated to eradicating bribery and corruption. Signatory companies are committed to disclosing and complying with Brazilian anti-corruption legislation. In 2019, for the second consecutive year, BTG Pactual was between the ten most transparent banks in Brazil, according to Transparency International.

Reinforcing the importance of Environmental, Social and Governance ("ESG") aspects, BTG Pactual is part of many initiatives, as shown below:



Sustainability Governance

BTG Pactual has a Board-level ESG oversight which helps to drive a focus on sustainability issues across its strategy, policies, and programs:

The Board of Directors is the highest governing authority in ESG integration and risk management as well as sustainability matters. The duties of the Board of Directors include: providing general business guidance, appointing executive officers, providing strategic guidance and approving financial information in the annual report and risk management policies and practices (including strategies for the ESG & Impact Investing area). The Board is supported in its duties by a complete structure of committees. These include: Audit Committee, Remuneration Committee, Risk & Capital Committee, Compliance Committee, and ESG Committee (the first two are statutory committees). It is also responsible to provide guidance on and improve BTG Pactual's ESG strategy and policy, and oversee implementation at all business units.

ESG Committee: meets monthly, is chaired by the CEO and is composed by the president of the Board of Directors as well as other C-levels (CFO, CRO, CSO, CCO, head of Human Resources, ESG). Such committee is responsible to (i) support the Board of Directors in carrying out their responsibilities related to defining strategy, policies and best practices related to climate, environmental and social risks; (ii) develop strategies related to climate risk management (including physical and transitional risks), environmental and social risks management and ESG integration; (iii) ensure that BTG Pactual Group actions are in compliance with applicable climate, environmental and social regulations.

Business Areas: Responsible for the following activities: (i) regularly identify ESG risks and opportunities; (ii) work with the ESG function to

implement new procedures and ensure initiatives are aligned with BTG Pactual's policies; (ii) identify and capture opportunities for sustainable and impact investing in companies, projects and local and international investors and (iv) develop financial products.

1.2 BTG Pactual: Committed to Sustainable Development

BTG Pactual's vision of sustainability is grounded in the understanding of its responsibility in promoting best practices and using a sustainability lens throughout its entire value chain. Its Social Responsibility initiatives¹ and its ESG and Impact Investing strategy² are anchored in BTG Pactual's values and competencies, reflecting its long-term ambition and unconditional commitment to responsible and sustainable development.

1.2.1 Social Responsibility

BTG Pactual supports several projects focused on Education, Environment and Entrepreneurship that aim at the socio-environmental impact within a more just and egalitarian society. The contemplated projects, including social campaigns, philanthropic advisory and support through tax incentives demonstrate its commitment to the regions and communities where it operates, mainly in Brazil, with the following highlights:

- BTG SOMA is a program for accelerating social organizations that aim to contribute in boosting the performance of NGOs so they achieve financial sustainability. Through 100 hours of training, workshops and mentoring, the program joins forces to develop the professionalization of the third sector. In the first edition (2020), 6 organizations from 4 different states worked in causes related to education and entrepreneurship. In the second edition (2021), it had the participation of 10 NGOs from 4 different states. For 2022, the program is

¹Please find more about here: <https://www.btgpactual.com/cidadania/responsabilidade-social>

²Please find more about here: <https://www.btgpactual.com/us/esg-e-impact-investing>

aiming for the expansion of the third edition in Brazil and for the first edition in Chile. On average, each round of the program involves 50 volunteers who dedicate more than 60 hours of mentoring to selected organizations.

- Social microcredit comprises additional initiatives that bring access to credit to nano and micro-entrepreneurs with facilitated conditions. The interest, in addition to being the lowest in the market (0.5% per month), when received, is invested in social projects in the third sector. BTG Pactual has allocated between 2020 and 2021 R\$9 million in credit to more than 6 million entrepreneurs living in communities, in partnership with the Gerando Falcões Institute, to women entrepreneurs in partnership with Grupo Mulheres do Brasil and, for microentrepreneurs from all over Brazil, mostly from the North and Northeast regions in partnership with Fair.
- Facing the pandemic in 2020, BTG Pactual made a donation of R\$50 million to support social projects and hospitals, in order to mitigate the impacts of the coronavirus on large communities. More than 3 million people, 160 social projects and 43 hospitals were impacted by the initiatives supported throughout Brazil. The campaign, called Numbers that Matter, in addition to BTG Pactual donation, also mobilized R\$20 million with major partners to enhance and expand social actions to combat COVID 19.

1.2.2 ESG at BTG Pactual

BTG Pactual operates with a consistent focus on the long-term implications and results of its actions and relationships, prioritizing long-term benefits over short-term gains whilst constantly monitoring the risks and opportunities that ESG aspects may bring. It believes that solid commercial practices and business responsibility are long-term drivers that must be applied daily to generate value for shareholders via sustainable growth.

³ <https://static.btgpactual.com/media/sustainability-policy-v202108.pdf>

⁴ Please find out more about it here: <https://www.btgpactual.com/us/esg-e-impact-investing/eco-efficiency>

Its Sustainability Policy³ sets out its fundamental principles on ESG and its vision in conducting business in an innovative way, integrating ESG aspects into the decision-making process and aligning with the UN SDGs.

Its ESG division is responsible for defining the ESG strategy for BTG Pactual, ESG integration in all of its business units and participations, ESG Research and establish the guidelines for the sustainability programs⁴. Since its creation, the ESG area has been delivering consistent results in different areas of BTG Pactual’s activities:

Corporate and SME Lending:

BTG Pactual is an Equator Principles signatory and has developed some important initiatives: (i) since 2015, 100% of the credit transactions over US\$30 million are evaluated under the IFC Performance Standards and Environmental & Social (“E&S”) aspects are included in every credit transaction memorandum; (ii) 19 sector policies that consider E&S material aspects and distribution of a booklet about child labor for all the clients; (iii) assist clients in the integration of ESG Agenda into their policies, activities, communications and procedures, going beyond compliance; (iv) development of an internal credit risk “robot” that establishes S&E minimum rules that automatically denies loans to non-compliant small and medium local farmers.

Deforestation issues:

- BTG Pactual has already incorporated such issues into its risk analysis in the corporate loans, by consulting environmental agency’s restriction lists (i.e.: deforestation infractions) and the compliance of the activity under the Brazilian Forestry Code.
- For economic sectors wherein forest risks are material, BTG Pactual investigates how clients assess

these risks in the supply chain and if the clients have certifications that attest the sustainability of their production process. The bank also verifies the production process itself to understand, even in the absence of a specific certification, if the process is sustainable and manages to address environmental and climate risks.

Investment Banking: Engage with ECM clients in ESG planning by integrating environmental, social and governance aspects into their business model, actions and reporting.

Asset Management: ESG Due Diligence and ESG integration on the equity, credit, real economy, timberland, special situations, and real estate strategies, which corresponds to 20% of the total AuM. The Timberland strategy has over US\$4 billion, reports ESG indicators annually and recently launched the Landscape Capital strategy focused on mitigating climate change, environmental restoration and protection.

Wealth Management & Consumer Banking: ESG planning by integrating environmental, social and governance aspects into business model, actions, and reporting. As of June 2021, the wealth management clients started to receive only the digital version of the bank statement. Every month, around 1 ton of paper was used to print extracts corresponding to 250kg of CO₂ and 540k liters of water. BTG Pactual also launched a carbon calculator that allows customers to calculate their carbon footprint, showing them possible changes in their habits.

Sales & Trading: Completed 10 years of activities in the energy trading market with focus on renewable energy. BTG Pactual received the Green Energy Certification from UNICA (National Sugarcane Industry Association) and adhered to the I-REC Platform. The 19 sector policies mentioned above are applied for insurance transactions.

Other initiatives: (i) ESG integration for the companies of BTG Pactual Group (Banco Pan, Necton, ECTP); (ii) for the independent agents' offices, elaboration of a booklet about waste management and other environmental programs; (iii) compensation of the carbon emissions from independent agents' offices, as well as BTG Pactual's direct and indirect carbon emissions from air travel and commuting; and (iv) financial education: Inside ESG, a report to Wealth Management, Digital and BTG+ clients.

Environmental and Social impact mitigation: For the relevant suppliers, BTG Pactual developed an ESG booklet which considers aspects such as slavery and child labor, diversity and carbon inventory. More than 60% of BTG Pactual's administrative operations are located in environmentally certified buildings. The office in Medellín, Colombia, installed solar panels to produce electricity, which has enabled the office to sell energy surpluses to the grid.

As a result of the commitments and actions developed in the last years, BTG Pactual was awarded as the best ESG Research team in Brazil by Institutional Investors and as the best ESG team in Latin America by Institutional Investors (nominated by buy side analysis). BTG Pactual' senior management has true commitment to the agenda, being its CFO one of the only two Brazilian members of the UN Global Compact's CFO Taskforce in 2021, composed by 40 CFOs around the world working together to align their corporate finance strategies to sustainability commitments.

1.2.3. Sustainable & Impact Investing

Beyond constantly improving the ESG analysis in the management of its assets, BTG Pactual took a step further on engaging investors and companies on environmental and social innovation. Acknowledged by its excellence, in early 2020, BTG Pactual enforced its commitment to sustainable practices and created its Sustainable & Impact Investing division.

Within the new division, BTG Pactual became a hub to connect global investors to ESG & Impact Investing opportunities in Latin America. Leveraging BTG Pactual's consolidated platforms towards such initiatives, it counts on the solid structure that BTG Pactual has in place regarding traditional investments. The Sustainable & Impact Investing division works together with other business units on strategies related to its core businesses, developing innovative financial products with a serious ESG and Impact approach, seeking and structuring new business opportunities that generate strong long-term financial, environmental and social value for our stakeholders.

In that direction, BTG Pactual has already developed several new products, also becoming the first financial institution in Brazil to join the Global Impact Investing Network (GIIN), first consolidated institution to become a signatory of the Operating Principles for Impact Management and the first in Latin America to be included in the Nasdaq Sustainable Bond Network, being awarded as Impact Initiative of the Year in Latin America and Caribbean by Environmental Finance and Outstanding Sustainable Financing in Emerging Markets by Global Finance.

Investment Banking: In 2016, BTG Pactual signed a public declaration to foster the Green Bond market (The Brazil Green Bonds Statement⁵), showing its intention to move towards a low-carbon and climate resilient economy. Since then, it has structured and coordinated several green, social, sustainability, sustainability-linked and transition issuances for its clients – including important innovative sustainable finance transactions, such as the first sustainability and the first transition ones in Brazil.

Asset Management: BTG Pactual structures and manages funds focused on Negative Screening, ESG Integration and Impact Investing. These different vehicles bring to clients the opportunity to invest responsibly and sustainably to promote

intentional and measurable positive E&S impact, such as the Impact Investing Fund launched in 2021. These investments comprise allocation in different segments across Latin America, such as Clean Water & Sanitation, Sustainable Transport, Renewable Energy and Energy Efficiency, Sustainable Agribusiness, Healthcare, Education and Financial Inclusion.

Wealth Management and Digital Retail Unit:

BTG Pactual actively works on growing its portfolio of products focused on ESG & Impact Investing and democratizing the access to such opportunities to clients. Not only it makes its own products available, but it also brings other products available in the market into its platforms.

Corporate Lending and Sales & Trading:

BTG Pactual has an existing credit portfolio and an extensive pipeline of loans and other transactions supporting projects and assets that promote positive social and environmental impact. Between 2020 and 2021, BTG Pactual has already raised almost US\$1 billion for E&S purposes. In November 2020, it raised US\$50 million in its first Green Private Placement. In December 2020, it became the first Brazilian bank to receive a climate loan of US\$140 million from the European institutions Proparco and DEG, being the proceeds used to finance climate mitigation initiatives. The US\$500 million Green Bond issued by BTG Pactual in January 2021 was the first Green Bond ever issued by a Brazilian financial institution in public markets at the lowest coupon ever achieved within the segment in Brazil, being also included in Green Bond Transparency Platform of IDB and the first bank in Latin America in the Nasdaq Sustainable Bond Network, highlighting the bank's pioneer approach to the ESG & Impact Investing agenda. BTG Pactual also received a US\$300 million loan from DFC (U.S. International Development Finance Corporation), being the proceeds used to support the expansion of the SME portfolio.

⁵ <https://www.climatebonds.net/market/country/brazil/investor-statement>



BTG Pactual's Rationale for Developing a Sustainable Financing Framework

2.1 Dedicated Sustainability Plan

BTG Pactual understands that considering social and environmental aspects into its risk process analysis confirms its commitment to prioritize long-term benefits and results over short-term gains.

BTG Pactual has an Environmental and Social Risk Policy that confirms its commitment to a long-term ambition and unconditional engagement to responsible and sustainable development, which balances economic growth with E&S aspects. According to such Policy, E&S aspects and

management capacity of such aspects should be considered during BTG Pactual's risks analysis for credit loans. During this process, it uses a sector-specific approach which includes climate change risk and management, slavery and/or child labor eradication, children and adolescents' prostitution and sexual exploitation, human rights due diligence and elaboration of E&S impact assessment study and maintenance of environmental permits.

Concerning the Environmental and Social Risk Analysis Process, BTG Pactual follows a five-step process:

Onboarding	<ul style="list-style-type: none"> • Primary ESG filter and exclusion list published by Labor Secretariat (Ministry of Economy) – slavery workforce • ESG filter: embargoed areas; socio and environmental demands; E&S negative media (child and slavery labor) • Monthly cross-check BTG's client base with slavery workforce list
NBCC	<ul style="list-style-type: none"> • ESG team participates in all New Business Credit Committee, where the Officer presents the operation • ESG's analyst goes deeper at public researches looking for sustainability reports/ process • ESG Categorization based on E&S impacts and risks, as well as the capacity to manage/mitigate/compensate it
Clients Interaction	<ul style="list-style-type: none"> • Questionnaires sent to clients • Considers IFC Performance standards, management system and E&S controls • Contaminated land questionnaire applicable for mortgages
FCC	<ul style="list-style-type: none"> • ESG points included at the Final Credit Committee • Confirmation of the ESG Categorization • Set environmental and social contractual clauses
Monitoring	<ul style="list-style-type: none"> • Monitor relevant environmental and social matters that can impact the project (permits) until project's maturity • In loco visits can be executed upon request • Monitoring is limited to 1 year

BTG Pactual joined Equator Principles, a financial industry benchmark framework to assess E&S risks and impacts of project finance and project-related corporate loans. BTG Pactual adopted the Equator Principles in order to ensure that the projects we finance and advise on are developed in a manner that is socially responsible and reflects sound environmental management practices. As a

signatory, BTG Pactual aims to work in partnership with its clients to identify, assess and manage E&S risks and impacts in a structured way, and on an ongoing basis. The ESG division is responsible for determining, assessing and managing E&S risk and impacts in projects, based on IFC Performance Standards.

Equator Principles

Risk management framework for determining, assessing and managing E&S risks

IFC Performance Standards:
benchmark tool for E&S risks management

Risk Management	Land Resettlement
Labor	Biodiversity
Resource Efficiency	Indigenous People
Community	Cultural Heritage

Category A refers to high environmental and social risk for the project, due to the potential risk of activity giving rise to significant adverse environmental or social impacts that are varied, irreversible or unprecedented

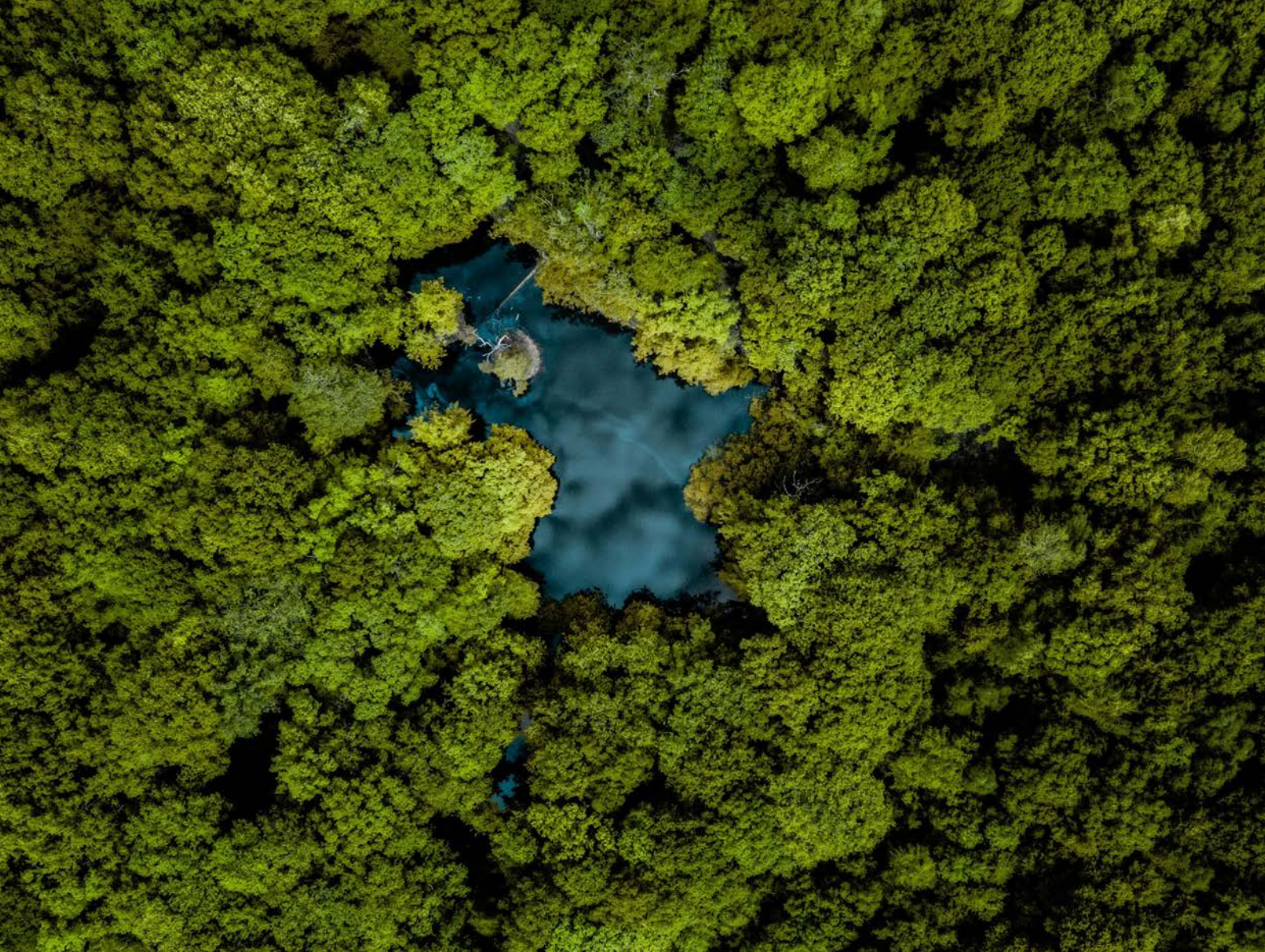
Category B refers to an average environmental and social risk for the project, due to the potential risk of the activity giving rise to limited adverse environmental or social impacts that are few in number, generally specific to the venue, and largely reversible and easy to correct through mitigation measures

Category C refers to a low environmental and social risk for the project, due to the potential of the activity giving rise to adverse environmental or social impacts and/or risks that are minimum or inexistent

BTG Pactual has an existing pipeline of loans supporting projects related to renewable energy; electricity networks; energy efficiency; sustainable water and wastewater management; clean transportation; green buildings; resource efficiency, pollution prevention and control; environmentally sustainable management of living natural resources and land use; affordable housing; affordable basic infrastructure and micro, small and medium enterprise (MSME) financing and microfinance. Accessing the Sustainable Financing market would be a way to further support this sustainable development strategy.

In this context, BTG Pactual has developed a Sustainable Financing Framework focused on the financing and/or refinancing of new and existing projects that meet the Eligibility Criteria below, while simultaneously responding to increasing investor demand for positive social and environmental impact investments with a greater transparency in terms of use of proceeds.

This document serves as BTG Pactual’s Sustainable Financing Framework for issuing local and international bonds, notes, loans, credit transactions and deposits (“Instruments”) having environmental and/or social impact.



Sustainable Financing Framework

The Sustainable Financing Framework aims to ensure transparency and quality of Green, Social and Sustainability local and international bonds, notes, loans, credit transactions and deposits. This Framework has been developed in line with the four key pillars of the Green Bond Principles, 2021 (GBP), the Green Loan Principles 2021 (GLP), the Social Bond Principles 2021 (SBP), Social Loan Principles 2021 (SLP) and the Sustainability Bond Guidelines 2021 (SBG).

1. Use of proceeds
2. Process for project evaluation and selection
3. Management of proceeds
4. Reporting




3.1 Use of Proceeds

An amount equal to the net proceeds of the local and international bonds, notes, loans, credit transactions and deposits issued under the BTG Pactual





Sustainable Financing Framework will be allocated towards the financing and/or refinancing of new and existing projects that meet the following :

Eligibility Criteria:

- Loans and securities dedicated to investments in the development, construction and operation of the following eligible project categories.
- Loans and securities to and direct investments in companies deriving at least 90% of their revenues from the eligible investment categories.
- Eligible projects should have had a disbursement (i) made during the thirty-six months preceding the issue date of the Instruments and/or (ii) following the issue date of the Instruments and until the maturity date of the Instruments with the intention of full disbursement of proceeds within thirty-six months.

Green Project Category	Use of Proceeds	Eligibility Criteria	Objectives	Benefits	SDG Alignment
Renewable Energy	Solar Energy	Solar facilities should have 100% of electricity generated from renewable sources except for CSP projects that shall not have more than 15% of electricity generated from non-renewable sources	Enhance the energy transition to a low-carbon economy	Climate change mitigation and adaptation --- GHG emissions reduction --- Pollution reduction	  
	Wind Energy	Wind facilities shall have 100% of own electricity generated from renewable sources			
	Biofuels	<p>Limited to projects with life-cycle emissions of less than 100g CO₂/kWh using sustainable feedstock that does not deplete existing terrestrial carbon stocks or high-biodiversity areas or compete with food production</p> <p>Electricity generation coming from biofuel and biofuel production (non-blended) shall be eligible</p> <p>Non waste feedstock will be certified under approved best practices standards, such as: Bonsucro, RSB, FSC, and ISCC Plus, and its production does not take place on land with high biodiversity⁶</p>			






⁶ It is defined "land with high biodiversity" as a territorial space and its environmental resources, including jurisdictional waters, with relevant natural characteristics, legally established by the Government (Federal, State or Municipal), in accordance with the Federal Law No. 9.985/2000. These areas must be approved by a Decree of the competent Executive Authority (Mayor, Governor or President), and contains defined limits and protection objectives, which may vary according to its intended use, which must be established in its approval Decree and be in accordance with the Federal Law. The intended use of a UC may vary between full protection and/or sustainable exploitation. Additionally, any intended use must be approved by the UC managing council and must be permitted by UC Management Plan.

Green Project Category	Use of Proceeds	Eligibility Criteria	Objectives	Benefits	SDG Alignment
Renewable Energy (cont.)	Small run-of-river hydro plants	<p>Small run-of-river hydro plants under 25MW and/or facilities operating at life cycle emissions lower than 100g CO₂e/kWh⁷</p> <p>Hydropower projects in which an environmental and social impact assessment has been carried out by a credible body</p>			  
Electricity Networks	Transmission and distribution networks (Grids), Electricity Storage facilities, Grid Flexibility Measures, and Dedicated supporting infrastructure	<p>Grid and storage assets that meet the following criteria: the grid's average emissions factor is less than 100g CO₂e/kWh or more than 67% of newly connected generation capacity complies with the 100g CO₂e/kWh threshold (measured on a PCF basis over a rolling five-year average period)</p> <p>Energy production and storage units for wind energy, solar energy, marine energy and hydropower</p>	Increasing efficiency and reducing GHG emissions	Climate change mitigation and adaptation --- GHG emissions reduction	

⁷ For facilities becoming operational during 2020 or after the thresholds are: 50g CO₂e/ kWh and 10W/m plus a good score from the ESG Gap Analysis assessment (assessed by an IHA consultant).

Green Project Category	Use of Proceeds	Eligibility Criteria	Objectives	Benefits	SDG Alignment
Energy Efficiency	New and refurbished buildings, energy storage, district heating, co-generation, smart grids ⁸	<p>Renovation projects meeting 30% energy efficiency gains or 30% CO₂ emission reduction</p> <p>Shall be eligible the finance of the cost of energy efficiency improvements and not the entire green building</p> <p>For energy storage, projects may consider: (1) Battery storage; (2) Power-to-hydrogen storage based on water electrolysis and powered by renewables; (3) Power-to-gas storage for which CO₂ is not sourced from fossil fuel operation</p> <p>For powered district heating: projects systems will be all electric and will rely on 100% renewables</p> <p>Cogeneration projects based on CSP with > 85% electricity generated from solar energy sources</p>	Increasing efficiency and reducing GHG emissions	Climate change mitigation and adaptation --- GHG emissions reduction	  

⁸ Finance of smart grids components and related infrastructure. Fossil-fuel-powered equipment are excluded.





Green Project Category	Use of Proceeds	Eligibility Criteria	Objectives	Benefits	SDG Alignment
Sustainable Water and Wastewater Management	Infrastructure for clean and/or drinking water, wastewater treatment, sustainable urban drainage systems and river training	<p>No net GHG emissions impact is expected or a negative net GHG emissions impact is expected¹⁰ either in terms of decreased emission or increased sequestration relative to a business as usual baseline.</p> <p>For river training, shall show evidence of measures carried towards Climate Adaptation and Resilience¹¹.</p>	Increasing the efficiency of water services	<p>Climate change mitigation and adaptation ---</p> <p>GHG emissions reduction ---</p> <p>Pollution reduction</p>	 
Clean Transportation	Electric, hybrid, public, rail, non-motorized, multi-modal transportation, electric vehicle charging stations	<p>Rail: construction and operation of low-carbon passenger and freight transportation that individually meet direct emission threshold of <50g CO₂e /p-km (for passenger) and <25g CO₂/t-km (for freight)</p> <p>and</p> <p>Investments to hybrid passenger vehicles limited to below the threshold of 75g CO₂/km, based on lab test ("NEDC") procedure</p> <p>Multi-modal transportation¹², including river and port, shall consider only low-carbon fuel ships¹³ and for rail and port, freight transportation emitting less than 25g CO₂/t-km will be considered</p>	Enhance the energy transition to a low-carbon economy	<p>Climate change mitigation and adaptation ---</p> <p>GHG emissions reduction ---</p> <p>Pollution reduction</p>	  

¹⁰ Estimated impact will be delivered over the operational lifetime of the project or asset.




¹¹ Vulnerability Assessment: an assessment of climate risks to find whether climate change will significantly impact the project or asset Adaptation Plan Evaluation: If significant climate risks are defined, the issuer needs to supply a corresponding Adaptation Plan. Usually, demonstrating compliance with local regulatory regime can satisfy these Adaptation and Resilience requirements.

¹² Multi-modal facilities must demonstrate 25% emissions reduction to be eligible.

¹³ Ships that are either fully electric or run of biofuel or hydrogen and cannot be primarily dedicated to transporting fossil fuels.

Green Project Category	Use of Proceeds	Eligibility Criteria	Objectives	Benefits	SDG Alignment
Green Buildings	Efficient commercial and residential buildings meeting regional, national or internationally recognized standards or certifications	Buildings that have received certification to the following programs and levels: LEED Gold & Platinum and EDGE certification	Enhance the energy transition to a low-carbon economy	Climate change mitigation and adaptation --- GHG emissions reduction --- Pollution reduction	 
Resource Efficiency, Pollution Prevention and Control	Projects that improve sustainable productive and industrial process, preventing pollution and emissions to water, air and soil Waste collection; Circularity and material recovery from waste	Plastic production if > 90% of recycled, renewable, and/or bio based inputs AND > 90% not intended for single use consumer products AND all products are recyclable Waste collection projects will consider exclusively source segregation ¹⁴ Waste collection vehicles will be considered under the Clean Transportation Criteria	Improve the resilience of ecosystems to climate change	Climate change mitigation and adaptation GHG emissions reduction --- Pollution reduction	  

¹⁴ Mixed residue waste intended to be transferred to waste-to-energy facilities are excluded.









Green Project Category	Use of Proceeds	Eligibility Criteria	Objectives	Benefits	SDG Alignment
<p>Environmentally Sustainable Management of Living Natural Resources and Land Use¹⁵</p>	<p>Certified agricultural production ensuring sustainable/organic practices and responsible sourcing; Native vegetation conservation, restoration and recovery; Protection and oversight for protected marine areas; Recovery of degraded areas; Certified fishing and aquaculture through recognized certifications; Certified sustainable agriculture through recognized certifications¹⁶</p>	<p>Commercial and sustainable forest management certified FSC/PEFC/SFI for large-scale projects and for smallholder¹⁷ forest, sustainable forest management plan in place if not certified</p> <p>Low carbon agriculture activities that deliver at least 20% reduction in GHG emissions¹⁸</p>	<p>Improve the resilience of ecosystems to climate change</p> <p>Ecosystem protection</p> <p>Forest conservation</p>	<p>Climate change mitigation and adaptation</p>	  

¹⁵ Livestock activities will be excluded.

¹⁶ Certifications in accordance with Annex 1.

¹⁷ In accordance with FSC, smallholder is a producer who has a small area of forest, harvests timber at low-intensity, or is a part of a community who owns and/or manages a forest.



¹⁸ Considering length of the project or asset, 20% for ten years and 30% above ten years. Activities must be in accordance with criteria described in Annex 1 and deliver at least 20% reduction in the GHG emissions.

Social Project Category	Use of Proceeds	Target Populations	Objectives	Benefits	SDG Alignment
Affordable Housing	Development and construction of, or mortgage loans for affordable urban and rural housing	Low-and-moderate income ¹⁹ individuals and families as defined by housing policies of the Ministry of Cities and the federal government and in line with the program “Minha Casa, Minha Vida ²⁰ ”	Provide decent and affordable housing	Promote access to housing for all --- Foster equal access to essential services --- Reduce social exclusions and inequalities	  
Affordable Basic Infrastructure	Construction and operation of water and sanitation infrastructure including access to clean drinking water, sewers and sanitation and construction and operation of telecommunications infrastructure	Underserved population as defined by region ²¹ Telecommunication Infrastructure that improves connectivity for underserved population	Provide access to basic infrastructure	Foster equal access to essential services --- Reduce social exclusions and inequalities	     

¹⁹ As defined by IBGE, low income individuals are those who have monthly income from R\$122,67 to R\$667,86. Moderate income individuals are those that have monthly income from R\$667,87 to R\$3755,76.

²⁰ Minha Casa Minha Vida (MCMV; in English “My House My Life”) is Brazil’s first-ever effort at large-scale public housing, an ambitious nationwide program tasked with constructing 3.4 million homes as part of a broader effort to upgrade and modernize the nation’s cities. MCMV is funded primarily through the Growth Acceleration Program (PAC), a federal infrastructure-upgrading program. Are eligible to the Framework, the faixas 1, 1.5 and 2 of the program. Please find the eligible categories here: <https://www.gov.br/mdr/pt-br/assuntos/habitacao/minha-casa-minha-vida/programa-minha-casa-minha-vida-mcmv>.

²¹ Definition from BNDES: Underserved populations – habitants that access public health/education facilities or those living in municipalities with Human Development Index (HDI) below the total of Brazilian municipalities’ HDI average.

Social Project Category	Use of Proceeds	Target Populations	Objectives	Benefits	SDG Alignment
Micro, Small and Medium Enterprise (MSME) Financing and Microfinance	Micro, Small and medium enterprises	<p>Revenues of up to R\$300 million²²</p> <p>Excluded business in controversial sector²³</p> <p>Located in states from the North and Northeast regions in Brazil as listed in the Annex 2</p> <p>And/Or</p> <p>At least 51% of the shares or other ownership interests in the enterprise are held directly by women</p>	Financial Inclusion	Reduce social exclusions and inequalities	 

Exclusionary Criteria

In addition to the categories excluded by BTG Pactual’s Environmental and Social Risk Analysis, projects that support the following activities are not eligible under this Framework:

- Exploration, production and dedicated transportation of fossil fuels;
- Fossil fuel based power generation or hybrid plant with more than 15% fossil fuel back up; powered district heating projects or wastewater coming from fossil fuel operations;
- Generation of nuclear power;
- Production or trade in any activity deemed illegal under national laws or regulations or international conventions and agreements;

This exclusion list is not exhaustive and projects not included in these categories may also be considered ineligible in certain circumstances by BTG Pactual.

²² In accordance with BNDES definition of MSME that can be found here. <https://www.bndes.gov.br/wps/portal/site/home/financiamento/guia/porte-de-empresa>

²³ Tobacco, Child Labor and Fossil Fuel

3.2 Process for Project Selection and Evaluation

Eligible Projects are expected to comply with local laws and regulations, including any applicable regulatory environmental and social requirement and with IFC’s Performance Standards for environmental issues.

As part of BTG Pactual’s regular credit approval process, potential Eligible Assets are assessed by the Environmental and Social Risk Analysis Process described in section 2.1 above.

A Sustainable Financing Committee will be set-up, including the Treasury team, ESG & Impact Investing Team and any relevant business lines involved in the selection of Eligible Projects when required. The team is composed by members with environmental, social and financial background.

The Sustainable Financing Committee will check the compliance of the Eligible Projects with the Eligibility Criteria and will be responsible for approving allocations of net proceeds on an annual basis.

The Sustainable Financing Committee will also monitor the environmental and social risk analysis process of the Eligible Projects.

3.3 Management of Proceeds

The net proceeds will be allocated to the financing of new projects and / or refinancing of existing projects under the Eligible Project Category. BTG Pactual's Treasury team will track internally the proceeds raised from the Sustainable Financing Framework to be allocated to Eligible Projects.

In case of project divestment, BTG Pactual will use the net proceeds to finance other Eligible Projects which are compliant with the current Use of Proceeds.

Pending the full allocation of the proceeds, the balance of unallocated proceeds will be held in cash or cash equivalent instruments in line with BTG Pactual's treasury management. Unallocated proceeds won't be used in any investment not consistent with achieving the goals of the Paris Climate Agreement and the rapid transition to a low-carbon & climate resilient future.

For deposits, pending the full allocation of the proceeds, the balance of unallocated proceeds will also be held in cash or cash equivalent instruments in line with BTG Pactual's treasury management by BTG Pactual's Treasury team.

For deposits, BTG Pactual will ensure no double-accounting for the assets financed through different instruments. The net proceeds of deposits will be

earmarked by BTG Pactual to fund Eligible Projects, continuously monitoring the allocated funds thereafter. The overall process raised related to Green, Social and Sustainable deposits do not exceed the quantum of Eligible Projects that are not already financed by any other instrument for a sustained period of time of over a quarter.

3.4 Reporting

3.4.1 Allocation Report

Allocation reporting will be available to investors within approximately one year from the date of the local and international bonds, notes, loans, credit transactions or deposits issuance, and thereafter once a year until the proceeds have been fully allocated.

The reporting or a dedicated section in BTG Pactual's Annual Report will disclose the total amount allocated to the various Eligible Projects. This information will be externally reviewed and will be publicly available on BTG Pactual's website.

For deposits, BTG Pactual will produce an annual report and make available for the related deposits holders. For fixed term deposits, reporting will be done until the end of the fixed deposit.

For local and international bonds, notes, loans, credit transactions and deposits, BTG Pactual will ensure no double accounting across all allocation and impact reporting.

Reporting indicators:

- Sample list of projects financed by the loans and securities proceeds, including description (date, location, category, progress) and the corresponding allocated amount (in \$)
- Allocated amount vs. total amount (in %)
- Refinancing vs. new financing

3.4.2 Impact Report

On an annual basis and until the full allocation of the proceeds, BTG Pactual will provide an impact

reporting on Eligible Projects or a dedicated section in BTG Pactual’s Annual Report. The relevant metrics could include:

Project Category	Reporting indicators
Renewable Energy	<ul style="list-style-type: none"> • Installed capacity in MW • Annual renewable energy generation in MWh • Annual GHG emissions reduced/avoided in tons of CO₂ equivalent
Electricity Networks	<ul style="list-style-type: none"> • Renewable capacity connected to the grid (in GW and relative share of total capacity in %) • Annual output (GWh/y, split in renewable and conventional electricity in %) • Efficiency improvements in transmission and distribution (%) • Avoided emissions p.a. (kt CO₂e/y)
Energy Efficiency	<ul style="list-style-type: none"> • Annual GHG emissions reduced/avoided in tons of CO₂ equivalent • Smart grid components installed (smart meters, smart stations, customers served, etc.)
Sustainable Water and Wastewater Management	<ul style="list-style-type: none"> • Estimated water savings (gallons per year) • Annual gross amount of wastewater treated, reused or avoided pre and post-project in m³/a and PE/a and as % • Annual water savings: gross water use before and after the project in m³/a, reduction in water use in % • Number of people provided with water and wastewater infrastructure
Clean Transportation	<ul style="list-style-type: none"> • Annual GHG emissions reduced/avoided in tons of CO₂ equivalent
Green Buildings	<ul style="list-style-type: none"> • Number of Buildings & Building Certification • Annual GHG emissions reduced/avoided in tons of CO₂ equivalent
Resource Efficiency, Pollution Prevention and Control	<ul style="list-style-type: none"> • Waste prevention, minimized, reused or recycled • Waste collected and treated or disposed • Annual GHG emissions reduced/avoided from waste and wastewater treatment • Annual volume of wastewater treated or reused • Increased GHG emission efficiency
Environmentally Sustainable Management of Living Natural Resources and Land Use	<ul style="list-style-type: none"> • Planted, cultivated or reforested area • Annual GHG emissions reduced/ avoided in tons of CO₂ equivalent • Carbon sequestration in tones of CO₂ equivalent

<p>Affordable Housing</p>	<ul style="list-style-type: none"> • Number of units provided/ beneficiaries supported • Average housing price / Rental costs compared to the national/regional rent index (Social indicators)
<p>Affordable Basic Infrastructure</p>	<ul style="list-style-type: none"> • Number of people provided access to clean drinking water • Number of people provided access to improved sanitation facilities • Number of water infrastructure projects built/upgraded
<p>Micro, Small and Medium Enterprise (MSME) Financing and Microfinance</p>	<ul style="list-style-type: none"> • Number/volume of loans provided to target groups • Average loan size provided to target groups • Number of new businesses created • Number of enterprises reached that are run by women • Number of enterprises reached that are run by black and/or indigenous people

3.5 External Review

3.5.1 Second Opinion

Version 1.0 of this Sustainable Financing Framework was developed in October 2020 by BTG Pactual in collaboration with Climate Bonds Initiative, an international organization working to mobilize capital for climate change solutions.

This version 2.0 of the Sustainable Financing Framework was developed in October 2021 also in collaboration with Climate Bonds Initiative.

BTG Pactual appointed Sustainalytics, an experienced and qualified Second-Party Opinion Provider, to provide a Second Party Opinion on the Framework, evaluating the environmental and/or social impact of BTG Pactual Sustainable Financing

and their alignment with the Green Loan Principles (GLP), Green Bond Principles (GBP), Social Bond Principles (SBP), Social Loan Principles (SLP) and the Sustainability Bond Guidelines (SBG).

This Second-Party Opinion document will be made available on Sustainalytics and BTG Pactual’s website.²⁵

3.5.2 External Verification

An external verification on the allocation of the loans and securities proceeds will be provided, on an annual basis and until the complete allocation of proceeds by BTG Pactual’s auditors. The external auditor / verifier will verify that the proceeds of the loans and securities are either allocated to Eligible Projects or invested in approved financial instruments. This will be published on BTG Pactual’s website.

²⁵ <https://www.btgpactual.com/us/esg-e-impact-investing/impact-investing>

Annex 1:

Eligible Certifications for Sustainable Agriculture, Forestry and Aquaculture

AGRICULTURE

- Rainforest Alliance
 - UTZ
 - Round Table for Responsible Soy (RTRS)
 - BONSUCRO
 -
- Plan for Adaptation and Low Carbon Emission in Agriculture:

Criteria of ABC Plan:²⁶

Program 1: Recovery of Degraded Pastures;

Program 2: Crop–Livestock–Forestry Integration (ILPF) and Agroforestry Systems (SAFs);

Program 3: Direct Planting System (SPD);

Program 4: Biological Nitrogen Fixation (FBN);

Program 5: Planted Forests;

Program 6: Animal Waste Treatment;

Program 7: Adaptation to Climate Change

FORESTRY

- Forest Stewardship Council (FSC)
- Program for the Endorsement of Forest Certification (PEFC)
- CERFLOR

AQUACULTURE

- Aquaculture Stewardship Council (ASC)
- Global GAP Aquaculture
- Global Aquaculture Alliance (minimum level of 2 stars)
- Marine Stewardship Council (MSC)

Annex 2:

States from the North and Northeast regions in Brazil that are less developed in accordance with United States International Development Finance Corporation (DFC):

Acre, Alagoas, Amapá, Amazonas, Bahia, Ceará, Maranhão, Pará, Paraíba, Pernambuco, Piauí, Rio Grande do Norte, Rondônia, Roraima, Sergipe and Tocantins.

²⁶ More information can be found here: <https://www.gov.br/agricultura/pt-br/assuntos/sustentabilidade/plano-abc/arquivo-publicacoes-plano-abc/abc-english.pdf>

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