

# Second-Party Opinion BTG Pactual Sustainable Financing Framework



## Evaluation Summary

### Use of Proceeds Instruments

**Sustainability Bond Guidelines 2021, Green Bond Principles 2021, Social Bond Principles 2021, Green Loan Principles 2021, and Social Loan Principles 2021**

Sustainalytics is of the opinion that the BTG Pactual Sustainable Financing Framework (the “Framework”) is credible and impactful and that, with respect to the bonds, notes, loans, and credit transactions defined in it, the Framework is aligned with the four components of the Green Bond Principles 2021, Social Bond Principles 2021, Green Loan Principles 2021, and Social Loan Principles 2021. The 11 eligible categories for the use of proceeds are aligned with those recognized by these principles and the provision of financing in these categories is expected to lead to positive environmental and social impacts. The use of proceeds categories in the BTG Pactual Sustainable Financing Framework are: i) Renewable Energy; ii) Electricity Networks; iii) Energy Efficiency; iv) Sustainable Water and Wastewater Management; v) Clean Transportation; vi) Green Buildings; vii) Resource Efficiency, Pollution Prevention and Control; viii) Environmentally Sustainable Management of Living Natural Resources and Land Use; ix) Affordable Housing; x) Affordable Basic Infrastructure; and xi) Micro, Small and Medium Enterprise Financing and Microfinance.

### Green, Social and Sustainable Deposits

The BTG Pactual Sustainable Financing Framework includes deposits as an eligible financial product. Sustainalytics is of the opinion that the principles of impact and transparency that underlie the sustainable investment industry, as well as many of its norms and standards, are applicable to sustainable deposits, and that BTG’s internal processes and the use of funds aligns with those principles.

<b>Evaluation Date</b>	November 29, 2021
<b>Issuer/Borrower Location</b>	São Paulo, Brazil

The UoPs contribute to the following SDGs:



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## Scope of Work and Limitations

Sustainalytics' Second-Party Opinion reflects Sustainalytics' independent<sup>1</sup> opinion on the alignment of the BTG Pactual Sustainable Financing Framework (the "Framework") with current market standards. As part of the Second-Party Opinion, Sustainalytics assessed the following:

- The Framework's alignment with the Sustainability Bond Guidelines 2021, Green Bond Principles 2021, Social Bond Principles 2021, Green Loan Principles 2021, Social Loan Principles 2021 (collectively the "Use of Proceeds Principles").
- The issuer's sustainability strategy, performance and sustainability risk management.

As part of this engagement, Sustainalytics held conversations with various members of BTG Pactual S.A.'s management team to understand the sustainability impact of its business processes and the core components of the Framework. BTG representatives have confirmed that:

- (1) They understand it is the sole responsibility of BTG Pactual S.A. to ensure that the information provided is complete, accurate and up to date;
- (2) They have provided Sustainalytics with all relevant information; and
- (3) Any provided material information has been duly disclosed in a timely manner.

Sustainalytics also reviewed relevant public documents and non-public information. This document contains Sustainalytics' opinion of the Framework and should be read in conjunction with that Framework. Any update of the present Second-Party Opinion will be conducted according to the agreed engagement conditions between Sustainalytics and BTG Pactual S.A.

Sustainalytics' Second-Party Opinion is no guarantee of alignment nor warrants any alignment with future versions of relevant market standards. Furthermore, Sustainalytics' Second-Party Opinion addresses the anticipated impacts of eligible projects expected to be financed through the eligible instruments or products but does not measure the actual impact. The measurement and reporting of the impact achieved through projects financed under the Framework is the responsibility of the Framework owner. The Second-Party Opinion is valid (i) for issuances aligned with the respective Framework for which the opinion was written, and (ii) for a period of twelve (12) months for the sustainable deposit products from the evaluation date stated herein.

For use of proceeds instruments, Sustainalytics relied on its internal taxonomy, version 1.11, which is informed by market practice and Sustainalytics' expertise as an ESG research provider.

No information provided by Sustainalytics under the present Second-Party Opinion shall be considered as being a statement, representation, warrant or argument, either in favour or against the truthfulness, reliability or completeness of any facts or statements and related surrounding circumstances that BTG Pactual S.A. has made available to Sustainalytics for the purpose of this Second-Party Opinion.

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<sup>1</sup> When operating multiple lines of business that serve a variety of client types, objective research is a cornerstone of Sustainalytics and ensuring analyst independence is paramount to producing objective, actionable research. Sustainalytics has therefore put in place a robust conflict management framework that specifically addresses the need for analyst independence, consistency of process, structural separation of commercial and research (and engagement) teams, data protection and systems separation. Last but not the least, analyst compensation is not directly tied to specific commercial outcomes. One of Sustainalytics' hallmarks is integrity, another is transparency.

## Introduction

Banco BTG Pactual S.A. (“BTG” or the “Bank”) is a financial institution headquartered in São Paulo, Brazil, primarily operating in Latin America. The Bank operates across various business segments including investment banking, wealth and asset management, and corporate lending.<sup>2</sup>

BTG has developed the BTG Pactual Sustainable Financing Framework, dated October 2021 (the “Framework”), under which it intends to issue or originate green, social and sustainability bonds, notes, loans and credit transactions (the “Sustainability Instruments”), and launch green, social and sustainable deposits (the “Sustainable Deposits”). BTG engaged Sustainalytics to review the Framework and provide a Second-Party Opinion on the Framework’s alignment with relevant market standards, including the Sustainability Bond Guidelines 2021, Green Bond Principles 2021, Social Bond Principles 2021,<sup>3</sup> Green Loan Principles 2021, Social Loan Principles 2021.<sup>4</sup> The Framework will be published in a separate document.<sup>5</sup>

BTG will use or allocate the proceeds from the Sustainability Instruments and the Sustainable Deposits to finance or refinance, in whole or in part,<sup>6</sup> existing or future projects, loans, or securities<sup>7</sup> that are expected to provide positive environmental and social benefits in the Latin American region<sup>8</sup> (the “Eligible Projects”).

The Framework defines green eligibility criteria in the following eight areas:

1. Renewable Energy
2. Electricity Networks
3. Energy Efficiency
4. Sustainable Water and Wastewater Management
5. Clean Transportation
6. Green Buildings
7. Resource Efficiency, Pollution Prevention and Control
8. Environmentally Sustainable Management of Living Natural Resources and Land Use

The Framework defines social eligibility criteria in the following three areas:

1. Affordable Housing
2. Affordable Basic Infrastructure
3. Micro, Small and Medium Enterprise (MSME) Financing and Microfinance (“MSME Financing and Microfinance”)

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<sup>2</sup> BTG Pactual, “Corporate Profile and History”, at: [https://ri.btgpactual.com/conteudo\\_en.asp?idioma=1&conta=44&tipo=65052](https://ri.btgpactual.com/conteudo_en.asp?idioma=1&conta=44&tipo=65052)

<sup>3</sup> The Sustainability Bond Guidelines, Green Bond Principles and Social Bond Principles are administered by the International Capital Market Association and are available at: <https://www.icmagroup.org/green-social-and-sustainability-bonds/sustainability-bond-guidelines-sbg/>.

<sup>4</sup> The Green Loan Principles and Social Loan Principles are administered by the Loan Market Association, Asia Pacific Loan Market Association and Loan Syndications and Trading Association and are available at: <https://www.lsta.org/content/green-loan-principles/>; <https://www.lsta.org/content/social-loan-principles-slp/>.

<sup>5</sup> The BTG Pactual Sustainable Financing Framework is available on BTG’s website at: <https://www.btgpactual.com/us/esg-e-impact-investing/impact-investing>

<sup>6</sup> BTG has established a three-year look-back period for its refinancing activities, which Sustainalytics considers to be in line with market practice.

<sup>7</sup> BTG has communicated that the securities are largely expected to be commercial receivables.

<sup>8</sup> BTG has communicated that the majority of projects are expected to be based in Brazil.

## Sustainalytics' Opinion

### Section 1: Sustainalytics' Opinion on the Alignment of the Framework with Relevant Market Standards

#### Alignment of bonds and loans with Use of Proceeds Principles

Sustainalytics is of the opinion that the Framework is credible and impactful and that, with respect to the Sustainability Instruments, it is aligned with the four components of the Use of Proceeds Principles.<sup>9</sup> For detailed information, please refer to Appendix 6: Sustainability Bond/ Sustainability Bond Programme External Review Form. Sustainalytics highlights the following elements of the Framework:



#### Use of Proceeds

##### Overall Assessment of Use of Proceeds

Use of Proceeds Category	Activity	Classification	Sustainalytics' Assessment
Renewable Energy	Solar Energy	Green	- Sustainalytics notes that for concentrated solar power plants (CSP), more than 85% of the electricity generated must come from solar energy sources.
	Wind Energy		- Investments in solar power generation are aligned with market practice.
	Biofuels		- Aligned with market practice.
	Small run-of-river hydro plants		- Investments in biofuel production and bioenergy electricity generation projects with lifecycle emission intensity below 100 gCO <sub>2</sub> /kWh. <sup>10</sup>
			- Non-waste feedstock to be certified with RSB, FSC, Bonsucro or ISCC Plus, such that: (i) its production does not take place on land with high biodiversity, and (ii) it does not deplete existing terrestrial carbon stocks nor competes with food production. Refer to Appendix 1 for Sustainalytics' assessment of these certifications. Aligned with market practice.
Electricity Networks	Transmission and distribution networks (grids); electricity storage facilities, grid flexibility measures,	Green	- Investments in small run-of-river hydropower facilities under 25 MW or hydropower projects with life-cycle emissions below 100 gCO <sub>2</sub> e/kWh.
			- An environmental and social impact assessment will be carried out by a credible external body for all hydropower projects.
			- Sustainalytics considers these investments and associated thresholds to be aligned with market practice.
			- Investments in electrical grids with i) average grid emissions factor of less than 100gCO <sub>2</sub> e/kWh or ii) more than 67% of newly connected generation capacity below 100 gCO <sub>2</sub> e/kWh – over a rolling five-year period.
			- Investments in energy production and storage units for wind, solar, marine and hydropower.

<sup>9</sup> In November 2020, BTG published the [BTG Pactual Green, Social and Sustainable Financing Framework](#); Sustainalytics provided a [Second-Party Opinion](#) on the use of proceeds categories outlined in the document. Apart from the Green Buildings category, the eligibility criteria for the other six categories in the original framework have been updated and four new eligible categories have been added in the (latest) Framework.

<sup>10</sup> Sustainalytics notes that the Framework defines stricter threshold for the facilities becoming operational during 2020 or after: 50g CO<sub>2</sub>e/kWh and 10W/m along with a good score from the ESG Gap Analysis assessment.

	and dedicated supporting infrastructure		<ul style="list-style-type: none"> <li>- Sustainalytics considers the expansion and maintenance of resilient electricity grids to be broadly supportive of positive environmental outcomes, while noting that it has been common practice in the sustainability bond market to finance transmission and distribution assets which are employed predominantly to transmit or enable the use of renewable energy.</li> </ul>
<b>Energy Efficiency</b>	New and refurbished buildings, energy storage, district heating, co-generation, smart grids	Green	<ul style="list-style-type: none"> <li>- The energy efficiency improvements for new and refurbished buildings with an aim to achieve a minimum of 30% energy efficiency improvements or CO<sub>2</sub> reduction compared to baseline.<sup>11</sup></li> <li>- Energy storage projects include battery storage, power to hydrogen through water electrolysis powered by renewables and power-to-gas where CO<sub>2</sub> is not sourced from fossil fuel operations.</li> <li>- District heating projects will be all-electric and will rely on 100% renewables.</li> <li>- Cogeneration projects based on CSP with &gt; 85% electricity generated from solar energy sources.</li> <li>- For investments in smart grid components, Sustainalytics encourages BTG to select projects that are clearly anticipated to deliver tangible efficiency improvements.</li> <li>- Aligned with market practice</li> </ul>
<b>Sustainable Water and Wastewater Management</b>	Infrastructure for clean and/or drinking water, wastewater treatment, sustainable urban drainage systems and river training	Green	<ul style="list-style-type: none"> <li>- Sustainalytics notes that the Framework excludes the treatment of wastewater from fossil fuel operations.</li> <li>- River training projects will be subject to climate adaptation and resilience requirements including vulnerability assessment and adaptation plan.</li> <li>- Aligned with market practice.</li> </ul>
<b>Clean Transportation</b>	Electric, hybrid, public, rail, non-motorised, multi-modal transportation, electric vehicle charging stations	Green	<ul style="list-style-type: none"> <li>- Investments in hybrid vehicles are limited to passenger vehicles with emissions below 75 gCO<sub>2</sub>/km.<sup>12</sup></li> <li>- Passenger or freight trains that individually meet direct emissions threshold of under 50 gCO<sub>2</sub>e/p-km (for passengers) and under 25 gCO<sub>2</sub>/t-km (for freight).</li> <li>- Investments in multimodal transportation<sup>13</sup> include rail and port facilities where rails comply with the emission threshold specified for freight rail; and river and port facilities which use low-carbon fuel ships that are either fully electric or powered by biofuel or hydrogen. Dedicated transportation of fossil fuels is excluded from the Framework.</li> <li>- Aligned with market practice.</li> </ul>
<b>Green Buildings</b>	Efficient commercial and residential buildings meeting regional, national or internationally recognized standards or certifications	Green	<ul style="list-style-type: none"> <li>- Buildings that have achieved either LEED (“Gold” or “Platinum”) or EDGE certifications.</li> <li>- Aligned with market practice. See Appendix 2 for an overview of the certification schemes.</li> </ul>
<b>Resource Efficiency, Pollution Prevention and Control</b>	Projects that improve sustainable productive and industrial process, preventing pollution and emissions to water, air and soil;	Green	<ul style="list-style-type: none"> <li>- Investments in plastic production facilities that meet each of the following criteria: i) use at least 90% recycled, renewable or biobased inputs, and ii) at least 90% of production is not intended for single-use consumer products, and iii) all products are recyclable.</li> </ul>

<sup>11</sup> Sustainalytics notes that the Framework excludes investments in fossil fuel-based equipment.

<sup>12</sup> The Framework references the New European Driving Cycle lab test procedure for estimating the emission intensity for hybrid vehicles.

<sup>13</sup> Sustainalytics notes that the Framework requires the financed multimodal facilities to demonstrate 25% emissions reduction.

	and waste collection; circularity and material recovery from waste		<ul style="list-style-type: none"> <li>- Investments in waste collection projects that support source segregation of waste.<sup>14</sup> Sustainalytics notes that the Framework requires waste collection vehicles to follow the emission intensity thresholds defined in the Framework.</li> <li>- Aligned with market practice.</li> </ul>
<b>Environmentally Sustainable Management of Living Natural Resources and Land Use</b>	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 certifications	Green	<ul style="list-style-type: none"> <li>- Low-carbon agriculture activities that deliver at least 20% reduction in GHG emissions and align with Brazil's Low Carbon Agriculture Plan ("ABC Plan"),<sup>15,16</sup> or organic agriculture certified with Rainforest Alliance, UTZ, RTRS, or BONSUCRO. Refer to Appendix 3 for Sustainalytics' assessment of these certifications.</li> <li>- Large-scale forestry projects to be certified with FSC, PEFC/ CERFLOR and smallholder<sup>17</sup> forest projects to have a sustainable forest management plan (if not certified). Refer to Appendix 4 for an overview of these certifications.</li> <li>- Fishing and aquaculture projects to be certified with ASC, Global G.A.P. Aquaculture, Best Aquaculture Practices (2 Stars or above), and MSC. Refer to Appendix 5, for Sustainalytics' assessment of these certifications.</li> <li>- Investments in native vegetation conservation, restoration and recovery of degraded areas.</li> <li>- Aligned with market practice.</li> </ul>
<b>Affordable Housing</b>	Development and construction of, or mortgage loans for affordable urban and rural housing	Social	<ul style="list-style-type: none"> <li>- Project-based financing of affordable housing projects and mortgages lending for affordable housing.</li> <li>- These financing is targeted at low-to-moderate income individuals and families,<sup>18</sup> in accordance with Faixa 1, 1.5 and 2 of the "Minha Casa, Minha Vida" (MCMV) programme, administered by the Brazilian federal government.<sup>19</sup></li> <li>- Sustainalytics views the financing of affordable housing projects in Brazil on par with the level of affordability guaranteed by the referenced government programme to be aligned with market practice.</li> </ul>
<b>Affordable Basic Infrastructure</b>	Construction and operation of water and sanitation infrastructure including access to clean drinking water, sewers and sanitation	Social	<ul style="list-style-type: none"> <li>- Investments in water and sanitation infrastructure including clean drinking water, sewers and sanitation for the underserved population in Brazil.<sup>20</sup></li> <li>- Sustainalytics considers investments in infrastructure to improve access to potable water, and sewage treatment and sanitation in a development economy, such as Brazil, to be aligned with market practice.</li> </ul>

<sup>14</sup> Sustainalytics notes that the projects aimed at material recovery from waste where mixed residue waste intended to be transferred to waste-to-energy facilities are excluded.

<sup>15</sup> Government of Brazil, "Plan for Adaptation and Low Carbon Emission in Agriculture", at: <https://www.gov.br/agricultura/pt-br/assuntos/sustentabilidade/plano-abc/arquivo-publicacoes-plano-abc/abc-english.pdf>

<sup>16</sup> Sustainalytics notes that investments in projects associated with livestock are excluded from the Framework.

<sup>17</sup> For this activity, the Framework defines smallholder as 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.

<sup>18</sup> The Framework defines low-income individuals are those who have monthly income between R\$122,67 and R\$667,86 and moderate-income individuals are those who have monthly income between R\$667,87 and R\$3755,76.

<sup>19</sup> Ministry of Regional Development, "Programa Minha Casa, Minha Vida (MCMV)", at: <https://www.gov.br/mdr/pt-br/assuntos/habitacao/minha-casa-minha-vida/programa-minha-casa-minha-vida-mcmv>

<sup>20</sup> The Framework defines underserved populations as those living in municipalities with a Human Development Index (HDI) below the average for all Brazilian municipalities.



	Construction and operation of telecommunications infrastructure		<ul style="list-style-type: none"> <li>- Investment in telecommunication infrastructure to improve connectivity for the underserved populations in Brazil.<sup>21</sup></li> <li>- Sustainalytics considers investments in telecommunication infrastructure for unconnected or underserved populations to be aligned with market practice.</li> </ul>
<b>MSME Financing and Microfinance</b>	Micro, Small and medium enterprises	Social	<ul style="list-style-type: none"> <li>- Investments in Brazilian MSMEs<sup>22</sup> that are (ii) women-owned<sup>23</sup> and/or (iii) located in the less-developed states from Brazil's North or Northeast regions.<sup>24</sup></li> <li>- Sustainalytics considers the intent to increase access to financial services for MSMEs in a developing economy, such as Brazil, to be impactful and aligned with market practice.<sup>25</sup></li> </ul>



### Project Evaluation and Selection

- BTG Pactual will set up a Sustainable Financing Committee, which will include the Bank's Treasury and ESG & Impact Investing teams, and any relevant business departments to evaluate and select Eligible Projects, per the criteria defined in the Framework.
- The Bank has adopted an internal environmental and social risk assessment (ESRA) process, which is applicable to all allocation decisions made under the Framework. The Sustainable Financing Committee will also be responsible for monitoring compliance of the Eligible Projects with ESRA, along with other relevant policies and regional social and environmental regulations. For additional details, see Section 2.
- Based on the clear delineation of responsibility, Sustainalytics considers this process to be in line with market practice.



### Management of Proceeds

- Net proceeds from any issuance under the Framework will be managed and tracked by BTG's Treasury team.
- BTG intends to achieve full allocation of proceeds from the Sustainability Instruments within 36 months from the date of each issuance. The unallocated proceeds will be temporarily held in cash or cash equivalent instruments in alignment with BTG's treasury management practices.
- Based on the management of the proceeds and the disclosure on the temporary use of unallocated proceeds, Sustainalytics considers this to be in line with market practice.

<sup>21</sup> Ibid.

<sup>22</sup> The Framework defines MSMEs as organizations with annual revenues of up to R\$ 300 million (~USD 53 million).

<sup>23</sup> The Framework defines women owned MSMEs as those for which at least 51% of the shares or other ownership interests are held directly by women.

<sup>24</sup> "Less developed" states in the north and the northeast regions in Brazil include Acre, Alagoas, Amapá, Amazonas, Bahia, Ceará, Maranhão, Pará, Paraíba, Pernambuco, Piauí, Rio Grande do Norte, Rondônia, Roraima, Sergipe and Tocantins, as defined by the US International Development Finance Corporation. Please refer to Appendix 2 of the Framework for more details.

<sup>25</sup> Sustainalytics further notes that the Framework excludes financing to MSMEs in controversial sectors including those associated with child labor, tobacco, and the exploration, production and dedicated transportation of fossil fuels.





## Reporting

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- BTG intends to report on the allocation and impact of the proceeds from the Sustainability Instruments approximately one year from the date of each issuance and annually thereafter until full allocation. The reporting will be published on the Bank's website through standalone reports or as part of its Annual Report(s). The Framework commits to ensuring no double accounting (of financed assets) across all allocation and impact reporting commitments made under the Framework.
- The allocation reporting will include a description of certain projects, in particular the date, location, and category of the financed projects; the percentage of allocated and unallocated proceeds; and the proportion of refinanced and financed projects.
- The impact reporting will include category-wide impact of the financed projects against respective key performance indicators such as (i) installed renewable energy capacity in MW; (ii) annual GHG emissions reduced or avoided in tCO<sub>2</sub>e; (iii) annual volume of wastewater treated or used; and (iv) number of beneficiaries supported with affordable housing.
- Based on the commitment to allocation and impact reporting, Sustainalytics considers this process to be in line with market practice.

## Alignment of Deposits with Market Expectations

Sustainalytics is of the opinion that the BTG Pactual Sustainable Financing Framework is credible and that the proceeds from the Sustainable Deposits<sup>26</sup> will fund overall impactful social and environmental projects. Sustainalytics further notes the alignment of the Framework with the concepts underpinning the sustainable finance market, namely those of impact and transparency.



## Impact

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The Framework will advance the sustainability objectives of the Bank by investing in Eligible Projects with positive environmental and social impact across 11 categories. Refer to the Use of Proceeds component under Section 1 for Sustainalytics' opinion on the alignment of Eligible Projects with market expectations.



## Transparency

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Transparency is recognized as a key principle with regards to sustainable finance, as it provides assurance that investments are delivering positive impact. Sustainalytics highlights the following elements of the Framework that facilitate transparency to clients.

### Disclosures regarding management of proceeds

- The Bank will earmark the net proceeds raised from Sustainable Deposits to Eligible Projects. The Framework restricts double accounting for the Eligible Projects financed through different instruments. BTG's Treasury Team will be responsible for continually monitoring the allocated proceeds.

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<sup>26</sup> Sustainalytics notes the Framework allows for Sustainable Deposits for both retail and commercial customers of the Bank. It further notes that the Framework does not define the term of the Sustainable Deposits (fixed-term or perpetual saving accounts).

- The Framework requires the overall proceeds of the Sustainable Deposits to not exceed the aggregate committed amounts of Eligible Projects for more than a quarter. The unallocated proceeds will also be temporarily held in cash or cash equivalent instruments in line with BTG's treasury management practices.
- Sustainalytics considers this level of disclosure to investors as sufficient to ensure the credibility of the proceeds management process.

### Reporting

- The Bank intends to report on the allocation and impact of the Sustainable Deposits proceeds to its Sustainable Deposit holders on an annual basis through standalone reports. For fixed-term deposits, the Framework commits to reporting until the term of each deposit.
- The Framework commits to reporting on the same allocation and impact disclosure components for both the Sustainability Instruments and Sustainable Deposits. The Framework commits to ensuring no double accounting across all allocation and impact reporting commitments made under the Framework. For details on the level of allocation and impact reporting, refer to the Reporting component under the "Alignment of bonds and loans with Use of Proceeds Principles" section above.
- Based on the allocation and impact reporting practices and a commitment to ensuring no double accounting, Sustainalytics considers this process to be in line with market expectations for such financial products.

## Section 2: Assessment of BTG's Sustainability Strategy

### Credibility of BTG Sustainability Strategy

Sustainalytics is of the opinion that BTG demonstrates a commitment to sustainability through its Sustainable & Impact Investing Strategy (the "Sustainability Strategy") that informs its sustainable finance decisions. As part of the Sustainability Strategy, BTG aims to finance projects in the areas of (i) environment, (ii) education and (iii) entrepreneurship<sup>27</sup> and continually develop sustainable financial products<sup>28</sup> with a specific investment focus on waste management, circular economy, sustainable agribusiness and food security, energy efficiency, renewable energy, sanitation, housing, healthcare, and financial education and inclusion. In 2020, BTG's sustainable finance issuances reached more than USD 1.1 billion (R\$ 6.46 billion).<sup>29</sup>

Sustainalytics highlights the following sustainable investments made by BTG for being particularly aligned with the Framework:

- Environmental – In 2020, BTG made invested at least USD 630 million (R\$ 3.54 billion) in solar, wind, and biofuel energy projects, 220 million (R\$ 1.23 billion) in waste treatment and recycling projects, and 36.2 million (R\$ 205 million) in energy transmission and distribution projects.<sup>30</sup>
- Social – In relation to BTG's social focus, in 2020, BTG supported more than 160 social projects, impacting around 3 million people in Brazil. Overall, the Bank allocated more than USD 11.8 million (R\$ 65 million) to support projects that contribute to education, environmental awareness, or promote and stimulate entrepreneurship. In the same year, the Bank allocated USD 1.6 million (R\$ 9 million) to social credit lines with special interest rates and repayment arrangements for micro-entrepreneurs in Brazil.<sup>31</sup>

From an operational perspective, as of December 31, 2020, more than 60% of BTG's administrative operations are located in green certified buildings. In 2019, the Bank's head office building in São Paulo received LEED Platinum certification. The Bank has also installed solar panels at its Medellín office in Colombia and operates waste separation and recycling programmes across several locations in the continent. In 2019, BTG purchased enough carbon credits to compensate 100% of its scope 1, scope 2, scope 3 emissions, and in 2020, the Bank incorporated carbon management as an assessment criterion for its critical

<sup>27</sup> Ibid.

<sup>28</sup> BTG, "Annual and Sustainability Report", at: [https://ri.btgpactual.com/conteudo\\_en.asp?idioma=1&conta=44&tipo=65068](https://ri.btgpactual.com/conteudo_en.asp?idioma=1&conta=44&tipo=65068)

<sup>29</sup> BTG, "Annual and Sustainability Report", at: [https://ri.btgpactual.com/conteudo\\_en.asp?idioma=1&conta=44&tipo=65068](https://ri.btgpactual.com/conteudo_en.asp?idioma=1&conta=44&tipo=65068)

<sup>30</sup> As per the credit portfolio data shared by the Bank (as of 31<sup>st</sup> December 2020).

<sup>31</sup> BTG, "Responsabilidade Social Relatório 2020", at: <https://static.btgpactual.com/media/relatorio-2020-v12.pdf>

suppliers.<sup>32</sup> In addition, BTG has been a signatory to the UN Global Compact Principles<sup>33</sup> since 2015 and has committed to supporting the objectives of the Task Force on Climate-related Financial Disclosures (TCFD). As part of this commitment, the Bank engages with carbon-intensive corporations to support them in reporting their climate risks in accordance with the recommendations made by the TCFD<sup>34</sup>. In 2020, BTG became a member of the UN Principles for Responsible Investment,<sup>35</sup> demonstrating its commitment to integrating ESG considerations into its investment processes.<sup>36</sup>

Sustainalytics recognizes the Bank's commitment to key sustainable finance initiatives and encourages BTG to set quantifiable and time-bound targets for its lending portfolio to further strengthen its commitment to sustainability. Nonetheless, Sustainalytics is of the opinion that the Framework is aligned with BTG's overall sustainability strategy and initiatives and will further the Bank's action on its key environmental and social priorities.

### **BTG's Environmental and Social Risk Management**

Sustainalytics recognizes that the use of proceeds from the Framework will be directed towards Eligible Projects that are anticipated to have positive environmental and social impact. However, Sustainalytics is aware that such eligible projects could also lead to negative environmental and social outcomes. Some key environmental and social risks possibly associated with the Eligible Projects could include land use and biodiversity issues connected with large-scale infrastructure development and waste generated in construction, occupational health and safety issues community relations, indigenous land rights, and predatory lending.

Sustainalytics is of the opinion that BTG is able to manage or mitigate potential risks through implementation of the following:

- ESRA, which is part of the Bank's ESG Integration and Sustainability Programs Procedure, is mandatory for all its lending activities, identifies and assesses environmental and social risks associated with BTG's financing activities, including compliance with the Equator Principles and the IFC Performance Standards (for transactions higher than USD 30 million).<sup>37</sup> In addition, BTG has developed sector-wide policies to identify and address environmental and social risks associated with its lending portfolio, including land use and biodiversity issues, wastewater and solid waste management, water use, occupational health and safety, human rights, and community relations. BTG has confirmed that it addresses the risks associated with predatory lending, among risks, through ESRA.
- The Bank's ESRA assessment is informed by its Global Environmental and Social Risk Policy,<sup>38</sup> which provides guiding principles to address environmental and social risks associated with its lending activities. These include socio-economic risks associated with particular sectors, such as sector emissions, slave and child labour, international traffic of people, prostitution and sexual exploitation of children and teenagers, and physical and transition climate-related risks including biodiversity. To address material risks associated with forestry activities, BTG investigates whether its borrowers assess these risks in the supply chain and adopt either certified or sustainably managed operations.
- In terms of an executive-level oversight on the risk management practices, the Bank's Environmental and Social Governance Committee comprised of C-suite executives and chaired by the Bank's CEO is entrusted with the responsibility of implementing the Global Environmental and Social Risk Policy, which is approved by the Bank's Board of Directors.
- The Framework excludes financing of any activity or projects related to the exploration, production and dedicated transportation of fossil fuels; fossil-fuel based power, generation of nuclear power; and production or trade in any activity deemed illegal under national laws or regulations or international conventions and agreements.

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<sup>32</sup> BTG, "Annual and Sustainability Report" (p 27), at: [https://ri.btgpactual.com/conteudo\\_en.asp?idioma=1&conta=44&tipo=65068](https://ri.btgpactual.com/conteudo_en.asp?idioma=1&conta=44&tipo=65068)

<sup>33</sup> UNGC, "The Ten Principles of the UN Global Compact", at: <https://www.unglobalcompact.org/what-is-gc/mission/principles>

<sup>34</sup> BTG, "Annual and Sustainability Report", at: [https://ri.btgpactual.com/conteudo\\_en.asp?idioma=1&conta=44&tipo=65068](https://ri.btgpactual.com/conteudo_en.asp?idioma=1&conta=44&tipo=65068)

<sup>35</sup> UNPRI, "What are the Principles for Responsible Investment?", at: <https://www.unpri.org/pri/what-are-the-principles-for-responsible-investment>

<sup>36</sup> BTG, "Annual and Sustainability Report", at: [https://ri.btgpactual.com/conteudo\\_en.asp?idioma=1&conta=44&tipo=65068](https://ri.btgpactual.com/conteudo_en.asp?idioma=1&conta=44&tipo=65068)

<sup>37</sup> The Bank has shared its ESG Integration and Sustainability Programs Procedure with Sustainalytics.

<sup>38</sup> BTG, "Environmental and Social Risk Policy", at: <https://static.btgpactual.com/media/environmental-and-social-risk-policy.pdf>

- BTG also commits to operating in a manner consistent with other internationally recognized principles such as the UN Universal Declaration of Human Rights<sup>39</sup> and the Principles for Responsible Investment that promote awareness of global sustainability issues within the Bank and enables it to incorporate the same into its operations.<sup>40</sup>

Based on these policies, standards and assessments, Sustainalytics is of the opinion that BTG has implemented adequate measures and is well positioned to manage and mitigate environmental and social risks commonly associated with the eligible categories.

## Section 3: Impact of the Use of Proceeds Categories Selected

All 11 use of proceeds categories are aligned with those recognized by GBP, SBP, SLP or GLP. Sustainalytics focuses below on five whose impact is specifically relevant in the local context.

### Importance of wastewater management and sanitation infrastructure projects in Brazil

As of 2020, more than 40 million Brazilians had limited or no access to safe drinking water, and more than 100 million (nearly 50% of the population) lacked access to sewage collection.<sup>41,42</sup> Most Brazilian cities struggle with the issue of water pollution caused by untreated sewage discharge to water bodies and poorly maintained water and drainage infrastructure. Barely more than one-third (an estimated 34%) of the 5,570 municipalities in Brazil have wastewater treatment plants.<sup>43</sup> Studies suggest that the primary driver of the decrease in water quality in Brazil is the rapid urbanization the country experienced between 1960 and 2000, when the country's urban population increased from 45% to 80% without a proportional expansion of water infrastructure.<sup>44</sup> Brazil aims to reach 93% coverage in terms of wastewater treatment by 2033, and universal access to sanitation in urban areas by the same year.<sup>45</sup>

Based on the above context, Sustainalytics is of the opinion that the investments in wastewater management and sanitation infrastructure projects under the Framework have the potential to contribute to the achievement of Brazil's water and sanitation infrastructure targets.

### Importance of low-carbon transport in Brazil

Investments in sustainable infrastructure, particularly urban transportation networks, have been shown to reduce emissions and pollutants, while increasing worker productivity and leisure time across populations.<sup>46</sup> Within developing regions, multifaceted urban transportation investments, specifically from private capital, have the potential to contribute to significant GHG emissions reductions. In a 2017 OECD paper on low-carbon infrastructure in Brazil, a collection of transit-related investments, including in public rail and tramways, were estimated to result in 475.7 MtCO<sub>2</sub>e in avoided emissions.<sup>47</sup> Investments to upgrade more than 2,400 km of the Brazilian freight rail system were also shown to result in an estimated 147.2 MtCO<sub>2</sub>e in avoided emissions by way of a 13% shift in the country's total freight away from carbon-intensive road freight to the rail system. In 2019, road transport emissions in Brazil accounted for 83% of the total GHG emissions (196.5 MtCO<sub>2</sub>e) from the transportation sector, 78.9 Mt CO<sub>2</sub>e of which came from road freight transport.<sup>48</sup> Conversely, freight transport by rail can be

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<sup>39</sup> UN, "Universal Declaration of Human Rights", at: <https://www.un.org/en/about-us/universal-declaration-of-human-rights>

<sup>40</sup> Ibid.

<sup>41</sup> Children and Youth—Brazil's Invisible Victims of Inequitable Access to Water and Sanitation:

<https://www.worldbank.org/en/news/feature/2020/08/25/brasil-ninos-jovenes-desigualdades-acceso-sanea-miento-covid-19>

<sup>42</sup> New legal framework creates water and sanitation opportunities in Brazil at:

<https://www.tradecommissioner.gc.ca/canadexport/0005688.aspx?lang=eng>

<sup>43</sup> Ibid.

<sup>44</sup> Ibid.

<sup>45</sup> UN Water, "Case study: Brazil National Water Agency Capacity Development", at:

[https://www.un.org/waterforlifedecade/waterandsustainabledevelopment2015/pdf/Ant\\_Doming\\_Brasil\\_Capacity\\_Development\\_case\\_finalGDG.pdf](https://www.un.org/waterforlifedecade/waterandsustainabledevelopment2015/pdf/Ant_Doming_Brasil_Capacity_Development_case_finalGDG.pdf)

<sup>46</sup> Centro-Clima: Center for Integrated Studies on Climate Change and the Environment, "Low Carbon infrastructure priorities in the Brazilian context", at: [Brazil-Low-carbon-infrastructure-priorities.pdf \(oecd.org\)](https://www.oecd.org/brasil-low-carbon-infrastructure-priorities.pdf)

<sup>47</sup> Ibid.

<sup>48</sup> ICCT, "Freight In Brazil - An assessment and outlook for improving environmental performance", at:

<https://theicct.org/sites/default/files/publications/brazil-freight-assessed-sept21.pdf>

upwards of 3-4 times more efficient than trucks, reducing greenhouse gas emissions by up to 75%.<sup>49</sup> As of 2016, the transportation sector contributed to approximately 48% of Brazil's energy-related emissions.<sup>50</sup>

Promoting the use of more low-carbon transportation methods, including railway networks for freight transport, has the potential to help Brazil achieve its climate goal of a 37% reduction in GHG emissions from 2005 levels by 2025.<sup>51</sup> In this context, Sustainalytics finds BTG's intention to invest in low-carbon transportation is expected to yield positive environmental impacts and support Brazil in meeting its environmental commitments.

### Importance of financing low-carbon agriculture in Brazil

The agriculture and agribusiness industry is a key driver of the Brazilian economy, accounting for approximately 23.5% of the country's GDP,<sup>52</sup> as well as a substantial proportion of Brazil's environmental footprint: 34% of the nation's total GHG emissions.<sup>53</sup> Recognizing the position of agriculture in its economy, the Brazilian government enacted the Low-Carbon Agriculture Plan (ABC Plan) in 2010. This is a low-interest credit scheme created to incentivize and fund the implementation of low-carbon agricultural practices that contribute to the mitigation of climate change either through a reduction of GHG emissions or through carbon sequestration.<sup>54</sup> In Brazil, low-carbon agricultural practices include agriculture and forestry-related activities, such as the development of integrated crop-livestock forestry systems, commercial plantation forests, and the management and restoration of natural forests and degraded forest areas. Sustainalytics is of the opinion that financing for low-carbon agriculture projects will help accelerate action in support of the country's GHG emissions reduction targets.

### Importance of affordable housing in Brazil

The housing shortage issue in Brazil is significant, with approximately 25% of the country's population living in inadequate housing or lacking housing altogether as of 2017.<sup>55</sup> Brazil's urban slums— *favelas* or *vilas* in Portuguese – are home to more than 11 million people who are either entirely cut off or have precarious access to basic services, such as electricity, plumbing and sanitation.<sup>56</sup>

Among other significant investments to tackle the housing issue, the Brazilian federal government's "Minha Casa, Minha Vida" housing programme<sup>57</sup> had successfully helped to provide housing for 14.7 million people between 2009 and 2018.<sup>58</sup> State and city governments in the country have also launched their own programmes, such as the State of São Paulo's "Nossa Casa" programme, which is a public-private partnership-based programme to develop 20,000 social housing units by 2036 through a USD 150 million state government investment and USD 250 million investment from the private sector.<sup>59</sup>

These efforts will demand continual investments to help deliver affordable housing to the people of Brazil. In this context, Sustainalytics is of the opinion that the investments in affordable housing projects under the Framework are expected to deliver positive social outcomes for the inhabitants of Brazil.

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<sup>49</sup> Association of American Railroads, The Environmental Benefits of Moving Freight by Rail, July 2019, at: <https://www.aar.org/wp-content/uploads/2018/07/AAR-Environmental-Benefits-Moving-Freight-by-Rail.pdf>

<sup>50</sup> Observatório do Clima, Emissões De GEE No Brasil, 2018, at: <https://diariodotransporte.com.br/wp-content/uploads/2018/08/Relatorios-SEEG-2018-Sintese-FINAL-v1.pdf>

<sup>51</sup> United Nations Framework Convention on Climate Change, Federative Republic of Brazil, Intended Nationally Determined Contribution, at: <https://www4.unfccc.int/sites/ndcstaging/PublishedDocuments/Brazil%20First/BRAZIL%20iNDC%20english%20FINAL.pdf>

<sup>52</sup> Brazilian-American Chamber of Commerce, "Brazilian Agribusiness: A Success Story that Keeps on Giving", (2018), at: <https://brazilcham.com/wpcontent/uploads/2018/12/agriculture-report-1.pdf>

<sup>53</sup> The Carbon Brief, The Carbon Brief Profile: Brazil: <https://www.carbonbrief.org/the-carbon-brief-profile-brazil>

<sup>54</sup> Climate Action, "Brazil's Low-Carbon Agriculture Programme", (2012) at: [https://www.climateaction.org/news/brazils\\_low\\_carbon\\_agriculture\\_programme](https://www.climateaction.org/news/brazils_low_carbon_agriculture_programme)

<sup>55</sup> Brasil de Fato report, "Brazil: MTST holds historic protest in their struggle for dignified housing" on November 2017 at <https://www.brasildefato.com.br/2017/11/01/brazil-mtst-holds-historic-protest-in-their-struggle-for-dignified-housing/>

<sup>56</sup> BBC report, Favela Life: Rio's city within a city dated June 2014 at: <https://www.bbc.com/news/world-latin-america-27635554>

<sup>57</sup> The Brazil Business, "Introduction to the Brazilian Housing Program Minha Casa, Minha Vida", at:

<https://thebrazilbusiness.com/article/introduction-to-the-brazilian-housing-program-minha-casa-minha-vida>

<sup>58</sup> BBC, "Minha Casa, Minha Vida has worsened cities and fueled real estate speculation, says former secretary of Lula's government", at: <https://www.bbc.com/portuguese/brasil-44205520>

<sup>59</sup> World Policy Journal, "Brazil: My House, My Life" dated July 2016 at: <http://worldpolicy.org/2016/07/07/brazil-my-house-my-life/>

## The importance of supporting MSMEs in Brazil

According to a 2020 OECD report, MSMEs in Brazil account for 98.5% of all legally constituted companies and 27% of the nation's GDP.<sup>60,61</sup> Despite the evidently important role MSMEs play in supporting Brazil's citizenry and economy, these businesses face a number of challenges given the conditions of the economic environment in which they operate. Brazil's insufficient integration into the global supply chain, for example, makes it impossible for many local MSMEs to participate in international trade and successfully scale their businesses.<sup>62</sup> The OECD cites a stark productivity gap between MSMEs and large companies in Brazil, much of which has been attributed to limited innovation and export propensity amongst Brazilian MSMEs.<sup>63</sup> In addition, many MSMEs receive little public and private sector credit for long-term viability credit, primarily because of high-interest rates, short loan maturities, lack of credit history or property collateral, highlighting the unfavourable market conditions for these businesses in Brazil.<sup>64</sup> Meanwhile, Brazil's federal government has used mostly loan subsidies as the main direct policy instruments to encourage MSME development.<sup>65</sup>

Sustainalytics is of the view that BTG's provision of financing to MSMEs in Brazil is expected to play an important role in fostering economic and social development and contribute to reducing social inequalities in the country.

## Alignment with/contribution to SDGs

The Sustainable Development Goals (SDGs) were adopted in September 2015 by the United Nations General Assembly and form part of an agenda for achieving sustainable development by the year 2030. The Framework advances the following SDG goals and targets:

Use of Proceed	SDG	SDG Target
Renewable Energy	7. Affordable and clean energy	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix
Electricity Networks		7.3 By 2030, double the global rate of improvement in energy efficiency
Energy Efficiency		
Sustainable Water and Wastewater Management	6. Clean water and sanitation	6.1 By 2030, achieve universal and equitable access to safe and affordable drinking water for all
Clean Transportation	11. Sustainable cities and communities	11.2 By 2030, provide access to safe, affordable, accessible and sustainable transport systems for all improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities and older persons
Green Buildings	9. Industry, innovation and infrastructure	9.4 By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities
Resource Efficiency, Pollution Prevention and Control	12. Responsible Consumption and Production	12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse

<sup>60</sup> OECD, "Financing SMEs and Entrepreneurs 2020: An OECD Scoreboard", at: <https://www.oecd-ilibrary.org/sites/8153da8d-en/index.html?itemId=/content/component/8153da8d-en>

<sup>61</sup> Complementary Law 123 of 2006 defines micro-enterprises as companies with a gross annual revenues of up to USD 66,000, while small enterprises are those with gross annual revenues ranging from USD 66,000 to USD 880,000.

<sup>62</sup> OECD, "SME and Entrepreneurship Policy in Brazil 2020", at: <https://www.oecd-ilibrary.org/sites/cc5feb81-en/index.html?itemId=/content/publication/cc5feb81-en>

<sup>63</sup> OECD, "SME and Entrepreneurship Policy in Brazil 2020", at: <https://www.oecd-ilibrary.org/sites/cc5feb81-en/index.html?itemId=/content/publication/cc5feb81-en>

<sup>64</sup> IDB, Brazil promotes productivity of micro, small and medium-sized enterprises with IDB support: <https://www.iadb.org/en/news/brazil-promotes-productivity-micro-small-and-medium-size-enterprises-idb-support>

<sup>65</sup> OECD Library, SME and Entrepreneurship Policy in Brazil 2020: <https://www.oecd-ilibrary.org/sites/cc5feb81-en/index.html?itemId=/content/publication/cc5feb81-en>



Environmentally Sustainable Management of Living Natural Resources and Land Use	15. Life on Land	15.2 By 2020, promote the implementation of sustainable management of all types of forests, halt deforestation, restore degraded forests and substantially increase afforestation and reforestation globally
Affordable Housing	11. Sustainable cities and communities	11.1 By 2030, ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums
Affordable Basic Infrastructure	6. Clean water and sanitation  9. Industry innovation and infrastructure	6.1 By 2030, achieve universal and equitable access to safe and affordable drinking water for all  9.1 Develop quality, reliable, sustainable and resilient infrastructure, including regional and transborder infrastructure, to support economic development and human well-being, with a focus on affordable and equitable access for all
Micro, Small and Medium Enterprise (MSME) Financing and Microfinance	8. Decent work and economic growth	8.3 Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro-, small- and medium-sized enterprises, including through access to financial services

## Conclusion

BTG has developed the BTG Pactual Sustainable Financing Framework under which it may issue or originate Sustainability Instruments and launch deposit products. BTG may use the proceeds from these instruments to finance or refinance projects, loans, or securities that are expected to generate positive environmental and social impacts in the Latin American region. The Framework outlines a process to track, allocate and manage proceeds, and makes commitment for BTG to report on the allocation and impact of the use of proceeds.

Based on the above, Sustainalytics is confident that BTG is well positioned to (i) issue or originate the Sustainability Instruments in alignment with the Sustainability Bond Guidelines 2021, Green Bond Principles 2021, Social Bond Principles 2021, Green Loan Principles 2021, and Social Loan Principles 2021, and (ii) launch Sustainable Deposits.

The Framework also outlines criteria for eligible investments for the Sustainable Deposits as well as the supporting processes for project evaluation and selection and reporting which, in Sustainalytics opinion, are sufficient. Based on the above, Sustainalytics is of the opinion that the Framework is credible and is expected to deliver overall positive social and environmental benefits, based on the principles of impact and transparency.



## Appendix 1: Summary and Assessment of Feedstock Certifications<sup>66</sup>




	Roundtable on Sustainable Biomaterials (RSB) <sup>67</sup>	ISCC <sup>68</sup>	Bonsucro <sup>69</sup>
<b>Background</b>	The Roundtable on Sustainable Biomaterials (RSB) is an international initiative that promotes and supports the sustainability of biomaterials production and processing, bringing together companies, farmers, NGOs and inter-governmental agencies. While the RSB was set up in 2007 as a means of ensuring the sustainability of liquid biofuels for transport, in 2013, it expanded its scope to include biomaterials.	International Sustainability and Carbon Certification ("ISCC") is a German certification system that provides sustainability solutions for traceable and deforestation-free supply chains of agricultural, forestry, waste and/or residue raw materials, non-bio renewables and recycled carbon materials and fuels.	Bonsucro was developed out of the Better Sugarcane Initiative, an international multi-stakeholder NGO whose purpose is to lower the environmental and social impacts of sugarcane production. The Bonsucro Production Standard aims to ensure that the sugarcane production and sugarcane derived products are sustainably produced.
<b>Clear positive impact</b>	Promoting sustainable biomaterials.	Promoting sustainable supply chain practices.	Promoting sustainable sugarcane production.
<b>Minimum standards</b>	The RSB sets minimum requirements in the areas of legality, planning, monitoring and continuous improvement, GHG emissions, human and labour rights, rural and social development, local food security, conservation, soil, water and air management, use of technology, inputs and management of waste, land rights and chain of custody. The RSB standard requires that biofuels achieve 50% lower lifecycle GHG emissions compared with a fossil fuel baseline. Each Principle also includes type of feedstock as a specific indicator of compliance.	The ISCC system has core sustainability criteria requirements that must be met. In addition to the core requirements of ISCC PLUS, voluntary add-ons can be added to adapt ISCC PLUS certificates to meet specific market requirements. Verification of GHG emissions is considered voluntary and can be added by applying as an add-on.	The Bonsucro Production Standard sets minimum requirements in the areas of legal compliance, biodiversity and ecosystem impacts, human rights, production and processing and continuous improvement.
<b>Scope of certification or programme</b>	The RSB certification addresses key risks such as human and labour rights, supply chain, resource management and land and biodiversity use through its criteria.	Different certifications are available (ISCC PLUS, ISCC EU, ISCC Solid Biomass NL and ISCC Non-GMO) depending on the type of market suppliers are targeting; food, bio-based products, feed and energy. Within each specific certification, different types of agricultural materials are covered.  ISCC PLUS includes all types of agricultural and forestry raw materials, waste and residues, non-bio renewables, recycled carbon materials and fuels.	Bonsucro addresses key risks such as human and labour rights, ecosystem management, biodiversity and land use through its criteria.
<b>Verification of standards and risk mitigation</b>	Certified entities undergo a self-assessment process and, afterwards, receives a visit from a third-party auditor. Annual audits will also take place after the validation.	Certified entities undergo third party verifications audits to ensure compliance with the sustainability requirements existing based on legal requirements or voluntary agreements.	Certified entities undergo third-party audits to ensure compliance with criteria.

<sup>66</sup> FSC certification will also be used as an eligible feedstock certification under the Framework. Details on FSC can be found in Appendix 4.



<sup>67</sup> RSB, "About certification" at: <https://rsb.org/certification/about-certification/>.

<sup>68</sup> International Sustainability Carbon Certification (ISCC): <https://www.iscc-system.org/>

<sup>69</sup> Bonsucro: <https://www.bonsucro.com/>

<p><b>Third party expertise and multi-stakeholder process</b></p>	<p>RSB is a full member of the ISEAL Alliance and respects its Codes of Good Practice for multi-stakeholder sustainability standards. RSB's benchmarks are available with Rainforest Alliance, the Sustainable Agriculture Network, the Forest Stewardship Council, Bonsucro and the IFC Performance standards.</p>	<p>Standard setting is aligned with the UN Global Compact, the ISEAL Standard Setting Code and ISAE 3000.</p>	<p>Bonsucro is a full member of the ISEAL Alliance and respects the ISEAL Code of Good Practice for Setting Social and Environmental Standards and the Impacts Code.</p>
<p><b>Performance Display</b></p>			
<p><b>Qualitative considerations</b></p>	<p>The RSB certification is considered strong by organisations such as WWF, IUCN and NRDC. In 2017, RSB certified 50 industrial facilities and 56,784 hectares of farmland.</p>	<p>Global recognition across more than 100 countries. There are over 23,000 ISCC certified supply chains with approximately 3,500 system users. For ISCC PLUS, no certification schemes other than ISCC are currently accepted which means that all economic operators along the supply chain must demonstrate that the ISCC sustainability criteria have been fulfilled. ISCC focuses on Stage 1 of the biofuel product life cycle; feedstock production and collection.</p>	<p>Bonsucro has certified around 3.37% of global sugarcane production and covers 3.70% of global area of sugarcane, having 207 member organizations in over 20 countries.</p>

## Appendix 2: Summary of Referenced Green Building Certification Schemes

	LEED <sup>70</sup>	EDGE <sup>71</sup>
<b>Background</b>	Leadership in Energy and Environmental Design (LEED) is a US Certification System for residential and commercial buildings used worldwide. LEED was developed by the non-profit U.S. Green Building Council (USGBC).	EDGE (or “Excellence in Design for Greater Efficiencies”) is a green building standard and certification system developed by the International Finance Corporation and applicable in 140 countries.
<b>Certification levels</b>	<ul style="list-style-type: none"> <li>• Certified</li> <li>• Silver</li> <li>• Gold</li> <li>• Platinum</li> </ul>	<ul style="list-style-type: none"> <li>• EDGE Certified</li> <li>• EDGE Advanced</li> <li>• EDGE Zero Carbon</li> </ul>
<b>Areas of Assessment</b>	<ul style="list-style-type: none"> <li>• Energy and atmosphere</li> <li>• Sustainable Sites</li> <li>• Location and Transportation</li> <li>• Materials and resources</li> <li>• Water efficiency</li> <li>• Indoor environmental quality</li> <li>• Innovation in Design</li> <li>• Regional Priority</li> </ul>	<ol style="list-style-type: none"> <li>1. Climatic Conditions</li> <li>2. Building Type and Occupant Use</li> <li>3. Design and Specifications</li> <li>4. Building Orientation</li> </ol> <p>Calculation of the End Use Demand Overall energy demand in buildings; heating ventilation and air conditioning demand; virtual energy for comfort, energy demand for hot water requirements; lighting energy demand; water demand in buildings; estimations on rainwater harvesting or recycled water onsite; embodied energy in building materials.</p>
<b>Requirements</b>	<p>Prerequisites independent of level of certification, and credits with associated points.</p> <p>These points are then added together to obtain the LEED level of certification</p> <p>There are several different rating systems within LEED. Each rating system is designed to apply to a specific sector (e.g. New Construction, Major Renovation, Core and Shell Development, Schools-/Retail-/Healthcare New Construction and Major Renovations, Existing Buildings: Operation and Maintenance).</p>	<p>Prerequisites depending on the level of certification. To achieve the minimum level, EDGE Certified, a building must demonstrate a minimum 20% reduction in operational energy consumption, water use and embodied energy in materials as compared to typical local practices.</p>
<b>Performance display</b>		
<b>Qualitative Considerations</b>	Widely recognized internationally, and strong assurance of overall quality.	Strong assurance of overall quality due to the EDGE’s development under the IFC umbrella.

<sup>70</sup> USGBC, “LEED rating system”, at: [www.usgbc.org/LEED](http://www.usgbc.org/LEED).

<sup>71</sup> EDGE, “Certify”, at: <https://www.edgebuildings.com/certify/>

## Appendix 3: Overview and Assessment of Agricultural Certifications


	Rainforest Alliance <sup>72</sup>	UTZ <sup>73</sup>	Roundtable on Responsible Soy (RTRS) <sup>74</sup>	Bonsucro <sup>75</sup>
<b>Background</b>	The Rainforest Alliance Seal is a global certification system for Agriculture, Forestry and Tourism. The Rainforest Alliance certification indicates compliance with the organization's standards for environmental, social and economic sustainability. Rainforest Alliance merged with UTZ in January 2018.	The UTZ Label is a global certification system for coffee, cocoa, tea and hazelnuts. The UTZ certification incorporates environmental, social, farm management and farming practices considerations. UTZ merged with Rainforest Alliance in January 2018.	The Round Table for Sustainable Soy (RTRS) works with all involved stakeholders on producing more sustainable soy through the RTRS Standard for Responsible Soy Production.	Bonsucro was developed out of the Better Sugarcane Initiative, an international multi-stakeholder NGO whose purpose is to lower the environmental and social impacts of sugarcane production. The Bonsucro Production Standard aims to ensure that the sugarcane production and sugarcane derived products are sustainably produced.
<b>Clear positive impact</b>	Promoting sustainable practices in agriculture, forestry and tourism.	Promoting sustainable practices in Coffee, Cocoa Tea and Hazelnut farming and trading.	Promoting sustainable soy production for human consumption, animal feed and biofuels.	Promoting sustainable sugarcane production.
<b>Minimum standards</b>	Rainforest alliance establishes a minimum threshold for impact through critical criteria, and requires farmers to go beyond by demonstrating improved sustainability on 14 continuous improvement criteria.	UTZ establishes a minimum threshold for impact through mandatory points and additional points, and requires farmers to go beyond by demonstrating compliance with an increasingly large proportion of both mandatory and additional points.	The RTRS soy certification sets requirements in the areas of legal compliance and good business practices, responsible labour conditions, responsible community relations, environmental responsibility, and good agricultural practices.	The Bonsucro Production Standard sets minimum requirements in the areas of legal compliance, biodiversity and ecosystem impacts, human rights, production and processing and continuous improvement.
<b>Scope of certification or programme</b>	Rainforest alliance addresses key risks such as human rights, child labour, pesticide use and biodiversity use through its criteria.	UTZ addresses key risks such as human rights, child labour, pesticide use and biodiversity use through its criteria.	The RTRS soy certification addresses human rights, child labour, forced labour, human health and safety, biodiversity use, soil quality, substance use (agrochemicals), GHG emissions, and resource management (energy, water, waste) through its criteria.	Bonsucro addresses key risks such as human and labour rights, ecosystem management, biodiversity and land use through its criteria.
<b>Verification of standards and risk mitigation</b>	Certified entities undergo third party verification to ensure compliance with criteria and continuous improvement.	Certified entities undergo third party verification to ensure compliance with criteria and continuous improvement.	Certified entities undergo third-party audits to ensure compliance with criteria. As the certificate is valid 5 years, the certified entity is subject to annual surveillance surveys.	Certified entities undergo third-party audits to ensure compliance with criteria.
<b>Third party expertise and multi-stakeholder process</b>	Standard setting is aligned with the ISEAL Standard Setting Code.	Standard setting is aligned with the ISEAL Standard Setting Code.	The RTRS Standard for Responsible Soy Production was developed through the efforts of	Bonsucro is a full member of the ISEAL Alliance and respects the ISEAL Code of Good Practice for Setting

<sup>72</sup> Rainforest Alliance, Sustainable Agriculture Certification: <https://www.rainforest-alliance.org/business/certification/>

<sup>73</sup> UTZ Certification, The UTZ Standard: <https://utz.org/>

<sup>74</sup> RTRS: <http://www.responsiblesoy.org/?lang=en>

<sup>75</sup> Bonsucro: <https://www.bonsucro.com/>

			producers, industry and civil society, which agreed upon the Principles and Criteria for certifying soy as a responsible crop.	Social and Environmental Standards and the Impacts Code.
<b>Performance Display</b>				
<b>Qualitative considerations</b>	<p>Global recognition across 76 countries around the world. There are 763 Rainforest Alliance certified products and more than 1,354,057 people which have conducted training, certification and verification under the Rainforest Alliance standard.</p> <p>Rigorous on the enforcement of minimum standards and strong governance over the implementation of social and environmental mitigation processes.</p>	<p>Global recognition across 131 countries around the world. There are 987,000 UTZ Certified farmers in the UTZ programme with more than 368,000 workers on the UTZ certified farms in 41 producing countries and more than 3.4 million hectares of UTZ certified crops. The UTZ name or label is present on more than 15,000 products in 131 countries worldwide.</p> <p>Rigorous on the enforcement of minimum standards and strong governance over the implementation of social and environmental mitigation processes.</p>	<p>RTRS has more than 180 members from countries all around the world, selling over 1.3 million tonnes of RTRS certified soy.</p> <p>The RTRS certifications have been criticized for managing allegedly 'flawed' criteria which allow the certification of GMO and herbicide resistant crops. Additionally, the RTRS criteria allow for deforestation of secondary forest areas (not identified as primary or high conservation value).</p> <p>Moreover, in 2009 and 2010 two major Brazilian organisations in the soya supply chain quit the RTRS because the addition of a criteria related to deforestation. RTRS members such as Nidera, Monsanto and DuPont/Pioneer were sanctioned by Argentine authorities in the past due to forced labour, despite the fact that respecting labour laws are condition for using the RTRS label.</p>	<p>Bonsucro has certified around 3.37% of global sugarcane production and covers 3.70% of global area of sugarcane, having 207 member organizations in over 20 countries.</p>

## Appendix 4: Overview of Referenced Forestry Certifications

	FSC <sup>76,77</sup>	PEFC <sup>78,79</sup>
<b>Background</b>	Founded in 1993 after the 1992 Earth Summit in Rio failed to produce any international agreements to fight against deforestation, FSC aims to promote sustainable forest management practice.	PEFC was founded in 1999 in response to the specific requirements of small- and family forest owners as an international umbrella organization providing independent assessment, endorsement and recognition of national forest certification systems.
<b>Basic Principles</b>	<ul style="list-style-type: none"> <li>• Compliance with laws and FSC principles</li> <li>• Tenure and use rights and responsibilities</li> <li>• Indigenous peoples' rights</li> <li>• Community relations and workers' rights</li> <li>• Benefits from the forests</li> <li>• Environmental impact</li> <li>• Management plans</li> <li>• Monitoring and assessment</li> <li>• Special sites – high conservation value forests (HCVF)</li> <li>• Plantations</li> </ul>	<ul style="list-style-type: none"> <li>• Maintenance and appropriate enhancement of forest resources and their contribution to the global carbon cycle</li> <li>• Maintenance and enhancement of forest ecosystem health and vitality</li> <li>• Maintenance and encouragement of productive functions of forests (wood and no-wood)</li> <li>• Maintenance, conservation and appropriate enhancement of biological diversity in forest ecosystems</li> <li>• Maintenance and appropriate enhancement of protective functions in forest management (notably soil and water)</li> <li>• Maintenance of socioeconomic functions and conditions</li> <li>• Compliance with legal requirements</li> </ul>
<b>Governance</b>	<p>The General Assembly, consisting of all FSC members, constitutes the highest decision-making body.</p> <p>At the General Assembly, motions are proposed by one member, seconded by two more, and deliberated and voted on by all members. Members are entitled to vote to amend the bylaws, initiate new policies, and clarify, amend or overturn a policy decision by the board.</p> <p>Members apply to join one of three chambers – environmental, social, or economic – that are further divided into northern and southern sub-chambers.</p> <p>Each chamber holds 33.3% of the weight in votes, and within</p>	<p>PEFC's governance structure is formed by the General Assembly (GA) which is the highest authority and decision-making body. It is made up of all PEFC members, including national and international stakeholders.</p> <p>Members vote on key decisions including endorsements, international standards, new members, statutes and budgets. All national members have between one and seven votes, depending on membership fees, while international stakeholder members have one vote each.</p> <p>The Board of Directors supports the work of the GA and together the GA and the Board make the formal approval of final draft standards. Standards are developed by working groups.</p> <p>In general, PEFC's governance structure is more representative of industry and government stakeholders than of social or environmental groups, which gives industry and governments more influence in the decision-making process. However, the organization does include stakeholders from all sectors.</p>

<sup>76</sup> Forest Stewardship Council, FSC: <https://ca.fsc.org/en-ca>

<sup>77</sup> FSC will also be used as an eligible Feedstock certification for biofuel projects.

<sup>78</sup> The Brazilian Forest Certification Program (CERFLOR) was formally endorsed by PEFC in 2005 and has since formed alignment. As such, Sustainalytics' analysis of PEFC's framework, guidelines and credibility can be applied to CERFLOR. See more, at: <https://www.pefc.org/discover-pefc/our-pefc-members/national-members/brazilian-forest-certification-programme-cerflor>

<sup>79</sup> Programme for the Endorsement of Forest Certification, PEFC: <https://www.pefc.org/>

	<p>each chamber the votes are weighted so that the North and South hold an equal portion of authority, to ensure influence is shared equitably between interest groups and countries with different levels of economic development.</p> <p>The votes of all individual members in each sub-chamber represent 10% of the total vote of the sub-chamber, while the votes of organizational members make up the other 90%.</p> <p>The members vote for the board of directors, which is accountable to the members. There is an international board elected by all members and a US board, elected by the US-based members.</p>	
<p><b>Scope</b></p>	<p>FSC is a global, multi-stakeholder owned system. All FSC standards and policies are set by a consultative process. There is an FSC Global standard and for certain countries FSC National standards. Economic, social, and environmental interests have equal weight in the standard setting process. FSC follows the ISEAL Code of Good Practice for Setting Social and Environmental Standards.</p>	<p>Multi-stakeholder participation is required in the governance of national schemes as well as in the standard-setting process. Standards and normative documents are reviewed periodically at intervals that do not exceed five years. The PEFC Standard Setting standard is based on ISO/IEC Code of good practice for standardization (Guide 59)<sup>80</sup> and the ISEAL Code of Good Practice for Setting Social and Environmental Standards.</p>
<p><b>Chain-of-Custody</b></p>	<ul style="list-style-type: none"> <li>• The Chain-of-Custody (CoC) standard is evaluated by a third-party body that is accredited by FSC and compliant with international standards.</li> <li>• CoC standard includes procedures for tracking wood origin.</li> <li>• CoC standard includes specifications for the physical separation of certified and non-certified wood, and for the percentage of mixed content (certified and non-certified) of products.</li> <li>• CoC certificates state the geographical location of the producer and the standards against which the process was</li> </ul>	<ul style="list-style-type: none"> <li>• Quality or environmental management systems (ISO 9001:2008 or ISO 14001:2004 respectively) may be used to implement the minimum requirements for chain-of-custody management systems required by PEFC.</li> <li>• Only accredited certification bodies can undertake certification.</li> <li>• CoC requirements include specifications for physical separation of wood and percentage-based methods for products with mixed content.</li> <li>• The CoC standard includes specifications for tracking and collecting and maintaining documentation about the origin of the materials.</li> <li>• The CoC standard includes specifications for the physical separation of certified and non-certified wood.</li> <li>• The CoC standard includes specifications about procedures for dealing with complains related to participant’s chain of custody.</li> </ul>

<sup>80</sup> ISO, ISO/IEC Guide 59:2019: <https://www.iso.org/standard/23390.html>



	evaluated. Certificates also state the starting and finishing point of the CoC.	
<b>Non-certified wood sources</b>	<p>FSC's Controlled Wood Standard establishes requirements to participants to establish supply-chain control systems, and documentation to avoid sourcing materials from controversial sources, including:</p> <ul style="list-style-type: none"> <li>a. Illegally harvested wood, including wood that is harvested without legal authorization, from protected areas, without payment of appropriate taxes and fees, using fraudulent papers and mechanisms, in violation of CITES requirements, and others,</li> <li>b. Wood harvested in violation of traditional and civil rights,</li> <li>c. Wood harvested in forests where high conservation values are threatened by management activities,</li> <li>d. Wood harvested in forests being converted from forests and other wooded ecosystems to plantations or non-forest uses,</li> <li>e. Wood from management units in which genetically modified trees are planted.</li> </ul>	<p>The PEFC's Due Diligence System requires participants to establish systems to minimize the risk of sourcing raw materials from:</p> <ul style="list-style-type: none"> <li>a. forest management activities that do not comply with local, national or international laws related to: <ul style="list-style-type: none"> <li>○ operations and harvesting, including land use conversion,</li> <li>○ management of areas with designated high environmental and cultural values,</li> <li>○ protected and endangered species, including CITES species,</li> <li>○ health and labor issues,</li> <li>○ indigenous peoples' property, tenure and use rights,</li> <li>○ payment of royalties and taxes.</li> </ul> </li> <li>b. genetically modified organisms,</li> <li>c. forest conversion, including conversion of primary forests to forest plantations.</li> </ul>
<b>Accreditation/verification</b>	<p>FSC-accredited Certification Bodies (CB) conduct an initial assessment, upon successful completion companies are granted a 5-year certificate. Companies must undergo an annual audit every year and a reassessment audit every 5 years. Certification Bodies undergo annual audits from Accreditation Services International (ASI) to ensure</p>	<p>Accreditation is carried out by an accreditation body (AB). Like a certification body checks a company meets the PEFC standard, the accreditation body checks that a certification body meets specific PEFC and ISO requirements. Through the accreditation process PEFC has assurance that certification bodies are independent and impartial, that they follow PEFC certification procedures.</p> <p>PEFC does not have their own accreditation body. Like with the majority of ISO based certifications, PEFC relies on national ABs under the umbrella of the International Accreditation Forum (IAF). National ABs need to be a member of the IAF, which means they must follow IAF's rules and regulations.</p>

	conformance with ISO standard requirements.	
<b>Conclusion</b>	Sustainalytics views both FSC and PEFC as being robust, credible standards that are based on comprehensive principles and criteria that are aligned with ISO. Both schemes have received praise for their contribution to sustainable forest management practices <sup>81</sup> and both have also faced criticism from civil society actors. <sup>82,83</sup> In certain instances, these standards go above and beyond national regulation and are capable of providing a high level of assurance that sustainable forest management practices are in place. However, in other cases, the standards are similar or equal to national legislation and provide little additional assurance. Ultimately, the level of assurance that can be provided by either scheme is contingent upon several factors including the certification bodies conducting audits, national regulations and local context.	

<sup>81</sup> FESPA, FSC, PEFC and ISO 38200: <https://www.fespa.com/en/news-media/blog/fsc-pefc-and-iso-38200>

<sup>82</sup> Yale Environment 360, Greenwashed Timber: How Sustainable Forest Certification Has Failed: <https://e360.yale.edu/features/greenwashed-timber-how-sustainable-forest-certification-has-failed>

<sup>83</sup> EIA, PEFC: A Fig Leaf for Stolen Timber: <https://eia-global.org/blog-posts/PEFC-fig-leaf-for-stolen-timber>

## Appendix 5: Certification Schemes for Aquaculture

	ASC <sup>84</sup>	Global G.A.P. Aquaculture	Best Aquaculture Practices <sup>85</sup>	MSC <sup>86</sup>
<b>Background</b>	The Aquaculture Stewardship Council (ASC) is an independent, international NGO that manages the ASC certification and labelling program for responsible aquaculture.	GLOBAL G.A.P. is a trademark and a set of standards for good agricultural practices (G.A.P.). They are a global organization with the objective to ensure: safe, sustainable agriculture worldwide. They set voluntary standards for the certification of agricultural products around the globe.	The BAP certification is administered by the Global Aquaculture Alliance (GAA), a non-profit organization focused on advocacy, the education and leadership of on responsible aquaculture matters.	MSC (Marine Stewardship Council) is a non-profit organization founded in 1996, that issues eco-label certifications for fisheries which are sustainable and well-managed.
<b>Areas of Assessment</b>	<p>ASC has different farm standards depending on the fish species (e.g. Abalone, Bivalve, Freshwater trout, Pangasius, Salmon, Seriola and Cobia, Shrimp, Tilapia), focusing on both the environmental and social impact of farming. Each type of farm standards has specific performance indicators (PIs). Some of the elements assessed by the ASC certification include:</p> <ul style="list-style-type: none"> <li>• Biodiversity</li> <li>• Feed</li> <li>• Pollution</li> <li>• Diseases</li> <li>• Antibiotics</li> <li>• Social</li> </ul> <p>ASC also works in partnership with MSC (Marine Stewardship Council) regarding the certification for seaweed farms. The ASC-MSC Seaweed Standard has five principles, each with specific performance indicators:</p> <ul style="list-style-type: none"> <li>• Sustainable wild populations</li> <li>• Environmental impacts</li> <li>• Effective management</li> </ul>	The standard covers aquaculture compound feed production, hatcheries and farms and chain of custody	Different certifications are available for different parts of the supply chain: farms, processing plants, hatcheries, feed mills. In practice, that means that a processing plant that does not necessarily source all of its fish from certified farms can still be certified (a star rating display on the label provides this information).	<p>The MSC Fisheries Standard assesses Performance Indicators (PIs) from three principles:</p> <p>Principle 1 Sustainable target fish stocks:</p> <ul style="list-style-type: none"> <li>• Outcome</li> <li>• Stock Status</li> <li>• Stock Rebuilding</li> <li>• Harvest Strategy (Management)</li> <li>• Harvest Strategy</li> <li>• Harvest Control Rules &amp; Tools</li> <li>• Information/Monitoring</li> <li>• Assessment of Stock Status</li> <li>• Enhancement</li> <li>• Enhancement Outcome</li> <li>• Enhancement Management</li> <li>• Enhancement Information</li> </ul> <p>Principle 2 Environmental impact of fishing:</p> <ul style="list-style-type: none"> <li>• Primary Species</li> <li>• Outcome</li> <li>• Management</li> <li>• Information</li> <li>• Secondary Species</li> <li>• Outcome</li> <li>• Management</li> <li>• Information</li> <li>• ETP Species</li> <li>• Outcome</li> <li>• Management</li> <li>• Information</li> </ul>





<sup>84</sup> <https://www.asc-aqua.org/what-we-do/our-standards/farm-standards/>

<sup>85</sup> Best Aquaculture Practices Certification, About Best Aquaculture Practices: <https://www.bapcertification.org/About>

<sup>86</sup> <https://www.msc.org/standards-and-certification/fisheries-standard>

	<ul style="list-style-type: none"> <li>• Social responsibility</li> </ul> <p>Community relations and interactions</p>			<ul style="list-style-type: none"> <li>• Habitats</li> <li>• Outcome</li> <li>• Management</li> <li>• Information</li> <li>• Ecosystems</li> <li>• Outcome</li> <li>• Management</li> <li>• Information</li> <li>• Principles 3 Effective management</li> <li>• Governance &amp; policy</li> <li>• Legal and/or Customary Framework</li> <li>• Consultation, Roles &amp; Responsibilities</li> <li>• Long Term Objectives</li> <li>• Fishery Specific Management System</li> <li>• Fishery Specific Objectives</li> <li>• Decision Making Processes</li> <li>• Compliance &amp; Enforcement</li> <li>• Monitoring &amp; Management Performance Evaluation</li> </ul> <p>The Fisheries Certification Process (FCP) accompanies the Fisheries Standard, as it explains how the MSC Fisheries Standard should be interpreted during the assessment process.</p>
<p><b>Requirements</b></p>	<p>The applicant’s fishery receives scores based on its performance in relevant PIs. If the farm complies with the ASC requirements, then it receives the ASC label.</p>	<p>Certification process requires an initial assessment and ongoing annual third-party audits. 10% of all audits carried out annually by certification bodies must be unannounced.</p> <p>Regarding aquaculture, the Control Points and Compliance Criteria document consists of 3 types of control points: Major Musts, Minor Musts and Recommendations. To obtain Global GAP certification, 100% of Major Musts are compulsory, 95% of Minor musts are compulsory and Recommendations are not required.</p>	<p>The BAP assessment has mandatory minimums, but also includes indicators which allow the proponent to define individual targets.</p> <p>As the certification process is fishery-specific, the standard may be more robust for some species. For example, the Monterey Bay Aquarium’s Seafood Watch programme recommends BAP as a reputable label for freshwater fish, mussels, and shrimp, but not salmon, scallops, or clams.<sup>87</sup></p>	<p>The applicant’s fishery receives scores based on its performance in relevant PIs. If the applicant passes the assessments in all the three areas of the MSC Fisheries Standard, then it receives the MSC label.</p>

<sup>87</sup> Seafood Watch, Eco-Certification: <https://www.seafoodwatch.org/seafood-recommendations/eco-certification>

<b>Performance display</b>				
<b>Accreditation</b>	Conformity Assessment Bodies (CAB), independent from ASC and certified by the independent organization Accreditation Services International (ASI).		BAP is administered by the Global Aquaculture Alliance (GAA).	Conformity Assessment Bodies (CAB), independent from MSC and certified by the independent organization Accreditation Services International (ASI).
<b>Qualitative considerations</b>	ASC meets best practice requirements set by both ISEAL (International Social and Environmental Accreditation and Labelling) and UN FAO (United Nation's Food and Agriculture Organization).	<p>On 20 April 2018 The Global Sustainable Seafood Initiative has provided formal recognition of the GLOBALG.A.P. Aquaculture Certification System for the scope of Aquaculture.</p> <p>GSSI's recognition shows that the GLOBALG.A.P. Aquaculture Certification System, for their GLOBALG.A.P. Integrated Farm Assurance System is in alignment with all applicable Essential Components of the GSSI Global Benchmark Tool.</p>	<p>Widely recognized within the industry.</p> <p>As the certification process is fishery-specific, the standard may be more robust for some species than for other.</p> <p>While a reputable certification overall, the standard does not fully mitigate all the risks associated with aquaculture.</p>	MSC meets best practice requirements set by both ISEAL (International Social and Environmental Accreditation and Labelling) and UN FAO (United Nation's Food and Agriculture Organization).

## Appendix 6 Sustainability Bond / Sustainability Bond Programme - External Review Form

### Section 1. Basic Information

Issuer name:	BTG Pactual
Sustainability Bond ISIN or Issuer Green Bond Framework Name, if applicable:	BTG Pactual Sustainable Financing Framework
Review provider's name:	Sustainalytics
Completion date of this form:	November 29, 2021
Publication date of review publication:	

### Section 2. Review overview

#### SCOPE OF REVIEW

The following may be used or adapted, where appropriate, to summarise the scope of the review.

The review assessed the following elements and confirmed their alignment with the GBP and SBP:

- |  |  |
|--|--|
| <input checked="" type="checkbox"/> Use of Proceeds        | <input checked="" type="checkbox"/> Process for Project Evaluation and Selection |
| <input checked="" type="checkbox"/> Management of Proceeds | <input checked="" type="checkbox"/> Reporting                                    |

#### ROLE(S) OF REVIEW PROVIDER

- |   |  |
|---|--|
| <input checked="" type="checkbox"/> Consultancy (incl. 2 <sup>nd</sup> opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification   | <input type="checkbox"/> Rating        |
| <input type="checkbox"/> Other ( <i>please specify</i> ):                       |  |

Note: In case of multiple reviews / different providers, please provide separate forms for each review.

#### EXECUTIVE SUMMARY OF REVIEW and/or LINK TO FULL REVIEW (*if applicable*)

Please refer to Evaluation Summary above.

### Section 3. Detailed review

Reviewers are encouraged to provide the information below to the extent possible and use the comment section to explain the scope of their review.

#### 1. USE OF PROCEEDS

Overall comment on section *(if applicable)*:

The eligible categories for the use of proceeds – 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 – are aligned with those recognized by the both the Green Bond Principles and Social Bond Principles. Sustainalytics considers that providing financing in relation to the eligible categories will lead to positive environmental or social impacts and advance the UN SDGs, specifically SDGs 6, 7, 8, 9, 11, 12, and 15.

#### Use of proceeds categories as per GBP:

- |  |   |
|--|---|
| <input checked="" type="checkbox"/> Renewable energy   | <input checked="" type="checkbox"/> Energy efficiency   |
| <input checked="" type="checkbox"/> Pollution prevention and control   | <input checked="" type="checkbox"/> Environmentally sustainable management of living natural resources and land use |
| <input type="checkbox"/> Terrestrial and aquatic biodiversity conservation   | <input checked="" type="checkbox"/> Clean transportation  |
| <input checked="" type="checkbox"/> Sustainable water and wastewater management  | <input type="checkbox"/> Climate change adaptation  |
| <input type="checkbox"/> Eco-efficient and/or circular economy adapted products, production technologies and processes                             | <input checked="" type="checkbox"/> Green buildings   |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with GBP categories, or other eligible areas not yet stated in GBPs | <input checked="" type="checkbox"/> Other (please specify): Electricity Networks                                    |

If applicable please specify the environmental taxonomy, if other than GBPs:

#### Use of proceeds categories as per SBP:

- |   |  |
|---|--|
| <input checked="" type="checkbox"/> Affordable basic infrastructure | <input type="checkbox"/> Access to essential services  |
| <input checked="" type="checkbox"/> Affordable housing              | <input checked="" type="checkbox"/> Employment generation (through SME financing and microfinance) |
| <input type="checkbox"/> Food security                              | <input type="checkbox"/> Socioeconomic advancement and empowerment                                 |



- Unknown at issuance but currently expected to conform with SBP categories, or other eligible areas not yet stated in SBP
- Other (please specify):

If applicable please specify the social taxonomy, if other than SBP:

## 2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (if applicable):

BTG Pactual will set up a Sustainable Financing Committee, which will include the Bank's Treasury and ESG & Impact Investing teams, and any relevant business departments to evaluate and select Eligible Projects, per the criteria defined in the Framework. The Bank has adopted an internal environmental and social risk assessment (ESRA) process, which is applicable to all allocation decisions made under the Framework. The Sustainable Financing Committee will also be responsible for monitoring compliance of the Eligible Projects with ESRA, along with other relevant policies and regional social and environmental regulations. Based on the clear delineation of responsibility, Sustainalytics considers this process to be in line with market practice.

### Evaluation and selection

- Credentials on the issuer's social and green objectives
- Documented process to determine that projects fit within defined categories
- Defined and transparent criteria for projects eligible for Sustainability Bond proceeds
- Documented process to identify and manage potential ESG risks associated with the project
- Summary criteria for project evaluation and selection publicly available
- Other (please specify):

### Information on Responsibilities and Accountability

- Evaluation / Selection criteria subject to external advice or verification
- In-house assessment
- Other (please specify):

## 3. MANAGEMENT OF PROCEEDS

Overall comment on section (if applicable):

Net proceeds from any issuance under the Framework will be managed and tracked by BTG's Treasury team. BTG intends to achieve full allocation of bond proceeds within 36 months from the date of each issuance. The unallocated proceeds will be temporarily held in cash or cash equivalent instruments in alignment with BTG's treasury management practices. Based on the management of the proceeds and the disclosure on the temporary use of unallocated proceeds, Sustainalytics considers this to be in line with market practice.

**Tracking of proceeds:**

- Sustainability Bond proceeds segregated or tracked by the issuer in an appropriate manner
- Disclosure of intended types of temporary investment instruments for unallocated proceeds
- Other (please specify):

**Additional disclosure:**

- Allocations to future investments only
- Allocations to both existing and future investments
- Allocation to individual disbursements
- Allocation to a portfolio of disbursements
- Disclosure of portfolio balance of unallocated proceeds
- Other (please specify):

**4. REPORTING**

Overall comment on section (if applicable):

BTG intends to report on the allocation and impact of the bond proceeds approximately one year from the date of each issuance. The reporting will be published on the Bank's website through standalone reports or as part of its Annual Report(s). The allocation reporting is expected to include a description of certain projects, proportion of financed and refinanced projects, and the percentage of allocated and unallocated bond proceeds. In addition, BTG intends to report on relevant quantitative impact and has provided indicative metrics within the Framework. Sustainalytics views BTG's allocation and impact reporting as aligned with market practice.

**Use of proceeds reporting:**

- Project-by-project
- On a project portfolio basis
- Linkage to individual bond(s)
- Other (please specify):

**Information reported:**

- Allocated amounts
- Sustainability Bond financed share of total investment
- Other (please specify): The percentage of allocated and unallocated bond proceeds

**Frequency:**

- Annual  Semi-annual  
 Other (please specify):

**Impact reporting:**

- Project-by-project  On a project portfolio basis  
 Linkage to individual bond(s)  Other (please specify):

**Information reported (expected or ex-post):**

- GHG Emissions / Savings  Energy Savings  
 Decrease in water use  Number of beneficiaries  
 Target populations  Other ESG indicators (please specify): Installed renewable energy capacity

**Frequency:**

- Annual  Semi-annual  
 Other (please specify):

**Means of Disclosure**

- Information published in financial report  Information published in sustainability report  
 Information published in ad hoc documents  Other (please specify): BTG's annual reports or standalone reports  
 Reporting reviewed (if yes, please specify which parts of the reporting are subject to external review):

Where appropriate, please specify name and date of publication in the useful links section.

**USEFUL LINKS (e.g. to review provider methodology or credentials, to issuer's documentation, etc.)**

**SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE**

**Type(s) of Review provided:**

- Consultancy (incl. 2<sup>nd</sup> opinion)  Certification  
 Verification / Audit  Rating  
 Other (please specify):

**Review provider(s): Sustainalytics**

**Date of publication: November 29, 2021**  
*(update to the Second-Party Opinion provided by Sustainalytics on November 16, 2020)*

**ABOUT ROLE(S) OF REVIEW PROVIDERS AS DEFINED BY THE GBP AND THE SBP**

- i. **Second-Party Opinion:** An institution with sustainability expertise that is independent from the issuer may provide a Second-Party Opinion. The institution should be independent from the issuer's adviser for its Sustainability Bond framework, or appropriate procedures such as information barriers will have been implemented within the institution to ensure the independence of the Second-Party Opinion. It normally entails an assessment of the alignment with the Principles. In particular, it can include an assessment of the issuer's overarching objectives, strategy, policy, and/or processes relating to sustainability and an evaluation of the environmental and social features of the type of Projects intended for the Use of Proceeds.
- ii. **Verification:** An issuer can obtain independent verification against a designated set of criteria, typically pertaining to business processes and/or sustainability criteria. Verification may focus on alignment with internal or external standards or claims made by the issuer. Also, evaluation of the environmentally or socially sustainable features of underlying assets may be termed verification and may reference external criteria. Assurance or attestation regarding an issuer's internal tracking method for use of proceeds, allocation of funds from Sustainability Bond proceeds, statement of environmental or social impact or alignment of reporting with the Principles may also be termed verification.
- iii. **Certification:** An issuer can have its Sustainability Bond or associated Sustainability Bond framework or Use of Proceeds certified against a recognised external sustainability standard or label. A standard or label defines specific criteria, and alignment with such criteria is normally tested by qualified, accredited third parties, which may verify consistency with the certification criteria.
- iv. **Green, Social and Sustainability Bond Scoring/Rating:** An issuer can have its Sustainability Bond, associated Sustainability Bond framework or a key feature such as Use of Proceeds evaluated or assessed by qualified third parties, such as specialised research providers or rating agencies, according to an established scoring/rating methodology. The output may include a focus on environmental and/or social performance data, process relative to the Principles, or another benchmark, such as a 2-degree climate change scenario. Such scoring/rating is distinct from credit ratings, which may nonetheless reflect material sustainability risks.

## Disclaimer

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