

# Second-Party Opinion

## Banco BTG Pactual

### Sustainable Financing Framework

#### Evaluation Summary

Sustainalytics is of the opinion that the Banco BTG Pactual Sustainable Financing Framework is credible and impactful and aligns with the Sustainability Bond Guidelines 2021, Green Bond Principles 2021, Social Bond Principles 2023, Green Loan Principles 2023 and Social Loan Principles 2023. This assessment is based on the following:



**USE OF PROCEEDS** The eligible categories for the use of proceeds<sup>1</sup> are aligned with those recognized by both the Green Bond Principles, Social Bond Principles, Green Loan Principles and Social Loan Principles. Sustainalytics considers that investments in the eligible categories will lead to positive environmental or social impacts and advance the UN Sustainable Development Goals, specifically SDGs 6, 7, 8, 9, 10, 11, 12 and 15.



**PROJECT EVALUATION AND SELECTION** The project evaluation and selection process will be carried out cross-functionally, with input from the Bank's ESG team, which will be responsible for project selection. The Bank's governance structure includes its board of directors, ESG Committee, Chief of Sustainability Officer and ESG team, which will be responsible for implementing policies related to environmental, social and climate risks. The Bank also uses the IFC Performance Standards for financing above a certain ticket size. Sustainalytics considers the project selection process in line with market practice.



**MANAGEMENT OF PROCEEDS** Proceeds from the instruments issued under the Framework will be tracked and managed by BTG Pactual's Treasury Team. BTG Pactual intends to allocate all proceeds of each issuance within 36 months. Pending allocation, the Bank will hold the proceeds in cash and cash equivalents. Sustainalytics considers this process to be aligned with market practice.



**REPORTING** BTG Pactual commits to report on allocation within approximately one year from issuance, and thereafter once a year, until full allocation. The allocation reports of deposits will be shared annually with deposit holders. Allocation reporting will include a sample list of projects financed with proceeds of the issued instruments, allocated versus unallocated amounts, a breakdown of financed versus refinanced projects. In addition, BTG Pactual intends to report on relevant impact metrics. Sustainalytics views BTG Pactual's allocation and impact reporting as aligned with market practice.



<b>Evaluation date</b>	June 3, 2024 <sup>2</sup>
<b>Issuer Location</b>	São Paulo, Brazil

#### Report Sections

Introduction.....	2
Sustainalytics' Opinion .....	3

**For inquiries, contact the Sustainable Corporate Solutions project team:**

**John-Paul Iamonaco (Toronto)**  
Project Manager  
john-paul.iamonaco@sustainalytics.com  
(+1) 416 861 0403

**Aakanksha Jain (Toronto)**  
Project Support

**Gizem Celik Bayar (Toronto)**  
Project Support

**Anna Leckman (Toronto)**  
Client Relations  
susfinance.americas@sustainalytics.com  
(+1) 646 518 9623

<sup>1</sup> Renewable Energy; Electricity Networks; Energy Efficiency; Clean Transportation; Green Buildings; Resource Efficiency, Pollution Prevention and Control; Environmentally Sustainable Management of Living Natural Resources and Land Use; Sustainable Water and Wastewater Management; Investments in Biodiversity Conservation and Restoration as Primary Objective; Investment Activities that Seek to Generate Biodiversity Co-Benefits; Affordable Housing; Affordable Basic Infrastructure; Micro Enterprises Financing and Microfinance; and Socioeconomic Advancement and Empowerment.

<sup>2</sup> This document updates the Second-Party Opinion provided by Sustainalytics in November 2021.

## Introduction

Banco BTG Pactual S.A. (“BTG Pactual” or the “Bank”) is a financial institution headquartered in São Paulo, Brazil. The Bank is present in Brazil, Chile, Colombia, Mexico, Spain, Peru, Argentina, Portugal, the UK and the US. The Bank operates in investment banking, wealth and asset management and corporate lending, among other segments. As of 2023, the Bank has generated revenue of USD 4.4 billion (BRL 21.6 billion) and has more than 6,000 employees.<sup>3,4,5</sup>

BTG Pactual has developed the Banco BTG Pactual Sustainable Financing Framework dated May 2024 (the “Framework”) under which it and its subsidiaries<sup>6</sup> intend to issue green, social, sustainability bonds, loans, notes, credit transactions, deposits,<sup>7</sup> ESG derivatives,<sup>8</sup> and use the proceeds to finance or refinance, in whole or in part, existing and future projects expected to provide positive environmental and social benefits in the Latin American region. The Framework defines eligibility criteria in 14 areas:

1. Renewable Energy
2. Electricity Networks
3. Energy Efficiency
4. Clean Transportation
5. Green Buildings
6. Resource Efficiency, Pollution Prevention and Control
7. Environmentally Sustainable Management of Living Natural Resources and Land Use
8. Sustainable Water and Wastewater Management
9. Investments in Biodiversity Conservation and Restoration as Primary Objective
10. Investment Activities that Seek to Generate Biodiversity Co-Benefits
11. Affordable Housing
12. Affordable Basic Infrastructure
13. Micro Enterprises Financing and Microfinance
14. Socioeconomic Advancement and Empowerment

BTG Pactual engaged Sustainalytics to review the Framework and provide a Second-Party Opinion on the Framework’s environmental and social credentials and its alignment with the Sustainability Bond Guidelines 2021 (SBG), Green Bond Principles 2021 (GBP), and Social Bond Principles 2023 (SBP)<sup>9</sup>, Green Loan Principles 2023 (GLP) and Social Loan Principles 2023 (SLP)<sup>10</sup>. The Framework will be published in a separate document.<sup>11</sup>

### Scope of work and limitations of Sustainalytics’ Second-Party Opinion

Sustainalytics’ Second-Party Opinion reflects Sustainalytics’ independent<sup>12</sup> opinion on the alignment of the reviewed Framework with current market standards and the extent to which the eligible project categories are credible and impactful.

As part of the Second-Party Opinion, Sustainalytics assessed the following:

<sup>3</sup> BTG Pactual, “Our DNA”, at: <https://www.btgpactual.com/us/our-dna>

<sup>4</sup> BTG Pactual, “Annual Report”, (2023), at: <https://ri.btgpactual.com/principais-informacoes/relatorios-anuais/>

<sup>5</sup> BTG Pactual, “Fourth Quarter 2023 results”, at: <https://ri.btgpactual.com/en/noticias/earnings-release-2q22-2-2-2-2-2/>

<sup>6</sup> For issuances by BTG Pactual’s subsidiaries under the Framework, the Bank has communicated to Sustainalytics that it will be responsible for ensuring continual alignment of such issuances with the criteria defined in the Framework.

<sup>7</sup> For certificate of deposits issued under the Framework: i) an amount cap for deposits will apply to ensure that the deposit amount will not exceed the amount of loans for more than three months and the matured loans in the underlying portfolio will be replenished; ii) the allocation of proceeds from the deposits will be within one year, which will be shorter than the maturity of the deposit programme; and iii) BTG Pactual ensures no double allocation of proceeds from deposits and other instruments issued under the Framework.

<sup>8</sup> Sustainalytics notes that derivatives are not covered by the ICMA’s Green and Social Bond Principles and Sustainability Bond Guidelines and are beyond the scope of this Second-Party Opinion report.

<sup>9</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/sustainable-finance/the-principles-guidelines-and-handbooks/>

<sup>10</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/#> and <https://www.lsta.org/content/social-loan-principles-slp/>

<sup>11</sup> The Banco BTG Pactual Sustainable Financing Framework is available on BTG Pactual ’s website at: <https://www.btgpactual.com/esg-e-impact-investing/sustainable-e-impact-investing>

<sup>12</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.

- The Framework's alignment with the Sustainability Bond Guidelines 2021, Green Bond Principles 2021, and Social Bond Principles 2023, as administered by ICMA; and the Green Loan Principles 2023 and Social Loan Principles 2023, as administered by LMA, APLMA and LSTA;
- The credibility and anticipated positive impacts of the use of proceeds; and
- The alignment of the issuer's sustainability strategy and performance and sustainability risk management in relation to the use of proceeds.

For the use of proceeds assessment, Sustainalytics relied on its internal taxonomy, version 1.16, which is informed by market practice and Sustainalytics' expertise as an ESG research provider.

As part of this engagement, Sustainalytics held conversations with various members of BTG Pactual's management team to understand the sustainability impact of their business processes and planned use of proceeds, as well as management of proceeds and reporting aspects of the Framework. BTG Pactual representatives have confirmed (1) they understand it is the sole responsibility of BTG Pactual to ensure that the information provided is complete, accurate and up to date; (2) that they have provided Sustainalytics with all relevant information and (3) that 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.

Sustainalytics' Second-Party Opinion, while reflecting on the alignment of the Framework with market standards, 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 with bond proceeds 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. In addition, the Second-Party Opinion opines on the potential allocation of proceeds but does not guarantee the realized allocation of proceeds towards eligible activities.

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 has made available to Sustainalytics for the purpose of this Second-Party Opinion.

## Sustainalytics' Opinion

### Section 1: Sustainalytics' Opinion on the Banco BTG Pactual Sustainable Financing Framework

Sustainalytics is of the opinion that the Banco BTG Pactual Sustainable Financing Framework is credible, impactful and aligns with the four core components of the GBP, SBP, GLP and SLP. Sustainalytics notes that in addition to the GBP, SBP, GLP and SLP, BTG Pactual intends to align the Framework with the IFC's Reference Guide on Biodiversity Finance,<sup>13</sup> IFC Guidelines for Blue Finance<sup>14</sup> and the Practitioner's Guide to Bonds to Finance the Sustainable Blue Economy.<sup>15</sup> Sustainalytics highlights the following elements of the Framework:

- Use of Proceeds:
  - The eligible categories are aligned with those recognized by the GBP, SBP, GLP and SLP. The categories for use of proceeds are: Renewable Energy; Electricity Networks; Energy Efficiency;

<sup>13</sup> The IFC "Biodiversity Finance Reference Guide" is designed to help channel private finance to address the drivers of biodiversity loss, building on the GBP and GLP.

IFC, "Biodiversity Finance Reference Guide", (2023), at: <https://www.ifc.org/content/dam/ifc/doc/mgrt/biodiversity-finance-reference-guide.pdf>

<sup>14</sup> The IFC "Guidelines for Blue Finance" aim to provide a list of eligible use of proceeds to support private investments aligned with the GBP and GLP. IFC, "Guidelines Blue Finance: Guidance for financing the Blue Economy, building on the Green Bond Principles and the Green Loan Principles", (2022), at: <https://www.ifc.org/content/dam/ifc/doc/mgrt/ifc-guidelines-for-blue-finance.pdf>

<sup>15</sup> The "Bonds to Finance the Sustainable Blue Economy: A Practitioner's Guide" is jointly developed by the Asian Development Bank (ADB), International Capital Market Association (ICMA), International Finance Corporation (IFC), United Nations Environment Programme – Finance Initiative (UNEP FI), and United Nations Global Compact (UNGC). ADB, "Bonds To Finance The Sustainable Blue Economy A Practitioner's Guide", (2023), at: <https://www.icmagroup.org/assets/documents/Sustainable-finance/Bonds-to-Finance-the-Sustainable-Blue-Economy-a-Practitioners-Guide-September-2023.pdf>

- Clean Transportation; Green Buildings; Resource Efficiency, Pollution Prevention and Control; Environmentally Sustainable Management of Living Natural Resources and Land Use; Sustainable Water and Wastewater Management; Investments in Biodiversity Conservation and Restoration as Primary Objective; Investment Activities that Seek to Generate Biodiversity Co-Benefits; Affordable Housing; Affordable Basic Infrastructure; Micro Enterprises Financing and Microfinance; and Socioeconomic Advancement and Empowerment.
- BTG Pactual has established a look-back period of 36 months for its refinancing activities. Sustainalytics considers this to be in line with market practice.
  - Under the Renewable Energy category, BTG Pactual intends to finance: i) solar energy facilities; ii) wind energy facilities; iii) small run-of-river hydro plants; and iv) biofuel generation projects.
    - For concentrated solar plants (CSP), at least 85% of the electricity will be generated from renewable sources.
    - Hydropower projects will be limited to small run-of-river hydro plants with capacity up to 25 MW and life cycle emissions lower than 100 gCO<sub>2</sub>e/kWh. For facilities that became operational after 2019, financing will be limited to facilities with 50 gCO<sub>2</sub>e/kWh and 10 W/m<sup>2</sup>.<sup>16</sup> Hydropower projects will also receive independent environmental and social impacts assessments.
    - Investments in biofuel production and bioenergy electricity generation with life cycle emissions lower than 100 gCO<sub>2</sub>/kWh. Non-waste feedstock will be certified by Bonsucro, RTRS, RSP0, RSB, FSC or ISCC Plus. Production will not take place on land with high biodiversity.<sup>17</sup>
    - Sustainalytics considers investments in this category as aligned with market practice.
  - Under the Electricity Networks category, BTG Pactual intends to finance transmission and distribution networks, electricity storage facilities, grid flexibility measures and dedicated support infrastructure.
    - Investments in electrical grids are limited to those with: i) an average emissions factor below lifecycle 100 gCO<sub>2</sub>e/kWh; or ii) more than 67% of the newly connected generation capacity with an emission factor below lifecycle 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, including storage projects for peak demand mitigation. Sustainalytics considers investments in this category as aligned with market practice.
  - Under the Energy Efficiency category, BTG Pactual intends to finance: i) energy efficiency improvements for new and refurbished buildings that increase energy efficiency by at least 30% or reduce CO<sub>2</sub> emissions by 30% compared to the baseline;<sup>18</sup> ii) energy storage projects include battery storage, power-to-hydrogen storage based on water electrolysis powered by renewables, and power-to-gas storage that excludes CO<sub>2</sub> sourced from fossil fuel operations; iii) electric district heating systems powered exclusively by renewables; and iv) cogeneration projects based on CSP with more than 85% of the electricity generated from solar energy.
    - BTG Pactual confirmed that financing for buildings will be exclusive to refurbishments that improve energy efficiency and not for entire buildings and that energy-efficient technologies designed or intended for processes that are inherently carbon intensive or primarily driven or powered by fossil fuels will be excluded. Sustainalytics encourages BTG Pactual to report on estimated or achieved energy efficiency gains, where feasible. Sustainalytics considers the investments in energy efficiency as aligned with market practice.
  - Under the Clean Transportation category, BTG Pactual intends to finance: i) passenger and freight trains with direct emissions lower than 50 gCO<sub>2</sub>e/pkm for passenger trains and lower than 25 gCO<sub>2</sub>/tkm for freight trains, as well as investments to hybrid passenger vehicles with emissions up to 75 gCO<sub>2</sub>/km based on the NEDC lab test procedure; and ii) multi-modal

<sup>16</sup> Sustainalytics notes that facilities operational after 2019 will also receive an ESG gap analysis assessment by an IHA consultant.

<sup>17</sup> Sustainalytics notes that biofuel production will not take place on land defined as "land with high biodiversity" in accordance with Brazilian Law No. 9.985/2000. FAO, "Law No. 9.985 establishing the National System of Protected Areas Management - SNUC.", at: <https://www.fao.org/faolex/results/details/>

<sup>18</sup> Sustainalytics notes that the Framework excludes investments in fossil fuel-powered equipment.

- transportation,<sup>19</sup> including land vehicles, boats and low-carbon ships<sup>20</sup> emitting less than 25 gCO<sub>2</sub>/tkm. Sustainalytics considers investments in this category as aligned with market practice.
- Under the Green Buildings category, BTG Pactual intends to finance buildings that have achieved LEED Gold or Platinum, EDGE, BREAAAM level “excellent” or above, GBC Casa & Condominio level “green” or above and Aqua- HQE certification level “excellent” and above. Sustainalytics notes that BTG Pactual may finance companies that own, use and maintain buildings with LEED Gold or Platinum certification, where all earmarked funds must be allocated to certified projects, or in the case of working capital, 95% of the company’s portfolio must have LEED Gold or Platinum certification. Sustainalytics considers investments under this category as aligned with market practice.
  - Under the Resource Efficiency, Pollution Prevention and Control category, BTG Pactual intends to finance: i) plastic production facilities including mechanical recycling facilities, that use at least 90% recycled, renewable or biobased inputs and where biobased inputs will be sustainably sourced, more than 90% of the products are not intended for single use and all products will be recyclable; and ii) waste collection projects dedicated exclusively to source segregation of waste and that exclude mixed residue waste intended for waste-to-energy facilities. Sustainalytics notes that the Bank will not finance chemical recycling facilities and vehicles for waste collection under its Framework. Sustainalytics considers investments under this category as aligned with market practice.
  - Under the Environmentally Sustainable Management of Living Natural Resource and Land Use, BTG Pactual intends to finance: i) large-scale forestry projects that have FSC, PEFC, SFI or SERFLOR certification, or smallholder<sup>21</sup> forestry projects that have a sustainable forest management plan in place if they are not certified; ii) low-carbon agriculture projects that provide at least a 20% reduction in GHG emissions and that align with Brazil’s Low-Carbon Agriculture plan (ABC Plan),<sup>22</sup> or organic agriculture certified by Rainforest Alliance, UTZ, BONSUCRO, RSPO, RTRS or RSB;<sup>23</sup> iii) native vegetation conservation, restoration and recovery of degraded areas; and iv) fishing and aquaculture projects that have obtained ASC, Global GAP Aquaculture, Global Aquaculture Alliance (2 stars and above), or MSC certification.
    - BTG Pactual has communicated with Sustainalytics that industrial livestock units will be excluded.
    - Sustainalytics considers investments under this category as aligned with market practice.
  - Under Sustainable Water and Wastewater Management, BTG Pactual intends to finance infrastructure for clean drinking water, wastewater treatment, sustainable urban drainage systems for river training.
    - Sustainalytics notes that the following are excluded: i) equipment, systems and treatment of wastewater related to fossil fuel and industrial livestock operations; ii) landscaping projects with invasive or genetically modified drought-tolerant species; iii) equipment dependent on fossil fuels.
    - River training projects will be subject to climate adaptation and resilience requirements including vulnerability assessments and adaptation plans.
    - Sustainalytics considers investments under this category as aligned with market practice.
  - Under the Terrestrial and Aquatic Biodiversity category, BTG Pactual intends to finance: i) conservation land use and terrestrial habitat conservation and restoration projects that are registered, or in the process of being registered, with certification bodies Verra, PlanVivo or ART Trees criteria for REDD+ carbon credits; and ii) production of certified crops and commodities that are sustainably certified with Bonsucro, RTRS, RSPO, RSB, FSC or ISCC Plus.

<sup>19</sup> Sustainalytics notes that the Framework requires financed multi-modal facilities to demonstrate 25% emissions reduction.

<sup>20</sup> Ships that are either fully electric or run on biofuel or hydrogen and cannot be dedicated to transporting fossil fuels.

<sup>21</sup> The Framework defines smallholder following the FSC definition, as a producer who has a small area of forest, harvests timber at low-intensity, or is part of a community that owns or manages a forest.

<sup>22</sup> Government of Brazil, “Plan for Adaptation and Low-Carbon Emission in Agriculture”, at:

<https://www.gov.br/agricultura/ptbr/assuntos/sustentabilidade/plano-abc/arquivo-publicacoes-plano-abc/abc-english.pdf>

<sup>23</sup> Sustainalytics notes that investments in projects associated with livestock are excluded from the Framework.

- BTG Pactual confirmed to Sustainalytics that all reforestation and afforestation projects will use tree species that are well adapted to the site conditions and that there will be a sustainable management plan in place.
- Under the Affordable Housing category, BTG Pactual will finance the development and construction of affordable urban and rural housing units under government housing programmes and offer mortgage loans in Brazil, Colombia and Chile. Sustainalytics notes the following:
  - In Brazil, the Bank will allocate loans in accordance with the Minha Casa, Minha Vida Programme,<sup>24</sup> targeting low-to-moderate income households, with three levels of classification based on the income level of the household. Low-income populations are classified under Range 1 and 2, with household income up to BRL 2,640 (USD 528) and between BRL 2,640 and 4,400 (USD 880), respectively. Moderate income populations are classified under Range 3, with household income between BRL 4,440 and BRL 8,000 (USD 1,600). The programme allows participants classified under: i) Range 1 to have up to 90% of the value of the property subsidized; ii) Range 2 to receive a reduction on the down payment for the mortgage loan by up to BRL 55,000 (USD 11,000); and iii) Range 3 to cap the value of the property at BRL 350,000 (USD 70,000).
  - The monthly cost of decent standard of living for a family of four located in non-metropolitan areas of São Paulo state is estimated at BRL 4,695 (USD 968)<sup>25</sup> as of June 2023 and the upper limit of the Minha Casa, Minha Vida affordable housing programme may include households that have an income 70% above this level. Nevertheless, Sustainalytics considers the subsidies offered through the capped house prices, reduced downpayments and interest rates of the Minha Casa, Minha Vida Programme as likely to improve housing access for low-income populations, and as such, is of the opinion that the financing of projects under the programme is expected to lead to positive social outcomes overall and be aligned with market expectations.
  - In Colombia, the Bank will allocate loans in accordance with the Vivienda de Interés Social (VIS) or Vivienda de Interés Prioritario (VIP) programmes<sup>26</sup> as defined by the Ministry of Housing, Cities and Territory of Colombia, targeting low-income households,<sup>27</sup> persons linked to state social programmes that aim to overcome extreme poverty or who are within the range of extreme poverty,<sup>28</sup> who are in a situation of displacement and who have been affected by natural disasters, where the property prices will be capped at 135x and 90x of the minimum wage in Colombia.<sup>29</sup> Sustainalytics notes that the low-income households targeted within the scope of these affordable housing programmes are those with incomes equal to 45% and 87% of the area median income (AMI) in Colombia. Sustainalytics notes further that the capped housing prices for the VIP programme may be 28% to 47% lower than median housing prices, and for the VIS programme the prices may be 21% lower or 7% higher than median market prices, depending on the region.<sup>30,31</sup> Sustainalytics views the Bank's financing under the Colombian government's affordable housing programmes following the defined target populations and affordability measures to be socially impactful and aligned with market practice.

<sup>24</sup> Minha Casa, Minha Vida is a governmental affordable housing programme, regulated by the Ministry of Cities in Brazil. The programme offers subsidized housing units for ownership or affordable mortgage loans, depending on the income level of the participants.

Ministério das Cidades, "Sobre o Minha Casa, Minha Vida", at: <https://www.gov.br/cidades/pt-br/acesso-a-informacao/>

<sup>25</sup> Medianceli, A., Andersen, L.E., et al. "Living Wage Update Report: Non-Metropolitan Brazil, State of São Paulo, 2023" Anker Research Institute. Published 31 April 2023. [https://www.globallivingwage.org/wp-content/uploads/2021/02/Update-report\\_Brazil\\_Sao-Paulo\\_2023\\_JUNE.pdf](https://www.globallivingwage.org/wp-content/uploads/2021/02/Update-report_Brazil_Sao-Paulo_2023_JUNE.pdf)

<sup>26</sup> Ministerio de Vivienda, Ciudad y Territorio de Colombia, "VIS y VIP", at: <https://www.minvivienda.gov.co/viceministerio-de-vivienda/vis-y-vip>

<sup>27</sup> Households in a situation of poverty earn up to COP 3.3 million COP per month.

OECD, "National Urban Policy Review of Colombia", at: <https://www.oecd-ilibrary.org/sites/f09c6cb7-en/>

<sup>28</sup> Households in a situation of extreme poverty earn up to COP 1.7 million COP per month.

OECD, "National Urban Policy Review of Colombia", at: <https://www.oecd-ilibrary.org/sites/f09c6cb7-en/>

<sup>29</sup> As of 2023, the minimum wage in Colombia is COP 1,160,000.

<sup>30</sup> BTG Pactual communicated to Sustainalytics that most of the housing units developed under the VIS and VIP programmes are 42-57 m<sup>2</sup>.

<sup>31</sup> Median housing prices in Colombia range from COP 2,200,000 to 3,000,000 per m<sup>2</sup>.

The LATAM Facility Management Review, "The cities of Colombia with the highest square metre", at: <https://www.gerenciadeedificios.com/en>

- In Chile, the Bank will allocate loans in accordance with the Plan de Emergencia Habitacional<sup>32</sup> Programme of the Housing Ministry, targeting households listed in the Social Registry of Households (RSH)<sup>33</sup> system, which allows most vulnerable populations to benefit from various state programmes. The households are further classified into seven different percentiles of a socioeconomic classification (0-40%, 41-50%, 51-60%, 61-70%, 71-80%, 81-90%, 91-100%) based on family formation, educational attainment, housing conditions, total income, physical and mental health, and access to social security, with the lowest five brackets representing the most socioeconomically vulnerable populations.<sup>34</sup> Under the Programme, sale prices are capped within a range of 950 to 2,600 UF<sup>35</sup> (USD 40,000-110,000), depending on the region, which corresponds to prices between 70% and 15% lower than market prices.<sup>36,37</sup>
    - Sustainalytics notes that, the above-mentioned affordable housing programme in Chile targets households registered in the RSH that may be in the upper percentiles of the socioeconomic classification that may include higher income and less vulnerable households compared to the lower-level brackets defined in the system. Nevertheless, Sustainalytics considers the subsidies offered through the capped house prices of the Plan de Emergencia Habitacional Programme as likely to improve housing access for low-income and vulnerable populations, therefore, is of the opinion that the financing of projects under the programme is expected to lead to positive social outcomes overall and be aligned with market expectations.
  - Under the Affordable Basic Infrastructure category, BTG Pactual will finance the construction and operation of infrastructure to improve access to clean drinking water, sanitation, energy, transportation and telecommunication for underserved populations in Brazil. Sustainalytics notes the following:
    - The Bank defines underserved populations based on the Brazilian Development Bank's (BNDES) definition as follows: populations that lack access to public health or education facilities; those living in municipalities with a Human Development Index (HDI)<sup>38</sup> below the country's average; those living in municipalities located in remote or isolated regions, or regions with substantial lack of access to basic goods and services.
    - The Bank has confirmed to Sustainalytics that: i) it will exclude investments in hydropower plants integrated with fossil fuel power, and desalination plants with dedicated on-site fossil fuel power; ii) for energy infrastructure, the development or expansion of the grid will be limited to providing access to remote areas or areas that substantially lack access to electricity; in addition, the Bank will only finance power plants that have life cycle GHG emissions below 100 gCO<sub>2</sub>/kWh and exclude any transmission lines dedicated exclusively to fossil fuel power plants; iii) for transportation infrastructure, the Bank will limit investments to areas where the transport infrastructure is substantially inadequate or there is no access to basic goods and services; iv) for telecommunication infrastructure, the Bank will finance only those regions which either lack or have restricted telecommunication connectivity.
    - Sustainalytics views BTG Pactual's investments to improve access and connectivity in remote regions or regions where the infrastructure is substantially inadequate, in below-average HDI regions compared to the country's average, to be socially impactful, especially in the context of Brazil.
  - Under the Micro Enterprises Financing and Microfinance category, the Bank will finance MSMEs in Brazil, Colombia and Chile, in accordance with the following criteria:

<sup>32</sup> Chile Atiende, "Accessing a home", at: <https://www.chileatiende.gob.cl/hito-vida>

<sup>33</sup> Government of Chile, Social Development and Family Ministry, "Registro Social de Hogares", at: <https://registrosocial.gob.cl/>

<sup>34</sup> Government of Chile, Social Development and Family Ministry, "Cálculo de la Calificación Socioeconómica", at: <https://registrosocial.gob.cl/docs>

<sup>35</sup> UF stands for Unidad de Fomento, which is a unit of accounting used in Chile. It is a non-circulating currency that is constantly adjusted for inflation. The Central Bank of Chile calculates UF based on the consumer price index.

<sup>36</sup> The calculation assumes that average UF in 2022 was 32,500 Chilean Pesos and the houses sold under the Programme are 60 m<sup>2</sup> on average.

Internal Revenue Service, "UF 2022", at: [https://www.sii.cl/valores\\_y\\_fechas/uf](https://www.sii.cl/valores_y_fechas/uf)

<sup>37</sup> Statista, "Median square meter sales price of houses in Greater Santiago, Chile in June 2022, by commune", at: <https://www.statista.com/statistics>

<sup>38</sup> UNDP, Human Development Index, at: <https://hdr.undp.org/data-center/human-development-index#/indicies/HDI>

- In Brazil, the Bank will finance MSMEs with annual revenue below BRL 300 million<sup>39</sup> (USD 60 million) that are: i) located in the less developed states in the North and Northeast regions;<sup>40</sup> ii) majority-owned by women; or iii) majority-owned by minorities, such as individuals from Indigenous communities or afro-descendants. Sustainalytics views MSME financing in developing countries with targeting based on location in less developed regions or ownership from minority populations to be socially impactful.
- In Colombia, the Bank will finance MSMEs within certain thresholds<sup>41</sup> based on revenue and sector. The size of the enterprise is classified into ranges, based on the calculation of revenue in Tax Value Units (UVT)<sup>42</sup> multiplied by the following coefficients:
  - In the services sector: i) microenterprises range from 0.01 to 32,988 times the UVT (USD 396,000); ii) small businesses range from 32,988 to 131,951 times the UVT (USD 1.6 million); and iii) medium-sized companies range from 131,951 to 483,034 times the UVT (USD 5.8 million)
  - In the manufacturing industry: i) microenterprises range from 0.01 to 23,563 times the UVT (USD 283,000); ii) small businesses range from 23,563 to 204,995 times the UVT (USD 2.5 million); and iii) medium-sized companies range from 204,995 to 1,736,565 times the UVT (USD 20.8 million).
  - In the trade industry: i) microenterprises range from 0.01 to 44,769 times the UVT (USD 538,000); ii) small businesses range from 44,769 to 431,196 times the UVT (USD 5.2 million); and iii) medium-sized companies range from 431,196 to 2,160,692 times the UVT (USD 25.9 million).
  - Sustainalytics notes that some of these thresholds may be higher than those defined by the International Finance Corporation (IFC).<sup>43</sup> Nevertheless, Sustainalytics considers financing for micro, small and medium-size enterprises in a developing country to be socially impactful and aligned with market practice.
- In Chile, the Bank will finance MSMEs<sup>44</sup> based on annual revenue as follows: i) micro enterprises from 0.01 to 2,400 UF<sup>45</sup> per year (USD 86,000), ii) small enterprises from 2,400 to 25,000 UF per year (USD 900,000); iii) medium-sized enterprises from 25,000 to 100,000 UF per year (USD 3.5 million). Sustainalytics notes that Chilean government's thresholds to define MSMEs are in line with those defined by the IFC.
- SMEs play a particularly important role in developing economies, where they provide jobs and promote economic development. Nevertheless, the growth and success of SMEs in developing countries is often hampered by limited access to finance.<sup>46</sup> In the context of high-income countries that have relatively stable and accessible financial services, Sustainalytics considers it good practice to prioritize financing to SMEs involving a specific target population, such as SMEs owned by a disadvantaged group or located in a disadvantaged region lacking access to finance in the local context. Chile can be considered as a developing and high-income country with a solid macroeconomic policy framework from its central bank, which helped it rebound from the economic contraction following the COVID-19 pandemic<sup>47,48,49</sup>. In 2023, high interest rates have been assumed to slow credit growth in Chile,<sup>50</sup> increasing the cost

<sup>39</sup> BTG Pactual defines MSMEs based on the definition of Brazilian Development Bank (BNDES).

BNDES, "Classificação de porte dos clients", at: <https://www.bndes.gov.br/wps/portal/site/home/financiamento/guia/porte-de-empresa>

<sup>40</sup> BTG Pactual will finance MSMEs in the following states that have a medium HDI and other states with many isolated cities with low HDI, such as: Acre, Alagoas, Amapá, Amazonas, Bahia, Ceará, Maranhão, Pará, Paraíba, Pernambuco, Piauí, Rio Grande do Norte, Rondônia, Roraima, Sergipe and Tocantins.

<sup>41</sup> BTG Pactual defines MSMEs in Colombia based on the definition in the Administrative Department of Civil Service Decree 957 of 2019. Government of Colombia, "Decreto 957 de 2019", at: <https://www.funcionpublica.gov.co/eva>

<sup>42</sup> Tax Value Units are benchmark ratios determined by the Colombian Tax Authority every year. For 2024, the UVT is set at COP 47,065 COP.

<sup>43</sup> IFC, "IFC's Definitions of Targeted Sectors," at: <https://www.ifc.org/en/what-we-do/sector-expertise/financial-institutions/>

<sup>44</sup> BTG Pactual defines MSMEs based on the definition in the Chilean Law 20,416.

Government of Chile, Ministry of Economy, "LEY 20416", at: <https://www.bcn.cl/leychile>

<sup>45</sup> Average UF in 2023 was 35,974 Chilean Pesos.

<sup>46</sup> "Small and Medium Enterprises (SMEs) Finance." The World Bank. Last modified October 2019. <https://www.worldbank.org/en/topic/sme/finance>

<sup>47</sup> International Trade Administration, "Investment Climate Statement", at: <https://www.trade.gov/country-commercial-guides>

<sup>48</sup> OECD, "OECD Economic Outlook (2023)", at: [https://issuu.com/oecd.publishing/docs/chile-oecd-economic-outlook-november-2023?fr=xKAE9\\_zU1NQ](https://issuu.com/oecd.publishing/docs/chile-oecd-economic-outlook-november-2023?fr=xKAE9_zU1NQ)

<sup>49</sup> OECD(2023), "Economic Policy Reforms 2023: Going for Growth", at: <https://read.oecd-ilibrary.org/economics/>

<sup>50</sup> United Nations (2023), "World Economic Situation and Prospects, at: <https://www.un.org/development/>



- of financing for SMEs.<sup>51</sup> Sustainalytics notes that some SMEs have more obstacles in securing access to finance than others and encourages the Bank to prioritize SMEs with disproportionate difficulties accessing finance.
- Sustainalytics further notes that BTG Pactual has exclusionary criteria for financing MSMEs involved in tobacco, fossil fuel and child labour.
- Under the Socioeconomic Advancement and Empowerment category, BTG Pactual will provide financing for motorcycles,<sup>52</sup> financing backed by the FGTS, FOSFEC and Seguro de Cesantia,<sup>53</sup> and payroll loans<sup>54</sup> to socioeconomically vulnerable populations in Brazil, Colombia and Chile. Sustainalytics notes the following:
    - BTG Pactual defines target populations based on income, gender minorities, marginalized communities (black and Indigenous persons) or victims of natural disasters.
    - Under its targeting based on income, BTG Pactual targets individuals residing in Brazil, with an income up to the minimum wage in Brazil. Sustainalytics notes that minimum wage in Brazil is 25% higher than the per capita median income in the country.<sup>55</sup> To contribute meaningfully to financial inclusiveness, Sustainalytics considers it good practice to define a target population for low-income individuals, with an upper threshold at the median income of the region and encourages the Bank to report on the positive social impacts of financing loans allocated to below median income populations in Brazil.
    - The motorcycle loans provided to the target populations will be financially beneficial for individuals who do not have cash readiness through delayed down payments, reduced interest rates and flexible restructuring options. Financing backed by the FGTS, FOSFEC, Seguro de Cesantia and payroll loans offer much lower interest rates compared to market averages. Sustainalytics views the financial benefits for vulnerable populations of these expenditures as socially impactful.
  - Sustainalytics notes that BTG Pactual will not finance the following activities under their Framework: exploration, production and dedicated transportation of fossil fuels; fossil-fuel based power generation or hybrid plant with more than 15% fossil fuel back up; powered district heating projects or wastewater coming from fossil fuel operations; generation of nuclear power and production or trade in any activity deemed illegal under national laws or regulations or international conventions and agreements.
- Project Evaluation and Selection:
    - Banco Pactual's project evaluation and selection process will be carried out cross-functionally, with input from the Bank's ESG team, which will be responsible for project selection. Additionally, the ESG team will collaborate regularly with the Bank's Sustainable Impact and Investing team for project evaluation, when necessary.
    - Banco Pactual's board of directors, ESG committee, Chief of Sustainability Officer and ESG team will be jointly responsible for the implementation of policies and procedures related to environmental, social and climate risks. The Bank also uses the IFC Performance Standards for financing above a certain ticket size threshold. For further information about the Bank's risk evaluation and mitigation practices, please refer to Section 2.
    - Sustainalytics considers the process for project evaluation and selection to be in line with market practice.
  - Management of Proceeds:

<sup>51</sup>OECD (2023), "Managing Shocks and Transitions: Future-Proofing SME and Entrepreneurship Policies: Key Issues Paper", at: <https://www.oecd.org/cfe/smes/key-issues-paper-oecd-sme-and-entrepreneurship-ministerial-meeting-2023.pdf>

<sup>52</sup> BTG Pactual confirmed to Sustainalytics that the financing of motorcycles will be limited to vehicles emitting less than 75 gCO<sub>2</sub>/km.

<sup>53</sup> FGTS (Severance Pay Fund for Length of Service) in Brazil, FOSFEC (Solidarity Fund for Employment Promotion and Protection against Unemployment) in Colombia and Seguro de Cesantia in Chile are statutory savings funds in which employers are required to deposit a percentage of an employee's monthly salary. These schemes were introduced to support workers in the event of lay-offs. Banks are allowed to provide loans to individuals secured by the savings within the funds, offering interest rates as low or much lower than the market interest rates for regular personal loans.

<sup>54</sup> Payroll-deductible loan schemes are government-led programmes that allow banks to provide loans directly settled from the payroll of the borrower, where the interest rate ceiling of these loans range much lower than the market interest rates for regular personal loans.

<sup>55</sup> Ministry of Economy, Brazilian Institute of Geography and Statistics (IBGE). "Síntese de Indicadores Sociais." Published July 2023. <https://biblioteca.ibge.gov.br/visualizacao/livros/liv101979.pdf>

- The proceeds from the instruments issued under the Framework will be tracked and managed by BTG Pactual's Treasury Team.
- BTG Pactual intends to allocate all proceeds of each issuance within 36 months. Pending allocation, the Bank will hold the proceeds in cash and cash equivalents. In case of a divestment from the eligible pool of assets, the Bank commits to reallocate to other eligible projects that are compliant with the criteria in their Framework.
- In case multi-tranche loan facilities are issued, BTG Pactual commits to label only those tranches that fully finance or refinance eligible assets under the Framework.
- Additionally, for deposits issued under the Framework: i) an amount cap for deposits will apply to ensure that the deposit amount will not exceed the amount of loans for more than three months, and the matured loans in the underlying portfolio will be replenished; ii) the allocation of proceeds from the deposits will be within one year, which will be shorter than the maturity of the deposit programme; and iii) BTG Pactual ensures no double-counting when allocating proceeds from deposits and other instruments issued under the Framework. Sustainalytics considers the commitments under management of proceeds to be in line with market practice.
- Reporting:
  - BTG Pactual commits to report on allocation within approximately one year from issuance, and thereafter once a year until full allocation. The allocation will either be reported separately or be disclosed in a dedicated section in the Bank's annual report on its website, except for deposits, which the Bank will share with deposit holders. The Bank further commits to appoint an external verifier to audit its allocation process.
  - The Bank has communicated to Sustainalytics that in the case of revolving credit facilities, it will report on allocation until loan maturity.
  - Allocation reporting will include a sample list of projects financed with proceeds from the issued instruments, allocated versus unallocated amounts and a breakdown of financed versus refinanced projects.
  - BTG Pactual intends to report on relevant impact metrics, such as annual renewable energy generation, estimated water savings, annual GHG emissions avoided, number of vehicles financed and number of certified buildings. For a full list of impact indicators, please refer to the Framework.<sup>56</sup>Based on commitments to both impact and allocation reporting, Sustainalytics considers this process to be in line with market practice.

### Alignment with Sustainability Bond Guidelines 2021

Sustainalytics has determined that the BTG Pactual Pactual Sustainable Financing Framework aligns with the four core components of the GBP, SBP, GLP and SLP.

## Section 2: Sustainability Strategy of BTG Pactual

### Contribution to BTG Pactual's sustainability strategy

Sustainalytics is of the opinion that BTG Pactual demonstrates a commitment to sustainability through its Social Investment Strategy<sup>57</sup> which informs the Bank's sustainable finance decisions. As part of this strategy, BTG Pactual aims to finance projects in the following areas: i) environment; ii) education; and iii) entrepreneurship, and continually develop sustainable financial products.

As of Q4 2023, the Bank's credit portfolio had BRL 8.9 billion (USD 1.8 billion) in companies identified as being part of the green and social economy.<sup>58</sup> In January 2020, BTG Pactual issued Brazil's first sustainable debenture, raising BRL 15 million (USD 3 million) for renewable energy and early childhood education projects.<sup>59</sup> In 2022, BTG Pactual's Sustainable Unsecured Funding operations reached BRL 6.7 billion (USD 1.4 billion).<sup>60</sup> In the same year, the Bank invested BRL 12 billion (USD 2.4 billion) in solar, hydro and wind generation segments of its corporate and SME lending portfolio.<sup>61</sup> In relation to BTG Pactual's social focus, in

<sup>56</sup> BTG Pactual, "Banco BTG Pactual Sustainable Financing Framework", at: <https://www.btgpactual.com/esg-e-impact-investing/sustainable-e-impact-investing>

<sup>57</sup> BTG Pactual, "Social Responsibility Report", at: <https://static.btgpactual.com/media/2022-social-responsibility-report.pdf>

<sup>58</sup> BTG Pactual, "Sustainable and Impact Investing", at: <https://www.btgpactual.com/us/esg-and-impact-investing/sustainable-and-impact-investing>

<sup>59</sup> Ibid.

<sup>60</sup> BTG Pactual, "Annual Report", (2022), at: <https://static.btgpactual.com/media/annual-report-2022-btg-pactual.pdf>

<sup>61</sup> Ibid.

2022, it supported 43 projects benefitting 500,000 people in nine Brazilian states.<sup>62</sup> By 2025, the Bank aims to contribute BRL 64.6 billion (USD 13.1 billion) in ESG securities (transition, green, social, sustainable and sustainability-linked bonds).<sup>63</sup>

In addition, BTG Pactual has been a signatory to the UN Global Compact since 2015 and has committed to supporting the objectives of the TCFD recommendations. As part of this commitment, the Bank engages with carbon-intensive corporations to support them in reporting climate risks in accordance with the TCFD recommendations. In 2015, BTG became a member of the UN Principles for Responsible Investment, demonstrating its commitment to integrating ESG considerations into its investment processes.

Sustainalytics is of the opinion that the Framework is aligned with BTG Pactual's overall sustainability strategy and initiatives and will further the Bank's action on its key sustainability priorities.

### Approach to managing environmental and social risks associated with the projects

Sustainalytics recognizes that proceeds from the instruments issued under the Framework will be directed towards eligible projects that are expected to have positive environmental and social impacts. 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 may include issues involving: i) land and use and biodiversity associated with large-scale infrastructure development; ii) emissions, effluents and waste generated in construction; iii) occupational health and safety (OH&S); iv) community relations; v) indigenous land rights; and vi) predatory lending.

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

- For risks related to land use, biodiversity, emissions, effluents, waste management, OH&S, community relations and predatory lending, the Bank has communicated to Sustainalytics that the Environmental and Social Risk Analysis (ESRA) is part of the Bank's ESG Integration and Sustainability Programmes Procedure, which is mandatory for all its lending activities. ESRA identifies and assesses environmental and social risks associated with the Bank's financing activities, including compliance with the Equator Principles and the IFC Performance Standards (for transactions higher than USD 30 million). In addition, BTG Pactual 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, indigenous land rights and community relations. The Bank has also communicated that it addresses the risks associated with predatory lending, among risks, through ESRA. The requirements in ESRA are informed by the Bank's Global Environmental and Social Risk Policy,<sup>64</sup> which provides guiding principles to addressing environmental and social risks associated with its lending activities. These include socioeconomic risks associated with emissions, effluents, biodiversity and negative impacts to communities. To address material risks associated with forestry activities, BTG requires its borrowers to assess such risks in the supply chain and adopt either certified or sustainably managed operations, in alignment with proportionality and relevance principles.
- Regarding risks related to occupational health and safety, the Bank ensures compliance of the financed projects with regulatory standards, laws and guidelines to ensure a safe and healthy workplace.<sup>65</sup>
- BTG also commits to operating in a manner consistent with internationally recognized commitments and initiatives such as the UN Global Compact, Principles for Responsible Investment and CDP.<sup>66</sup>

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

<sup>62</sup> BTG Pactual, "Social Responsibility Report", (2022), at: <https://static.btgpactual.com/media/2022-social-responsibility-report.pdf>

<sup>63</sup> BTG Pactual, "Annual Report", (2022), at: <https://static.btgpactual.com/media/annual-report-2022-btg-pactual.pdf> :

<sup>64</sup> BTG Pactual, "Social, Environmental and Climate Responsibilities Policy", (2023), at: <https://static.btgpactual.com/media/social-environmental-and-climate-responsibilities-policy.pdf>

<sup>65</sup> BTG Pactual, "Global – Política de Saúde e Segurança Ocupacional", at: <https://static.btgpactual.com/media/politica-de-saude-e-seguranca-ocupacional-atual.pdf>

<sup>66</sup> BTG Pactual, "ESG Governance" at: <https://www.btgpactual.com/us/esg-and-impact-investing/esg-governance>

### Section 3: Impact of Use of Proceeds

All use of proceeds categories are aligned with those recognized by GBP, SBP, GLP or SLP. Sustainalytics has focused on where the impact is specifically relevant in the local context.

#### Importance of financing water infrastructure in Brazil

The volume of freshwater accessible for human use in the world has severely reduced as a result of population growth, intensity of use, a rise in pollution and degradation of remaining water bodies.<sup>67</sup> According to the United Nations World Water Development Report, 26% of the global population lacks access to safely managed drinking water services and 46% of the population has no access to safely managed sanitation.<sup>68</sup> In Brazil alone, 30 million people lack access to safe drinking water and 109 million lack access to safely managed household sanitation facilities.<sup>69</sup> In addition, sewage-treatment services cover less than 50% of the population across 5,570 municipalities in Brazil.<sup>70</sup>

In 2019, Brazil set out the National Water Security Plan (PNSH) through which it intends to invest in 114 actions to be implemented by 2035.<sup>71</sup> The Water Security Program that is attached to the PNSH anticipates a capital investment of USD 5.6 billion (BRL 27.6 billion) and an average of USD 24 million (BRL 1.2 billion) for the operation and maintenance of water infrastructure every year.<sup>72</sup> The plan aims to benefit one-third of the 74 million people residing in areas where water supply is at risk.<sup>73</sup> Furthermore, in 2020, Brazil passed its Sanitation Law to mark the reform of the regulatory framework for water and sanitation in the country, providing increased opportunities for investments in the sector, with the aim of developing infrastructure and expanding sanitation services throughout the country.<sup>74</sup> The new national sanitation framework aims to universalize clean water and sanitation services in Brazil, with the objective of delivering drinking water to 99% of the country's population, and sewage collection and treatment to 90% of the population by the end of 2033.<sup>75</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.

#### Contribution to SDGs

The Sustainable Development Goals were adopted in September 2015 by the United Nations General Assembly and form part of an agenda for achieving sustainable development by 2030. The instruments issued under the Banco BTG Pactual Sustainable Financing Framework are expected to help advance the following SDGs and targets:

Use of Proceeds Category	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		
Energy Efficiency		7.3 By 2030, double the global rate of improvement in energy efficiency
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

<sup>67</sup> Costa A., "Potential use of wastewater from sewage treatment plants in fertigation in Brazil", Journal of Environmental and Soil Science, (2020), at: <https://lupinepublishers.com/environmental-soil-science-journal/fulltext/potential-use-of-wastewater-from-sewage-treatment-plants-in-fertigation-in-brazil.ID.000206.php>

<sup>68</sup> UNESCO, "The United Nations World Water Development Report 2023: partnerships and cooperation for water", (2023), at: <https://www.unesco.org/reports/wwdr/2023/en/download>

<sup>69</sup> Water.Org, "Brazil's water and sanitation crisis", at: <https://water.org/our-impact/where-we-work/brazil/>

<sup>70</sup> Agência Brasil, "More than 50% of Brazilians do not have access to sewage networks", (2021), at:

<https://agenciabrasil.ebc.com.br/en/geral/noticia/2021-12/more-50-brazilians-do-not-have-access-sewage-networks-says-mdr>

<sup>71</sup> OECDiLibrary, "Fostering Water Resiliency in Brazil: Turning Strategy into Action", at: <https://www.oecd-ilibrary.org/sites/85a99a7c-en/index.html?itemId=/content/publication/85a99a7c-en>

<sup>72</sup> Ibid.

<sup>73</sup> OECD, "Building Water Resilience in Brazil", (2022), at: <https://www.oecd.org/cfe/cities/BuildingWaterResilienceBrazilEN.pdf>

<sup>74</sup> OECD, "Making water and sanitation regulation in Brazil more effective", at: <https://www.oecd-ilibrary.org/sites/343d7eb1-en/index.html?itemId=/content/component/343d7eb1-en#section-d1e7662>

<sup>75</sup> Ibid.

		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
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
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
Investments in biodiversity conservation and/or restoration as the primary objective	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
Investments that seek to generate biodiversity co-benefits		
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 Enterprises 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
Socioeconomic Advancement and Empowerment	10. Reduced Inequalities	10.2 By 2030, empower and promote the social, economic, and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status

## Conclusion

BTG Pactual has developed the Banco BTG Pactual Sustainable Financing Framework, under which it and its subsidiaries may issue green, social, sustainability bonds, loans, notes, credit transactions, deposits, ESG derivatives, and use the proceeds to finance or refinance, in whole or in part, existing and future projects expected to provide positive environmental and social benefits in the Latin American region. Sustainalytics considers that the eligible projects are expected to create positive environmental and social impacts.

The Framework outlines a process for the tracking, allocation and management of proceeds, and makes commitments for reporting on the allocation and impacts. Sustainalytics considers that the Framework is aligned with the overall sustainability strategy of the Bank, and that the use of proceeds will contribute to the advancement of UN Sustainable Development Goals 6, 7, 8, 9, 10, 11, 12 and 15. Additionally, Sustainalytics is of the opinion that BTG Pactual has adequate measures to identify, manage and mitigate environmental and social risks commonly associated with the eligible projects.

Based on the above, Sustainalytics is confident that BTG Pactual is well positioned to issue or obtain green, social and sustainability instruments, and that the Framework is robust, transparent and in alignment with the four core components of the Green Bond Principles 2021, Social Bond Principles 2023, Green Loan Principles 2023 and Social Loan Principles 2023.

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