

# Banco BTG Pactual

**Type of Engagement:** Annual Review

**Date:** November 21, 2022

**Engagement Team:**

Lea Muething, lea.muething@morningstar.com, (+44) 20 3107 0137

Taotao Yue, taotao.yue@morningstar.com

Kay Tao, kay.tao@morningstar.com

## Introduction

In November 2020 and January 2021, Banco BTG Pactual (“BTG” or the “Bank”) issued two green financing instruments<sup>1</sup> (the “Green Financing Instruments”) under the Banco BTG Pactual Green, Social and Sustainable Financing Framework 2020<sup>2</sup> (the “Framework”) aimed at financing and refinancing loans for renewable energy projects and other eligible green projects in Brazil. Sustainalytics provided a Second-Party Opinion<sup>3</sup> on the Framework in November 2020. In 2022, BTG engaged Sustainalytics to review the assets financed with proceeds from the Green Financing Instruments between October 2021 and September 2022 and provide an assessment as to whether the assets met the use of proceeds criteria and the reporting commitments outlined in the Framework.

BTG raised a total of USD 550 million (BRL 3 billion) with its Green Financing Instruments. This is Sustainalytics’ second annual review of BTG’s Green Financing Instruments. The first review was provided in November 2021,<sup>4</sup> when BTG reported having allocated BRL 2.15 billion (USD 404 million). The present review refers to a reported total amount of BRL 872.1 million (USD 164 million) allocated between October 2021 and September 2022 to finance loans for 10 projects related to renewable energy, sustainable water and wastewater management.

## Evaluation Criteria

Sustainalytics evaluated the assets funded between October 2021 and September 2022 with proceeds from the Green Financing Instruments based on whether they:

1. Met the use of proceeds and eligibility criteria outlined in the Banco BTG Pactual Green, Social and Sustainable Financing Framework; and
2. Reported on at least one key performance indicator (KPI) for each use of proceeds category outlined in the Banco BTG Pactual Green, Social and Sustainable Financing Framework.

**Table 1: Use of Proceeds Category, Eligibility Criteria and Associated KPIs**

Use of Proceeds	Eligibility Criteria	Key performance indicators (KPIs)
Renewable Energy	<ul style="list-style-type: none"> <li>• Solar<sup>5</sup></li> <li>• Wind<sup>6</sup></li> <li>• Biofuel<sup>7</sup></li> <li>• Small-scale hydro energy plants<sup>8</sup></li> </ul>	<ul style="list-style-type: none"> <li>• Installed capacity (in MW)</li> <li>• Annual renewable energy generation (in MWh or GWh)</li> <li>• Annual GHG emissions reduced or avoided (in tCO<sub>2</sub>e)</li> </ul>

<sup>1</sup> The two green financing instruments include a green private placement (ISIN: XS2264186524) issued in November 2020 and a green bond (ISIN: US05971BAG41) issued in January 2021.

<sup>2</sup> The Banco BTG Pactual Green, Social and Sustainable Financing Framework is available at: <https://www.btgpactual.com/assets/documents/citizenship/environment/sustainable-impact-investing/btg-framework.pdf>

<sup>3</sup> The Banco BTG Pactual Green, Social and Sustainable Financing Framework Second-Party Opinion is available at: <https://www.btgpactual.com/assets/documents/citizenship/environment/sustainable-impact-investing/banco-btg-pactual-green-social-and-sustainable-financing-framework-spo.pdf>

<sup>4</sup> The 2021 Annual Review is available at: <https://static.btgpactual.com/media/green-social-and-sustainable-financing-annual-review-2021.pdf>

<sup>5</sup> Solar energy plants shall not have more than 15% of energy from non-renewable sources.

<sup>6</sup> Wind energy plants shall not have more than 15% of energy from non-renewable sources.

<sup>7</sup> Biofuel project emissions will be restricted to 100 gCO<sub>2</sub>/kWh or the plant will rely on sustainable feedstock certified under best practices such as Bonsucro, RSB, FSC, and ISCC, so as not to deplete existing terrestrial carbon stocks or compete with food production.

<sup>8</sup> Hydro-energy plants will be restricted to a maximum capacity of 25 MW and/or will have lifecycle emissions lower than 100 gCO<sub>2</sub>e/kWh.

<b>Energy Efficiency</b>	<ul style="list-style-type: none"> <li>• Energy storage</li> <li>• District heating</li> <li>• Smart grid technology</li> <li>• New and refurbished buildings that lead to a minimum of 30% improvement in efficiency</li> </ul>	<ul style="list-style-type: none"> <li>• Annual GHG emissions reduced or avoided (in tCO<sub>2</sub>e)</li> </ul>
<b>Sustainable Water and Wastewater Management</b>	<ul style="list-style-type: none"> <li>• Infrastructure for clean and drinking water</li> <li>• Wastewater treatment</li> <li>• Urban drainage and river training systems for flood mitigation</li> </ul>	<ul style="list-style-type: none"> <li>• Estimated water savings (in gallons/year)</li> <li>• Annual gross amount of wastewater treated, reused or avoided pre- and post-project (in m<sup>3</sup>/year, PE/year<sup>9</sup> and percentages)</li> <li>• Annual water savings: gross water use before and after the project (in m<sup>3</sup>/year) and reduction in water use (in percentages)</li> </ul>
<b>Clean Transportation</b>	<ul style="list-style-type: none"> <li>• Rail</li> <li>• Non-motorized transport</li> <li>• Infrastructure for clean energy vehicles</li> </ul>	<ul style="list-style-type: none"> <li>• Annual GHG emissions reduced or avoided (in tCO<sub>2</sub>e)</li> </ul>
<b>Green Buildings</b>	<p>Building projects that meet internationally recognized standards:</p> <ul style="list-style-type: none"> <li>• LEED Gold and Platinum certificate</li> <li>• EDGE certification</li> </ul>	<ul style="list-style-type: none"> <li>• Number of buildings and building certifications</li> <li>• Annual GHG emissions reduced or avoided (in tCO<sub>2</sub>e)</li> </ul>
<b>Affordable Housing</b>	<ul style="list-style-type: none"> <li>• Affordable housing project and mortgage lending for affordable homes targeting low- and moderate-income individuals</li> </ul>	<ul style="list-style-type: none"> <li>• Number of units provided or beneficiaries supported</li> <li>• Average housing price or rental costs compared to the national or regional rent index</li> </ul>
<b>Affordable Basic Infrastructure</b>	<p>Water and sanitation infrastructure for underserved populations, including:</p> <ul style="list-style-type: none"> <li>• Clean drinking water</li> <li>• Sewers</li> <li>• Sanitation</li> </ul>	<ul style="list-style-type: none"> <li>• Number of people provided access to clean drinking water</li> <li>• Number of people provided access to improved sanitation facilities</li> <li>• Number of water infrastructure projects built or upgraded</li> </ul>

## Issuer’s Responsibility

BTG is responsible for providing accurate information and documentation relating to the details of the financed assets, including the description of projects, the amounts allocated and the projects’ impacts.

## Independence and Quality Control

A leading provider of ESG research and ratings, Sustainalytics conducted the verification of the use of proceeds from BTG’s Green Financing Instruments. The work undertaken as part of this engagement included the collection of documentation from BTG and the review of said documentation to assess conformance with the Banco BTG Pactual Green, Social and Sustainable Financing Framework.

Sustainalytics relied on the information and the facts presented by BTG. Sustainalytics is not responsible, nor shall it be held liable for any inaccuracies in the opinions, findings or conclusions herein due to incorrect or incomplete data provided by BTG.

Sustainalytics made all efforts to ensure the highest quality and rigor during its assessment process and enlisted its Sustainability Bonds Review Committee to provide oversight of the review.

<sup>9</sup> Population equivalent

## Conclusion

Based on the limited assurance procedures conducted,<sup>10</sup> nothing has come to Sustainalytics' attention that causes us to believe that, in all material respects, the reviewed projects do not conform with the use of proceeds and reporting criteria outlined in the Banco BTG Pactual Green, Social and Sustainable Financing Framework 2020. BTG has disclosed to Sustainalytics that the proceeds from BTG's Green Financing Instruments were fully allocated as of October 2022.

## Detailed Findings

**Table 2: Detailed Findings**

<b>Eligibility Criteria</b>	<b>Procedure Performed</b>	<b>Factual Findings</b>	<b>Error or Exceptions Identified</b>
<b>Use of Proceeds Criteria</b>	Verification of the assets financed with the proceeds from the Green Financing Instruments to determine if the projects aligned with the use of proceeds criteria outlined in the Banco BTG Pactual Green, Social and Sustainable Financing Framework 2020 and above in Table 1	All assets reviewed complied with the use of proceeds criteria.	None
<b>Reporting Criteria</b>	Verification of the assets financed with the proceeds from the Green Financing Instruments to determine if the impacts of the projects were reported in line with the KPIs outlined in the Banco BTG Pactual Green, Social and Sustainable Financing Framework 2020 and above in Table 1. For a list of KPIs reported, please refer to Appendix 1.	All projects reviewed reported on at least one KPI per use of proceeds category.	None

<sup>10</sup> Sustainalytics limited assurance process includes reviewing the documentation related to the details of the funded projects, including the description of the projects, the estimated and realized costs of the projects, and the projects' impacts, as provided by the issuer, which is responsible for providing accurate information. Sustainalytics has not conducted on-site visits to projects.

## Appendix

### Appendix 1: Impact and Allocation Reporting by Eligibility Criteria

BTG raised USD 550 million (BRL 3 billion) with its Green Financing Instruments and had financed and refinanced assets worth BRL 2.15 billion (USD 404 million) as of October 2021. Between October 2021 and September 2022 BTG extended BRL 872.1 million (USD 164 million) in financing and refinancing 10 projects across two green categories. Tables 3 and 4 provide summaries of the reported allocated amounts and impact in relation to corresponding projects.

**Table 3: Impact and allocation of proceeds**

Asset type	Allocated amount (BRL)	Number of projects	Impact	
Renewable Energy			Annual GHG emissions avoided (tCO <sub>2e</sub> )	Annual renewable energy generated (GWh)
Bioenergy	245,083,271.45	3	19,570.6	16.5
Wind	103,376,897.47	1	17,187.6	58.1
Solar	112,348,109.37	2	2,656.0	14.5
Hydropower	103,887,031.93	2	9,269.0	46.1
<b>Total</b>	<b>564,695,310.22</b>	<b>8</b>	<b>48,683.3</b>	<b>135.2</b>
Sustainable Water and Wastewater Management			Number of people provided access to clean drinking water	Number of people provided access to improved sanitation facilities
Infrastructure for clean or drinking water and wastewater treatment	307,379,119.10	2	82,982	82,982
<b>Total</b>	<b>307,379,119.10</b>	<b>2</b>	<b>82,982</b>	<b>82,982</b>

**Table 4: Detailed proceed allocation**

Proceed allocation	Amount (BRL)
Bond proceeds assigned as of October 2021	2,149,619,285.07
Assets financed between October 2021 and September 2022	872,074,429.32
<b>Total amount assigned to Green Financing Instruments</b>	<b>3,021,693,714.39</b>
Total proceeds raised	3,011,500,000.00
<b>Unallocated proceeds</b>	<b>0</b>

## Disclaimer

**Copyright ©2022 Sustainalytics. All rights reserved.**

The information, methodologies and opinions contained or reflected herein are proprietary of Sustainalytics and/or its third party suppliers (Third Party Data), and may be made available to third parties only in the form and format disclosed by Sustainalytics, or provided that appropriate citation and acknowledgement is ensured. They are provided for informational purposes only and (1) do not constitute an endorsement of any product or project; (2) do not constitute investment advice, financial advice or a prospectus; (3) cannot be interpreted as an offer or indication to buy or sell securities, to select a project or make any kind of business transactions; (4) do not represent an assessment of the issuer's economic performance, financial obligations nor of its creditworthiness; and/or (5) have not and cannot be incorporated into any offering disclosure.

These are based on information made available by the issuer and therefore are not warranted as to their merchantability, completeness, accuracy, up-to-dateness or fitness for a particular purpose. The information and data are provided "as is" and reflect Sustainalytics' opinion at the date of their elaboration and publication. Sustainalytics accepts no liability for damage arising from the use of the information, data or opinions contained herein, in any manner whatsoever, except where explicitly required by law. Any reference to third party names or Third Party Data is for appropriate acknowledgement of their ownership and does not constitute a sponsorship or endorsement by such owner. A list of our third-party data providers and their respective terms of use is available on our website. For more information, visit <http://www.sustainalytics.com/legal-disclaimers>.

The issuer is fully responsible for certifying and ensuring the compliance with its commitments, for their implementation and monitoring.

In case of discrepancies between the English language and translated versions, the English language version shall prevail.

## About Sustainalytics, a Morningstar Company

Sustainalytics, a Morningstar Company, is a leading ESG research, ratings and data firm that supports investors around the world with the development and implementation of responsible investment strategies. For more than 30 years, the firm has been at the forefront of developing high-quality, innovative solutions to meet the evolving needs of global investors. Today, Sustainalytics works with hundreds of the world's leading asset managers and pension funds who incorporate ESG and corporate governance information and assessments into their investment processes. Sustainalytics also works with hundreds of companies and their financial intermediaries to help them consider sustainability in policies, practices and capital projects. With 17 offices globally, Sustainalytics has more than 1500 staff members, including more than 500 analysts with varied multidisciplinary expertise across more than 40 industry groups.

For more information, visit [www.sustainalytics.com](http://www.sustainalytics.com)

Or contact us [contact@sustainalytics.com](mailto:contact@sustainalytics.com)

