



# Reporting and Self-Assessment

Principles for Responsible Banking

## BTG Pactual's Report and Self-Assessment

Since 2020, BTG Pactual has been a signatory to the Principles for Responsible Banking, affirming our commitment to support our clients in the transition to a more sustainable economy through the implementation of the principles listed below:

1. Alignment
2. Impact and Target Setting
3. Clients and Customers
4. Stakeholders
5. Governance & Culture
6. Transparency & Accountability

This report presents our progress against the implementation of the Principles for Responsible Banking and was prepared in accordance with [BTG Pactual's Annual Report 2022](#).

## Principle 1: Alignment

We will align our business strategy to be consistent with and contribute to individuals' needs and society's goals, as expressed in the Sustainable Development Goals, the Paris Climate Agreement, and relevant national and regional frameworks.

### Business model

Describe (high-level) your bank's business model, including the main customer segments served, types of products and services provided, the main sectors and types of activities across the main geographies in which your bank operates or provides products and services. Please also quantify the information by disclosing e.g., the distribution of your bank's portfolio (%) in terms of geographies, segments (i.e., by balance sheet and/or off-balance sheet) or by disclosing the number of customers and clients served.

BTG is a financial institution with headquarters in Brazil, that also operates in the main markets in Latin America. Besides Brazil, BTG is located in Argentina, Chile, Colombia, Perú, México, USA, UK, Portugal, and has recently begun operations in Spain and Luxembourg. BTG accounts for 5,999 employees and has an operational strategy that focuses on the following business areas: Investment Banking, Corporate and SME Lending, Sales and Trading, Asset Management, Wealth Management.

Through a platform with high capability of international distribution, the bank provides a comprehensive range of financial services to a regional and global client base, with a focus on large corporations, institutional investors, governments, high net worth individuals and retail clients, (with the acquisition of Banco Pan).

Since early 2016, BTG has been heavily investing in the modernization of its internal infrastructure. The first steps into its digital transformation were: (1) digital onboarding for its institutional and private banking clients and (2) moving the entire banking ecosystem to the cloud. It's heavy investments in technology since 2016 have allowed BTG to gain efficiency and modernize its entire financial infrastructure.

In 2015 BTG created its ESG division, with the objective of aligning strategy with environmental, social, climate and governance issues. Integrating ESG into business and activities of BTG Pactual, through risk assessment and mitigation, and communication on the progress of this agenda. In 2020, the Sustainable & Impact Investing division was created. The bank is a constituent of the FTSE4Good, ISE (Corporate Sustainability Index) and ICO2 B3 (Carbon Efficiency Index) and participates in initiatives such as CDP.

### Links and references

[Annual Report 2022 - People Management](#)

[4Q22 Earnings Release](#)

[CDP 2022](#)

[Reference Form 2022](#)

[4Q22 Results Presentation](#)

## Strategy alignment

**Does your corporate strategy identify and reflect sustainability as strategic priority/ies for your bank?**

Yes

No

Please describe how your bank has aligned and/or is planning to align its strategy to be consistent with the Sustainable Development Goals (SDGs), the Paris Climate Agreement, and relevant national and regional frameworks.

**Does your bank also reference any of the following frameworks or sustainability regulatory reporting requirements in its strategic priorities or policies to implement these?**

UN Guiding Principles on Business and Human Rights

International Labour Organization fundamental conventions

UN Global Compact

UN Declaration on the Rights of Indigenous Peoples

Any applicable regulatory reporting requirements on environmental risk assessments, e.g. on climate risk - please specify which ones: Climate stress testing, GRSAC, DRSAC, TCFD

Any applicable regulatory reporting requirements on social risk assessments, e.g. on modern slavery - please specify which ones: Modern Slavery Act 2015

None of the above

BTG Pactual's ESG vision is grounded in the understanding of our responsibility to promote best practices and use the lens of sustainability throughout the value chain considering our position as a global financial institution. BTG plans to be recognized not only as a financial reference, but as an ESG consultancy, assisting its clients on the ESG and climate agendas. Our ESG and Impact Investing strategy is anchored in BTG Pactual's values and competencies, reflecting our long-term ambition and unconditional commitment to responsible and sustainable development.

### **BTG Pactual is committed to achieve SDGs through:**

→ The endorsement of several voluntary international initiatives such as Global Compact, CDP, Principles for Responsible Investment (PRI), Equator Principles, Task Force on Climate-Related Financial Disclosure (TCFD), Partnership for Carbon Accounting Financials (PCAF), Task Force on Nature-Related Financial Disclosure (TFND), among others.

→ Sustainable Finance: Launched as part of the initiatives to develop the sustainable finance market, the BTG Pactual Impact Investments FIP raised R\$ 542 million and by 2022 three investments had been made through this fund:

- 'Gran Cursos': contributes directly to achieving SDG 4 (Quality Education) by expanding access to education through online preparatory courses.
- Aliare: Directly supports the fulfillment of SDG 2 (Zero Hunger and Sustainable Agriculture) by making it possible to expand the use of technology by small and medium-sized rural producers.

- BioElements: supports the fulfillment of SDG 12 (Responsible Consumption and Production) by producing bioplastics through an innovative technology that allows a considerable reduction in the material's decomposition time.

→ Some commitments by 2025:

- Assist clients in the transition to a sustainable low-carbon economy - contribution to SDG 7 (Clean and affordable energy) and SDG 13 (Action against global climate change).
- BTG Pactual as a reference on climate change in Latin America - contribution to SDG 13 (Action against global climate change).
- Provide credit and promote sustainable practices in the SME segment - contribution to SDG 9 (Industry, innovation, and infrastructure), specifically to objective 9.3, promoting access to financial services and credit for small and medium enterprises in Brazil.

→ Material topics

BTG Pactual's materiality process is conducted once every two years and, through stakeholder engagement and consultation, allows us to understand which are the relevant impacts inside and outside BTG Pactual related to our core business, products, services, and social interactions. The latest materiality exercise considered the Sustainable Development Goals (SDGs), prioritizing:

- SDG 4 - Quality education
- SDG 5 - Gender equality
- SDG 8 - Decent work and economic growth
- SDG 9 - Industry, innovation, and infrastructure
- SDG 10 - Reduction of inequality
- SDG 12 - Responsible consumption and production
- SDG 13 - Climate action
- SDG 15 - Life on earth
- SDG 16 - Peace, justice, and sound institutions

### Highlights:

→ Timberland Investment Group (TIG) received the 2022 Investment Team of the Year and ESG Initiative of the Year Awards – LatAm for its reforestation strategy.

→ BTG was also recognized for the Impact Initiative of the Year – LatAm and Caribbean for being the first lead coordinator bank of a blue bond transaction in Brazil.

→ The U.S. International Development Finance Corporation (DFC), the development bank of the United States, is working to release a \$50 million debt investment in Timberland Investment Group's (TIG) reforestation strategy. Our strategy involves mobilizing \$1 billion to support the restoration of approximately 300,000 hectares of degraded land in Brazil, Uruguay, and Chile.

## Principle 2: Impact and Target Setting

We will continuously increase our positive impacts while reducing the negative impacts on, and managing the risks to, people and environment resulting from our activities, products, and services. To this end, we will set and publish targets where we can have the most significant impacts.

### 2.1 Impact Analysis

Show that your bank has performed an impact analysis of its portfolio/s to identify its most significant impact areas and determine priority areas for target-setting. The impact analysis shall be updated regularly and fulfil the following requirements/elements (a-d)

**a) Scope:** What is the scope of your bank's impact analysis? Please describe which parts of the bank's core business areas, products/services across the main geographies that the bank operates in (as described under 1.1) have been considered in the impact analysis. Please also describe which areas have not yet been included, and why.

#### **Context:**

All BTG Pactual's relationships and transactions undergo a social and environmental due diligence process, based on the principles of relevance and proportionality. The social and environmental analyses in the Know Your Client processes act as the first barrier of defense and are applicable to all BTG Pactual clients, without exception, whether when opening accounts or in credit operations, investments, foreign exchange, and other services.

Operations that involve some type of disbursement, loan, investment, commitment and/or acquisition are subject to social, environmental and climate due diligence, characterized by a more rigorous analysis performed by the ESG team, the depth of which may vary according to the sector of the economy, the type of transaction, and the points identified in the KYC analysis, in accordance with the principles of relevance and proportionality. We apply the World Bank's International Finance Corporation (IFC) Performance Standards for transactions above \$30 million and 36-months term. These standards are tools that allow us to identify the social, environmental and climate risks and impacts in our credit and investment operations and, if applicable, prepare an action plan to be executed by the client to prevent, mitigate and/or offset the identified impacts and risks.

#### **Scope:**

- Business: Corporate & SME Lending, Sales & Trading and Asset Management
- Geographies: We have operations in 9 countries: Brazil, Chile, Colombia, Mexico, Argentina, Peru, USA, United Kingdom, and Portugal. However, for impact analysis we especially consider countries where large credit and investment operations take place - Brazil, Chile, Colombia.

### Links and references

#### [Annual Report 2022:](#)

- ESG Integration in Corporate & SME Lending (pages 81- 83)
- ESG Integration in Sales & Trading (page 86)
- ESG Integration in Asset Management (page 89)

**b) Portfolio composition:** Has your bank considered the composition of its portfolio (in %) in the analysis? Please provide proportional composition of your portfolio globally and per geographical scope

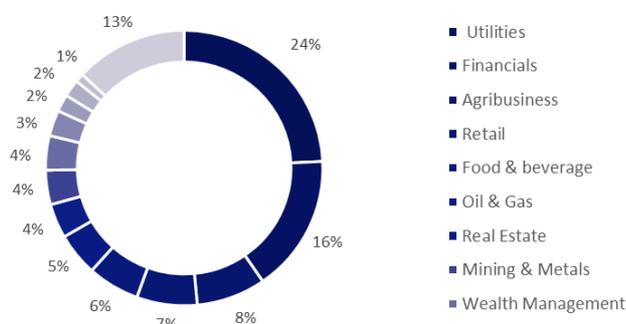
i) by sectors & industries for business, corporate and investment banking portfolios (i.e. sector exposure or industry breakdown in %), and/or

ii) by products & services and by types of customers for consumer and retail banking portfolios.

If your bank has taken another approach to determine the bank's scale of exposure, please elaborate, to show how you have considered where the bank's core business/major activities lie in terms of industries or sectors.

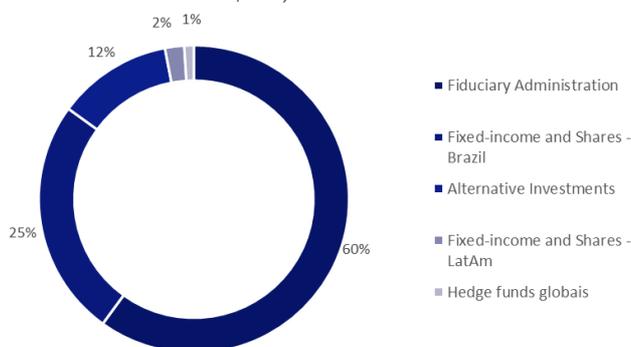
**Corporate & SME Lending by sector - 2022**

R\$144,3 bn



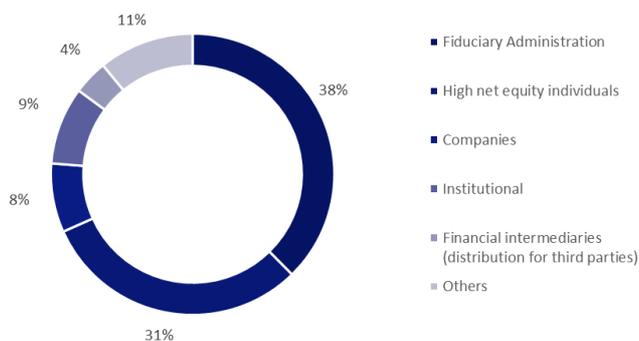
**AuM and AuA by asset class - 2022**

R\$707,3 bn



**AuM and AuA by type of client - 2022**

R\$707,3 bn



## Links and references

### [Annual Report 2022:](#)

- Portfolio analysis by sector (pages 82)
- Asset Management (page 88)

**c) Context:** What are the main challenges and priorities related to sustainable development in the main countries/regions in which your bank and/or your clients operate? Please describe how these have been considered, including what stakeholders you have engaged to help inform this element of the impact analysis.

*This step aims to put your bank's portfolio impacts into the context of society's needs.*

Our priority is to ensure that the bank does business with clients and other stakeholders that are able to manage the environmental, climate and social risks related to their activities. BTG Pactual's diversified business portfolio requires us to constantly challenge ourselves to perform efficient due diligences on all relationships and effectively monitor our clients. The classification of a transaction as high risk requires further analysis and monitoring with the client, which can be done by our own ESG team or by a technical consulting firm specialized in social, environmental and/or climate issues. One of the biggest challenges is to carry out this monitoring while ensuring that the client complies with all the actions that were established. In addition, our priority is to assist clients in the transition to a sustainable low-carbon economy and report on the emissions financed by the Corporate & SME Lending and Asset Management portfolio.

## Links and references

### [Annual Report 2022:](#)

- High Risk Operations (page 82)
- BTG Pactual and ESG commitments (pages 136 a 138)

Based on these first 3 elements of an impact analysis, what positive and negative impact areas has your bank identified? Which (at least two) significant impact areas did you prioritize to pursue your target setting strategy (see 2.2)? Please disclose.

### → **Social**

#### • **Impact Areas**

- Integrity & security of people
- Availability, accessibility, affordability, quality of resources & services
- Livelihood
- Equality & justice

### → **Socio-economic**

#### • **Impact Areas**

- Strong institutions, peace & stability
- Healthy economies
- Infrastructure
- Socio-economic convergence

→ **Natural environment**

• **Impact Areas**

- Climate stability
- Biodiversity & healthy ecosystems
- Circularity

→ **Prioritized Impact Areas**

Integrity & security of people

Availability, accessibility, affordability, quality of resources & services

Livelihood

Socio-economic convergence

Climate stability

d) For these (min. two prioritized impact areas): Performance measurement: Has your bank identified which sectors & industries as well as types of customers financed or invested in are causing the strongest actual positive or negative impacts? Please describe how you assessed the performance of these, using appropriate indicators related to significant impact areas that apply to your bank's context.

In determining priority areas for target-setting among its areas of most significant impact, you should consider the bank's current performance levels, i.e., qualitative and/or quantitative indicators and/or proxies of the social, economic, and environmental impacts resulting from the bank's activities and provision of products and services. If you have identified climate and/or financial health&inclusion as your most significant impact areas, please also refer to the applicable indicators in the Annex.

If your bank has taken another approach to assess the intensity of impact resulting from the bank's activities and provision of products and services, please describe this.

The outcome of this step will then also provide the baseline (incl. indicators) you can use for setting targets in two areas of most significant impact.

**Some KPIs for measuring impact**

- Volume and percentage of the Corporate Lending portfolio by sector
- Characterization of Corporate Lending portfolio by risk type and type of analysis (KYC and in-depth analysis)
- Percentage of portfolio with ESG action plan
- Quantity of CO<sub>2</sub> emitted by sector
- Bi-weekly follow-up of the slave labor list
- ESG - KYC analysis volume (approvals and rejections)

### Self-assessment summary:

**Which of the following components of impact analysis has your bank completed, in order to identify the areas in which your bank has its most significant (potential) positive and negative impacts?<sup>1</sup>**

Scope:	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> In progress	<input type="checkbox"/> No
Portfolio composition:	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> In progress	<input type="checkbox"/> No
Context:	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> In progress	<input type="checkbox"/> No
Performance measurement:	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> In progress	<input type="checkbox"/> No

**Which most significant impact areas have you identified for your bank, as a result of the impact analysis?**

*Climate change mitigation, climate change adaptation, resource efficiency & circular economy, biodiversity, financial health & inclusion, human rights, gender equality, decent employment, water, pollution, other: please specify*

**How recent is the data used for and disclosed in the impact analysis?**

- Up to 6 months prior to publication
- Up to 12 months prior to publication
- Up to 18 months prior to publication
- Longer than 18 months prior to publication

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<sup>1</sup> You can respond "Yes" to a question if you have completed one of the described steps, e.g. the initial impact analysis has been carried out, a pilot has been conducted.

## 2.2 Target Setting

Show that your bank has set and published a minimum of two targets which address at least two different areas of most significant impact that you identified in your impact analysis.

The targets have to be Specific, Measurable (qualitative or quantitative), Achievable, Relevant and Time-bound (SMART). Please disclose the following elements of target setting (a-d), for each target separately:

- a) Alignment: which international, regional, or national policy frameworks to align your bank's portfolio with have you identified as relevant? Show that the selected indicators and targets are linked to and drive alignment with and greater contribution to appropriate Sustainable Development Goals, the goals of the Paris Agreement, and other relevant international, national or regional frameworks.

In the 2022 Annual Report, we disclosed commitments assumed for 2025, a number of which are related to some of the most significant areas of impact identified. The commitment "Helping customers in the transition to a sustainable low-carbon economy" as well as "BTG Pactual as a reference on the topic of climate change in Latin America" are related to the Climate stability impact area and contribute to SDG 7 - Clean and accessible energy and SDG 13 - Action on global climate change. In addition, the commitment "Provide credit and promote sustainable practices in the SME segment" relates to the impact area Availability, accessibility, affordability, quality of resources & services and contributes to SDG 8 - Decent work and economic growth and SDG 9 - Industry, innovation, and infrastructure.

## Links and references

### [Annual Report 2022:](#)

- BTG Pactual and ESG commitments (pages 136-138)

b) Baseline: Have you determined a baseline for selected indicators and assessed the current level of alignment? Please disclose the indicators used as well as the year of the baseline.

You can build upon the performance measurement undertaken in 2.1 to determine the baseline for your target.

A package of indicators has been developed for climate change mitigation and financial health & inclusion to guide and support banks in their target setting and implementation journey. The overview of indicators can be found in the Annex of this template.

If your bank has prioritized climate mitigation and/or financial health & inclusion as (one of) your most significant impact areas, it is strongly recommended to report on the indicators in the Annex, using an overview table like below including the impact area, all relevant indicators, and the corresponding indicator codes:

Regarding the commitment to help clients in the transition to a sustainable and low-carbon economy, one of the metrics is to increase the volume of ESG securities by 10x, baseline 2020, reaching an accumulated volume of R\$64.6 billion in 2025. We have already reached a total value of R\$57.86 billion (R\$6.46 billion in 2020, R\$34.2 billion in 2021 and R\$17.2 billion in 2022) through the promotion of the water and sanitation, pharmaceutical, bioenergy and renewable energy sectors. In keeping with BTG Pactual's commitment as a benchmark on climate change in Latin America, we are working to evolve in engaging corporate clients in the most intensive sectors (oil and gas/energy) in issues related to climate change. In 2022, we estimate that 29.4% of all clients in the Oil and Gas sector of the Corporate & SME Lending portfolio carried out a carbon inventory and 23.5% have emission reduction targets, as well as NetZero commitments. As for the exposure of the sector, that is, percentage of the volume financed in the period, 54.03% of the total amount corresponds to customers who have GHG inventory and 49.5% correspond to customers who have emission reduction targets and Net Zero commitments. In addition, we are working to promote distributed generation/clean energy and for measurement purposes, we financed in 2022 approximately R\$12 billion for the solar, hydro and wind energy generation segments of the Corporate & SME Lending portfolio. In this way, around 24.8 thousand tons of CO<sub>2</sub> have already been avoided. For the commitment related to providing credit and promoting sustainable practices in the SME segment, we had an evolution of the portfolio from BRL 9.5 billion in 2020 to BRL 22.7 billion in 2022. In addition, we are working to measure our issues financed through the Corporate Lending and Asset Management portfolios.

## Links and references

### [Annual Report 2022:](#)

- [BTG Pactual and ESG commitments \(pages 136-138\)](#)

c) SMART targets (incl. key performance indicators (KPIs)<sup>2</sup>): Please disclose the targets for your first and your second area of most significant impact, if already in place (as well as further impact areas, if in place). Which KPIs are you using to monitor progress towards reaching the target? Please disclose.

→ **Climate stability**

**10x the volume of ESG bonds**

- Volume of Emissions
- Number of Emissions
- Industry
- UOP
- Destination Resources/ESG Goals

**Foster the distributed generation/clean energy market**

- Volume financed by period
- Avoided CO<sub>2</sub> emission by transaction

**Engage Corporate and IB clients in the Oil & Gas & Energy sectors in issues related to climate change**

- % of customers with carbon inventory
- % of customers with carbon reduction targets
- % of customers with zero net commitments

**Accounting and reporting of CO<sub>2</sub>e emissions financed from credit portfolios and asset management**

- Quantity of CO<sub>2</sub>e by sector
- Quantity of CO<sub>2</sub>e per year
- Amount of CO<sub>2</sub>e per strategy

→ **Availability, accessibility, affordability, quality of resources & services**

**Providing credit and fostering sustainable practices in the SME segment**

- Volume of operations per year
- Number of operations per year
- % of customers trained in the Sustainability Policy
- % of customers participating in the UN Global Compact
- % of customers with GHG inventory

**Links and references**

[Annual Report 2022:](#)

- BTG Pactual and ESG commitments (pages 136-138)

<sup>2</sup> Key Performance Indicators are chosen indicators by the bank for the purpose of monitoring progress towards targets.

d) Action plan: which actions including milestones have you defined to meet the set targets?  
Please describe.  
Please also show that your bank has analyzed and acknowledged significant (potential) indirect impacts of the set targets within the impact area or on other impact areas and that it has set out relevant actions to avoid, mitigate, or compensate potential negative impacts.

The milestone for achieving the goals is the year 2025 and metrics for measurement were created. The main challenges and advances are described in the topic BTG Pactual and the ESG commitments of the Annual Report 2022, pages 136 to 138. In addition, an ESG action plan was prepared through gaps mapped in reports of indexes and ESG ratings.

**Self-assessment summary:**

Which of the following components of target setting in line with the PRB requirements has your bank completed or is currently in a process of assessing for your...

	First area of most significant impact: <i>Climate Stability</i>	Second area of most significant impact: <i>Availability, accessibility, affordability, quality of resources &amp; services</i>	Third area of impact: <i>Biodiversity &amp; healthy ecosystems</i>
Alignment	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> In progress <input type="checkbox"/> No
Baseline	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> In progress <input type="checkbox"/> No
SMART targets	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> In progress <input type="checkbox"/> No	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> In progress <input type="checkbox"/> No	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> In progress <input type="checkbox"/> No
Action plan	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> In progress <input type="checkbox"/> No	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> In progress <input type="checkbox"/> No	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> In progress <input type="checkbox"/> No

## 2.3 Target implementation and monitoring

For each target separately:

Show that your bank has implemented the actions it had previously defined to meet the set target. Report on your bank's progress since the last report towards achieving each of the set targets and the impact your progress resulted in, using the indicators and KPIs to monitor progress you have defined under 2.2.

Or, in case of changes to implementation plans (relevant for 2nd and subsequent reports only): describe the potential changes (changes to priority impact areas, changes to indicators, acceleration/review of targets, introduction of new milestones or revisions of action plans) and explain why those changes have become necessary.

Access the [2022 Annual Report](#), chapter Connection with the future - BTG Pactual and ESG commitments (pages 136 to 138).

## Principle 3: Clients and Customers

We will work responsibly with our clients and our customers to encourage sustainable practices and enable economic activities that create shared prosperity for current and future generations.

### 3.1 Client engagement

Does your bank have a policy or engagement process with clients and customers in place to encourage sustainable practices?

Yes       In progress       No

Does your bank have a policy for sectors in which you have identified the highest (potential) negative impacts?

Yes       In progress       No

Describe how your bank has worked with and/or is planning to work with its clients and customers to encourage sustainable practices and enable sustainable economic activities). It should include information on relevant policies, actions planned/implemented to support clients' transition, selected indicators on client engagement and, where possible, the impacts achieved.

This should be based on and in line with the impact analysis, target-setting and action plans put in place by the bank (see P2).

#### Client Engagement Actions:

→ The ESG recommended portfolio aims to help our clients in their investment process, monthly choosing 10 shares of companies that have the best performance in terms of sustainability.

→ BTG seeks to provide ESG planning for ECM transactions and engages with Wealth Management clients in their investment decisions.

→ BTG engages with corporate and IB clients in the oil and gas and energy sectors on climate change issues.

→ Advises and seeks to engage with SME clients on ESG aspects.

→ The classification of an operation as being high risk requires, besides a more in-depth analysis, the monitoring of the client, which can be done by the ESG team or by a technical consulting firm specialized in social, environmental and climate issues.

### **Sector Policies:**

→ Some sectors of the economy present a higher level of social, environmental, and climate risks and impacts. For this reason, we identified which sectors were the most material to BTG Pactual and developed specific policies to identify these risks and best practices to guide our relationship with people or companies involved in these sectors. The policies were prepared in accordance with market best practices and IFC guidelines and must be applied throughout the BTG Pactual conglomerate.

→ Sectors covered by the policies: civil construction, forest and planted timber extraction, smoking, wind energy, coal thermoelectric, natural gas thermoelectric, solar energy, real estate development, mining, pulp and paper, fisheries, oil and gas, chemicals and petrochemicals, steel and metallurgy, energy transmission and distribution, transportation and logistics.

### **Some KPIs:**

→ Eligible Portfolio - Corporate Lending Portfolio eligible to the criteria set out in the Sustainable Financing Framework

→ Socio-Environmental and Climate Categorization of the Corporate & SME Lending Portfolio, by sector

→ Percentage of Corporate Lending portfolio with ESG action plan (Carbon Intensive Sectors)

→ SME Portfolio - Agro and Solar Representativeness (%)

→ Percentage of AuM integrate ESG and BTG's ESG Framework and ESG aspects

→ % of customers with GHG inventory, reduction targets, net zero commitments

## **Links and references**

### [Annual Report 2022:](#)

- Stakeholder Engagement (page 7)
- ESG Integration in Corporate & SME Lending (pages 81- 83)
- ESG Integration in Sales & Trading (page 86)
- ESG Integration in Asset Management (page 89)
- BTG Pactual and ESG commitments (pages 136-138)

### [Sector Policies](#)

### [ESG Recommended Wallet](#)

### 3.2 Business opportunities

Describe what strategic business opportunities in relation to the increase of positive and the reduction of negative impacts your bank has identified and/or how you have worked on these in the reporting period. Provide information on existing products and services, information on sustainable products developed in terms of value (USD or local currency) and/or as a % of your portfolio, and which SDGs or impact areas you are striving to make a positive impact on (e.g., green mortgages – climate, social bonds – financial inclusion, etc.).

#### Sustainable Finance - 2022:

→ **Blue Bond - BRK Environmental:** BTG Pactual acted as lead coordinator for the R\$1.95 billion raised by BRK Ambiental through a blue debenture - the first issuance of a blue bond in Brazil and in the private sector in Latin America, and the first to market in the sanitation segment worldwide.

→ **Unsecured Funding:** R\$6.7 billion in Sustainable Emissions related to our portfolio focused on positive social and environmental projects, with the new line of funding granted by the Japan International Cooperation Agency (JICA) and continuity of our Sustainable Funding Program.

→ **Sustainable Program:** R\$ 523 million in stock of sustainable deposits (CDBs and Bills of Credit) by the end of the 4th quarter of 2022. The balance was allocated to the financing and refinancing of projects in the categories of Renewable Energy, Sanitation and Sustainable Agriculture.

→ **Sustainable and Impact Investment Funds:** R\$ 769 million of assets under management through four funds by the 4<sup>th</sup> quarter of 2022: BTG Pactual Impact Investments (Brazil); Venture Debt Fund I (Chile); ESG EM Bond Fund (Luxembourg); ESG RF IS Corporate Credit (Brazil).

→ **Labeled Bonds:** Structuring and distribution of over \$3 billion in labeled bonds in 2022 - green, blue, sustainable and sustainability-linked bonds and debentures.

#### Eligible Corporate Lending Portfolio:

In 4Q2022, R\$ 8.2 billion of BTG's Corporate & SME Lending portfolio was eligible for the bank's Sustainable Financing Framework. BTG enforces the IFC Performance Standards since 2015 for every transaction larger than US\$ 30 million.

#### Forest assets:

TIG is a division within BTG Pactual Asset Management. It is one of the world's largest forest investment management firms, with US\$ 5.0 billion in assets under management and more than 1.2 million hectares under its administration. Focused on gaining returns on attractive investments with high standards of environmental and social governance, TIG has more than 40 years of experience in the area.

#### **Links and references**

[Annual Report 2022: Evolution of sustainable finance - page 29](#)  
[Sustainable Finance documents](#)

## Principle 4: Stakeholders

We will proactively and responsibly consult, engage and partner with relevant stakeholders to achieve society's goals.

### 4.1 Stakeholder identification and consultation

Does your bank have a process to identify and regularly consult, engage, collaborate, and partner with stakeholders (or stakeholder groups) you have identified as relevant in relation to the impact analysis and target setting process?

Yes       In progress       No

Please describe which stakeholders (or groups/types of stakeholders) you have identified, consulted, engaged, collaborated or partnered with for the purpose of implementing the principles and improving your bank's impacts. This should include a high-level overview of how your bank has identified relevant stakeholders, what issues were addressed/results achieved and how they fed into the action planning process.

BTG Pactual's commitment is to engage throughout its entire value chain, therefore it interacts with many stakeholders through its various businesses and functions: including financial market and sustainability experts, BTG Pactual executives, employees, investors, suppliers, clients, shareholders, and industry representatives. Those regular interactions and those stakeholders' feedbacks continuously contribute to improve the bank's policies and impacts.

#### → **Materiality Process**

BTG Pactual's materiality process is conducted once every two years and, through stakeholder engagement and consultation, allows us to understand which are the relevant impacts inside and outside BTG Pactual related to our core business, products, services, and social interactions.

## Links and references

[Annual Report 2022:](#)

- Materiality - page 6
- Stakeholders' engagement - page 7

## Principle 5: Governance & Culture

We will implement our commitment to these Principles through effective governance and a culture of responsible banking

### 5.1 Governance Structure for Implementation of the Principles

Does your bank have a governance system in place that incorporates the PRB?

Yes       In progress       No

Please describe the relevant governance structures, policies and procedures your bank has in place/is planning to put in place to manage significant positive and negative (potential) impacts and support the effective implementation of the Principles. This includes information about

- which committee has responsibility over the sustainability strategy as well as targets approval and monitoring (including information about the highest level of governance the PRB is subjected to),
- details about the chair of the committee and the process and frequency for the board having oversight of PRB implementation (including remedial action in the event of targets or milestones not being achieved or unexpected negative impacts being detected), as well as
- remuneration practices linked to sustainability targets.

BTG's Code of Conduct and Ethics provides a comprehensive framework of the rules and guidelines that apply to every employee, reflecting our commitment to our culture, to our customers and to society. This Code of Conduct and Ethics outlines that we are thinking about the future and doing it in the present, always behaving like owners and leading by example, conducting our business with professionalism, encouraging the ethical conduct of all employees, and providing support so that everyone feels comfortable asking questions or reporting problems and concerns.

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

→ Board of Directors: Responsible for the strategic vision of the ESG risk management criteria and approval of the Sustainability Global and Environmental & Social Risk Assessment policies, as well as to oversee the implementation of the ESG Policy in the business areas.

→ ESG Committee: Chaired by the CEO of BTG Pactual and composed by many c-levels. Responsible for supporting the board of director's responsibilities related to definition of the strategy, policies and measures related to the adoption of best practices, aiming to identify environmental, social and climate risks as well as to correct the problems related to noncompliance of regulation and/or self-regulation norms.

→ Chief Sustainability Office (CSO): Chief Sustainability Officer is responsible for recommending to the board of directors the strategic ESG priorities for its business units, as well as leading the process of implementing the approved strategy with socio-environmental impact indicators. The CSO is also responsible for approving some transactions that might represent a social and environmental risk for the bank.

→ ESG Division: Composed of environmental and health & safety specialists. Responsible for integrating ESG aspects into BTG Pactual's business units and companies of BTG Pactual's group, as well as to develop ESG reports together with the Research Team. At the sustainability front, the ESG team is dedicated to answering investors demands, responding to ESG due diligence/questionnaires/indexes, and establishing a strategy for an eco-efficiency program as well as to expand the GHG inventory. This division provides technical support, coordination, and independent supervision of the implementation of the Global ESG Policy by the various business

areas. It also advises on the development of tools and procedures, ensuring that the ESG Risk is properly identified, evaluated, classified, approved, and controlled. Consolidating the information and data that evidence the adoption of best market practices and compliance with the legal and regulatory requirements applicable to the management of ESG Risk.

→ Business Areas: Focused on the routine identification of ESG Risk, it activates the Socio-environmental Risk Management and Corporate Governance team to obtain technical support for identified risk management.

## Links and references

[Annual Report 2022](#)

[Social, Environmental and Climate Responsibilities Policy](#)

[Responsible Investment Policy](#)

## 5.2 Promoting a culture of responsible banking:

Describe the initiatives and measures of your bank to foster a culture of responsible banking among its employees (e.g., capacity building, e-learning, sustainability trainings for client-facing roles, inclusion in remuneration structures and performance management and leadership communication, amongst others).

### → ESG Training

- **New Hire Training**

It presents the structure of the ESG area and its actions to the new collaborators.

- **ESG and Sustainable Finance & Impact Investing**

Mandatory and intended for all employees, describes how the ESG area defines the strategy for all business areas. Communicates our ESG actions internally to our clients and demonstrates how Impact Investing connects global investors to sustainable investment opportunities in Latin America.

- **ESG | Credit Analysis**

Aimed at employees in the areas of Investment Banking Division, Credit and Securization, Credit and Risk, Backoffice and Legal. Presents the bank's actions and procedures in assessing social, environmental and climate risks of its credit operations, in line with the provisions of the ESG policies.

- **ESG Analysis | G&O Desk**

Describes social, environmental and climate risks to employees of the commodities trading desk, as well as current market trends related to this topic, with impacts on the commodities sector. It also addresses the actions and procedures carried out by the bank and by the Grains and Oils (G&O) desk for risk assessment, in line with ESG policies.

- **ESG | Indices, Ratings, and Indicators**

Related to BTG Pactual's ESG strategy about indices and ratings, as well as the main reporting frameworks adopted by the market and by BTG Pactual, including the motivations for publishing the Annual Report. Intended for employees in the areas of Compliance, Legal, HR, Marketing, Operations, Tax, Information Security, Finance, Social Responsibility, Asset Management, Operational Risk, Third Party Management and Corporate Services.

→ **ESG Committee**

Chaired by the CEO and with monthly meetings, it supports the Board of Directors in defining strategies, guidelines and measures aimed at adopting best practices to identify and mitigate social, environmental, climate and regulatory risks. In addition, it is composed of the CFO, CRO, CSO, CCO, head of Human Resources and head of ESG, responsible for supervising and managing the execution of ESG policies and their consequences.

→ 100% of counterparties and suppliers were assessed on social and environmental criteria.

→ Campaigns to promote circular economy, recycling and volunteering among the employees.

## Links and references

[Annual Report 2022](#)

[Social Responsibility Report](#)

### 5.3 Policies and due diligence processes

Does your bank have policies in place that address environmental and social risks within your portfolio? Please describe.

Please describe what due diligence processes your bank has installed to identify and manage environmental and social risks associated with your portfolio. This can include aspects such as identification of significant/salient risks, environmental and social risks mitigation and definition of action plans, monitoring and reporting on risks and any existing grievance mechanism, as well as the governance structures you have in place to oversee these risks.

All of BTG Pactual's relationships and transactions undergo a socio-environmental due diligence process, based on the principles of relevance and proportionality. This process is conducted through the Environmental, Social and Governance Management System (ESGMS), structured transversally throughout the institution. In addition, is supported by the Social, Environmental and Climate Responsibility Policy, the Responsible Investment Policy and by the 19 sectoral policies.

The factors considered in the due diligence include compliance with social and environmental regulations; climate impacts; the likelihood of extreme weather events (such as floods, droughts, or forest fires); compliance with occupational health and safety standards; potential use of child or forced labor; judicial or administrative proceedings related to illegal deforestation; project constraints due to protected areas (e.g. legal reserves, indigenous lands and "*quilombolas*"); procedures to assess human rights risks and impacts; gender risk assessments (nondiscrimination policies, action taken to mitigate the risk of sexual exploitation of minors and gender violence); and clients' social and environmental management capabilities.

For some types of transactions, we apply the International Finance Corporation's (World Bank) Performance Standards - a global benchmark on environmental and social sustainability - including the following: (i) Assessment and Management of Environmental and Social Risks and Impacts, (ii) Labor and Working Conditions, (iii) Occupational Health & Safety, and (iv) Indigenous Peoples and Cultural Heritage.

#### Links and references

[Annual Report 2022](#): Management of social, environmental and climate risks (Pages 49 to 54).

Self-assessment summary:

**Does the CEO or other C-suite officers have regular oversight over the implementation of the Principles through the bank's governance system?**

Yes  No

**Does the governance system entail structures to oversee PRB implementation (e.g. incl. impact analysis and target setting, actions to achieve these targets and processes of remedial action in the event targets/milestones are not achieved or unexpected neg. impacts are detected)?**

Yes  No

**Does your bank have measures in place to promote a culture of sustainability among employees (as described in 5.2)?**

Yes  In progress  No

## Principle 6: Transparency & Accountability

We will periodically review our individual and collective implementation of these Principles and be transparent about and accountable for our positive and negative impacts and our contribution to society's goals.

### 6.1 Assurance

Has this publicly disclosed information on your PRB commitments been assured by an independent assurer?

Yes  Partially  No

If applicable, please include the link or description of the assurance statement.

## 6.2 Reporting on other frameworks

Does your bank disclose sustainability information in any of the listed below standards and frameworks?

- GRI
- SASB
- CDP
- IFRS Sustainability Disclosure Standards (to be published)
- TCFD
- Other:

Our Annual Report 2022 has been prepared in accordance with the GRI 2021 Standards. It is also aligned with the reporting recommendations of the following organizations: Sustainability Accounting Standards Board (SASB), Task Force on Climate-Related Financial Disclosures (TCFD), International Integrated Reporting Council (IIRC), United Nations Global Compact and World Economic Forum.

The GRI and SASB contents also had independent external verification, carried out by PwC Brazil.

### Links and references

#### [Annual Report 2022](#)

- Report Profile – page 6
- Assurance Report - page 156

## 6.3 Outlook

What are the next steps your bank will undertake in next 12 month-reporting period (particularly on impact analysis, target setting and governance structure for implementing the PRB)? Please describe briefly.

- Report our CO<sub>2</sub> emissions in Corporate Lending and Asset Management.
- Establish the process for creating SBTi compliant targets
- Perform PRB report assurance with third party verification

## 6.4 Challenges

Here is a short section to find out about challenges your bank is possibly facing regarding the implementation of the Principles for Responsible Banking. Your feedback will be helpful to contextualize the collective progress of PRB signatory banks.

What challenges have you prioritized to address when implementing the Principles for Responsible Banking? Please choose what you consider the top three challenges your bank has prioritized to address in the last 12 months (optional question).

If desired, you can elaborate on challenges and how you are tackling these:

- |  |  |
|--|--|
| <input type="checkbox"/> Embedding PRB oversight into governance                               | <input type="checkbox"/> Customer engagement               |
| <input type="checkbox"/> Gaining or maintaining momentum in the bank                           | <input checked="" type="checkbox"/> Stakeholder engagement |
| <input type="checkbox"/> Getting started: where to start and what to focus on in the beginning | <input checked="" type="checkbox"/> Data availability      |
| <input checked="" type="checkbox"/> Conducting an impact analysis                              | <input type="checkbox"/> Data quality                      |
| <input type="checkbox"/> Assessing negative environmental and social impacts                   | <input type="checkbox"/> Access to resources               |
| <input type="checkbox"/> Choosing the right performance measurement methodology/ies            | <input type="checkbox"/> Reporting                         |
| <input type="checkbox"/> Setting targets   | <input type="checkbox"/> Assurance                         |
| <input type="checkbox"/> Other   | <input type="checkbox"/> Prioritizing actions internally   |