



# Equator Principles First Year Implementation Report

ESG BTG Pactual



In order to implement Equator Principles, BTG Pactual has taken the below actions to update its policies and internal processes. These actions were taken between August 31, 2020 and June 30, 2022.

## Equator Principles

- BTG Pactual (“BTGP” or “the Bank”) adopted the Equator Principles in August 31, 2020. Since then, the Bank
  - Updated its Environmental, Social, Governance Management System (details below)
  - Trained the teams that work with credit and with project finance advisory services
  - Updated contractual clauses
- The ESG team approves all the credit transactions of BTGP. This process includes 4 levels of analysis and approval from the ESG team, the head of ESG, the Chief Sustainability Officer and the ESG Committee.
- The ESG Committee supports the Board of Directors and Management in defining the strategies, directives and measures focused on the adoption of best practices to identify and mitigate social, environmental, climate and regulatory risks. Given the importance of the issues addressed, the Committee is made up of ‘C-Level’ representatives and members of Senior Management and is responsible for supervising and managing the execution of ESG policies and their repercussions, including the related programs, projects and actions.

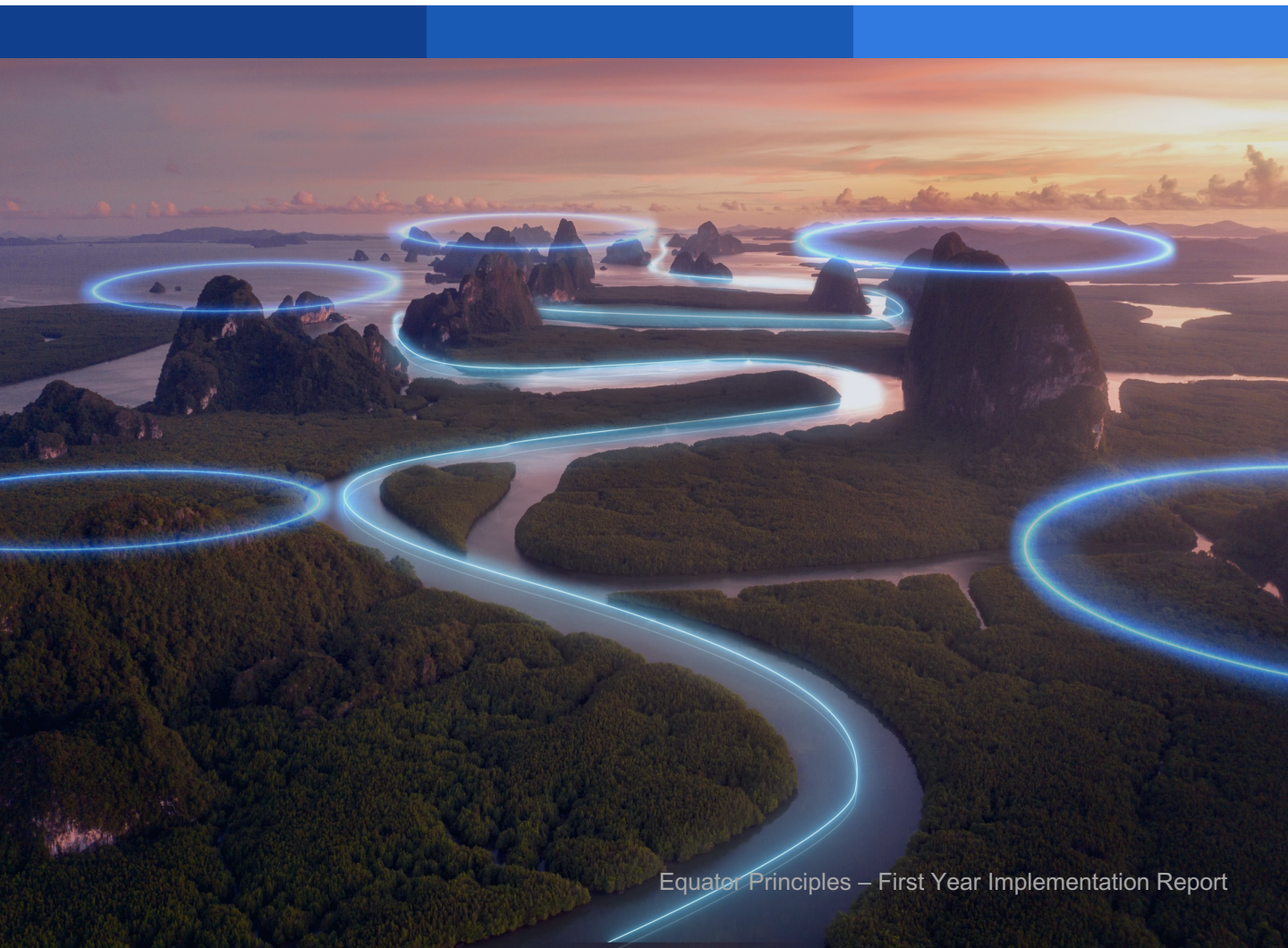
## Environmental, Social and Governance Management System

As part of the Bank’s fiduciary duties, as well as our responsibility to invest our customers’ funds ethically and responsibly, BTG Pactual is continually improving its social, environmental and climate risk assessment processes, applicable to all its relationships, loans and investments. To manage these risks and consolidate the information arising from the analyses, BTG Pactual has established an Environmental Social and Governance Management System (ESGMS), structured horizontally throughout the entire institution. The activities of the ESGMS are tied in with the principles and directives of the corporate policies, specifically addressing the social, environmental and climate risks involved in each line of business. These risks are properly identified, assessed, classified, monitored and mitigated accordingly.



## The System covers:

- An automated socio-environmental analysis of the processes involved in the opening of an account, with the aim of checking any possible risks that the relationship with the counterparty could present to BTG Pactual in accordance with its internal policies and the principle of proportionality and relevance;
- Whenever applicable, assessment of the environmental, climate, social and corporate governance aspects of potential investments and financing is to be made by BTG Pactual. This is done to guide the decision-making in the businesses, as well as map and monitor socio-environmental and climate aspects present in upcoming or executed customer contracts;
- The social, environmental and climate risk management training programs; and
- The ESG communication channels, both those designed for the dissemination of information and training, and those intended to receive suggestions and complaints.



The socio-environmental analysis of potential counterparties and customers is performed using a technological tool. This tool searches different previously mapped sources for information that could discredit practices and expose customers' non-alignment with the Code of Business and Ethical Principles, the Sustainability Policy, the Responsible Invest Policy and the Social, Environmental and Climate Responsibilities Policy. Amongst the bases consulted for ESG information, of special note are:

- The Employers' Register, in order to check whether there either has been or currently is any registration of the counterparty in the list of companies that have forced workers to work in conditions akin to slavery, according to the list published by the Ministry of Labor and Social Security;
- List of areas embargoed by the Brazilian Institute for the Environment and Renewable Natural Resources (Ibama);
- A tool that checks the list of sanctions imposed by international environmental organs (United States, Canada and Colombia);
- Automated research on the open Internet using words combining the name of the counterparty with terms such as "pornography", "prostitution", "child labor", "slave labor", "racism", "environmental crime", amongst others; and
- Automated research in the file base of state, federal and supreme court cases, combining the name and/or document of the counterparty with procedural categories and subjects that hold relevance for BTG Pactual's internal policies, such as environmental crime and working conditions analogous to slavery, amongst others.

## SECTORIAL POLICIES

Given the importance of the environmental, social and climate risks in certain economic activities, we have developed 19 Sector Policies designed to coordinate the analysis of these risks in certain businesses. These policies are grounded in international studies and frameworks, such as those published by the International Finance Corporation (IFC).

To access these documents, [click here](#).

When the investigation of information suggests socio-environmental risks according to the rules previously specified for each type of relationship, the Bank's ESG department is called into action. At this point it becomes involved in the analysis of the counterparty, checking the nature and potential impacts of the risk. This analysis is based upon more in-depth studies of public information or by requesting clarifications and documents from the counterparty. At the end of this process, the ESG department issues a favorable or unfavorable expert opinion as to whether the relationship should continue, with the ESG classification of the counterparty continuing to be monitored. For those operations classified as "High Socio-environmental Risk," the Head of the ESG department assumes responsibility for approving the opening of the account, together with the relevant heads of business. It is important to highlight that should the counterparty indeed appear on the Slave Labor List published by the Brazilian Ministry of Labor and Social Security, BTG Pactual automatically rejects the partnership. The same action is taken in any cases in which final and unappealable decisions have been made on infant or slave labor, pornography, inducement of prostitution and racism.

Likewise, all credit operations undergo processes involving the analysis and monitoring of social, environmental and climate risks. These processes are conducted with a focus on relevance and proportionality as it pertains to the category of the operation and the potential impacts inherent in that sector. Some noteworthy aspects assessed in this analysis are:

- Compliance with socio-environmental legislation, including judicial or administrative claims;
- Impacts on human rights: potential use of child or slave labor; respect for the health and safety in the workplace regulations; policies and practices of non-discrimination, combating the sexual exploitation of minors and gender violence;
- Restrictions against projects in specially protected areas, such as Areas of Permanent Preservation, Legal Reserves, Conservation Units, Indigenous Lands and Quilombola Communities;
- Capacity for effective socio-environmental and/ or climate management by clients<sup>15</sup>;
- Physical and climate risks connected to the occurrence of events such as floods, heat-waves and forest fires; Risk connected to illegal deforestation; and Risks connected to the supply chain.

Following the preliminary analysis of the counterparty, depending upon the mode of operation and the destination of the funds, detailed socio-environmental and climate analyses are performed. The frequency and terms of the monitoring depend upon the level of risk, nature of the operations, the environmental licensing conditions and the deadlines for implementation of projects, amongst other factors.

## Responsibilities

ESG team/head of ESG/CSO/ESG Committee	Approve the transactions
 <p><b>ESG TEAM</b></p>	<p>Perform the classification of BTG Pactual's operations as EP operations.</p> <p>Classify such operations into High, Medium and Low Socio-environmental Risk.</p> <p>Perform a socio-environmental risk analysis.</p> <p>Hire independent socio-environmental consultants if necessary.</p> <p>Forward the standard ESG clauses to the EP operations.</p> <p>Conduct socio-environmental monitoring.</p> <p>Hold periodic trainings with BTG Pactual's teams involved in the process. Perform internal EP application refresher training with the involved teams whenever deemed necessary</p>
 <p><b>BUSINESS TEAM</b></p>	<p>Present the credit operations in the committees</p> <p>If a transaction does not follow the normal process (i.e. no Initial Credit Committee is held) and if it can be classified as the Equator Principles, inform the business team.</p> <p>When necessary, provide information to the ESG Area for reporting as required by the Secretariat of the Equator Principles.</p>
 <p><b>LEGAL TEAM</b></p>	<p>Use the models of clauses provided by the ESG team and when necessary, involve the ESG team in the drafting of the contracts</p>
 <p><b>BACK OFFICE TEAM</b></p>	<p>Support in controlling the disbursement conditions of the operation.</p> <p>When necessary, provide information to the ESG Area for reporting as required by the Secretariat of the Equator Principles, including those transactions classified as PE that had Financial Transaction Closure during the requested period, defined as the date when all conditions precedent for initial disbursement of the debt were satisfied or waived.</p>



For further information, please access [BTGP's Annual Report](#)  
and/or [BTG's website](#) or contact [ol-esg@btgpactual.com](mailto:ol-esg@btgpactual.com)