



# Green Financing Report

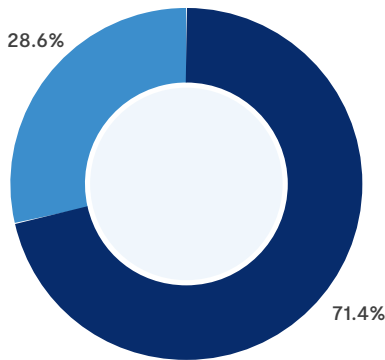
November 2022



# Key Figures

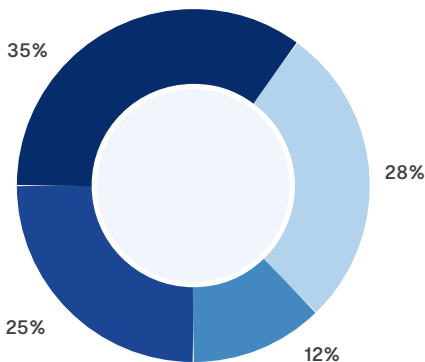
US\$ 550 million raised in BTG Pactual's two green financing instruments<sup>1</sup>

100% of the proceeds allocated in two years



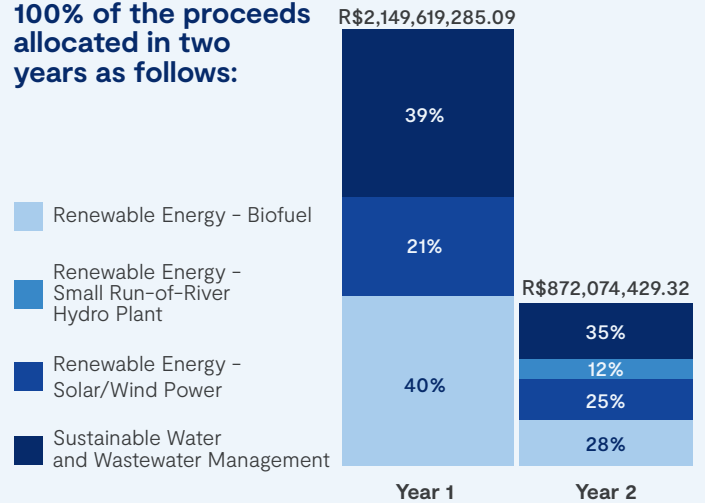
■ Year 1 ■ Year 2

Second Year: 8 companies financed in the following Green Project Categories:

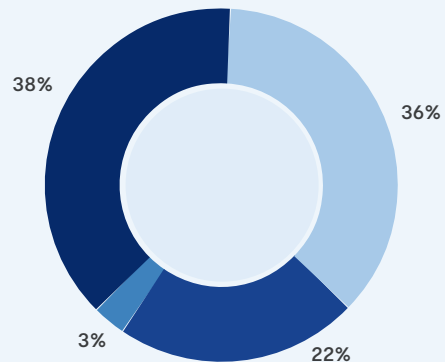


■ Renewable Energy - Biofuel  
 ■ Renewable Energy - Small Run-of-River Hydro Plant  
 ■ Renewable Energy - Solar/Wind Power  
 ■ Sustainable Water and Wastewater Management

100% of the proceeds allocated in two years as follows:



Final composition of the full allocated portfolio



■ Renewable Energy - Biofuel  
 ■ Renewable Energy - Small Run-of-River Hydro Plant  
 ■ Renewable Energy - Solar/Wind Power  
 ■ Sustainable Water and Wastewater Management

## Second Year: Reported Impact<sup>2</sup>

**48,683**

tonnes of CO<sub>2</sub>e emissions avoided from renewable energy projects

**135 GWh** generated from renewable energy sources

**82,982**

people provided with infrastructure for clean and drinking water

<sup>1</sup> The two green issuances are described in Sustainable Finance at BTG.

<sup>2</sup> Find more information on the calculation methodology in the Appendix Calculation Method of CO<sub>2</sub>e Emission Reduction section.

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## 1. Company Overview

Headquartered in Brazil, BTG Pactual (Banco BTG Pactual S.A) is the biggest investment bank in Latin America, with a strong presence in the region and operations spanning the globe. Active in this segment since 1983, including operations in asset and wealth management, we have become a benchmark in services for large corporations, institutional investors, governments, and high net equity customers. Over recent years, in an accelerated diversification of the business, we have extended our offer of products and services to high income retail and, more recently in 2021, to small and medium sized companies.

Benefiting from a platform with a high distribution capacity, we provide a wide range of financial products and solutions for our customers. Focused on providing fast, excellent services with a long-term vision, we are more than 6,500 professionals sharing our commitment to sustainable development as well as our corporate values and objectives. We are physically present in six of Brazil's principal cities including São Paulo and Rio de Janeiro, and in Chile, Colombia, Mexico, Peru and Argentina. Our global presence in New York, Miami, London and Lisbon is strategic for us to be able to guarantee the distribution of our portfolio throughout the Latin American market, as well as to manage the funds of our customers worldwide.

### 1.1 ESG at BTG Pactual

BTG Pactual's ESG area was created in 2015 and aims to promote and apply social, environmental and climate policies across the Bank's business units and supply chain, recognizing our responsibility to act as a conductor of best ESG practices for our clients, investors, suppliers, employees, and other stakeholders.

BTG Pactual has a Board-level ESG oversight which helps to drive a focus on sustainability issues across its strategy, policies, and programs. The ESG Committee meets monthly, is chaired by

the CEO and is composed by the president of the Board of Directors as well as other C-levels (CFO, CRO, CSO, CCO, head of Human Resources, ESG). Supported by the ESG Committee (that is chaired by the CEO and made up of a multi-disciplinary team), the Board of Directors, responsible for the Bank's long-term vision, constitutes the highest level of management in relation to ESG matters. The Board approves the policies that guide the integration of sustainability into the corporate strategy and analyzes the climate and socio-environmental risks.

The Bank performs rigorous analysis of climate and socio-environmental impacts in processes involved in opening of accounts, credit operations and selection of assets for investment. In addition, BTG Pactual includes sustainability in its business strategy through initiatives that run from employees to customers, including suppliers and other partners.

In 2021, 100% of the Corporate & SME Lending portfolio underwent ESG analyses. Depending upon the risk identified, the analyses lead to more in-depth exams and periodic monitoring of the customers' practices to ensure compliance and identify opportunities for improvement. These analyses are based upon current legislation, good market practices, and the 19 sector policies<sup>3</sup> developed by the Bank to identify the leading social, environmental and climate risks, as well as the related mitigating actions.

Along with rigorous control of the risks associated with our customers' activities and businesses, BTG Pactual's long-term vision includes commitment to good environmental, social and governance practices among BTG Pactual's operational bases. In that respect, guided by the United Nations Sustainable Development Goals (SDGs), BTG aims to increase and expand its sustainable product portfolio, strengthen green industries, and enhance its positive environmental and social impacts.

<sup>3</sup> Please find more about here: <https://www.btgpactual.com/us/esg-and-impact-investing/esg-business>

## ESG Bases of Activity

### Responsible Bodies

- The Board of Directors
- ESG Committee
- ESG & Impact Investment Department
- Business Units

### Dedicated Directives

- Sectorial Policies
- Social, Environmental and Climate Responsibilities Policy
- Responsible Investment Policy

### Voluntary Commitments and Initiatives

- The UN Global Compact
- Principles for Responsible Investment (PRI)
- Equator Principles
- Principles for Responsible Banking (PRB)
- Task Force on Climate-related Financial Disclosures (TCFD)
- CDP
- Brazil Climate, Forestry, and Agriculture Coalition
- Partnership for Carbon Accounting Financials (PCAF)
- Task Force for Nature-Related Financial Disclosure (TFND)

BTG Pactual’s vision of sustainability is grounded in the understanding of its responsibility in promoting best practices and using a sustainability lens throughout its entire value chain. Its Social Responsibility initiatives<sup>2</sup> and its ESG and Impact Investing strategy are anchored in BTG Pactual’s values and competencies, reflecting its long-term ambition and unconditional commitment to responsible and sustainable development.

## 1.2 Sustainable Finance at BTG

Understanding that financial markets in the region were still underdeveloped when related to offering products combining solid returns alongside positive impact, in 2020 a new division was created fully focused on Sustainable & Impact Investing<sup>3</sup>, consolidating BTG Pactual as a hub to connect global investors to opportunities in Latin America related to Sustainable Finance, ESG & Impact Investing Funds and Carbon Markets. With that new focus, we have the goal to develop innovative financial products with a serious ESG and impact approach, seeking and structuring new business opportunities that generate strong long-term financial, environmental, and social value for our stakeholders.

In October 2020, we published our Green, Social and Sustainable Financing Framework focused on financing and/or refinancing eligible assets, while simultaneously responding to increasing investor demand for positive social and environmental impact investments with a greater transparency in terms of use of proceeds.

Under this Framework, the bank raised US\$ 50 million in its first Green Private Placement in November 2020 (“Private Placement”). In January 2021, BTG issued its first Green Bond, raising US\$500 million, as the first Green Bond ever issued by a Brazilian financial institution in public markets at the lowest coupon ever achieved within the segment in Brazil (“Green Bond”), being also included in Green Bond Transparency Platform of IDB and the first bank in Latin America in the Nasdaq Sustainable Bond

<sup>2</sup> Please find more about here: <https://www.btgpactual.com/us/citizenship/social-responsibility>.

<sup>3</sup> Please find more about here: <https://www.btgpactual.com/us/esg-and-impact-investing/sustainable-and-impact-investing>

Network, highlighting the bank’s pioneer approach to the ESG & Impact Investing agenda. The total amount raised by BTG Pactual through the two green issuances was US\$550 million which corresponds to R\$3,011,500,000.00 (“Green Issuances”).

Sustainable finance is an important matter to BTG Pactual’s business and strategy as it allows the financial sector to make a positive impact for the environment and social fields. BTG Pactual has an existing credit portfolio and an extensive pipeline of loans and other transactions supporting projects and assets that promote positive social and environmental impact. Between 2020 and 2022, BTG Pactual has already raised more than US\$1,4 billion for E&S purposes.

It became, in 2020, the first Brazilian bank to receive a climate loan of US\$140 million from the European institutions Proparco and DEG, being the proceeds used to finance climate

mitigation initiatives. BTG Pactual also received in 2021 a US\$300 million loan from DFC (U.S. International Development Finance Corporation) and in 2022 a US\$ 200 million loan from JICA (Japan International Cooperation Agency), both to support the expansion of its SME portfolio.

By October 2021, the bank updated its Sustainable Financing Framework, including not only 4 new eligible categories but also new financial instruments, such as deposits. In December 2021, BTG Pactual was the first in Latin America to launch a Sustainable Deposits Program in full alignment with international guidelines through which we raised over R\$ 1.5 billion of deposits in the first phase, to contribute to social and environmental benefits. The deposits enable liquid investments to be raised in addition to structured long-term transactions to contribute to the growing the financing of assets and projects that promote the UN Sustainable Development Goals.

## 2. Our Achievements

### Indexes & Initiatives



### Awards

#### 2021

- Outstanding in Sustainable Finance in Emerging Markets (Global Finance)
- Impact Initiative of the Year Latin America and Caribbean (Impact Awards from Environmental Finance)
- Best ESG Team in Latin America (Institutional Investor)
- Best Research ESG in Brazil (Institutional Investor)

#### 2022

- Outstanding Leadership in Sustainable Finance in Latin America, in Green Bonds in Latin America, in Sustainable Bonds in Latin America, and Sustainability Transparency (Global Finance)
- Sustainable Finance Leadership in Brazil (Global Finance)
- ESG Investment Initiative of the Year, Latin America (Sustainable Investment Awards from Environmental Finance)



### 3. Allocation of Proceeds of Green Issuances to Green Assets and Projects

In November 2021, we published our first-year report, related to the allocation of the proceeds raised in our Private Placement and our Green Bond. R\$ 2,149,619,285.07 were allocated, corresponding to 71.4% of the total amount and financed or refinanced 27 different companies under the Renewable Energy and Sustainable

Water and Wastewater Management categories<sup>4</sup>.

In this 2022 Green Financing Report, we are disclosing the allocation of the remaining proceeds of the Green Issuances. The balance equal to R\$ 861,880,714.93 financed 8 different companies under Renewable Energy and Sustainable Water and Wastewater Management categories.



The following table presents a brief description of the proceeds allocation and its impact indicators:



| Green Project Category / Use of Proceeds          | Number of companies          | Number of projects | Allocated Amount (R\$)            | Reported Impact <sup>5</sup>  |
|---|------------------------------|--------------------|-----------------------------------|---|
| Renewable Energy-Biofuel                          | 3                            | 3                  | 245,083,271.45                    | 19,571 tCO2e avoided<br>16.50 GWh generated from renewable energy sources   |
| Renewable Energy-Wind/Solar Energy                | 2                            | 2                  | 215,725,006.84                    | 19,844 tCO2e avoided<br>72.59 GWh generated from renewable energy sources   |
| Renewable Energy - Small Run-of-River Hydro Plant | 1                            | 1                  | 103,887,031.93                    | 9,269 tCO2e emissions were avoided<br>46.11 GWh generated from renewable energy sources   |
| Sustainable Water and Wastewater Management       | 2                            | 2                  | 307,379,119.10                    | 82,982 people provided with access to clean drinking water and improved sanitation facilities<br>2 water infrastructure projects built/upgraded |
| <b>Second Year</b>                                | <b>Total Allocated</b>       |                    | <b>R\$ 872,074,429.32</b>         |   |
|   | Allocated to Financing       |                    | <b>R\$ 872,074,429.32</b>         |   |
|   | Allocated to Refinancing     |                    | <b>R\$ -</b>                      |   |
| <b>Total Allocation</b>                           | <b>Total Proceeds Raised</b> |                    | <b>R\$ 3,011,500,000.00</b>       |   |
|   | Allocated Proceeds           |                    | <b>R\$ 3,021,693,714.41</b>       |   |
|   | Unallocated Proceeds         |                    | <b>R\$ -</b>                      |   |
|   | Allocated to Financing       |                    | <b>R\$ 1,978,293,485.31 (65%)</b> |   |
|   | Allocated to Refinancing     |                    | <b>R\$ 1,043,400,229.10 (35%)</b> |   |

<sup>4</sup> More information available in <https://static.btgpactual.com/media/btg-green-financing-report-2021.pdf>, reviewed by Sustainalytics in accordance with Annex in the report.

<sup>5</sup> Find more information on the calculation methodology in the Appendix Calculation Method of CO2e Emission Reduction section.

### 3.1 Reported Impact Breakdown by Category<sup>6</sup>

| Category   | Sub-Category                   | Number of Projects | Energy Generation (GWh) | Estimated CO2e Emissions Avoided (tCO2e/year) | %BTG FINANCED <sup>7</sup> |   |
|--|--------------------------------|--------------------|-------------------------|---|----------------------------|---|
|  |                                |                    |                         |   | Energy Generation (GWh)    | Estimated CO2e Emissions Avoided (tCO2e/year) |
| <b>Renewable Energy</b><br><br> | Biofuel                        | 3                  | 627                     | 691,221                                       | 16                         | 19,571  |
|  | Small Run-of-River Hydro Plant | 2                  | 451                     | 90,579  | 46                         | 9,269   |
|  | Solar/Wind Power               | 3                  | 528                     | 156,330                                       | 73                         | 19,844  |

| Category   | Sub-Category                                | Number of Projects | Number of People Provided w/ Infrastructure for Clean and/or Drinking Water | Number of Water Infrastructure Projects Built/Upgraded | %BTG FINANCED <sup>8</sup>  |
|--|---|--------------------|---|--|---|
|  |   |                    |   |  | Number of People Provided w/ Infrastructure for Clean and/or Drinking Water |
| <b>Sustainable Water and Wastewater Management</b><br><br> | Sustainable Water and Wastewater Management | 2                  | 10,000,000  | 2  | 82,982  |

<sup>6</sup> The reported impact is ex-post for all the renewable energy projects and ex-ante for the Sustainable Water and Wastewater Management projects. The reported impact considers the allocation of the balance proceeds of the Green Issuances in financing 8 different companies.

<sup>7,8</sup> Find more information on the calculation methodology in the Appendix: Calculation Method of CO2e Emission Reduction section



### 3.2 Reported Impact at Project Level

| Project      | Category         | Sub-Category                   | Loan Agreement Date | Loan Balance (R\$)    | Energy Generation (GWh) | Estimated CO <sub>2</sub> e Emissions Avoided (tCO <sub>2</sub> e/year) | %BTG FINANCED <sup>9</sup> |   |
|--------------|------------------|--------------------------------|---------------------|-----------------------|-------------------------|---|----------------------------|---|
|              |                  |                                |                     |                       |                         |   | Energy Generation (GWh)    | Estimated CO <sub>2</sub> e Emissions Avoided (tCO <sub>2</sub> e/year) |
| Project #1   | Renewable Energy | Biofuel                        | 12/15/2021          | 83,844,790.13         | 71                      | 211,279   | 2                          | 5,169   |
| Project #2   | Renewable Energy | Biofuel                        | 6/27/2022           | 30,180,136.67         | 404                     | 226,438   | 9                          | 5,173   |
| Project #3   | Renewable Energy | Biofuel                        | 7/19/2022           | 131,058,344.65        | 152                     | 253,504   | 6                          | 9,229   |
| Project #4   | Renewable Energy | Solar                          | 11/12/2021          | 28,912,388.13         | 30                      | 9,000   | 4                          | 285   |
|              |                  |                                | 11/12/2021          | 83,435,721.24         |                         |   | 11                         | 2,371   |
| Project #5   | Renewable Energy | Wind                           | 6/20/2022           | 103,376,897.47        | 467                     | 138,330   | 58                         | 17,188  |
| Project #6   | Renewable Energy | Small Run-of-River Hydro Power | 3/10/2022           | 65,612,862.27         | 225                     | 45,289  | 29                         | 5,854   |
|              |                  |                                | 3/10/2022           | 38,274,169.66         |                         |   | 17                         | 3,415   |
| <b>Total</b> |                  |                                |                     | <b>564,695,310.22</b> | <b>1,350</b>            | <b>883,840</b>  | <b>135</b>                 | <b>48,683</b>   |

| Project      | Category                                    | Sub-Category | Loan Agreement Date | Loan Balance (R\$)    | Energy Generation (GWh) | Estimated CO <sub>2</sub> e Emissions Avoided (tCO <sub>2</sub> e/year) | %BTG FINANCED <sup>10</sup>  |  |
|--------------|---|--------------|---------------------|-----------------------|-------------------------|---|--|--|
|              |   |              |                     |                       |                         |   | Number of People Provided w/ Infrastructure for Clean and/ or Drinking Water | Number of People Provided w/ Infrastructure for Clean and/ or Drinking Water |
| Project #7   | Sustainable Water and Wastewater Management |              | 30/07/2021          | 275,657,232.92        | 7,000,000               | 1   | 79,082   |  |
| Project #8   | Sustainable Water and Wastewater Management |              | 01/11/2021          | 31,721,886.18         | 3,000,000               | 1   | 3,900  |  |
| <b>Total</b> |   |              |                     | <b>307,379,119.10</b> | <b>10,000,000</b>       | <b>2</b>  | <b>82,982.22</b>   |  |

9,10 Find more information on the calculation methodology in the Appendix: Calculation Method of CO<sub>2</sub>e Emission Reduction section

## 4. Spotlight on Key Assets And Projects

### Guassupi Participações



**Green Project Category:**  
Renewable Energy

**Use of Proceeds:** Small Run-of-River Hydro Plant

**Impact Indicators:** Installed Capacity of 60.52 MW, Annual Energy Generation of 225.32 GWh and 45,289 tCO<sub>2</sub>e emissions avoided.

Guassupi Participações SA is a company controlled by Quebra Dentes Fundo de Investimento em Participações and has four projects of small run-of-hydro plants in Rio Grande do Sul, being them Salto do Guassupi (12.2 MW), Quebra Dentes (23.2 MW), Rincão São Miguel (9.7 MW) and Cachoeira Cinco Veados (16.2 MW). Together they have 60.52 MW of installed capacity and generated 225.3 GW between October 2021 and September 2022, contributing to the increase of renewable sources in Brazilian energy matrix. All projects had an Environmental Impact Study and an Environmental Impact Report (EIA/RIMA) to start the licensing process with the competent environmental agency (FEAM/RS). Therefore, all projects have the most robust socio-environmental impact assessment related to construction and operational phases provided for in Brazilian legislation, along with socio-environmental programs and monitoring to mitigate the impacts identified in these studies, which are included as requirements and restrictions in its installation and operational licenses.

### Bioenergética Vale do Paracatu S.A - BEVAP



**Green Project Category:**  
Renewable Energy

**Use of Proceeds:** Biofuel

**Impact Indicators:** Installed Capacity of 90MW, Annual Energy Generation of 403,59 GWh<sup>10</sup> and 226,437.68 tCO<sub>2</sub>e emissions avoided<sup>11</sup>.

Bevap is one of Brazil's most technologically advanced ethanol, sugar, and electric power cogeneration mills, which generates renewable energy by burning sugarcane bagasse, using part of this power to be energy self-sufficient and selling the remain energy through the Brazilian power distribution system. These activities contribute to Brazilian's Nationally Determined Contributions (NDC) under the Paris Agreement, with the goal to reduce the carbon intensity of the transportation and energy production matrix. Additionally, BEVAP has several sustainable agriculture practices, especially regarding water and waste management, and has achieved some of the most important international certification such as BonSucro, ISO 9001, FSSC 22000, and the EPA Registration.

<sup>9</sup> See the methodology in section "Calculation Method of CO<sub>2</sub> Emission Reduction".

<sup>10,11</sup> Find more information on the calculation methodology in the Appendix: Calculation Method of CO<sub>2</sub>e Emission Reduction section

Rio Energy – Ipanema



**Green Project Category:**  
Renewable Energy

**Use of Proceeds:**  
Wind Energy

**Impact Indicators:** Installed Capacity of 207 MW, Annual Energy Generation of 467.3 GWh<sup>12</sup> and 17,188 tCO<sub>2</sub>e emissions avoided<sup>13</sup>.

Ipanema Geração de Energia e Participações is a company controlled by Rio Energy, responsible for operating the Itarema Wind Complex located in the municipality of Itarema in the state of Ceará– Brazil, with 207 MW of installed capacity divided into 69 wind turbines. The energy generated from the Itarema V Substation is connected to the Acaraú II Substation by a 26.5 km transmission line, and then connected to the National Interconnected System (SIN) network. In addition to producing clean and carbon-free energy, Rio Energy has invested more than R\$5 million in social programs, covering health, income generation, water supply, road systems and encouraging indigenous culture in the municipality, which has approximately 42,000 inhabitants.

Aegea Saneamento – SPE Saneamento Rio 1 and 4



**Green Project Category:**  
Sustainable Water and Wastewater Management

**Use of Proceeds:**  
Infrastructure for clean and/or drinking water and wastewater treatment

**Impact Indicator:** Treated water supply and sewage collection and treatment for 10 million people.

Aegea Saneamento won two (blocks 1 and 4) of the four blocks in the International Public Bid 01/2020, conducted by the State of Rio de Janeiro through the Companhia Estadual de Águas e Esgotos (CEDAE), on April 30th, 2021. The bid was for the full concession of the provision of water supply and sanitation services for about 10 million people, divided into 106 neighborhoods in the Central and North regions and 18 neighborhoods in the South Region of the capital city and 26 cities across the state of Rio de Janeiro. The estimated investments that must be executed by Aegea in the contract period includes R\$ 2.9 billion in the first 5 years of concession to depolluting Rio Guando and R\$ 2.6 billion to depolluting the Guanabara Bay in Rio de Janeiro. Also, the Barra da Tijuca lagoon complex will receive R\$ 250 million to depolluting activities. Since 2016 Aegea has become signatory of the United Nation’s (UN) Global Compact and in 2021 has become institutional supporter and acted in the coordination of the Action for Water and Ocean Platform, with the objective of developing projects aligned with the goals of Sustainable Development Goals (SDGs) 6, to ensure the availability and sustainable management of water and sanitation for all by 2030.

<sup>12,13</sup> Find more information on the calculation methodology in the Appendix: Calculation Method of CO<sub>2</sub>e Emission Reduction section

## Disclaimer

The information contained in this Green Financing Report does not constitute a recommendation regarding any securities of BTG Pactual or any member of the BTG Pactual Group. This Green Financing Report is not, does not contain and may not be intended as an offer to sell or a solicitation of any offer to buy any securities issued by BTG Pactual or any of its subsidiaries. In particular, neither this document nor any other related material may be distributed or published in any jurisdiction in which it is unlawful to do so, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession such documents may come must inform themselves about, and observe, any applicable restrictions on distribution. Although the information herein has been obtained from sources believed to be reliable, neither BTG Pactual nor any of its affiliates makes any representation or warranty, expressed or implied, with respect to the fairness, correctness, accuracy, reasonableness or completeness of the information and opinions. Nothing in this document constitutes a representation that any investment strategy contained herein is suitable or appropriate to a recipient's individual circumstances.

## Appendix:

### Calculation Method of CO<sub>2</sub>e Emission Reduction

Together, the six companies financed within the Renewable Energy category accounted for an estimated 883,839.79 tCO<sub>2</sub>e of avoided emissions in the period between October 2021 and September 2022, of which BTG Pactual proportionally financed 48,683.24 tCO<sub>2</sub>e<sup>14</sup>.

| Client       | Loan Balance (R\$) | Energy Generation in (GWh) | Attribution factor | Estimated CO <sub>2</sub> e Emissions Avoided (tCO <sub>2</sub> e/year) | %BTG FINANCED  |                  |
|--------------|--------------------|----------------------------|--------------------|---|--|------------------|
|              |                    |                            |                    |   | Estimated CO <sub>2</sub> emissions avoided (tCO <sub>2</sub> /year) | Estimated method |
| [Project #1] | 83,844,790.13      | 71.29                      | 2,45%              | 25,094.08   | 5,168.50 <sup>16</sup>   | e.g.             |
| [Project #2] | 30,180,136.67      | 403.59                     | 2,28%              | 142,063.68  | 5,173.29 <sup>17</sup>   | e.g.             |
| [Project #3] | 131,058,344.65     | 152                        | 3,64%              | 53,504.00   | 9,228.84 <sup>18</sup>   | e.g.             |
| [Project #4] | 28,912,388.13      | 30.41                      | 54,00%             | 9,000.18  | 284.74   | e.g.e            |
|              | 83,435,721.24      |                            | 54,00%             |   | 2,371.26   |                  |
| [Project #5] | 103,376,897.47     | 467.33                     | 12,43%             | 138,329.68  | 17,187.61  | e.g.             |
| [Project #6] | 65,612,862.27      | 225.32                     | 12,93%             | 45,289.32   | 5,854.11   | e.g.             |
|              | 38,274,169.66      |                            | 7,54%              |   | 3,414.90   |                  |

| Type of Power Generation                                 | PCAF Avoided Emission Factor (Physical Intensity) tCO <sub>2</sub> e/MWh |
|--|--|
| Firm Energy (e.g., Hydro, Geothermal, Energy Efficiency) | 0.201  |
| Intermittent Energy (e.g., Sola, Wind, Tidal)            | 0.296  |
| Firm/intermittent Energy                                 | 0.352  |

### Estimation method explanation:

- In all cases, the attribution factor utilized was calculated as the fraction between the outstanding amount and the total capitalization of the company (total equity plus debt) for private companies, the enterprise value including cash for public companies, or the total project value for financed projects.

$$\text{Attribution Factor for Private Companies: } \frac{\text{loan balance}}{\text{total equity} + \text{debt}} \quad \text{Attribution Factor for Public Companies: } \frac{\text{loan balance}}{\text{enterprise value including cash}}$$

$$\text{Attribution Factor for Financed Projects: } \frac{\text{loan balance}}{\text{total project value}}$$

- e.g.: energy generation (real, according to the Brazilian electricity system operator), multiplied by the avoided emission factor and by the attribution factor. The avoided emission factor is provided by the Partnership for Carbon Accounting Financials (PCAF), which methodology description encompass the combined margin grid emission factor.
- e.g.e.: estimated energy generation for 2022 according to the installed capacity and the capacity factor, multiplied by the avoided emission factor and by the attribution factor, all pondered by the investment. The avoided emission factor is provided by the PCAF, which methodology description encompass the combined margin grid emission factor.

<sup>14</sup> The allocation resulted in an average of 0.005tCO<sub>2</sub>e avoided per R\$ million financed

<sup>15</sup> Estimated CO<sub>2</sub>e emissions avoided (tCO<sub>2</sub>e/year) from energy generated from sugarcane biomass

<sup>16</sup> In Project #1, 186,184 units of CBIO were issued in the period, which was proportionally considered in the pro-rata CO<sub>2</sub>e emissions avoided using the same attribution factor. 1 unit of CBIO = 1tCO<sub>2</sub>e

<sup>17</sup> In Project #2, 84,374 units of CBIO were issued in the period, which was proportionally considered in the pro-rata CO<sub>2</sub>e emissions avoided using the same attribution factor. 1 unit of CBIO = 1tCO<sub>2</sub>e

<sup>18</sup> In Project #3, 200,000 units of CBIO were issued in the period, which was proportionally considered in the pro-rata CO<sub>2</sub>e emissions avoided using the same attribution factor. 1 unit of CBIO = 1tCO<sub>2</sub>e

## 6. Annex:



# Banco BTG Pactual

**Type of Engagement:** Annual Review

**Date:** November 21, 2022

**Engagement Team:**

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## 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>                             | Building projects that meet internationally recognized standards: <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>             | Water and sanitation infrastructure for underserved populations, including: <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

| Eligibility Criteria            | Procedure Performed  | Factual Findings   | Error or Exceptions Identified |
|---------------------------------|--|--|--------------------------------|
| <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   |  |
|---|------------------------|--------------------|--|--|
|   |                        |                    | Annual GHG emissions avoided (tCO <sub>2</sub> e)        | Annual renewable energy generated (GWh)                            |
| Renewable Energy  |                        |                    |  |  |
| 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

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# Green Financing Report

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