

Banco BTG Pactual

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Introduction

In November 2021, Banco BTG Pactual (“BTG” or the “Bank”) launched the Sustainable Deposits Program (the “Sustainable Deposits”) for its clients which requires the Bank to earmark the equivalent amount of proceeds raised from the Sustainable Deposits to effectively finance and refinance projects related to renewable energy, sustainable water and wastewater management, electricity networks, environmentally sustainable management of living natural resources and land use and affordable housing. In July 2024, BTG engaged Sustainalytics to review the projects financed with proceeds from the Sustainable Deposits (the “Nominated Expenditures”) and provide an assessment as to whether they meet the use of proceeds criteria and complied with the reporting commitments in the Banco BTG Pactual Sustainable Financing Framework dated May 2024 (the “Framework”).^{1,2} Sustainalytics provided a Second-Party Opinion on the Framework in June 2024.^{3,4}

Evaluation Criteria

Sustainalytics evaluated the Nominated Expenditures financed between October 2022 and December 2023 and BTG’s reporting based on whether they:

1. Meet the use of proceeds and eligibility criteria defined in the Framework; and
2. Reported on at least one key performance indicator (KPI) for each use of proceeds category defined in the Framework.

¹ BTG, “Sustainable Financing Framework”, (2024), at: <https://static.btgpactual.com/media/btg-sustainable-financing-framework-2024.pdf>

² The 2024 Banco BTG Pactual Sustainable Financing Framework is an update to the 2021 BTG Pactual Sustainable Financing Framework: BTG “Banco BTG Pactual Sustainable Financing Framework”, (2021), at: <https://static.btgpactual.com/media/btg-sustainable-financing-framework-2021-20211213124151.pdf>. While Sustainalytics notes that the Sustainable Deposits launched in 2021 were based on the 2021 framework, the Bank has communicated to Sustainalytics that it now expects the product to align with the 2024 framework.

³ Sustainalytics, “Second-Party Opinion, BTG”, (2024), at: [Banco BTG Pactual S.A. Sustainable Financing Framework Second-Party Opinion 2024.pdf](#)

⁴ The 2024 Second-Party Opinion is an update to the 2021 Second-Party Opinion: Sustainalytics, “Second-Party Opinion, BTG”, (2021), at: https://mstar-sustops-cdn-mainwebsite-s3.s3.amazonaws.com/docs/default-source/spos/btg-pactual-sustainable-financing-framework-second-party-opinion.pdf?sfvrsn=c886d5e7_1

Table 1: Use of Proceeds Categories, Eligibility Criteria and Associated KPIs for Green Projects

Green Project Category	Use of Proceeds Category	Eligibility Criteria	KPI
Renewable Energy	Solar Energy	Solar facilities should have 100% of electricity generated from renewable sources, except for CSP projects that shall not have more than 15% of electricity generated from non-renewable sources Or Solar facilities for individuals or distributed generation	<ul style="list-style-type: none"> i. Installed capacity in MW ii. Annual renewable energy generation in MWh iii. Annual GHG emissions reduced/avoided in tonnes of CO₂ equivalent
	Wind Energy	Wind facilities shall have 100% of own electricity generated from renewable sources	
	Small run-of-river hydro plants	Small run-of-river hydro plants that have the capacity to deliver up to 25MW and/or facilities operating at life cycle emissions lower than 100g CO ₂ e/ kWh ⁵ and Hydropower projects in which an environmental and social impact assessment has been carried out by a credible body (for example: Environmental Impact Assessment - EIA) and Simplified Environmental Report-RAS in Portuguese) Or Run-of-river power plants with no reservoir	
	Biofuel	Limited to projects with life-cycle emissions of less than 100g CO ₂ /kWh using sustainable feedstock that does not deplete existing terrestrial carbon stocks or high biodiversity areas or compete with food production Or Electricity generation coming from biofuel and biofuel production (nonblended) shall be eligible Non-waste feedstock will be certified under approved best practices standards, such as: Bonsucro, RTRS (Round Table on Responsible Soy), RSPO (Round Table on Sustainable Palm Oil), RSB (Roundtable on Sustainable Biomaterials), FSC (Forest Stewardship Council), and ISCC Plus, and its production does not take place on land with high biodiversity ⁶	
Electricity Networks	Transmission and distribution	Grid and storage assets that meet the following criteria: i) dedicated to	<ul style="list-style-type: none"> i. Renewable capacity

⁵ For facilities becoming operational during 2020 or after the thresholds: 50g CO₂e/ kWh and 10W/m² plus a good score from the ESG Gap Analysis assessment (assessed by an IHA consultant).

⁶ "Land with high biodiversity" is defined as a territorial space and its environmental resources, including jurisdictional waters, with relevant natural characteristics, legally established by the Government (Federal, State or Municipal), in accordance with Federal Law No. 9.985/2000. These areas must be approved by a Decree of the competent Executive Authority (Mayor, Governor, or President), and contains defined limits and protection objectives, which may vary according to its intended use, which must be established in its approval Decree and be in accordance with the Federal Law. The intended use of a UC may vary between full protection and/or sustainable exploitation. Additionally, any intended use must be approved by the UC managing council and must be permitted by UC Management Plan.

	<p>networks (Grids), Electricity Storage facilities, Grid Flexibility Measures, and Dedicated supporting infrastructure</p>	<p>connecting renewables to the grid, or ii) connected to a network that generates 90% or more of renewable energy, for Brazilian projects. Or Capacity complies with the 100g CO₂e/kWh threshold (measured on a PCF basis over a rolling five-year average period) Or Energy production and storage units for wind energy, solar energy, marine energy, and hydropower</p>	<p>connected to the grid (in GW and relative share of total capacity in %)</p> <ul style="list-style-type: none"> ii. Annual output (GWh/y, split in renewable and conventional electricity in %) iii. Efficiency improvements in transmission and distribution (%) iv. Avoided emissions p.a. (kt CO₂e/y)
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Table 2: Use of Proceeds Categories, Eligibility Criteria and Associated KPIs for Blue Projects

Blue Project Category	Use of Proceeds Category	Eligibility Criteria	KPI
Sustainable Water and Wastewater Management	Infrastructure for clean and/or drinking water, wastewater treatment, sustainable urban drainage systems and river training	No net GHG emissions impact is expected or a negative net GHG emissions impact is expected ⁷ either in terms of decreased emission or increased sequestration relative to a business-as-usual baseline. For river training, shall show evidence of measures carried towards Climate Adaptation and Resilience. ⁸	<ul style="list-style-type: none"> i. Estimated water savings (gallons per year) ii. Annual gross amount of wastewater treated, reused, or avoided pre- and post-project in m³/and PE/a, and as a % iii. Annual water savings: gross water use before and after the project in m³/a, reduction in water use in % iv. Number of people provided with water and wastewater infrastructure

Table 3: Use of Proceeds Categories, Eligibility Criteria and Associated KPIs for Biodiversity Projects

Biodiversity Project Category	Use of Proceeds Category	Eligibility Criteria	KPI
Environmentally Sustainable Management of Living Natural Resources and Land Use	Certified agricultural production ensuring sustainable/ organic practices and responsible sourcing; Native vegetation conservation, restoration and recovery; Protection and oversight for protected marine areas; Recovery of degraded areas; Certified fishing and aquaculture through recognized certifications. Certified sustainable agriculture through recognized certifications ⁹	Commercial and sustainable forest management certified FSC/ PEFC/SFI for largescale projects and for smallholder ¹⁰ forest, sustainable forest management plan in place if not certified Low carbon agriculture activities that deliver at least 20% reduction in GHG emissions ¹¹	<ul style="list-style-type: none"> i. Planted, cultivated, or reforested area ii. Annual GHG emissions reduced/ avoided in tons of CO₂ equivalent iii. Carbon sequestration in tons of CO₂ equivalent

⁷ Estimated impact will be delivered over the operational lifetime of the project or asset.

⁸ Vulnerability Assessment: an assessment of climate risks to find whether climate change will significantly impact the project or asset Adaptation Plan Evaluation: If significant climate risks are defined, the issuer needs to supply a corresponding Adaptation Plan. Usually, demonstrating compliance with local regulatory regime can satisfy these Adaptation and Resilience requirements.

⁹ Certifications in accordance with Annex 1 of the Framework

¹⁰ In accordance with FSC, smallholder is a producer who has a small area of forest, harvests timber at low intensity, or is a part of a community who owns and/or manages a forest.

¹¹ Considering length of the project or asset, 20% for ten years and 30% above ten years. Activities must be in accordance with criteria described in Annex 1 and deliver at least 20% reduction in the GHG emissions.

Table 4: Use of Proceeds Categories, Eligibility Criteria and Associated KPIs for Social Projects

Social Project Category	Use of Proceeds	Target Populations	Objectives	KPI
Affordable Housing	Development and construction of, or mortgage loans for affordable urban and rural housing	<p>Low-and moderate-income individuals and families as defined by state housing policies</p> <p>Brazil: The Ministry of Cities and the Federal Government and in line with the MCMV program¹² ” Or</p> <p>As low-and-moderate income individuals as defined by IBGE¹³ Colombia: Construction of VIS “Vivienda de Interés Social” or VIP “Vivienda de Interés Prioritario” as defined by the Ministry of Housing, Cities and Territory of Colombia</p> <p>Chile: Housing qualifying under the outstanding Emergency Housing Plan of the Housing Ministry¹⁴</p>	Provide decent and affordable housing	<p>i. Number of units provided/ beneficiaries supported</p> <p>ii. Average housing price / Rental costs compared to the national/regional rent index (Social indicators)</p>

Issuer’s Responsibility

BTG is responsible for providing accurate information and documentation relating to the details of the projects, including descriptions, amounts allocated and impact.

Independence and Quality Control

Sustainalytics, a leading provider of ESG research and ratings, conducted the verification of the use of proceeds from BTG’s Sustainable Deposits. The work undertaken as part of this engagement included collection of documentation from BTG and review of said documentation to assess conformance with the 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.

¹² Minha Casa Minha Vida (MCMV; in English “My House My Life”) is Brazil’s first-ever effort at large-scale public housing, an ambitious nationwide program tasked with constructing 3.4mn homes as part of a broader effort to upgrade and modernize the nation’s cities. MCMV is funded primarily through the Growth Acceleration Program (PAC), a federal infrastructure-upgrading program. Groups 1, 1.5 and 2 of the program are eligible under the Framework. Please find the eligible categories here: <https://www.gov.br/cidades/pt-br/assuntos/materias/programa-minha-casa-minha-vida>

¹³ low-income individuals are those who have monthly income from BRL 122,67 to BRL 667,86. Moderate income individuals are those that have monthly income from BRL 667,87 to BRL 3755,76.

¹⁴ All of the people that apply to housing subsidies have to be registered in the Social Registry of Households (RSH = Spanish acronym) and not exceed the socioeconomic qualification (CSE = Spanish acronym - https://registrosocial.gob.cl/docs/Res-n082_Determina_Metodologia_de_Calculo_CSE.pdf (<https://registrosocial.gob.cl/que-es#top>) level required by the subsidy alternative to which you wish to apply. For all the subsidies given by the Housing Ministry the target population varies for family units that range between the 40% and the 90% of most vulnerable families according to the CSE ([vivienda \(chileatiende.gob.cl\)](http://vivienda.chileatiende.gob.cl)). In the current government, the principal housing subsidies are given in the context of the Habitational Emergency Program (PEH for Spanish Acronym - <https://www.minvu.gob.cl/wp-content/uploads/2022/07/Plan%20de%20Emergencia%20Habitacional.pdf>

Conclusion

Based on the limited assurance procedures conducted,¹⁵ nothing has come to Sustainalytics' attention that causes us to believe that, in all material respects, the Nominated Expenditures do not conform with the use of proceeds criteria and reporting commitments in the Framework. BTG has disclosed to Sustainalytics that the proceeds from the Sustainable Deposits were fully allocated as of December 2023.

Detailed Findings

Table 5: Detailed Findings

Framework Requirements	Procedure Performed	Factual Findings	Error or Exceptions Identified
Use of Proceeds Criteria	Verification of the Nominated Expenditure to determine alignment with the use of proceeds criteria outlined in the Framework.	The Nominated Expenditures comply with the use of proceeds criteria.	None
Reporting Criteria	Verification of the Nominated Expenditure or assets to determine if impact was reported in line with the KPIs outlined in the Framework.	BTG reported on at least one KPI per use of proceeds category.	None

¹⁵ Sustainalytics' limited assurance process includes reviewing documentation relating to details of projects, as provided by the issuing entity, which is responsible for providing accurate information. These may include descriptions of projects, estimated and realized costs, and reported impact. Sustainalytics has not conducted on-site visits to projects.

Appendix

BTG raised a total of BRL 685.77 million with its Sustainable Deposits. The proceeds were used to finance and refinance assets worth BRL 7,915.06 million. The eligible portfolio consists of loans extended to 58 projects. Table 6 and 7 provide a summary of the reported eligible loan amounts and impact of the projects, which have been pro-rated to the amounts of the Sustainable Deposits.

Table 6: Allocation of proceeds from the Sustainable Deposits

Use of Proceeds Category	Sub-Category	Number of Projects	Net Proceeds Allocated (Financed) (BRL million)	Net Proceeds Allocated (Refinanced) (BRL million)	Total (BRL million)
Renewable Energy	Biofuels	12	566.87	532.01	1,098.88
	Small run-of-river hydro plants	7	113.85	65.14	178.99
	Solar energy	7	789.79	744.96	1,534.75
	Electricity networks	7	159.25	914.60	1,073.85
Sustainable Water and Wastewater Management	Water & Sanitation	19	2,279.89	1,129.97	3,409.86
Sustainable Agriculture	Environmentally sustainable management of living natural resources and land use	5	275.70	191.82	467.52
Affordable housing	Affordable housing	1	151.21		151.21
Total		58	4,336.56	3,578.50	7,915.06
Total net proceeds raised through the Sustainable Deposits (BRL million)					685.77¹⁶

¹⁶ Pro-rata computation on proceeds to BRL 685.77 million given that a total of BRL 7,915.06 million was earmarked by BTG Pactual to assets (re)financed.

Table 7: Reported Impact from the Sustainable Deposits

Use of Proceeds Category	Sub-category	Reported Impact
Renewable Energy	Biofuels	<ul style="list-style-type: none"> i. Annual GHG emissions reduced/avoided in tonnes of CO₂ equivalent/year: 819,838 tCO₂e ii. Annual renewable energy generation in MWh/GWh (electricity) and GJ/TJ (other energy): 169,193.5MWh iii. Capacity of renewable energy plant(s) constructed or rehabilitated in MW: 4,414.9MW
	Small run-of-river hydro plants	<ul style="list-style-type: none"> i. Annual GHG emissions reduced/avoided in tonnes of CO₂ equivalent/year: 1.7MW ii. Capacity of renewable energy plant(s) constructed or rehabilitated in MW: 1.6MW
	Solar Energy	<ul style="list-style-type: none"> i. Annual renewable energy generation in MWh/GWh (electricity) and GJ/TJ (other energy): 15,145.3 GWh ii. Capacity of renewable energy plant(s) constructed or rehabilitated in MW: 52.8
	Electricity Networks	<ul style="list-style-type: none"> i. Renewable capacity connected to the grid: 77.17% (According to Energy National System of Brazil)
Sustainable Water and Wastewater Management	Water & Sanitation	<ul style="list-style-type: none"> i. Number of people provided with water and wastewater infrastructure: 25,299,146 people
Sustainable Agriculture	Environmentally Sustainable Management of Living Natural Resources and Land Use	<ul style="list-style-type: none"> i. Planted, cultivated or reforested area: 139,946 ha (hectares)
Affordable housing	Affordable housing	<ul style="list-style-type: none"> i. Number of units provided/ beneficiaries supported: 3,466

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