

Second-Party Opinion

Banco BTG Pactual Green, Social and Sustainable Financing Framework



Evaluation Summary

Sustainalytics is of the opinion that the Banco BTG Pactual Green, Social and Sustainable Financing Framework is credible and impactful and aligns with the Sustainability Bond Guidelines 2018 (SBG). This assessment is based on the following:



USE OF PROCEEDS The eligible categories for the use of proceeds Renewable Energy, Energy Efficiency, Sustainable Water and Wastewater Management, Clean Transportation, Green Buildings, Affordable Housing, and Affordable Basic Infrastructure are aligned with those recognized by the Green Bond Principles 2018 (GBP), Social Bond Principles 2020 (SBP), and Green Loan Principles 2020 (GLP). Sustainalytics considers that the eligible categories will lead to positive environmental or social impacts and advance the UN Sustainable Development Goals, specifically SDGs 6,7,9, and 11.



PROJECT EVALUATION / SELECTION Banco BTG Pactual will set up a dedicated committee to evaluate and select projects to ensure their alignment with the criteria of this Framework. Sustainalytics considers the project selection process in line with market practice



MANAGEMENT OF PROCEEDS The Bank's Treasury department will be responsible for managing proceeds and will allocate them to new projects or existing projects commenced within the last 36 months preceding issuance. The Bank intends on allocating proceeds from issuance in the first 36 months from date of issuance. Pending allocation, proceeds will be managed in accordance with the Bank's regular liquidity practices. Sustainalytics considers this to be aligned with market practice.



REPORTING Banco BTG Pactual intends to report allocation proceeds on its website on an annual basis until full allocation on a project-portfolio basis. In addition, Banco BTG Pactual is committed to reporting on relevant impact metrics. Sustainalytics views Banco BTG Pactual's allocation and impact reporting as aligned with market practice.

Evaluation date	November 16, 2020
Issuer Location	São Paulo, Brazil

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Introduction

Banco BTG Pactual (“BTG”, or the “Bank”) is one of the largest investment banks in Latin America with operations in key economies across the continent as well as in the US, UK and Portugal. The Bank operates across various business segments including investment banking, wealth management, asset management, and corporate lending and employs over 3,100 people.

BTG has developed the Banco BTG Pactual Green, Social and Sustainable Financing Framework (the “Framework”) under which it intends to issue green, social, or sustainability financing instruments and use the proceeds to finance and/or refinance, in whole or in part, existing and/or future projects that are focused on delivering positive environmental or social outcomes. The Framework defines eligibility criteria in seven areas:

1. Renewable Energy
2. Energy Efficiency
3. Sustainable Water and Wastewater Management
4. Clean Transportation
5. Green Buildings
6. Affordable Housing
7. Affordable Basic Infrastructure

BTG engaged Sustainalytics to review the Banco BTG Pactual Green, Social and Sustainable Financing Framework, dated October 2020, and provide a Second-Party Opinion on the Framework’s environmental and social credentials and its alignment with the Sustainability Bond Guidelines 2018 (SBG).¹ This Framework has been published in a separate document.²

Scope of work and limitations of Sustainalytics Second-Party Opinion

Sustainalytics’ Second-Party Opinion reflects Sustainalytics’ independent³ opinion on the alignment of the reviewed Framework with the current market standards and the extent to which the eligible categories are credible and impactful.

As part of the Second-Party Opinion, Sustainalytics assessed the following:

- The Framework’s alignment with the Green Bond Principles 2018, Social Bond Principles 2020, and Sustainability Bond Guidelines 2018, as administered by ICMA, and the Green Loan Principles 2020 as administered by LMA, APLMA, and LSTA;
- The credibility and anticipated positive impacts of the use of proceeds;
- The alignment of the issuer’s sustainability strategy and performance and sustainability risk management in relation to the use of proceeds.

For the use of proceeds assessment, Sustainalytics relied on its internal taxonomy, version 1.5.1, which is informed by market practice and Sustainalytics’ expertise as an ESG research provider.

As part of this engagement, Sustainalytics held conversations with various members of BTG’s management team to understand the sustainability impact of their business processes and planned use of proceeds, as well as management of proceeds and reporting aspects of the Framework. BTG representatives have confirmed (1) they understand it is the sole responsibility of BTG to ensure that the information provided is complete, accurate or up to date; (2) that they have provided Sustainalytics with all relevant information and (3) that any provided material information has been duly disclosed in a timely manner. Sustainalytics also reviewed relevant public documents and non-public information.

This document contains Sustainalytics’ opinion of the Framework and should be read in conjunction with that Framework.

¹ The Sustainability Bond Guidelines are administered by the International Capital Market Association and are available at <https://www.icmagroup.org/green-social-and-sustainability-bonds/sustainability-bond-guidelines-sbg/>

² The Banco BTG Pactual Green, Social and Sustainable Financing Framework is available on Banco BTG Pactual’s website at: <https://www.btgpactual.com/cidadania/esg-e-impact-investing/impact-investing>

³ When operating multiple lines of business that serve a variety of client types, objective research is a cornerstone of Sustainalytics and ensuring analyst independence is paramount to producing objective, actionable research. Sustainalytics has therefore put in place a robust conflict management framework that specifically addresses the need for analyst independence, consistency of process, structural separation of commercial and research (and engagement) teams, data protection and systems separation. Last but not the least, analyst compensation is not directly tied to specific commercial outcomes. One of Sustainalytics’ hallmarks is integrity, another is transparency.

Any update of the present Second-Party Opinion will be conducted according to the agreed engagement conditions between Sustainalytics and BTG.

Sustainalytics' Second-Party Opinion, while reflecting on the alignment of the Framework with market standards, is no guarantee of alignment nor warrants any alignment with future versions of relevant market standards. Furthermore, Sustainalytics' Second-Party Opinion addresses the anticipated impacts of eligible projects expected to be financed with bond proceeds but does not measure the actual impact. The measurement and reporting of the impact achieved through projects financed under the Framework is the responsibility of the Framework owner.

In addition, the Second-Party Opinion opines on the intended allocation of proceeds but does not guarantee the realised allocation of the bond proceeds towards eligible activities.

No information provided by Sustainalytics under the present Second-Party Opinion shall be considered as being a statement, representation, warrant or argument either in favour or against, the truthfulness, reliability or completeness of any facts or statements and related surrounding circumstances that BTG has made available to Sustainalytics for the purpose of this Second-Party Opinion.

Sustainalytics' Opinion

Section 1: Sustainalytics' Opinion on the Banco BTG Pactual Green, Social and Sustainable Financing Framework

Sustainalytics is of the opinion that the Banco BTG Pactual Green, Social and Sustainable Financing Framework is credible, impactful and aligns with the four core components of the GBP, SBP and GLP. Sustainalytics highlights the following elements of BTG's Green, Social and Sustainable Financing Framework:

- Use of Proceeds:
 - The eligible categories, Renewable Energy, Energy Efficiency, Sustainable Water and Wastewater Management, Clean Transportation, Green Buildings, Affordable Housing, and Affordable Basic Infrastructure are aligned with those recognized by the GBP, SBP, and GLP.
 - Within Renewable Energy, BTG intends on investing in solar⁴, wind⁴, biofuels⁵ and small-scale hydro energy⁶ plants. Sustainalytics considers these investments and the associated thresholds to be aligned with market practice.
 - Within Energy Efficiency, BTG intends on financing or refinancing projects including investments in energy storage, district heating⁷, and smart grid technology for new and refurbished buildings that lead to a minimum of 30% improvement in efficiency. Sustainalytics considers these investments and associated thresholds to be aligned with market practice.
 - Within Sustainable Water and Wastewater Management category, BTG intends on financing or refinancing infrastructure for clean/ drinking water, wastewater treatment⁸, urban drainage and river training systems for flood mitigation. Sustainalytics considers these to be aligned with market practice.
 - Within Clean Transportation, the Framework contemplates investments in a variety of modes of transport including rail, non-motorised transport, and infrastructure for clean energy vehicles. BTG has further clarified that these investments shall not be used majorly for transportation of fossil fuels. Sustainalytics considers these to be aligned with market practice.
 - Within Green Buildings, BTG intends on financing or refinancing efficient building projects that meet internationally recognized standards including LEED and EDGE (please refer to Appendix 1 for more details on Green Building certification schemes). The Framework considers projects certified LEED Gold or Platinum to be eligible for financing. Sustainalytics considers these

⁴ Solar and wind energy plants shall not have more than 15% of energy from non-renewable sources.

⁵ Biofuel project emissions will be restricted to 100g CO₂/kWh and the plant will rely on sustainable feedstock certified under best practices such as Bonsucro, RSB, FSC, and ISCC, such that it does not deplete existing terrestrial carbon stocks or compete with food production

⁶ Hydro-energy plants will be restricted to a maximum capacity of 25MW and/or will have lifecycle emissions lower than 100g CO₂e/kWh

⁷ BTG has confirmed that district heating projects will not use power generated from fossil fuels

⁸ BTG has confirmed that wastewater treatment will not be installed at fossil-fuel operations

- accreditation schemes and associated thresholds to be credible and accordingly, these investments to be aligned with market practice.
- Within Affordable Housing, the Framework contemplates both project-based financing of affordable housing projects and mortgages lending for affordable homes. These projects and loans are targeted at low-moderate income individuals as defined by policies and programs of the federal government of Brazil or individual Ministries of Cities such as the “Minha Casa, Minha Vida” program administered by the federal government.
 - Within Affordable Basic Infrastructure, BTG intends on financing or refinancing investments in water and sanitation infrastructure including clean drinking water, sewers and sanitation for underserved population as defined by the Brazilian Institute of Geography and Statistics.⁹
 - Project Evaluation and Selection:
 - BTG will appoint a Green, Social and Sustainable Financing Committee (the “Committee”) for the purpose of this Framework that will include representatives from various teams within the Bank including ESG and Impact Investing, Treasury and any other relevant line of business.
 - The Committee will be responsible for evaluating projects in line with criteria laid out in the Framework as well as final project approval. Each transaction will also go through the regular credit approval process which includes evaluation of environmental and social risks associated with the project.
 - Based on a dedicated committee with multi-stakeholder representation for project evaluation and executive-level participation in project approval, Sustainalytics considers this process to be in line with market practice.
 - Management of Proceeds:
 - Net proceeds from any issuance under the Framework will be managed by BTG’s Treasury Team. Proceeds could be utilized for refinancing existing projects commenced within 36 months preceding the date of issuance or for new projects.
 - The Framework allows for proceeds to be allocated until the maturity of the financing instrument. Sustainalytics considers common market practice to be allocating proceeds within 36 months from date of issuance and encourages the issuer to allocate proceeds within this timeframe.
 - Pending allocation, proceeds from any issuance will be held in cash or equivalent liquid securities in alignment with BTG’s Treasury Management policies.
 - Sustainalytics considers the processes in place to manage proceeds and the disclosure for temporary use pending allocation to be in line with market practice while noting the longer allocation period versus common market practice.
 - Reporting:
 - BTG may consider publishing a report separately or as part of its annual report until full allocation that includes details about allocations from the net proceeds towards eligible projects on a project- portfolio basis.
 - BTG will also publish an impact report until full allocation that will provide information about performance of the Bank’s investments against qualitative and where feasible, quantitative impact indicators.
 - Based on the commitment to allocation and impact reporting, Sustainalytics considers this process to be in line with market practice.

Alignment with Sustainability Bond Guidelines 2018

Sustainalytics has determined that the Banco BTG Pactual Green, Social and Sustainable Financing Framework aligns to the four core components of the Green Bond Principles (2018) and Social Bond Principles (2020). For detailed information please refer to Appendix 1: Sustainability Bond/ Sustainability Bond Programme External Review Form.

⁹ The Basic Sanitation National Survey defines underserved population as those without access to an internal water pipeline, potable water, sewage treatment, water supply or sanitation, or those who have to ration water or use a cistern for drinking water, refer Framework for full definition and resources

Section 2: Sustainability Strategy of BTG

Contribution of Framework to Banco BTG Pactual's sustainability strategy¹⁰

Sustainalytics is of the opinion that BTG demonstrates a strong commitment to sustainability in the way it carries out its operations as well as in its investments in projects that have positive environmental and social outcomes. The Bank has identified "Environment" as one of the two priority areas of investment in its annual report and as of 2019, it reported having over US\$1.8 billion (R\$ 10 billion) of assets in sectors such as renewable energy and transportation of which US\$850 million (R\$4.6 billion) was disbursed in 2019 alone. Even under social categories, the Bank had a US\$89 million (R\$480 million)¹¹ worth of credit extended towards affordable housing in addition to other forms of social financing.

From an operational perspective as well BTG demonstrated progress towards its environmental priorities as it unveiled new headquarters building with a LEED Platinum certification in 2019. The Bank has installed a solar plant at its Medellin office in Colombia and operates waste separation and recycling programs across several locations in the continent.

BTG also invests in philanthropic effort in partnership with social welfare organizations operating across Latin America. Some of the noteworthy organizations include Instituto Fazenda Historia (Making History Institute)- focused on helping children housed in temporary shelters away from their families- and Proa- focused on creating development opportunities for low-income youth.

Through the above efforts, BTG demonstrates a sound track-record on key sustainability performance parameters and Sustainalytics believes that investments planned under this Framework are aligned with the Bank's sustainability strategy.

Well positioned to address common environmental and social risks associated with the projects¹²

While Sustainalytics recognizes that the use of proceeds from the Framework will be directed towards eligible projects that are recognized by the GBP, SBP and GLP to have positive environmental and social impact, Sustainalytics is aware that such eligible projects could also lead to negative environmental and social outcomes. Some key environmental and social risks associated with the eligible projects, could include occupational health and safety, land use and biodiversity issues associated with large-scale infrastructure development and waste generated in construction.

- BTG's strategic vision on key environmental, social, and governance (ESG) risks is guided by the Board of Directors who are responsible for approving the ESG policy and strategy. Material ESG risks are supervised by an ESG Committee comprised of C-suite executives and chaired by the Bank's CEO.
- The Bank also has a separate team composed of experts on topics relating to the environment and occupational health and safety that draft procedures and policies to ensure the Bank's vision on material ESG risks is accurately reflected in its investment portfolio and support the integration of ESG criteria in selection of assets.
- BTG also commits to operating in a manner consistent with other internationally recognized principles such as the UN Universal Declaration of Human Rights and the Principles for Responsible Investment that promotes awareness of global sustainability issues within the Bank and enables it to incorporate the same into its operations.

Section 3: Impact of Use of Proceeds

All seven use of proceeds categories are aligned with those recognized by GBP, SBP or GLP. Sustainalytics has focused on three below where the impact is specifically relevant in the local context.

Importance of wastewater management projects in Brazil

Large volumes of wastewater in urban areas pose an environmental challenge for Brazil, caused in part by the obstacles the sanitation sector is currently facing in managing the residues produced by water and wastewater treatment plants. In 2015, more than 33 million Brazilians had no access to safe drinking water,

¹⁰ Banco BTG Pactual website, Sustainability Report 2019 at: http://ri.btgpactual.com/conteudo_en.asp?idioma=1&conta=44&tipo=65068

¹¹ As per the credit portfolio information as of July 2020 shared by the Bank

¹² Banco BTG Pactual website, Sustainability Report 2019 at: http://ri.btgpactual.com/conteudo_en.asp?idioma=1&conta=44&tipo=65068

and more than 100 million lacked access to sewage collection.¹³ Meanwhile, only 42% of the produced sewage undergoes treatment.¹⁴ As such, most Brazilian cities struggle with the issue of water pollution caused by untreated sewage discharge to waterbodies and poorly maintained water and drainage infrastructure.¹⁵ It is estimated that of the 5,570 municipalities in Brazil, only 34% have wastewater treatment plants.¹⁶ Studies suggest that a primary driver of the decrease in water quality in Brazil was the rapid urbanization from 45% in 1960 to 80% in 2000, which was not accompanied by adequate investments in sanitation;¹⁷ of the total of 2,800 wastewater treatment plants in Brazil, the majority of them are situated in small towns.¹⁸

Brazil aims to reach 93% coverage in terms of wastewater treatment by 2033, and universal access to sanitation in urban areas by the same year.¹⁹ Partnerships with the private sector will play an important role in achieving this national objective, as state utilities have increasingly sought out private financing for wastewater collection and treatment through concessions, since federal funds have been disbursed slowly.²⁰ Considering these factors, Sustainalytics has a positive view of BTG's green financing in the wastewater management sector, as it will not only help alleviate the pressure put on the environment and society, but also support Brazil's 2020 goals.

Importance of low carbon transport in Brazil

In 2016, the transportation sector contributed to approximately 48 percent of Brazil's energy-related emissions.²¹ Within the transport sector, freight transport by road accounted for about 65% of emissions, with trucks being the largest emitting source.²² On average freight transport by rail can be upwards of 3-4 times more efficient than trucks which means that moving freight by rail instead of truck lowers greenhouse gas emissions by up to 75 percent.^{23,24} This creates a clear case for Brazil to switch to low carbon alternatives such as railways for freight transport, especially with exports of certain agricultural products such as soybean, sugar and wheat estimated to grow between 20% to 50% by 2026 compared to 2014-16.²⁵

Therefore, promoting the use of railway networks for freight transport will help Brazil transition to a low carbon economy and aid in working towards its climate goal of 37% reduction in GHG emissions from 2005 levels by 2025.²⁶ In this context, Sustainalytics finds BTG's intention to invest in clean transportation to be aligned with the local requirements and expects these investments to have positive environmental outcomes.

Importance of affordable housing in Brazil

The problem of homelessness in Brazil is significant with about 25% of the country's population living in inadequate housing or lacking housing altogether.²⁷ Brazil is home to some of the largest urban slums in the continent- the favelas- which currently house over 11 million people who are cut off from access to basic services such as electricity, plumbing, or sanitation.²⁸ In Sao Paulo, homelessness increased by 60% over the

¹³ Governance of Drinking Water and Sanitation Infrastructure in Brazil: https://www.ana.gov.br/todos-os-documentos-do-portal/documentos-sas/arquivos-cobranca/documentos-relacionados-saneamento/governance-of-ws-infrastructure-in-brazil_final.pdf

¹⁴ *Ibid*

¹⁵ German Development Institute, Urban Sewage in Brazil: Drivers of and Obstacles to Wastewater Treatment and Reuse: https://www.die-gdi.de/uploads/media/DP_26.2016.pdf

¹⁶ *Ibid*

¹⁷ *Ibid*

¹⁸ Inter-American Development Bank, Urban wastewater treatment in Brazil: <https://publications.iadb.org/bitstream/handle/11319/7783/Urban-wastewater-treatment-in-Brazil.pdf>

¹⁹ Governance of Drinking Water and Sanitation Infrastructure in Brazil: https://www.ana.gov.br/todos-os-documentos-do-portal/documentos-sas/arquivos-cobranca/documentos-relacionados-saneamento/governance-of-ws-infrastructure-in-brazil_final.pdf

²⁰ https://www.die-gdi.de/uploads/media/DP_26.2016.pdf

²¹ Observatório do Clima, Emissões De Gee No Brasil, 2018, at: <https://diariodotransporte.com.br/wp-content/uploads/2018/08/Relatorios-SEEG-2018-Sintese-FINAL-v1.pdf>

²² Observatório do Clima, Emissões De Gee No Brasil, 2018, at: <https://diariodotransporte.com.br/wp-content/uploads/2018/08/Relatorios-SEEG-2018-Sintese-FINAL-v1.pdf>

²³ International Union of Railways, Rail Transport and Environment, June 2008, at: <http://siteresources.worldbank.org/EXTRAILWAYS/Resources/515244-1268663980770/environment.pdf>

²⁴ Association of American Railroads, The Environmental Benefits of Moving Freight by Rail, July 2019, at: <https://www.aar.org/wp-content/uploads/2018/07/AAR-Environmental-Benefits-Moving-Freight-by-Rail.pdf>

²⁵ Organisation for Economic Co-operation and Development, Medium-Term Prospects for Major Agricultural Commodities 2017-2026 Brazil, at: <https://www.oecd.org/brazil/Brazil-AGR-Outlook-country-note.pdf>

²⁶ United Nations Framework Convention on Climate Change, Federative Republic of Brazil, Intended Nationally Determined Contribution, at: <https://www4.unfccc.int/sites/ndcstaging/PublishedDocuments/Brazil%20First/BRAZIL%20iNDC%20english%20FINAL.pdf>

²⁷ Brasil de Fato report, "Brazil: MTST holds historic protest in their struggle for dignified housing" on November 2017 at <https://www.brasildefato.com.br/2017/11/01/brazil-mtst-holds-historic-protest-in-their-struggle-for-dignified-housing/>

²⁸ BBC report, Favela Life: Rio's city within a city dated June 2014 at: <https://www.bbc.com/news/world-latin-america-27635554>

last five years²⁹ and in Rio de Janeiro, the increase was 150% over the three years 2014-17.³⁰ The effects are exacerbated as these communities are subject to crimes such as physical and psychological abuse, as well as are vulnerable to violence between drug factions and the police.^{31,32}

Significant investments in urban infrastructure have been announced and implemented to tackle these growing concerns. The Brazilian government launched the “Minha Casa, Minha Vida” program aimed at providing affordable housing for those in need and successfully housed millions of people since launch in 2009.³³ State and city governments have also announced programs such as the “Sao Paulo Home” program—a public-private partnership with an aim to develop 20,000 social housing units through a US\$150 million government investment and US\$250 million investment from a private real estate company.³⁴

These efforts will demand constant investment to help deliver affordable housing to the people of Brazil. In this context, Sustainalytics considers investments in affordable housing as planned under the Framework to deliver positive social outcomes.

Alignment with/contribution to SDGs

The Sustainable Development Goals (SDGs) were set in September 2015 and form an agenda for achieving sustainable development by the year 2030. This sustainability financing advances the following SDG goals and targets:

Use of Proceeds Category	SDG	SDG target
Renewable Energy	7. Affordable and clean energy	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix
Energy Efficiency	7. Affordable and clean energy	7.3 By 2030, double the global rate of improvement in energy efficiency
Sustainable Water and Wastewater Management	6. Clean water and sanitation	6.1 By 2030, achieve universal and equitable access to safe and affordable drinking water for all
Clean Transportation	11. Sustainable cities and communities	11.2 By 2030, provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities and older persons
Green Buildings	9. Industry, innovation and infrastructure	9.4 By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities
Affordable Housing	11. Sustainable cities and communities	11.1 By 2030, ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums

²⁹ Ganydar report, “Update Brazil: Street residents have increased 60% in Sao Paulo” dated February 2020 at: <https://www.ganydar.org/en/update-bresil-sdf/>

³⁰ The Rio Times report, “Rio’s Homeless Population Increases 150% in Three Years” dated June 2017 at: <https://riotimesonline.com/brazil-news/rio-politics/rios-homeless-population-increases-150-in-three-years/>

³¹ The Rio Times report, “Brazil Records 17,000 Cases of Violence against the Homeless in Three Years” dated June 2019 at: <https://riotimesonline.com/brazil-news/rio-politics/security/brazil-records-17000-cases-of-violence-against-the-homeless-in-three-years/>

³² The New York Times report, “In Brazil’s Favelas, Caught Between Police and Gangsters” dated July 2018 at: <https://www.nytimes.com/2018/07/12/lens/in-brazils-favelas-caught-between-police-and-gangsters.html>

³³ The City Fix report, “6 Features That Make Brazil’s Affordable Housing program Good for People and Environment” dated November 2015 at: <https://thecityfix.com/blog/sustainable-features-brazil-affordable-housing-program-good-people-environment-priscila-pacheco/#:~:text=Brazil's%20Minha%20Casa%2C%20Minha%20Vida,income%20families%20across%20the%20country.&text=MCMV's%20goal%20is%20to%20help,promoting%20a%20sense%20of%20community>

³⁴ World Policy Journal, “Brazil: My House, My Life” dated July 2016 at: <http://worldpolicy.org/2016/07/07/brazil-my-house-my-life/>

Affordable Basic Infrastructure	6. Clean water and sanitation	6.1 By 2030, achieve universal and equitable access to safe and affordable drinking water for all
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Conclusion

BTG has developed the Banco BTG Pactual Green, Social and Sustainable Financing Framework under which it will issue green, social, or sustainability financing instruments and use the proceeds to finance or refinance eligible projects in the seven categories listed above. Sustainalytics considers that the projects funded by the proceeds will provide positive environmental and social impact.

The Banco BTG Pactual Green, Social and Sustainable Financing Framework outlines a process by which proceeds will be tracked, allocated, and managed, and commitments have been made for reporting on the allocation and impact of the use of proceeds. Furthermore, Sustainalytics believes that Banco BTG Pactual Green, Social and Sustainable Financing Framework is aligned with the overall sustainability strategy of the company and that the use of proceeds categories will contribute to the advancement of the UN Sustainable Development Goals 6,7,9, and 11. Additionally, Sustainalytics is of the opinion that BTG has adequate measures to identify, manage and mitigate environmental and social risks commonly associated with the eligible projects funded by the use of proceeds.

Based on the above, Sustainalytics is confident that Banco BTG Pactual is well-positioned to issue green, social, or sustainability financing and that Banco BTG Pactual Green, Social and Sustainable Financing Framework is robust, transparent, and in alignment with the four core components of the Green Bond Principles (2018), Social Bond Principles (2020), and Green Loan Principles (2020).



Appendices

Appendix 1: Green Building Certification Schemes

	LEED	EDGE ³⁵
Background	Leadership in Energy and Environmental Design (LEED) is a US Certification System for residential and commercial buildings used worldwide. LEED was developed by the non-profit U.S. Green Building Council (USGBC) and covers the design, construction, maintenance and operation of buildings.	EDGE (or “Excellence in Design for Greater Efficiencies”) is a green building standard and certification system developed by the International Finance Corporation and applicable in 140 countries.
Certification levels	<ul style="list-style-type: none"> • Certified • Silver • Gold • Platinum 	<ul style="list-style-type: none"> • Certified/ non-certified
Areas of assessment	<ul style="list-style-type: none"> • Energy and atmosphere • Sustainable Sites • Location and Transportation • Materials and resources • Water efficiency • Indoor environmental quality • Innovation in Design • Regional Priority 	<ul style="list-style-type: none"> • Management is part of the Core Framework of EDGE³⁶
Requirements	<p>Minimum requirements independent of level of certification; point-based scoring system weighted by category to determine certification level.</p> <p>The rating system is adjusted to apply to specific sectors, such as: New Construction, Major Renovation, Core and Shell Development, Schools-/Retail-/Healthcare New Construction and Major Renovations, and Existing Buildings: Operation and Maintenance.</p>	<p>1. Climatic Conditions of the Location Monthly average wet and dry bulb temperature; Monthly average outdoor wind velocity; Monthly average outdoor humidity, Solar radiation intensity; Annual average rainfall; Carbon dioxide intensity of the electricity grid; Average cost of energy (by fuel type) and water.</p> <p>2. Building Type and Occupant Use Homes: for both apartments and houses (assumptions for area and occupancy are based on income categories); Hotels: for both hotels and resorts (assumptions for area, occupancy and the type of support services are based on the star rating of the property); Offices: assumptions are based on occupancy density and hours of use; Hospitals: assumptions are based on the type of hospital (e.g., nursing home, private or public hospital, clinic or diagnostic center); Retail: assumptions are based on the type of retail building (e.g.,</p>

³⁵ Website available at: <https://www.edgebuildings.com/marketing/edge/>

³⁶ EDGE Methodology Report available at: <https://www.edgebuildings.com/wp-content/uploads/2018/10/181018-EDGE-Methodology-Version-2.pdf>

		<p>department store, mall, supermarket, light industry or warehouse); Education: assumptions are based on the type of educational facility (e.g., pre-school, university or sports facility), as well as occupancy density and hours of use.</p> <p>3. Design and Specifications Thermal properties of the building envelope; Window to Wall Ratio; Building Orientation</p> <p>4. Calculation of the End Use Demand Overall energy demand in buildings; heating ventilation and air conditioning demand; virtual energy for comfort, energy demand for hot water requirements; lighting energy demand; water demand in buildings; estimations on rainwater harvesting or recycled water onsite; embodied energy in building materials.</p>
<p>Qualitative Considerations</p>	<p>Widely accepted within the industry, both in North America and internationally, and considered a guarantee of strong performance.</p>	<p>To achieve the EDGE standard, a building must demonstrate a minimum 20% reduction in operational energy consumption, water use and embodied energy in materials as compared to typical local practices.</p>
<p>Performance display</p>		
		<p>As of May 2019, accreditation for the EDGE certification was provided by 637 independent EDGE experts worldwide.</p>
		<p>Strong assurance of overall quality due to the EDGE's development under the IFC umbrella.</p>

Appendix 2: Sustainability Bond / Sustainability Bond Programme - External Review Form

Section 1. Basic Information

Issuer name:	Banco BTG Pactual
Sustainability Bond ISIN or Issuer Sustainability Bond Framework Name, if applicable:	Banco BTG Pactual Green, Social and Sustainable Financing Framework
Review provider's name:	Sustainalytics
Completion date of this form:	November 16, 2020
Publication date of review publication:	

Section 2. Review overview

SCOPE OF REVIEW

The following may be used or adapted, where appropriate, to summarise the scope of the review.

The review assessed the following elements and confirmed their alignment with the GBP and SBP:

- | | |
|--|--|
| <input checked="" type="checkbox"/> Use of Proceeds | <input checked="" type="checkbox"/> Process for Project Evaluation and Selection |
| <input checked="" type="checkbox"/> Management of Proceeds | <input checked="" type="checkbox"/> Reporting |

ROLE(S) OF REVIEW PROVIDER

- | | |
|---|--|
| <input checked="" type="checkbox"/> Consultancy (incl. 2 nd opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification | <input type="checkbox"/> Rating |
| <input type="checkbox"/> Other (<i>please specify</i>): | |

Note: In case of multiple reviews / different providers, please provide separate forms for each review.

EXECUTIVE SUMMARY OF REVIEW and/or LINK TO FULL REVIEW (*if applicable*)

Please refer to Evaluation Summary above.

Section 3. Detailed review

Reviewers are encouraged to provide the information below to the extent possible and use the comment section to explain the scope of their review.

1. USE OF PROCEEDS

Overall comment on section *(if applicable)*:

The eligible categories for the use of proceeds Renewable Energy, Energy Efficiency, Sustainable Water and Wastewater Management, Clean Transportation, Green Buildings, Affordable Housing, and Affordable Basic Infrastructure are aligned with those recognized by both the Green Bond Principles, Social Bond Principles, and Green Loan Principles. Sustainalytics considers that the eligible categories will lead to positive environmental or social impacts and advance the UN Sustainable Development Goals, specifically SDGs 6,7,9, and 11.

Use of proceeds categories as per GBP:

- | | |
|--|--|
| <input checked="" type="checkbox"/> Renewable energy | <input checked="" type="checkbox"/> Energy efficiency |
| <input type="checkbox"/> Pollution prevention and control | <input type="checkbox"/> Environmentally sustainable management of living natural resources and land use |
| <input type="checkbox"/> Terrestrial and aquatic biodiversity conservation | <input checked="" type="checkbox"/> Clean transportation |
| <input checked="" type="checkbox"/> Sustainable water and wastewater management | <input type="checkbox"/> Climate change adaptation |
| <input type="checkbox"/> Eco-efficient and/or circular economy adapted products, production technologies and processes | <input checked="" type="checkbox"/> Green buildings |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with GBP categories, or other eligible areas not yet stated in GBPs | <input type="checkbox"/> Other (please specify): |

If applicable please specify the environmental taxonomy, if other than GBPs:

Use of proceeds categories as per SBP:

- | | |
|---|---|
| <input checked="" type="checkbox"/> Affordable basic infrastructure | <input type="checkbox"/> Access to essential services |
| <input checked="" type="checkbox"/> Affordable housing | <input type="checkbox"/> Employment generation (through SME financing and microfinance) |
| <input type="checkbox"/> Food security | <input type="checkbox"/> Socioeconomic advancement and empowerment |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with SBP categories, or other eligible areas not yet stated in SBP | <input type="checkbox"/> Other (please specify): |

If applicable please specify the social taxonomy, if other than SBP:

2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (if applicable):

Banco BTG Pactual will set up a dedicated committee to evaluate and select projects to ensure their alignment with the criteria of this Framework. Sustainalytics considers the project selection process in line with market practice

Evaluation and selection

- | | |
|---|---|
| <input checked="" type="checkbox"/> Credentials on the issuer's social and green objectives | <input checked="" type="checkbox"/> Documented process to determine that projects fit within defined categories |
| <input checked="" type="checkbox"/> Defined and transparent criteria for projects eligible for Sustainability Bond proceeds | <input checked="" type="checkbox"/> Documented process to identify and manage potential ESG risks associated with the project |
| <input checked="" type="checkbox"/> Summary criteria for project evaluation and selection publicly available | <input type="checkbox"/> Other (please specify): |

Information on Responsibilities and Accountability

- | | |
|---|---|
| <input type="checkbox"/> Evaluation / Selection criteria subject to external advice or verification | <input checked="" type="checkbox"/> In-house assessment |
| <input type="checkbox"/> Other (please specify): | |

3. MANAGEMENT OF PROCEEDS

Overall comment on section (*if applicable*):

The Bank's Treasury department will be responsible for managing proceeds and will allocate them to new projects or existing projects commenced within the last 36 months preceding issuance. The Bank intends on allocating proceeds from issuance in the first 36 months from date of issuance. Pending allocation, proceeds will be managed in accordance with the Bank's regular liquidity practices. Sustainalytics considers this to be aligned with market practice.

Tracking of proceeds:

- | |
|---|
| <input checked="" type="checkbox"/> Sustainability Bond proceeds segregated or tracked by the issuer in an appropriate manner |
| <input checked="" type="checkbox"/> Disclosure of intended types of temporary investment instruments for unallocated proceeds |
| <input type="checkbox"/> Other (please specify): |

Additional disclosure:

- | | |
|---|---|
| <input type="checkbox"/> Allocations to future investments only | <input checked="" type="checkbox"/> Allocations to both existing and future investments |
|---|---|

- | | |
|---|--|
| <input type="checkbox"/> Allocation to individual disbursements | <input checked="" type="checkbox"/> Allocation to a portfolio of disbursements |
| <input checked="" type="checkbox"/> Disclosure of portfolio balance of unallocated proceeds | <input type="checkbox"/> Other (please specify): |

4. REPORTING

Overall comment on section (if applicable):

Banco BTG Pactual intends to report allocation proceeds on its website on an annual basis until full allocation on a project-portfolio basis. In addition, Banco BTG Pactual is committed to reporting on relevant impact metrics. Sustainalytics views Banco BTG Pactual's allocation and impact reporting as aligned with market practice.

Use of proceeds reporting:

- | | |
|--|--|
| <input type="checkbox"/> Project-by-project | <input checked="" type="checkbox"/> On a project portfolio basis |
| <input type="checkbox"/> Linkage to individual bond(s) | <input type="checkbox"/> Other (please specify): |

Information reported:

- | | |
|---|--|
| <input checked="" type="checkbox"/> Allocated amounts | <input checked="" type="checkbox"/> Sustainability Bond financed share of total investment |
| <input type="checkbox"/> Other (please specify): | |

Frequency:

- | | |
|--|--------------------------------------|
| <input checked="" type="checkbox"/> Annual | <input type="checkbox"/> Semi-annual |
| <input type="checkbox"/> Other (please specify): | |

Impact reporting:

- | | |
|--|--|
| <input type="checkbox"/> Project-by-project | <input checked="" type="checkbox"/> On a project portfolio basis |
| <input type="checkbox"/> Linkage to individual bond(s) | <input type="checkbox"/> Other (please specify): |

Information reported (expected or ex-post):

- | | |
|---|---|
| <input checked="" type="checkbox"/> GHG Emissions / Savings | <input checked="" type="checkbox"/> Energy Savings |
| <input checked="" type="checkbox"/> Decrease in water use | <input checked="" type="checkbox"/> Number of beneficiaries |
| <input checked="" type="checkbox"/> Target populations | <input type="checkbox"/> Other ESG indicators (please specify): |

Frequency:

- | | |
|--|--------------------------------------|
| <input checked="" type="checkbox"/> Annual | <input type="checkbox"/> Semi-annual |
| <input type="checkbox"/> Other (please specify): | |

Means of Disclosure

- | | |
|---|---|
| <input type="checkbox"/> Information published in financial report | <input type="checkbox"/> Information published in sustainability report |
| <input type="checkbox"/> Information published in ad hoc documents | <input checked="" type="checkbox"/> Other (please specify): Annual report for Sustainability Bond |
| <input type="checkbox"/> Reporting reviewed (if yes, please specify which parts of the reporting are subject to external review): | |

Where appropriate, please specify name and date of publication in the useful links section.

USEFUL LINKS (e.g. to review provider methodology or credentials, to issuer's documentation, etc.)**SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE****Type(s) of Review provided:**

- | | |
|--|--|
| <input type="checkbox"/> Consultancy (incl. 2 nd opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification / Audit | <input type="checkbox"/> Rating |
| <input type="checkbox"/> Other (<i>please specify</i>): | |

Review provider(s):**Date of publication:****ABOUT ROLE(S) OF REVIEW PROVIDERS AS DEFINED BY THE GBP AND THE SBP**

- i. Second-Party Opinion: An institution with sustainability expertise that is independent from the issuer may provide a Second-Party Opinion. The institution should be independent from the issuer's adviser for its Sustainability Bond framework, or appropriate procedures such as information barriers will have been implemented within the institution to ensure the independence of the Second-Party Opinion. It normally entails an assessment of the alignment with the Principles. In particular, it can include an assessment of the issuer's overarching objectives, strategy, policy, and/or processes relating to sustainability and an evaluation of the environmental and social features of the type of Projects intended for the Use of Proceeds.
- ii. Verification: An issuer can obtain independent verification against a designated set of criteria, typically pertaining to business processes and/or sustainability criteria. Verification may focus on alignment with internal or external standards or claims made by the issuer. Also, evaluation of the environmentally or socially sustainable features of underlying assets may be termed verification and may reference external criteria. Assurance or attestation regarding an issuer's internal tracking method for use of proceeds, allocation of funds from Sustainability Bond proceeds, statement of environmental or social impact or alignment of reporting with the Principles may also be termed verification.
- iii. Certification: An issuer can have its Sustainability Bond or associated Sustainability Bond framework or Use of Proceeds certified against a recognised external sustainability standard or label. A standard or label defines specific criteria, and alignment with such criteria is normally tested by qualified, accredited third parties, which may verify consistency with the certification criteria.
- iv. Green, Social and Sustainability Bond Scoring/Rating: An issuer can have its Sustainability Bond, associated Sustainability Bond framework or a key feature such as Use of Proceeds evaluated or assessed by qualified third parties, such as specialised research providers or rating agencies, according to an established

scoring/rating methodology. The output may include a focus on environmental and/or social performance data, process relative to the Principles, or another benchmark, such as a 2-degree climate change scenario. Such scoring/rating is distinct from credit ratings, which may nonetheless reflect material sustainability risks.

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

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

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

About Sustainalytics, a Morningstar Company

Sustainalytics, a Morningstar Company, is a leading ESG research, ratings and data firm that supports investors around the world with the development and implementation of responsible investment strategies. The firm works with hundreds of the world’s leading asset managers and pension funds who incorporate ESG and corporate governance information and assessments into their investment processes. The world’s foremost issuers, from multinational corporations to financial institutions to governments, also rely on Sustainalytics for credible second-party opinions on green, social and sustainable bond frameworks. In 2020, Climate Bonds Initiative named Sustainalytics the “Largest Approved Verifier for Certified Climate Bonds” for the third consecutive year. The firm was also recognized by Environmental Finance as the “Largest External Reviewer” in 2020 for the second consecutive year. For more information, visit www.sustainalytics.com.

5th Green Bond Pioneer Awards
Climate Bonds Initiative

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 More information conference.climatebonds.net/awards



GlobalCapital
SRI Awards

Named

2015: Best SRI or Green Bond Research or Rating Firm
2017, 2018, 2019: Most Impressive Second Opinion Provider



The
Green Bond
Principles