

Second-Party Opinion

BTG Pactual Group Sustainable Financing Framework

Evaluation Summary

Sustainalytics is of the opinion that the BTG Pactual Group Sustainable Financing Framework is credible, impactful and aligned with the Sustainability Bond Guidelines 2021, Green Bond Principles 2021, Social Bond Principles 2023, Green Loan Principles 2023 and Social Loan Principles 2023. This assessment is based on the following:



USE OF PROCEEDS The eligible categories for the use of proceeds¹ are aligned with those recognized by the Green Bond Principles, Social Bond Principles, Green Loan Principles and Social Loan Principles. Sustainalytics considers that investments in the eligible categories will lead to positive environmental or social impacts and advance the UN Sustainable Development Goals, specifically SDGs 6, 7, 8, 9, 10, 11, 12 and 15.



PROJECT EVALUATION AND SELECTION The project evaluation and selection process will be carried out cross-functionally, with input from the Bank's ESG team, which will be responsible for project selection. The Bank's governance structure includes its board of directors, ESG Committee, Chief of Sustainability Officer and ESG team, which will be responsible for implementing policies related to environmental, social and climate risks. Sustainalytics considers the project selection process in line with market practice.



MANAGEMENT OF PROCEEDS The proceeds from the instruments issued under the Framework will be tracked and managed by BTG Pactual's Treasury Team. BTG Pactual intends to allocate all proceeds of each issuance within 36 months. Pending allocation, the Bank will hold the proceeds in cash and cash equivalents, in line with its treasury management. In case of a divestment from the eligible pool of assets, the Bank commits to reallocate to other eligible projects that are compliant with the criteria in their Framework. Sustainalytics considers this process to be aligned with market practice.



REPORTING BTG Pactual commits to report on allocation within approximately one year from issuance, and thereafter once a year, until full allocation. The allocation reports of deposits will be shared annually with deposit holders. Allocation reporting will include a sample list of projects financed with proceeds of the issued instruments, allocated versus unallocated amounts, a breakdown of financed versus refinanced projects. In addition, BTG Pactual intends to report on relevant impact metrics. Sustainalytics views BTG Pactual's commitment to allocation and impact reporting as aligned with market practice.



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Issuer Location	São Paulo, Brazil

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¹ Renewable Energy; Electricity Networks; Energy Efficiency; Clean Transportation; Green Buildings; Resource Efficiency, Pollution Prevention and Control; Sustainable Water and Wastewater Management; Environmentally Sustainable Management of Living Natural Resources and Land Use; Investments in Biodiversity Conservation and Restoration as Primary Objective; Investment Activities that Seek to Generate Biodiversity Co-Benefits; Affordable Housing; Affordable Basic Infrastructure; Micro Enterprises Financing and Microfinance; and Socioeconomic Advancement and Empowerment.

² This document updates the Second-Party Opinion provided by Sustainalytics in June 2024.

Introduction

Banco BTG Pactual S.A. (“BTG Pactual” or the “Bank”) is a financial institution headquartered in São Paulo, Brazil and the main company of the BTG Pactual Group (the “Group”). The Group operates in Brazil, Chile, Colombia, Mexico, Peru and Argentina, with a strategic presence in the US, UK, Portugal, Spain, Luxembourg, and Saudi Arabia³, in investment banking, wealth and asset management and corporate lending, among other segments. As of 2023, the Bank had generated revenues of BRL 21.6 billion (USD 4.37 billion) and has more than 6,000 employees.^{4,5,6}

The Group has a 75% controlling share in Banco PAN S.A. (“Banco PAN”), which is also a financial institution headquartered in São Paulo, Brazil. Banco PAN had generated revenues of BRL 11.9 billion (USD 2.4 billion) (BRL 11.9 billion) and had more than 2,500 employees as of 2023, primarily operating in the segments of credit and transactional financial services for individuals.⁷

BTG Pactual has developed the BTG Pactual Group Sustainable Financing Framework dated January 2025 (the “Framework”) under which the Group, together with its existing and future subsidiaries and affiliates,⁸ including Banco PAN, intends to issue local and international bonds, notes, deposits,⁹ repurchase agreements (“repo”)¹⁰, ESG derivatives¹¹ and obtain loans and credit transactions, and use the proceeds to finance and/or refinance, in whole or in part, existing and/or future projects intended to provide positive environmental and social benefits in the Latin American region. The Framework defines eligibility criteria in fourteen areas:

The Framework defines eligibility criteria under the following environmental categories:

1. Renewable Energy
2. Electricity Networks
3. Energy Efficiency
4. Clean Transportation
5. Green Buildings
6. Resource Efficiency, Pollution Prevention and Control
7. Sustainable Water and Wastewater Management
8. Environmentally Sustainable Management of Living Natural Resources and Land Use
9. Investments in Biodiversity Conservation and/or Restoration as the Primary Objective
10. Investment Activities that Seek to Generate Biodiversity Co-benefits

The Framework defines eligibility criteria under the following social categories:

11. Affordable Housing
12. Affordable Basic Infrastructure
13. Micro Enterprises Financing and Microfinance
14. Socioeconomic Advancement and Empowerment

BTG Pactual engaged Sustainalytics to review the Framework and provide a Second-Party Opinion on the Framework’s environmental and social credentials and its alignment with the Sustainability Bond Guidelines 2021 (SBG), Green Bond Principles 2021 (GBP), Social Bond Principles 2023 (SBP),¹² Green Loan Principles

³ BTG Pactual has communicated to Sustainalytics that the region of financings made under the Framework will be limited to Brazil, Chile, Colombia, Mexico, Peru, Argentina, the US, UK, Portugal, Spain and Luxembourg.

⁴ BTG Pactual, “Our DNA”, at: <https://www.btgpactual.com/us/our-dna>

⁵ BTG Pactual, “Annual Report”, (2023), at: <https://ri.btgpactual.com/principais-informacoes/relatorios-anuais/>

⁶ BTG Pactual, “Fourth Quarter 2023 results”, at: <https://ri.btgpactual.com/en/noticias/earnings-release-2q22-2-2-2-2-2/>

⁷ Banco PAN, “Annual Report”, (2023). at: <https://ri.bancopan.com.br/Download.aspx?Arquivo=mJPDx7hCjMEHitvPv6KJLg==&linguagem=en>

⁸ For issuances by the Group’s existing or newly acquired subsidiaries or affiliates, the BTG Pactual has communicated to Sustainalytics that it will be responsible for ensuring continual alignment of such issuances with the criteria defined in the Framework.

⁹ For certificate of deposits issued under the Framework: i) an amount cap for deposits will apply to ensure that the deposit amount will not exceed the amount of loans for more than three months and the matured loans in the underlying portfolio will be replenished; ii) the allocation of proceeds from the deposits will be within one year, which is shorter than the maturity of the deposit programme; and iii) BTG Pactual ensures no double counting of projects and their associated impacts financed through the proceeds from deposits and other instruments issued under the Framework.

¹⁰ BTG Pactual has confirmed to Sustainalytics that repurchase agreements will include the use-of-proceeds and the collateral-only repurchase agreements. The Bank will: i) fully allocate the proceeds raised from the use-of-proceeds repos to credible investments as per the criteria defined under the Framework; and ii) be the seller of these collateral-only repos, whose collaterals will be limited to credible investments as per the criteria defined under the Framework.

¹¹ Sustainalytics notes that derivatives are not administrated by the International Capital Market Association or Loan Market Association and hence are out of the scope of this Second-Party Opinion.

¹² The Sustainability Bond Guidelines, Green Bond Principles and Social Bond Principles are administered by the International Capital Market Association and are available at <https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/>

2023 (GLP) and Social Loan Principles 2023 (SLP)¹³. The Framework will be published in a separate document.¹⁴

Scope of work and limitations of Sustainalytics' Second-Party Opinion

Sustainalytics' Second-Party Opinion reflects Sustainalytics' independent¹⁵ opinion on the alignment of the reviewed Framework with current market standards and the extent to which the eligible project categories are credible and impactful.

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

- The Framework's alignment with the Sustainability Bond Guidelines 2021, Green Bond Principles 2021, and Social Bond Principles 2023, as administered by ICMA, and the Green Loan Principles 2023 and Social Loan Principles 2023, as administered by LMA, APLMA, and LSTA;
- The credibility and anticipated positive impacts of the use of proceeds; and
- 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 1.18, 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 Pactual'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 Pactual representatives have confirmed (1) they understand it is the sole responsibility of BTG Pactual's to ensure that the information provided is complete, accurate and 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. Any update of the present Second-Party Opinion will be conducted according to the agreed engagement conditions between Sustainalytics and BTG Pactual.

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 and loan 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 potential allocation of proceeds but does not guarantee the realised allocation of the bond and loan 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 Pactual has made available to Sustainalytics for the purpose of this Second-Party Opinion.

¹³ The Green Loan Principles and Social Loan Principles are administered by the Loan Market Association, Asia Pacific Loan Market Association and Loan Syndications and Trading Association and are available at: <https://www.lsta.org/content/green-loan-principles/#> and <https://www.lsta.org/content/social-loan-principles-slp/>

¹⁴ The BTG Pactual Group Sustainable Financing Framework will be available on BTG Pactual's website at: <https://www.btgpactual.com/us/esg-and-impact-investing/sustainable-and-impact-investing>

¹⁵ 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.

Sustainalytics' Opinion

Section 1: Sustainalytics' Opinion on the Banco BTG Pactual Sustainable Financing Framework

Sustainalytics considers the Banco BTG Pactual Sustainable Financing Framework to be credible, impactful and aligned with the SBG and the four core components of the GBP, SBP, GLP and SLP. Sustainalytics notes that in addition to the GBP, SBP, GLP and SLP, BTG Pactual intends to align the Framework with the IFC's Reference Guide on Biodiversity Finance,¹⁶ IFC Guidelines for Blue Finance¹⁷ and the Practitioner's Guide to Bonds to Finance the Sustainable Blue Economy.¹⁸ Sustainalytics highlights the following elements of the Framework:

- Use of Proceeds:
 - The eligible categories, Renewable Energy; Electricity Networks; Energy Efficiency; Clean Transportation; Green Buildings; Resource Efficiency, Pollution Prevention and Control; Sustainable Water and Wastewater Management; Environmentally Sustainable Management of Living Natural Resources and Land Use; Investments in Biodiversity Conservation and Restoration as Primary Objective; Investment Activities that Seek to Generate Biodiversity Co-Benefits; Affordable Housing; Affordable Basic Infrastructure; Micro Enterprises Financing and Microfinance; and Socioeconomic Advancement and Empowerment are aligned with those recognized by the GBP, SBP, GLP, and SLP.
 - BTG Pactual has established a look-back period of 36 months for its refinancing activities. Sustainalytics considers this to be in line with market practice.
 - The Bank intends to finance or refinance general purpose loans allocated to entities that derive 90% or more of their revenue from activities that comply with the eligibility criteria in the Framework. Sustainalytics believes that, while project- and activity- based lending generally results in more direct environmental and social benefits and ensures compliance with the criteria in the Framework of BTG Pactual, the financing of pure play companies through green and social instruments' proceeds is a commonly accepted approach, which is likely to generate positive impacts.
 - Under the Renewable Energy category, BTG Pactual intends to finance or refinance: i) solar energy facilities; ii) wind energy facilities; iii) small run-of-river hydro plants; and iv) bioenergy projects as per the following criteria:
 - For concentrated solar plants (CSP), at least 85% of the electricity will be generated from renewable sources.
 - Hydropower projects will be limited to small run-of-river hydro plants with capacity up to 25 MW and life cycle emissions lower than 100 gCO_{2e}/kWh. BTG Pactual has communicated to Sustainalytics that for facilities that became operational after 2019, financing will be limited to projects with life-cycle emission intensity below 50 gCO_{2e}/kWh or power density greater than 10 W/m².¹⁹ Hydropower projects will also receive independent environmental and social impact assessments and there will be no significant controversies surrounding the projects financed under the Framework.
 - Investments in electricity generation and biofuel production facilities, in line with the following criteria:
 - Life cycle emission of the electricity generation facilities from biomass will be lower than 100 gCO_{2e}/kWh.

¹⁶ The IFC "Biodiversity Finance Reference Guide" is designed to help channel private finance to address the drivers of biodiversity loss, building on the GBP and GLP.

IFC, "Biodiversity Finance Reference Guide", (2023), at: <https://www.ifc.org/content/dam/ifc/doc/mgrt/biodiversity-finance-reference-guide.pdf>

¹⁷ The IFC "Guidelines for Blue Finance" aim to provide a list of eligible use of proceeds to support private investments aligned with the GBP and GLP. IFC, "Guidelines Blue Finance: Guidance for financing the Blue Economy, building on the Green Bond Principles and the Green Loan Principles", (2022), at: <https://www.ifc.org/content/dam/ifc/doc/mgrt/ifc-guidelines-for-blue-finance.pdf>

¹⁸ The "Bonds to Finance the Sustainable Blue Economy: A Practitioner's Guide" is jointly developed by the Asian Development Bank (ADB), International Capital Market Association (ICMA), International Finance Corporation (IFC), United Nations Environment Programme – Finance Initiative (UNEP FI), and United Nations Global Compact (UNGC). ADB, "Bonds To Finance The Sustainable Blue Economy A Practitioner's Guide", (2023), at: <https://www.icmagroup.org/assets/documents/Sustainable-finance/Bonds-to-Finance-the-Sustainable-Blue-Economy-a-Practitioners-Guide-September-2023.pdf>

¹⁹ Sustainalytics notes that facilities operational after 2019 will also receive an ESG gap analysis assessment by an IHA consultant.

- The Bank intends to finance biofuel production facilities with lifecycle GHG emissions at least below 65% compared to the fossil fuel baseline.
- The Bank will finance facilities that utilize waste and non-waste feedstock. Waste feedstock will exclude animal fats, oil and other animal processing by-products and manure from industrial-scale livestock operations. Feedstock will either be certified by Bonsucro,²⁰ RTRS,²¹ RSPO,²² RSB,²³ FSC²⁴ and ISCC Plus²⁵ or the feedstock production will not: i) take place on land with high biodiversity;²⁶ ii) deplete existing terrestrial carbon stocks and iii) compete with food production.
 - Sustainalytics considers investments in this category to be aligned with market practice.
- Under the Electricity Networks category, BTG Pactual intends to finance or refinance transmission and distribution networks, electricity storage facilities, grid flexibility measures and dedicated supported infrastructure, in line with the following criteria:
 - Investments in grid and storage assets are limited to those that are: i) dedicated to connecting renewable energy to the grid or ii) connected to a network that generates 90% or more of renewable energy.
 - Investments in electrical grids are limited to those that have: i) an average emissions factor below lifecycle 100 gCO₂e/kWh; or ii) more than 67% of the newly connected generation capacity with an emission factor below lifecycle 100 gCO₂e/kWh, over a rolling five-year period.
 - Investments in energy production and storage units are dedicated to wind, solar, marine and hydropower assets, including storage projects for peak demand mitigation.
 - Sustainalytics considers investments in this category to be aligned with market practice.
- Under the Energy Efficiency category, BTG Pactual intends to finance or refinance: i) energy efficiency improvements for new and refurbished buildings that increase the energy efficiency by at least 30% or reduce CO₂ emissions by 30% compared to the baseline;²⁷ ii) energy storage projects including battery storage dedicated to renewables, power-to-hydrogen storage based on water electrolysis powered by renewables and power-to-gas storage that excludes CO₂ sourced from fossil fuel operations; iii) electric district heating systems powered exclusively by renewables; and iv) cogeneration projects based on CSP with more than 85% of the electricity generated from solar energy.
 - BTG Pactual confirmed that, financing for buildings will be exclusive to refurbishments that improve energy efficiency and that energy-efficient technologies designed or intended for processes that are inherently carbon intensive or primarily driven by fossil fuels will be excluded. Sustainalytics encourages BTG Pactual to report on estimated or achieved energy efficiency gains, where feasible.
 - Sustainalytics considers investments in this category to be aligned with market practice.
- Under the Clean Transportation category, BTG Pactual intends to finance or refinance: i) passenger and freight trains with direct emissions lower than 50 gCO₂e/pkm and 25 gCO₂/tkm, respectively; ii) fully-electric passenger and non-motorized vehicles; iii) investments to hybrid passenger vehicles with emissions up to 75 gCO₂/pkm based on the NEDC lab test procedure;²⁸

²⁰ Bonsucro: <https://bonsucro.com/>

²¹ Round Table on Responsible Soy, "RTRS", at: <https://responsiblesoy.org/?lang=en>

²² RSPO: <https://rspo.org/>

²³ RSB: <https://rsb.org/>

²⁴ Forest Stewardship Council, FSC: <https://ca.fsc.org/en-ca>

²⁵ ISCC: <https://www.iscc-system.org/>

²⁶ Sustainalytics notes that biofuel production will not take place on land defined as "land with high biodiversity" in accordance with Brazilian Law No. 9.985/2000.

FAO, "Law No. 9.985 establishing the National System of Protected Areas Management - SNUC.", at: <https://www.fao.org/faolex/results/details/>

²⁷ Sustainalytics notes that the Framework excludes investments in fossil fuel-powered equipment.

²⁸ The issuer intends to employ the New European Driving Cycle (NEDC)/EPA Federal Test Procedure (FTP-75) as a test procedure to determine if vehicles are below the 75 gCO₂/km threshold. Sustainalytics considers best practice to use the World Harmonized Light-duty Vehicle Test Procedure (WLTP), as it replicates realistic driving conditions and yields more accurate emissions results. NEDC test procedure, while still used worldwide, uses theoretical driving data, which can lead to material differences in terms of vehicles' CO₂ emissions compared to WLTP.

Transport Environment, "Mind the Gap 2016 - Report", (2016), at: <https://www.transportenvironment.org/discover/mind-gap-2016-report/>

- iv) multi-modal transportation²⁹ including land vehicles, boats and low-carbon ships³⁰ emitting less than 25 gCO₂/tkm and v) electric charging stations.³¹ Sustainalytics considers investments under this category to be aligned with market practice.
- Under the Green Buildings category, BTG Pactual intends to finance or refinance buildings that have achieved LEED Gold or Platinum,³² EDGE,³³ BREEAM level “excellent” or above,³⁴ GBC Casa & Condominio³⁵ level “green” or above and Aqua-HQE³⁶ certification level “excellent” and above.
 - Sustainalytics notes that BTG Pactual may finance companies that own, use and maintain buildings with LEED Gold or Platinum certification, where all earmarked funds must be allocated to certified projects, or in the case of working capital loans, 95% of the company’s portfolio must have LEED Gold or Platinum certification.
 - Sustainalytics considers investments under this category to be aligned with market practice.
 - Under the Resource Efficiency, Pollution Prevention and Control category, BTG Pactual intends to finance or refinance: i) plastic production facilities, including mechanical recycling facilities, that use at least 90% recycled, renewable or biobased inputs, where biobased inputs will be sustainably sourced, more than 90% of the products are not intended for single use and all products will be recyclable; ii) waste collection projects dedicated exclusively to source segregation of waste that exclude mixed residue waste intended for waste-to-energy facilities.
 - Sustainalytics notes that the Bank will not finance chemical recycling facilities and vehicles for waste collection under the Framework.
 - For biobased inputs, BTG Pactual will utilize sustainably sourced biobased input for financing activities related to plastic production, where the Bank has confirmed that the input will be certified. Sustainalytics is of the opinion that the lack of a specification of a certification standard reduces assurance of the positive impact of this activity especially regarding concerns around deforestation.³⁷
 - Under the Sustainable Water and Wastewater Management category, BTG Pactual intends to finance or refinance infrastructure for clean drinking water, wastewater treatment, sustainable urban drainage systems for river training, in line with the following criteria:
 - Sustainalytics notes that the following will not be financed under the Framework: i) equipment, systems and treatment of wastewater related to fossil fuel and industrial livestock operations; ii) landscaping projects with invasive or genetically modified drought-tolerant species; iii) equipment dependent on fossil fuels.
 - River training projects will be subject to climate adaptation and resilience requirement including vulnerability assessments and adaptation plans.
 - Sustainalytics considers investments under this category as aligned with market practice.
 - Under the Environmentally Sustainable Management of Living Natural Resources and Land Use category, BTG Pactual intends to finance or refinance: i) large-scale commercial forests certified by FSC, PEFC³⁸ and SFI;³⁹ ii) smallholder forestry projects that comply with the requirements of a sustainable forest management plan; iii) agricultural units that are certified by Rainforest Alliance,⁴⁰ UTZ,⁴¹ BONSUCRO, RSPO, RTRS or RSB; iv) low-carbon agriculture projects, including no-till farming, biological nitrogen fixation and the use of organic fertilizers that provide at least a 20% reduction in GHG emissions and that align with Brazil’s Low-Carbon Agriculture plan (ABC

²⁹ Sustainalytics notes that the Framework requires financed multi-modal facilities to demonstrate 25% emissions reduction.

³⁰ Ships that are either fully electric or run on biofuel or hydrogen and cannot be dedicated to transporting fossil fuels.

³¹ BTG Pactual has communicated to Sustainalytics that parking facilities will not be financed under the Framework.

³² LEED: <https://support.usgbc.org/hc/>

³³ EDGE: <https://edgebuildings.com/>

³⁴ BREEAM: <https://breeam.com/>

³⁵ GBC Casa & Condominio: <https://www.gbcbrasil.org.br/certificacao/certificacao-casa/>

³⁶ Aqua-HQE: <https://vanzolini.org.br/organizacoes/certificacoes/aqua-hqe/>

³⁷ BBC, “Brazil: Amazon sees worst deforestation levels in 15 years”, (2021), at: <https://www.bbc.com/news/world-latin-america-59341770>

³⁸ PEFC: <https://pefc.org/>

³⁹ SFI: <https://forests.org/standards/>

⁴⁰ Rainforest Alliance: <https://www.rainforest-alliance.org/business/certification/>

⁴¹ UTZ: <https://www.rainforest-alliance.org/utz/>

- Plan)⁴²; v) fisheries and aquaculture units that are certified by ASC,⁴³ Global GAP Aquaculture,⁴⁴ Best Aquaculture Practice (2 stars and above),⁴⁵ or MSC⁴⁶ certification and vi) native vegetation conservation, restoration and recovery of degraded areas. The Framework excludes financing of livestock units.
- Sustainalytics considers investments under this category to be aligned with market practice.
- Under the Investments in Biodiversity Conservation and/or Restoration as the Primary Objective category, BTG Pactual intends to finance or refinance conservation and reforestation/afforestation projects that adhere to Verra,⁴⁷ PlanVivo⁴⁸ or ART Trees⁴⁹ criteria for receiving REDD+ carbon credits.
 - BTG Pactual has confirmed to Sustainalytics that: i) all reforestation and afforestation projects will use tree species that are well adapted to the site conditions; ii) there will be a sustainable management plan in place for smallholders.
 - Sustainalytics considers investments under this category to be aligned with market practice.
 - Under the Investment Activities that Seek to Generate Biodiversity Co-benefits category, BTG Pactual intends to finance or refinance the production of certified crops and commodities that are certified with Bonsucro, RTRS, RSPO,⁵⁰ RSB, FSC or ISCC Plus. Sustainalytics considers investments under this category to be aligned with market practice.
 - Under the Affordable Housing category, BTG Pactual intends to finance or refinance the development and construction of affordable urban and rural housing units under government housing programmes and offer mortgage loans in Brazil, Colombia and Chile, in line with the following criteria:
 - In Brazil, the Bank will allocate loans in accordance with the Minha Casa, Minha Vida Programme,⁵¹ targeting low-to-moderate income households, with three levels of classification based on the income level of the household. Low-income populations are classified under Range 1 and 2, with household income up to BRL 2,640 (USD 490) and between BRL 2,640 and 4,400 (USD 816), respectively. Moderate income populations are classified under Range 3, with household income between BRL 4,440 and BRL 8,000 (USD 1,485). The programme allows participants classified under: i) Range 1 to have up to 90% of the value of the property subsidized; ii) Range 2 to receive a reduction on the down payment for the mortgage loan by up to BRL 55,000 (USD 10,000); and iii) Range 3 to cap the value of the property at BRL 350,000 (USD 65,000).
 - The monthly cost of decent standard of living for a family of four located in non-metropolitan areas of São Paulo state is estimated at BRL 4,869 (USD 904)⁵² as of June 2024 and the upper limit of the Minha Casa, Minha Vida affordable housing programme may include households that have an income 64% above this level. Nevertheless, Sustainalytics considers the subsidies offered through the capped house prices, reduced downpayments and interest rates of the Minha Casa, Minha Vida Programme as likely to improve housing access for low-income populations, and as such, is of the

⁴² Sustainalytics notes that the Framework requires projects that are aligned with the ABC Plan to reduce GHG emissions by at least 20%, considering length of the project or asset, and by 30% for projects above ten years.

⁴³ ASC: <https://www.asc-aqua.org/>

⁴⁴ Global G.A.P.: https://www.globalgap.org/uk_en/for-producers/globalg.a.p./integrated-farm-assurance-ifa/aquaculture/

⁴⁵ Best Aquaculture Practice: <https://www.bapcertification.org/>

⁴⁶ MSC: <https://www.msc.org/standards-and-certification/fisheries-standard>

⁴⁷ Verra: <https://verra.org>

⁴⁸ PlanVivo: <https://www.planvivo.org/>

⁴⁹ ART Trees: <https://www.artredd.org/trees/>

⁵⁰ Sustainalytics notes that the palm oil industry is associated with a wide range of environmental and social challenges including deforestation, biodiversity loss, land and water pollution and labour rights. Sustainalytics recognizes RSPO as a credible international standard for key environmental and social issues associated with the industry, and notes that there have been issues surrounding the audits and grievances procedure surrounding RSPO certification.

⁵¹ Minha Casa, Minha Vida is a governmental affordable housing programme, regulated by the Ministry of Cities in Brazil. The programme offers subsidized housing units for ownership or affordable mortgage loans, depending on the income level of the participants.

Ministério das Cidades, "Sobre o Minha Casa, Minha Vida", at: <https://www.gov.br/cidades/pt-br/aceso-a-informacao/>

⁵² Medianceli, A., Andersen, L.E., et al. "Living Wage Update Report: Non-Metropolitan Brazil, State of São Paulo, 2024" Anker Research Institute. Published 25 April 2024.

<https://static1.squarespace.com/>

opinion that the financing of projects under the programme is expected to lead to positive social outcomes overall and be aligned with market expectations.

- In Colombia, the Bank will allocate loans in accordance with the Vivienda de Interés Social (VIS) or Vivienda de Interés Prioritario (VIP) programmes⁵³ as defined by the Ministry of Housing, Cities and Territory of Colombia, targeting low-income households,⁵⁴ persons linked to state social programmes that aim to overcome extreme poverty or who are within the range of extreme poverty,⁵⁵ who are in a situation of displacement and who have been affected by natural disasters, where the property prices will be capped at 135x and 90x of the minimum wage in Colombia.⁵⁶ Sustainalytics notes that the low-income households targeted within the scope of these affordable housing programmes are those with incomes equal to 45% and 87% of the area median income (AMI) in Colombia. Sustainalytics notes further that the capped housing prices for the VIP and VIS programmes may be 11% and 41% lower than median housing prices, depending on the size of the apartments and their location, respectively.^{57,58} Sustainalytics views the Bank's financing under the Colombian government's affordable housing programmes following the defined target populations and affordability measures to be socially impactful and align with market practice.
 - In Chile, the Bank will allocate loans in accordance with the Plan de Emergencia Habitacional⁵⁹ Programme of the Housing Ministry, targeting households listed in the Social Registry of Households (RSH)⁶⁰ system, which allows most vulnerable populations to benefit from various state programmes. The households are further classified into seven different percentiles of a socioeconomic classification (0-40%, 41-50%, 51-60%, 61-70%, 71-80%, 81-90%, 91-100%) based on family formation, educational attainment, housing conditions, total income, physical and mental health, and access to social security, with the lowest five brackets representing the most socioeconomically vulnerable populations.⁶¹ Under the Programme, sale prices are capped within a range of 950 to 2,600 UF⁶² (USD 38,500-105,000), depending on the region, which corresponds to prices between 75% and 33% lower than average market prices.^{63,64}
 - Sustainalytics notes that, the above-mentioned affordable housing programme in Chile targets households registered in the RSH that may be in the upper percentiles of the socioeconomic classification that may include higher income and less vulnerable households compared to the lower-level brackets defined in the system. Nevertheless, Sustainalytics considers the subsidies offered through the capped house prices of the Plan de Emergencia Habitacional Programme as likely to improve housing access for low-income and vulnerable populations, therefore, is of the opinion that the financing of projects under the programme is expected to lead to positive social outcomes overall and be aligned with market expectations.
- Under the Affordable Basic Infrastructure category, BTG Pactual intends to finance or refinance the construction and operation of infrastructure to improve access to clean drinking water, sanitation including sanitation infrastructure for individuals to connect household sewage to the

⁵³ Ministerio de Vivienda, Ciudad y Territorio de Colombia, "VIS y VIP", at: <https://www.minvivienda.gov.co/viceministerio-de-vivienda/vis-y-vip>

⁵⁴ Households in a situation of poverty earn up to COP 3.3 million per month.

OECD, "National Urban Policy Review of Colombia", at: <https://www.oecd.org/en/publications/>

⁵⁵ Households in a situation of extreme poverty earn up to COP 1.7 million per month.

OECD, "National Urban Policy Review of Colombia", at: <https://www.oecd-ilibrary.org/sites/f09c6cb7-en/>

⁵⁶ As of 2024, the minimum wage in Colombia is COP 1.3 million per month.

⁵⁷ BTG Pactual communicated to Sustainalytics that most of the housing units developed under the VIS and VIP programmes are 42-57 m².

⁵⁸ Median housing prices in Colombia is COP 3,456,805 per m² for apartments, as of June 2024.

ApartmentHotel, "Colombia Housing Market: Average House Prices per Square Meter", at: <https://apartmenthotel.com/analyze/colombia/>

⁵⁹ Chile Atiende, "Accessing a home", at: <https://www.chileatiende.gob.cl/hito-vida>

⁶⁰ Government of Chile, Social Development and Family Ministry, "Registro Social de Hogares", at: <https://registrosocial.gob.cl/>

⁶¹ Government of Chile, Social Development and Family Ministry, "Cálculo de la Calificación Socioeconómica", at: <https://registrosocial.gob.cl/docs>

⁶² UF stands for Unidad de Fomento, which is a unit of accounting used in Chile. It is a non-circulating currency that is constantly adjusted for inflation. The Central Bank of Chile calculates UF based on the consumer price index.

⁶³ The calculation assumes that the UF in 2024 year-end was 38,416 Chilean Pesos and the average price of apartments across Chile is around USD 160,000 in 2024.

Internal Revenue Service, "UF 2024", at: https://www.sii.cl/valores_y_fechas/uf/uf2024.htm#

⁶⁴ Global Property Guide, "Chile's Residential Property Market Analysis 2025", at: <https://www.globalpropertyguide.com/latin-america/chile/price-history>

public sanitation grid, energy, transportation and telecommunication for underserved populations in Brazil, in line with the following criteria:

- The Bank defined underserved populations in Brazil based on the Brazilian Development Bank's (BNDES) definition as follows: populations that lack access to public health or education facilities or those living in municipalities with a Human Development Index (HDI)⁶⁵ below the country's average. For Chile and Colombia, the Bank defines underserved populations as those living in municipalities with a HDI below the country's average.
 - The Bank has confirmed to Sustainalytics that, i) it will exclude investments in integrated water and power plants with fossil fuel power, and desalination plants with dedicated on-site fossil fuel power;⁶⁶ ii) for energy infrastructure, the development or expansion of the grid will be limited to providing access to remote areas or areas that substantially lack access to electricity; in addition, the Bank will only finance power plants that have life cycle GHG emissions below 100 gCO₂e/kWh and exclude any transmission lines dedicated exclusively to fossil fuel power plants; iii) for transportation infrastructure, the Bank will limit investments to areas where the transport infrastructure is substantially inadequate or there is no access to basic goods and services; iv) for telecommunication infrastructure, the Bank will finance only those regions which either lack or have restricted telecommunication connectivity.
 - Sustainalytics notes that BTG Pactual intends to finance or refinance desalination facilities that may primarily rely on power derived from fossil fuels. While recognizing that such facilities will help to improve access to water, Sustainalytics also notes that desalination plants are highly energy-intensive, and Sustainalytics encourages the Bank to consider the carbon intensity of power sources when selecting projects in addition to considering other environmentally friendly operational practices, especially related to brine management.⁶⁷
 - Sustainalytics views BTG Pactual's investments to improve access and connectivity in remote regions or regions where the infrastructure is substantially inadequate, in below-average HDI regions compared to the country's average, to be socially impactful, especially in the context of Brazil, Colombia and Chile.
- Under the Micro Enterprises Financing and Microfinance category, BTG Pactual intends to finance or refinance, the Bank will finance MSMEs in Brazil, Colombia and Chile, in accordance with the following criteria:
- In Brazil, the Bank will finance MSMEs with annual revenue below BRL 300 million⁶⁸ (USD 56 million) that are: i) located in the less developed states in the North and Northeast regions; ii) majority-owned by women; or iii) majority-owned by minorities, such as individuals from Indigenous communities or afro-descendants. Sustainalytics views MSME financing in developing countries with targeting based on location in less developed regions or ownership from minority populations to be socially impactful.
 - In Colombia, the Bank will finance MSMEs within certain thresholds⁶⁹ based on revenue and sector. The size of enterprise is classified into ranges, based on the calculation of revenue in Tax Value Units (UVT)⁷⁰ multiplied by the following coefficients:
 - In the services sector: i) microenterprises range from 0.01 to 32,988 times the UVT (USD 396,000); ii) small businesses range from 32,988 to 131,951 times the UVT (USD 1.6 million); and iii) medium-sized companies range from 131,951 to 483,034 times the UVT (USDD 5.8 million)

⁶⁵ UNDP, Human Development Index, at: <https://hdr.undp.org/data-center/human-development-index#/indicies/HDI>

⁶⁶ The Bank has confirmed to Sustainalytics that eligible desalination projects will be selected from those that has a reasonable assurance of an appropriate waste management plan for brine disposal.

⁶⁷ Pre-treatment and anti-fouling additives in desalination plants produce large amounts of hypersaline brine that may contain heavy metals and chemicals that can accumulate in and negatively affect ecosystems.

⁶⁸ BTG Pactual defines MSMEs based on the definition of Brazilian Development Bank (BNDES).

BNDES, "Classificação de porte dos clients", at: <https://www.bndes.gov.br/wps/portal/site/home/financiamento/guia/porte-de-empresa>

⁶⁹ BTG Pactual defines MSMEs in Colombia based on the definition in the Administrative Department of Civil Service Decree 957 of 2019.

⁷⁰ Government of Colombia, "Decreto 957 de 2019", at: <https://www.funcionpublica.gov.co/eva>

⁷⁰ Tax Value Units are benchmark ratios determined by the Colombian Tax Authority every year. For 2024, the UVT is set at COP 47,065 COP.

- In the manufacturing industry: i) microenterprises range from 0.01 to 23,563 times the UVT (USD 283,000); ii) small businesses range from 23,563 to 204,995 times the UVT (USD 2.5 million); and iii) medium-sized companies range from 204,995 to 1,736,565 times the UVT (USD 20.8 million)
- In the trade industry: i) microenterprises range from 0.01 to 44,769 times the UVT (USD 538,000); ii) small businesses range from 44,769 to 431,196 times the UVT (USD 5.2 million); and iii) medium-sized companies range from 431,196 to 2,160,692 times the UVT (USD 25.9 million)
- Sustainalytics notes that some of these thresholds may be higher than those defined by the International Finance Corporation (IFC).⁷¹ Nevertheless, Sustainalytics considers financing for micro, small and medium-size enterprises in a developing country to be socially impactful and aligned with market practice.
- In Chile, the Bank will finance MSMEs⁷² based on annual revenue as follows: i) micro enterprises from 0.01 to 2,400 UF⁷³ per year (USD 92,000), ii) small enterprises from 2,400 to 25,000 UF per year (USD 960,000); iii) medium-sized enterprises from 25,000 to 100,000 UF per year (USD 3.8 million). Sustainalytics notes that Chilean government's thresholds to define MSMEs are in line with those defined by the IFC.
- SMEs play a particularly important role in developing economies, where they provide jobs and promote economic development. Nevertheless, the growth and success of SMEs in developing countries is often hampered by limited access to finance.⁷⁴ In the context of high-income countries that have relatively stable and accessible financial services, Sustainalytics considers it good practice to prioritize financing to SMEs involving a specific target population, such as SMEs owned by a disadvantaged group or located in a disadvantaged region lacking access to finance in the local context. Chile can be considered as a developing and high-income country with a solid macroeconomic policy framework from its central bank, which helped it rebound from the economic contraction following the COVID-19 pandemic.^{75,76,77} In 2023, high interest rates have been assumed to slow credit growth in Chile,⁷⁸ increasing the cost of financing for SMEs.⁷⁹ Sustainalytics notes that some SMEs have more obstacles in securing access to finance than others and encourages the Bank to prioritize SMEs with disproportionate difficulties accessing finance.
- Sustainalytics further notes that BTG Pactual has exclusionary criteria for financing MSMEs involved in tobacco, fossil fuel and child labour.
- Under the Socioeconomic Advancement and Empowerment category, BTG Pactual intends to finance or refinance BTG Pactual will provide financing for motorcycles,⁸⁰ financing backed by the FGTS, FOSFEC, Seguro de Cesantia,⁸¹ CCAF loans⁸² and payroll loans⁸³ to socioeconomically vulnerable populations in Brazil, Colombia and Chile, in line with the following criteria:

⁷¹ IFC, "IFC's Definitions of Targeted Sectors," at: <https://www.ifc.org/en/what-we-do/sector-expertise/financial-institutions/>

⁷² BTG Pactual defines MSMEs based on the definition in the Chilean Law 20,416.

Government of Chile, Ministry of Economy, "LEY 20416", at: <https://www.bcn.cl/leychile>

⁷³ 2024 year-end UF was 38,416 Chilean Pesos.

⁷⁴ "Small and Medium Enterprises (SMEs) Finance." The World Bank. Last modified October 2019. <https://www.worldbank.org/en/topic/sme/finance>

⁷⁵ International Trade Administration, "Investment Climate Statement", at: <https://www.trade.gov/country-commercial-guides>

⁷⁶ OECD, "OECD Economic Outlook (2023)", at: https://issuu.com/oecd.publishing/docs/chile-oecd-economic-outlook-november-2023?fr=xKAE9_zU1NQ

⁷⁷ OECD(2023), "Economic Policy Reforms 2023: Going for Growth", at: <https://read.oecd-ilibrary.org/economics/>

⁷⁸ United Nations (2023), "World Economic Situation and Prospects, at: <https://www.un.org/development/>

⁷⁹ OECD (2023), "Managing Shocks and Transitions: Future-Proofing SME and Entrepreneurship Policies: Key Issues Paper", at: <https://www.oecd.org/cfe/smes/key-issues-paper-oecd-sme-and-entrepreneurship-ministerial-meeting-2023.pdf>

⁸⁰ BTG Pactual confirmed to Sustainalytics that the financing of motorcycles will be limited to vehicles emitting less than 75 gCO₂/km.

⁸¹ FGTS (Severance Pay Fund for Length of Service) in Brazil, FOSFEC (Solidarity Fund for Employment Promotion and Protection against Unemployment) in Colombia and Seguro de Cesantia in Chile are statutory savings funds in which employers are required to deposit a percentage of an employee's monthly salary. These schemes were introduced to support workers in the event of lay-offs. Banks are allowed to provide loans to individuals secured by the savings within the funds, offering interest rates as low or much lower than the market interest rates for regular personal loans.

⁸² Cajas de Compensación de Asignación Familiar (CCAF) loans are family allowance compensation loans that are granted for purposes related to the needs of allied workers and pensioners of the social fund, and their beneficiaries related to consumer good purchases, home repairs or educational support within the family. The repayment amount of the loans are capped at 25% of the monthly salary of the respective worker.

SUSESO, "¿Qué hacen las Cajas de Compensación?", at: <https://www.suseso.cl/606/w3-propertyvalue-34003.html#presentacion>

⁸³ Payroll-deductible loan schemes are government-led programmes that allow banks to provide loans directly settled from the payroll of the borrower, where the interest rate ceiling of these loans range much lower than the market interest rates for regular personal loans.

- BTG Pactual defines target populations based on income gender minorities, marginalized communities (black and Indigenous persons) or victims of natural disasters.
- Under its targeting based on income, BTG Pactual targets individuals residing in Brazil, with an income up to the minimum wage in Brazil, as well as low-income persons in Colombia⁸⁴ and Chile,⁸⁵ who are living below the poverty line, based on government definitions. Sustainalytics notes that minimum wage in Brazil is 25% higher than the per capita median income in the country.⁸⁶ To contribute meaningfully to financial inclusiveness, Sustainalytics considers it good practice to define a target population for low-income individuals, with an upper threshold at the median income of the region and encourages the Bank to report on the positive social impacts of financing loans allocated to below median income populations in Brazil.
- The motorcycle loans provided to the target populations will be financially beneficial for individuals who do not have cash readiness through delayed down payments, reduced interest rates and flexible restructuring options. Financing backed by the FGTS, FOSFEC, Seguro de Cesantia, CCAF loans and payroll loans offer much lower interest rates compared to market averages.
- BTG Pactual has responsible lending practices in place for financings to MSMEs and other target populations, to understand the borrowers' financial situation, mitigate risk for borrowers and prevent predatory lending (for more details, refer to Section 2).
- Sustainalytics notes that BTG Pactual will not finance or refinance the following activities under its Framework: exploration, production and dedicated transportation of fossil fuels; fossil-fuel based power generation or hybrid plant with more than 15% fossil fuel back up; powered district heating projects or wastewater coming from fossil fuel operations; generation of nuclear power and production or trade in any activity deemed illegal under national laws or regulations or international conventions and agreements.
- Project Evaluation and Selection:
 - BTG Pactual's project evaluation and selection process will be carried out cross-functionally, with input from the Bank's ESG team, which will be responsible for project selection. Additionally, the ESG team will collaborate regularly with the Bank's Sustainable Impact and Investing team for project evaluation, when necessary.
 - BTG Pactual's board of directors, ESG committee, Chief of Sustainability Officer and ESG team will be jointly responsible for the implementation of the Group's policies and procedures related to environmental, social and climate risks. For transactions above a defined ticket size, the Bank adheres to IFC Performance Standards, ensuring alignment with international environmental and social benchmarks. Sustainalytics considers these environmental and social risk management systems to be adequate. For further information about the Bank's risk evaluation and mitigation practices, please refer to Section 2.
 - Based on an established process for project evaluation and selection and the presence of a risk management system, Sustainalytics considers the process for project evaluation and selection to be in line with market practice.
- Management of Proceeds:
 - The proceeds from the instruments issued under the Framework will be tracked and managed by BTG Pactual's Treasury Team.
 - BTG Pactual intends to allocate all proceeds of each issuance within 36 months. Pending allocation, the Bank will hold the proceeds in cash and cash equivalents, in line with its treasury

⁸⁴ In accordance with DANE's (Departamento Administrativo Nacional de Estadística) definition for the current year for poverty line. This corresponds to a monthly income of COP 396,864 for an individual for the year 2022, while the median income per month is COP 1,400,000 in the same year.

DANE, "Monetary poverty and extreme monetary poverty", at: <https://www.dane.gov.co/index.php/estadisticas-por-tema/pobreza-y-condiciones-de-vida/pobreza-monetaria>

El Nuevo Siglo, "Ingreso promedio de trabajadores llegó a \$1,4 millones", (2022), at: <https://www.elnuevosiglo.com.co/economia/ingreso-promedio-de-trabajadores-llego-14-millones>

⁸⁵ In Chile, Poverty by income is defined as households that have a monthly income that does not surpass the value of the line of poverty, published monthly by the Ministry of Social Development and Family. This corresponds to a one-person household monthly income of CLP 216,849 for 2022, where the monthly average income per person is CLP 551,654 in the same year. INE, "Measurement of Income and Poverty in Chile" (2023), at: <https://www.ine.gob.cl/estadisticas/sociales/ingresos-y-gastos>

⁸⁶ Ministry of Economy, Brazilian Institute of Geography and Statistics (IBGE). "Síntese de Indicadores Sociais." Published July 2023. <https://biblioteca.ibge.gov.br/visualizacao/livros/liv101979.pdf>

- management. In case of a divestment from the eligible pool of assets, the Bank commits to reallocate to other eligible projects that are compliant with the criteria in their Framework.
- In the case multi-tranche loan facilities, BTG Pactual commits to label only those tranches that fully finance or refinance eligible assets under the Framework.
 - Additionally, for deposits issued under the Framework: i) an amount cap for deposits will apply to ensure that the deposit amount will not exceed the amount of loans for more than three months, and the matured loans in the underlying portfolio will be replenished; ii) the allocation of proceeds from the deposits will be within one year, which will be shorter than the maturity of the deposit programme; and iii) BTG Pactual ensures no double-counting when allocating proceeds from deposits and other instruments issued under the Framework.
 - Based on presence of an internal tracking system and disclosure of the temporary use of proceeds Sustainability considers this process to be in line with market practice.
- Reporting:
 - BTG Pactual commits to report on allocation within approximately one year from issuance, and thereafter once a year until full allocation. The allocation will either be reported separately or be disclosed in a dedicated section in the Bank's annual report on its website, except for deposits, which the Bank will share with deposit holders. The Bank further commits to appoint an external verifier to audit its allocation report.
 - Allocation reporting will include a sample list of projects financed with proceeds from the issued instruments, allocated versus unallocated amounts and a breakdown of financed versus refinanced projects.
 - BTG Pactual intends to report on relevant impact metrics, such as annual renewable energy generation, estimated water savings, annual GHG emissions avoided, number of vehicles financed and number of certified buildings.
 - The Bank has additionally communicated that in the case of revolving credit facilities, it will report on allocation until loan maturity. Based on commitments to both impact and allocation reporting, Sustainability considers this process to be in line with market practice.

Alignment with Sustainability Bond Guidelines 2021

Sustainability has determined that the Banco BTG Pactual Sustainable Financing Framework aligned with the SBG and the four core components of the GBP, SBP, GLP and SLP.

Section 2: Sustainability Strategy of BTG Pactual

Contribution to BTG Pactual Group's sustainability strategy

Sustainability is of the opinion that BTG Pactual demonstrates a commitment to sustainability through its Social Investment Strategy,⁸⁷ applied at the Group level, which informs the Bank's sustainable finance decisions. As part of this strategy, BTG Pactual aims to finance projects in the following areas: i) environment; ii) education; and iii) entrepreneurship and continually develop sustainable financial products.

As of the third quarter of 2024, BRL 7.4 billion (USD 1.4 billion) of the Group's corporate and SME lending portfolio was eligible for its sustainable financing framework.⁸⁸ In January 2020, BTG Pactual Group issued Brazil's first sustainable debenture, raising BRL 15 million (USD 3 million) for renewable energy and early childhood education projects.⁸⁹ In 2023, BTG Pactual Group's Sustainable Unsecured Funding operations reached BRL 6.9 billion (USD 1.1 billion).⁹⁰ In the same year, the Group invested BRL 17.3 billion (USD 2.4 billion) in solar, hydro and wind generation segments of its corporate and SME lending portfolio.⁹¹ As a result of this, the Group has avoided approximately 36,271 thousand tons of CO₂.⁹² In relation to BTG Pactual Group's social focus, in 2022, it supported 43 projects benefitting 500,000 people in nine Brazilian states.⁹³ By 2025,

⁸⁷ BTG Pactual, "Social Responsibility Report", at: <https://static.btgpactual.com/media/2022-social-responsibility-report.pdf>

⁸⁸ BTG Pactual, "Corporate Presentation – 3rd Quarter 2024", at: <https://api.mziq.com/mzfilemanager/v2/d/0afe1b62-e299-4dec-a938-763ebc4e2c11/008541f1-4323-2c2c-afb2-425ffd5a19f4?origin=1>

⁸⁹ Ibid.

⁹⁰ BTG Pactual, "Annual Report", (2023), at: <https://api.mziq.com/mzfilemanager/v2/d/0afe1b62-e299-4dec-a938-763ebc4e2c11/2f5d53a9-6f0d-4527-b968-837d2e3183ee?origin=1>

⁹¹ Ibid.

⁹² Ibid.

⁹³ BTG Pactual, "Social Responsibility Report", (2022), at: <https://static.btgpactual.com/media/2022-social-responsibility-report.pdf>

the Group aims to accumulate BRL 64.6 billion (USD 10.7 billion) in ESG securities (transition, green, social, sustainable and sustainability-linked bonds), from a 2020 base year.⁹⁴

In addition, BTG Pactual Group has been a signatory to the UN Global Compact since 2015 and has committed to supporting the objectives of the TCFD recommendations. As part of this commitment, the Group engages with carbon-intensive corporations to support them in reporting climate risks in accordance with the TCFD recommendations. In 2015, BTG became a member of the UN Principles for Responsible Investment, demonstrating its commitment to integrating ESG considerations into its investment processes.⁹⁵

Sustainalytics is of the opinion that the Framework is aligned with BTG Pactual Group's overall sustainability strategy and initiatives and will further the Group's action on its key sustainability priorities.

Approach to managing environmental and social risks associated with the projects

Sustainalytics recognizes that proceeds from the instruments issued under the Framework will be directed towards eligible projects that are expected to have positive environmental and social impacts. However, Sustainalytics is aware that such eligible projects could also lead to negative environmental and social outcomes. Some key environmental and social risks possibly associated with the eligible projects may include issues involving: i) land and use and biodiversity associated with large-scale infrastructure development; ii) emissions, effluents and waste generated in construction; iii) occupational health and safety (OH&S); iv) community relations and stakeholder participation; v) Indigenous land rights; and vi) predatory lending.

Sustainalytics is of the opinion that BTG Pactual Group is able to manage or mitigate potential risks through implementation of the following:

- For risks related to land use, biodiversity, emissions, effluents, waste management, OH&S, community relations and predatory lending, the Bank has communicated to Sustainalytics that the Environmental and Social Risk Analysis (ESRA) is part of the Group's ESG Integration and Sustainability Programmes Procedure, which is mandatory for all its lending activities. ESRA identifies and assesses environmental and social risks associated with the Group's financing activities, including compliance with the Equator Principles and the IFC Performance Standards (for transactions higher than USD 30 million). In addition, BTG Pactual Group has developed sector-wide policies, to identify and address environmental and social risks associated with its lending portfolio, including land use and biodiversity issues, wastewater and solid waste management, water use, occupational health and safety, human rights, Indigenous land rights and community relations. The Bank has also communicated that the risks associated with predatory lending are addressed through ESRA. The requirements in ESRA are informed by the Group's Global Environmental and Social Risk Policy,⁹⁶ which provides guiding principles for addressing environmental and social risks associated with its lending activities. These include socioeconomic risks associated with emissions, effluents, biodiversity and negative impacts on communities. To address material risks associated with forestry activities, BTG Pactual Group requires its borrowers to assess such risks in the supply chain and adopt either certified or sustainably managed operations, in alignment with proportionality and relevance principles.
- To further manage risks related to biodiversity and emissions, effluents and waste, BTG Pactual's Responsible Investment Policy describes the ESG analysis process that all investments must undergo. The Group identifies the relevant aspects to be analysed for the economic sector or counterparty benefiting from the investment, including GHG emissions, waste and water resource management and biodiversity.⁹⁷
- Regarding risks related to occupational health and safety, the Bank established its Occupational Health and Safety Policy at the Group level, which describes the Group's commitment to ensure that financed projects comply with relevant regulatory standards, laws and guidelines to promote safe and healthy workplaces.⁹⁸

⁹⁴ BTG Pactual, "Annual Report", (2023), at: <https://api.mziq.com/mzfilemanager/v2/d/0afe1b62-e299-4dec-a938-763ebc4e2c11/2f5d53a9-6f0d-4527-b968-837d2e3183ee?origin=1>

⁹⁵ BTG Pactual, "BTG Pactual adheres to the UN Principles for Responsible Investment", (2015), at: <https://ri.btgpactual.com/en/noticias/btg-pactual-adheres-to-the-un-principles-for-responsible-investment/>

⁹⁶ BTG Pactual, "Social, Environmental and Climate Responsibilities Policy", (2023), at: <https://static.btgpactual.com/media/social-environmental-and-climate-responsibilities-policy.pdf>

⁹⁷ BTG Pactual, "Responsible Investment Policy", (2022), at: <https://static.btgpactual.com/media/responsible-investment-policy-20220930095415.pdf>

⁹⁸ BTG Pactual, "Global – Política de Saúde e Segurança Ocupacional", at: <https://static.btgpactual.com/media/politica-de-saude-e-seguranca-ocupacional-atual.pdf>

- To mitigate or manage risks associated with stakeholder participation and community relations, BTG Pactual Group has a formal stakeholder engagement process in place that follows the Global Reporting Initiative Standards.⁹⁹ The Group engages with stakeholders through surveys, conferences and other events, working groups, meetings and projects to understand their needs and interest and what the relevant impacts are in relation to activities, products and services.¹⁰⁰ Furthermore, the Group has identified the community and non-government organizations influenced by its activities as a key stakeholder group and seeks to understand their needs, regarding the positive social, environmental and economic impacts generated.¹⁰¹
- To manage risks related to predatory lending, BTG Pactual's Code of Conduct sets the standard by which employees are to conduct business as well as outlines its formal decision-making process to reflect this behaviour. The code is applicable to all BTG Pactual groups, entities and areas, including the Bank. It mandates all employees to uphold the highest standards of ethical behaviour. The decision-making process includes a set of questions that the employee must consider in the decision-making process. Questions are related to the fair and equal treatment of clients, sufficient information and transparency provided to all borrowers on financing terms, compliance with laws, regulations and internal policies and ensuring that there are no disadvantages or losses for clients.¹⁰²
- BTG also commits to operating in a manner consistent with internationally recognized commitments and initiatives such as the UN Global Compact, Principles for Responsible Investment and CDP.¹⁰³

Based on these policies, standards and assessments, Sustainalytics is of the opinion that BTG Pactual Group has implemented adequate measures and is well positioned to manage or mitigate environmental and social risks commonly associated with the eligible categories.

Section 3: Impact of Use of Proceeds

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

Importance of financing water infrastructure in Brazil

The volume of freshwater accessible for human use in the world has severely reduced as a result of population growth, intensity of use, a rise in pollution and degradation of remaining water bodies.¹⁰⁴ According to the United Nations World Water Development Report, 26% of the global population lacks access to safely managed drinking water services and 46% of the population has no access to safely managed sanitation.¹⁰⁵ In Brazil alone, 30 million people lack access to safe drinking water and 109 million lack access to safely managed household sanitation facilities.¹⁰⁶ In addition, sewage-treatment services cover less than 50% of the population across 5,570 municipalities in Brazil as of 2020.¹⁰⁷

In 2019, Brazil set out the National Water Security Plan (PNSH) through which it intends to invest in 114 actions to be implemented by 2035.¹⁰⁸ The Water Security Program that is attached to the PNSH anticipates

⁹⁹ GRI, "How to use the GRI standards", at: <https://www.globalreporting.org/how-to-use-the-gri-standards/>

¹⁰⁰ As of 2023, BTG Pactual conducted a six-stage double materiality process entailing defining impacts related to sustainability risks and opportunities, mapping and consultation with stakeholders, scoring consultation results, an analysis of risk severity and probability, and prioritization of material topics. The consultation involved 970 people from 14 groups including shareholders, associations, banks, customers, employees, board members, executive management, industry experts, suppliers, outsourced employees, investors, regulatory bodies, business partners and partners. BTG Pactual's senior management team conducted the final assessment, which resulted in 13 material topics being defined across environmental, social and governance dimensions.

BTG Pactual, "Annual Report", (2023), at: <https://api.mziq.com/mzfilemanager/v2/d/0afe1b62-e299-4dec-a938-763ebc4e2c11/2f5d53a9-6f0d-4527-b968-837d2e3183ee?origin=1>

¹⁰¹ BTG Pactual, "Annual Report", (2023), at: <https://api.mziq.com/mzfilemanager/v2/d/0afe1b62-e299-4dec-a938-763ebc4e2c11/2f5d53a9-6f0d-4527-b968-837d2e3183ee?origin=1>

¹⁰² BTG Pactual, "Code of Conduct", (2023), at: <https://static.btgpactual.com/media/code-of-conduct-2023.pdf>

¹⁰³ BTG Pactual, "ESG Governance" at: <https://www.btgpactual.com/us/esg-and-impact-investing/esg-governance>

¹⁰⁴ Costa A., "Potential use of wastewater from sewage treatment plants in fertigation in Brazil", Journal of Environmental and Soil Science, (2020), at: <https://lupinepublishers.com/environmental-soil-science-journal/fulltext/potential-use-of-wastewater-from-sewage-treatment-plants-in-fertigation-in-brazil.ID.000206.php>

¹⁰⁵ UNESCO, "The United Nations World Water Development Report 2023: partnerships and cooperation for water", (2023), at: <https://www.unesco.org/reports/wwdr/2023/en/download>

¹⁰⁶ Water.Org, "Brazil's water and sanitation crisis", at: <https://water.org/our-impact/where-we-work/brazil/>

¹⁰⁷ Agência Brasil, "More than 50% of Brazilians do not have access to sewage networks", (2021), at:

<https://agenciabrasil.ebc.com.br/en/geral/noticia/2021-12/more-50-brazilians-do-not-have-access-sewage-networks-says-mdr>

¹⁰⁸ OECDiLibrary, "Fostering Water Resiliency in Brazil: Turning Strategy into Action", (2022), at: <https://www.oecd-ilibrary.org/sites/85a99a7c-en/index.html?itemId=/content/publication/85a99a7c-en>

a capital investment of BRL 27.6 billion (USD 5.6 billion) and an average of BRL 1.2 billion (USD 24 million) for the operation and maintenance of water infrastructure every year.¹⁰⁹ The plan aims to benefit one-third of the 74 million people residing in areas where water supply is at risk.¹¹⁰ Furthermore, in 2020, Brazil passed its Sanitation Law to mark the reform of the regulatory framework for water and sanitation in the country. This law provides increased opportunities for investments in the sector and aims to achieve universal access and promote proper sanitation practices and water quality monitoring for the purpose of public health and the environment.^{111,112} The new national sanitation framework establishes an objective of delivering drinking water to 99% of the country's population, and sewage collection and treatment to 90% of the population by the end of 2033.¹¹³

Based on the above context, Sustainalytics is of the opinion that the investments in wastewater management and sanitation infrastructure projects under the Framework have the potential to contribute to the achievement of Brazil's water and sanitation infrastructure targets.

Importance of socio-economic empowerment through financing MSMEs

MSMEs in Brazil account for over 90% of all businesses, while SMEs alone account for 30% of the country's GDP.^{114,115} Despite the important role that MSMEs play in supporting Brazil's citizenry and economy, these businesses face several challenges given the conditions of the economic environment in which they operate. For instance, Brazil's insufficient integration into the global supply chain makes it challenging for many local SMEs in rural areas to participate in international trade and successfully scale their businesses.¹¹⁶ The OECD cites a stark productivity gap between SMEs and large companies in Brazil, much of which has been attributed to limited innovation and export propensity among Brazilian SMEs.¹¹⁷

Meanwhile, Brazil's federal government has used loan subsidies as the main instruments to encourage SME development.¹¹⁸ However, despite the efforts made, the share of SME loans in total business loans decreased from 55% in 2007 to 36% in 2017, underscoring the financial gap that Brazilian SMEs face. This gap can be attributed to various challenges such as receiving little public and private sector credit for long-term viability credit primarily because of high-interest rates, short loan maturities and a lack of property collateral or credit history, highlighting the unfavourable market conditions for such businesses in Brazil.¹¹⁹

In October 2023, the Brazilian government established the Ministry of Entrepreneurship, Micro-enterprises, and Small Business to oversee policies, programmes and initiatives that aim to support and formalize MSMEs, local production arrangements and handicrafts. The Ministry will also promote microcredit and assist in increasing access to financial resources.^{120,121} Furthermore, to increase business loans to SMEs, the Brazilian government developed a micro-credit programme, established a quota to utilize 2% of demand deposits of

¹⁰⁹ Ibid.

¹¹⁰ Ibid.

¹¹¹ OECD, "Driving Performance at Brazil's National Agency for Water and Basic Sanitation", (2024), at: ", at:

https://www.oecd.org/en/publications/2024/06/driving-performance-at-brazil-s-national-agency-for-water-and-basic-sanitation_a5eb3264.html

¹¹² Government of Brazil, "New legislation facilitates private investments in basic sanitation in Brazil", (2022), at: <https://www.gov.br/en/government-of-brazil/latest-news/2022/new-legislation-facilitates-private-investments-in-basic-sanitation-in-brazil>

¹¹³ Ibid.

¹¹⁴ United Nations Development Programme, "UNDP Partners with Brazil to Support MSMEs with Sustainability Reporting", (2024), at:

<https://www.undp.org/policy-centre/singapore/press-releases/undp-partners-brazil-support-msmes-sustainability-reporting#:~:text=As%20the%20backbone%20of%20the,MSMEs%20in%20the%20Brazilian%20ecosystem.>

¹¹⁵ Proparco Groupe AFD – Government of France, "Proparco, DEG and other lenders support women's entrepreneurship in Brazil with Sicredi", (2024), at: <https://www.proparco.fr/en/actualites/proparco-deg-and-other-lenders-support-womens-entrepreneurship-brazil-sicredi#:~:text=SMEs%20account%20for%2030%25%20of,aims%20to%20reduce%20geographical%20inequalities.>

¹¹⁶ OECD, "SME and Entrepreneurship Policy in Brazil 2020", at: https://www.oecd.org/en/publications/sme-and-entrepreneurship-policy-in-brazil-2020_cc5feb81-en.html

¹¹⁷ Ibid.

¹¹⁸ Ibid.

¹¹⁹ Ibid.

¹²⁰ OECD, "Financing SMEs and Entrepreneurs 2024: An OECD Scoreboard, Brazil", at: https://www.oecd.org/en/publications/financing-smes-and-entrepreneurs-2024_fa521246-en.html

¹²¹ Pimental, C. (2024), "Law establishing Ministry of Entrepreneurship sanctioned", Agência Brasil – Government of Brazil, at: <https://agenciabrasil.ebc.com.br/en/geral/noticia/2024-01/law-establishing-ministry-entrepreneurship-sanctioned>

Brazil's National Financial System to finance loans to micro-entrepreneurs and increased the number of agencies in areas that provide financial services.¹²²

Given the above-mentioned context, Sustainalytics is of the view that BTG Pactual's provision of financing to MSMEs in Brazil is expected to play a positive role in fostering economic and social development and contribute to socioeconomic empowerment in the country.

Contribution to SDGs

The Sustainable Development Goals were adopted in September 2015 by the United Nations General Assembly and form part of an agenda for achieving sustainable development by 2030. The instruments issued under the Banco BTG Pactual Sustainable Financing Framework are expected to help advance the following SDGs 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
Electricity Networks		7.3 By 2030, double the global rate of improvement in energy efficiency
Energy Efficiency		
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
Resource Efficiency, Pollution Prevention and Control	12. Responsible Consumption and Production	12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse
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
Environmentally Sustainable Management of Living Natural Resources and Land Use	15. Life on Land	15.2 By 2020, promote the implementation of sustainable management of all types of forests, halt deforestation, restore degraded forests and substantially increase afforestation and reforestation globally
Investments in Biodiversity Conservation and Restoration as Primary Objective		
Investment Activities that Seek to Generate Biodiversity Co-Benefits		

¹²² OECD, "Financing SMEs and Entrepreneurs 2024: An OECD Scoreboard, Brazil", at: https://www.oecd.org/en/publications/financing-smes-and-entrepreneurs-2024_fa521246-en.html

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
Affordable Basic Infrastructure	6. Clean water and sanitation 9. Industry innovation and infrastructure	6.1 By 2030, achieve universal and equitable access to safe and affordable drinking water for all 9.1 Develop quality, reliable, sustainable and resilient infrastructure, including regional and transborder. infrastructure, to support economic development and human well-being, with a focus on affordable and equitable access for all
Micro Enterprises Financing and Microfinance	8. Decent work and economic growth	8.3 Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro-, small and medium-sized enterprises, including through access to financial services
Socioeconomic Advancement and Empowerment	10. Reduced Inequalities	10.2 By 2030, empower and promote the social, economic, and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status

Conclusion

BTG Pactual has developed the BTG Pactual Group Sustainable Financing Framework, under which the Group, together with its existing and future subsidiaries and affiliates, including Banco PAN, intends to issue local and international bonds, notes, , deposits, repurchase agreements, ESG derivatives and obtain loans and credit transactions and use the proceeds to finance or refinance, in whole or in part, existing and future projects expected to provide positive environmental and social benefits in the Latin American region. Sustainalytics considers that the eligible projects are expected to create positive environmental and social impacts.

The Framework outlines a process for the tracking, allocation and management of proceeds, and makes commitments for reporting on the allocation and impacts. Sustainalytics considers that the Framework is aligned with the overall sustainability strategy of the Group, and that the use of proceeds will contribute to the advancement of UN Sustainable Development Goals 6, 7, 8, 9, 10, 11, 12 and 15. Additionally, Sustainalytics is of the opinion that BTG Pactual Group has adequate measures to identify, manage and mitigate environmental and social risks commonly associated with the eligible projects.

Based on the above, Sustainalytics is confident that BTG Pactual is well positioned to issue bonds, deposits and obtain loans, and that the Framework is robust, transparent and in alignment with the four core components of the Green Bond Principles 2021, Social Bond Principles 2023, Green Loan Principles 2023 and Social Loan Principles 2023.

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