



Social,  
Environmental,  
and Climate Risk  
Management

August 2023

## **1 – Social, Environmental, and Climate Responsibilities Policy (SECRP)**

Check out our policy in the link below:

<https://static.btgpactual.com/media/social-environmental-and-climate-responsibilities-policy.pdf>

## **2 – Actions implemented to ensure the effectiveness of the SECRP, as well as the criteria for its evaluation**

The actions implemented for the purpose of effectiveness are as follows. It is important to note that BTG Pactual's annual report will periodically provide updated actions.

- Strive to be recognized as a driver and promoter of the ESG agenda, acting as advisors to our clients, with the aim of transitioning towards a low-carbon and more sustainable economy.
- Assess the environmental, social, and climate risks of each of our clients, suppliers, and partners, in addition to our own operations and businesses, according to the principles of relevance and proportionality, as well as the profile of each client of each entity within the BTG Conglomerate.
- We have developed methods for socio-environmental analysis and the integration of environmental, social, and corporate governance aspects into the management of third-party assets, including climate variables in these analytical models.
- Develop new products in a way that not only provides financial returns but also brings environmental and social benefits to society. For example: promoting socioeconomic inclusion and reducing social inequalities.
- Work collaboratively, integrating business and back-office areas, to ensure full adherence to our voluntary market commitments and coordinate responses to sustainability indices and awards.
- Conduct awareness programs, sustainability training, and maintain internal and external channels of dialogue with our stakeholders, including the community in which we operate, thereby preserving a responsible and transparent relationship.
- Work responsibly with our clients, aiming to

encourage sustainable practices that enable prosperity and an ecologically balanced environment, for the benefit of current and future generations.

- Promote a diverse, equal, and inclusive work environment and transparently communicate progress indicators in our ESG agenda.
- Identify the social, environmental, and climate impacts resulting from our operations and business.
- Strive to be transparent and responsible regarding any potential negative impacts, that may inadvertently occur, regarding our contributions to social, environmental, and climate-related aspects, as well as other commitments made by BTG Pactual on these subjects.
- Integrate the management of social, environmental, and climate risks into the management of other risks to which financial institutions are exposed, as defined in the applicable regulations and legislation.
- Seek to increase exposure in our credit portfolio to sectors that generate social and environmental benefits, promoting the decarbonization of the economy. Thus, we engage with clients in greenhouse gas-intensive sectors to reduce their footprint.
- Define strategies for climate change mitigation and adaptation, combining measures to reduce greenhouse gas emissions with risk management and the leveraging of opportunities related to the challenges of climate change.
- Adopt ethical and transparent conduct, consistent with fair practices in our operations and business, and provide timely, comprehensive, accessible, and tailored information to our clients.
- Use resources rationally, promote biodiversity conservation, and mitigate the environmental impacts of our actions through sustainable practices.

Finally, we have a policy (SECRP), a governance structure, processes, and procedures in place for the proper management of social, environmental, and climate risks at the prudential conglomerate level. Additionally, we disclose information internally and externally, as required by current regulations, particularly CMN Resolution No. 4,945.

Below are the evaluation criteria: (i) number of analyses conducted per type of relationship, (ii) number of cases rejected per type of relationship, (iii) number of cases monitored, (iv) asset managers that responded to the ESG questionnaire, (v) participation in investment committees, (vi) percentage of employees trained per type of training, (vii) risk analyses on the scale of high, medium, and low social, environmental, and climate risk

### **3 - Mechanisms used to promote stakeholder participation, if included in the SECRP establishment and review process**

The highlighted topics in the SECRP are based on an assessment of global and national trends, as well as extensive consultation involving the key stakeholders of the BTG Pactual prudential conglomerate. Through online surveys and interviews, our main stakeholders (clients, employees, investors, suppliers) are surveyed about sustainability-related issues they consider most relevant, using a predefined list by the Bank. This consultation is conducted periodically and is defined as a materiality matrix. The outcomes of this consultation are utilized in the process of defining or revising the SECRP.

### **4 - Economic sectors subject to business restrictions by the institution due to social, environmental, or climate-related factors.**

Regarding the so-called controversial sectors, that is, those capable of causing physical or psychological harm to consumers/users or to third parties closely related – such as alcoholic beverages, tobacco, firearms and ammunition, or gambling – which may occasionally be subject to business restrictions, we take all necessary precautions to avoid providing financial support to activities inconsistent with our ESG agenda. As a result of risk-based caution, these sectors represented only 0.66% of the credit portfolio at the end of 2021. Essentially, operations involving these sectors are included in BTG Pactual's Corporate & SME Lending portfolio. As a preventive measure, we limit credit exposure to these activities to 7.5% of the overall amount.

### **5 - List of products and services offered by the institution that positively contribute to social, environmental, or climate-related aspects.**

Below, we describe the products developed per business unit, that, in our assessment, have a positive impact on social, environmental, and climate-related aspects.

#### **Asset Management - Sustainable and/or Impact Funds**

- BTG Pactual Impact Investment: a structured fund aimed at raising resources for investments in companies aligned with our ESG agenda, aiming to assist them in maximizing positive social and environmental impact in their businesses, intentionally and measurably, while also generating robust financial results. The goal is to harmonize strong business performance with appropriate integration of good social, environmental, and governance practices (ESG). For more information, visit: <https://www.btgpactual.com/asset-management/capital-privado/estrategias/investimento-de-impacto>.
- Chile Venture Debt Fund I: This is an investment fund focused on financing startups in Chile that have sustainability goals aligned with the Sustainable Development Goals.
- ESG EM Bond Fund: A fund dedicated to sustainable finance investments in emerging countries, including Green Bonds, Social Bonds, Sustainable Bonds, and Sustainability-Linked Bonds. For more information, visit: <https://www.fundweblibrary.com/btgpactual>.
- BTG Pactual ESG Corporate Credit: The fund aims to replicate the strategy of the ESG EM Bond Fund but with a focus solely on Brazilian debt issuances. It invests in opportunities offered by the fixed-income market through assets that have second party opinion reports issued by specialized consultancies, including, but not limited to, green, social, sustainable, or sustainability-linked debentures.
- The Reforestation Fund: A fund focused on the acquisition of degraded lands for (i) the protection

and restoration of native vegetation in at least 50% of the property's area, and (ii) the sustainable management of FSC-certified commercial forests on the remaining 50% .

### **Sales & Trading**

- In 2021, we launched services related to the registration, trading, and retirement of Decarbonization Credits (CBIOs), contributing to the national goal of increasing the share of biofuels in the Brazilian energy matrix.
- We also trade I-RECs (Renewable Energy Certificates) from various energy sources, such as hydro, solar, and wind power.

### **Investment Banking**

- We identify companies and projects that generate social and environmental benefits and seek financing in the capital markets. We structure and distribute green, social, sustainable, transition, and UN Sustainable Development Goals-linked debt securities. BTG has contributed to the distribution of US\$11.3 billion in labeled debt capital market issuances since 2016, including the first sustainable and transition issuances in Brazil.

### **Credit Portfolio / Liabilities Management**

- We published our Green, Social, and Sustainable Financing Framework in 2020 and, through it, raised US\$50 million in our first Green Private Placement in November 2020. In January 2021, we issued our first Green Bond, raising US\$500 million.
- In 2020, we secured a US\$140 million climate loan from Proparco and DEG, with the funds being used to finance climate change mitigation initiatives.
- In 2021, we received US\$300 million from DFC, and in 2022, US\$200 million from JICA (the Japanese government's financing agency), both to support the expansion of our SME (Small and Medium Enterprises) financing portfolio.
- In 2021, we updated our Sustainable Financing Framework, which included new financial instruments such as Certificates of Deposit

(CDBs), enabling the attraction of investments and facilitating long-term structured operations, thus promoting the United Nations Sustainable Development Goals. By the end of the third quarter of 2022, we achieved a deposit stock of R\$1.2 billion, aligned with these objectives. The latest version of the Sustainable Financing Framework is available at: <https://static.btgpactual.com/media/btg-sustainable-financing-framework-2021-20211213124151.pdf>.

### **Distribution of ESG/Sustainable funds on our open investment platform**

- Distribution of funds that have, as a strategy, sustainable/ESG investments managed in-house and by third parties. The offered options include forest investments, low-carbon activities, production and utilization of hydrogen as an energy source, impact investments in general, among other strategies.

### **6 - List of national or international social, environmental, or climate-related pacts, agreements, or commitments:**

- UN Global Compact: Access our latest report on compliance with this initiative here
- Principles for Responsible Investment (PRI): Access the latest report on this initiative
- Principles for Responsible Banking (PRB): Access our latest report on compliance with this initiative here: <https://static.btgpactual.com/media/prb-reporting-and-self-assessment-btg-pactual.pdf>.
- Task Force on Climate-related Financial Disclosures (TCFD)
- CDP: Check out our latest climate change questionnaire responses here: <https://static.btgpactual.com/media/cdp-2023-btg-pactual.pdf>
- Brazil Coalition on Climate, Forests, and Agriculture
- Partnership for Carbon Accounting Financials (PCAF)
- Task Force for Nature-Related Financial Disclosure (TFND)
- Equator Principles: Access our latest report on compliance with this initiative here: <https://static.btgpactual.com/media/acrobat-document.pdf>

