

# **GLOBAL – Environmental and Social Risk Policy**

Category: ESG – Environmental, Social and Governance

**June / 2020**

## **Objective**

This Policy establishes the structure and criteria of environmental and social risks followed by BTG Pactual. The Policy also defines the principles and directives that guide the analyses of environmental and social risks, in compliance with Resolutions 4,327/2014 and 4,557/2017 of Brazil's National Monetary Council (CMN) and with Norm 14 of the Brazilian Banking Self-Regulation System (SARB).

## **Related Norms**

- ESG 001 – GLOBAL – Sustainability Policy
- ESG 002 – GLOBAL – Timberland Responsible Investment Policy
- ESG 004 – Brazil – Private Social Investment Policy
- COMP 001 – GLOBAL – Code of Business Principles and Ethics CMN Resolutions 4,327/2014 and 4,557/2017
- Banking Self-Regulation (SARB) Norm 14 – Socioenvironmental Risk

## **To whom does this policy apply?**

All subsidiaries and business units of Banco BTG Pactual, in Brazil and abroad, and companies from the economic conglomerate, who are subject to the Resolutions of the Central Bank and to Banking Self-Regulation Norms, as described above, when said parties do not have their own policies on Environmental and Social Risks.

This Policy applies to the process of analyzing the environmental and social risks of onboarding all the counterparties of BTG Pactual, and to all credit operations, including Private Banking operations, respecting the principles of relevance and proportionality. The Capital Markets, M&A and Research areas must also observe the fundamentals and precepts of this Policy.

**Breaches of this Policy may result in disciplinary action, including dismissal.**

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## 1. Fundamentals

Since its inception in 1983, Banco BTG Pactual has been based on the deep-rooted pillars of meritocracy and partnership, in which talent, dedication and the performance of our employees are the bedrock of our continuous growth. Our sustainability approach considers, among other aspects, the analysis of the social and environmental risks, including climate aspects (“E&S Aspects”), of our operations and businesses, and is grounded on the understanding of our responsibility to our partners, employees, society and the environment.

Fully aligned with our values, BTG Pactual’s Environmental and Social Risk Policy reflects our commitment to consider E&S Aspects in the decision-making process of credit operations and also at the start of the relationship with all our counterparties – clients, suppliers or others.

We operate with a consistent focus on the long-term implications and results of our actions, prioritizing long-term benefits over short-term gains, always observing the risks and opportunities brought by E&S Aspects and the challenges imposed by climate changes, adopting criteria for adapting to and mitigating climate change as per our processes and procedures. We have a long-term ambition and an unconditional commitment to responsible and sustainable development, and we believe solid commercial practices should be applied daily to generate value for stockholders, clients, employees, society and other interested parties.

## 2. Analysis of Socioenvironmental Risk

At the start of the relationship with clients or suppliers, we verify the environmental and social compliance of the counterparty and we do not pursue any relationship with counterparties included in the Record of Employers who have Subjected Employees to Slave-like Conditions, as published by the Ministry of Economy.

In the credit operations of BTG Pactual, respecting the principles of relevance and proportionality, we:

1. Do not carry out operations with individuals or companies that exploit slave-like labor, understood to be those included in the Record of Employers that have Subjected Employees to Slave-like Conditions, as published by the Ministry of Economy;
2. Consider E&S Aspects in the assessment of the borrower, as well as the latter’s capacity to manage these aspects, observing the best market practices;
3. Consider sector particularities in the analysis of the socioenvironmental risk of counterparties, which includes aspects such as: (i) emissions and compensation of greenhouse gases; and (ii) combatting the exploitation of slave and child labor, international traffic of people, prostitution and sexual exploitation of children and teenagers;
4. Develop systems, routines and procedures that allow us to identify, classify, assess, monitor, mitigate and control the environmental and social risks present in our credit operations, establishing contractual clauses of this risks in said operations, when appropriate, always reconciling environmental and social risk management with the other risks laid out in Central Bank Resolution 4,557/17, in an individual and integrated vision; and

5. Incorporate climatic risk criteria, both physical and transition, into the analysis of environmental and social risk, as well as risks to biodiversity.

### 3. Socioenvironmental Risk Guidelines

At BTG Pactual, we:

1. Integrate environmental and social risk management into the other types of risk to which financial institutions are subject, as defined in Central Bank Resolution 4,557/2017;
2. Incorporate E&S Aspects into the analysis of new products and services, focused on innovation and creation of new business opportunities, that bring positive social, environmental and climatic impacts;
3. Analyze our credit portfolio based on exposure to green economy and carbon-intensive sectors;
4. Define strategies for mitigating and adapting to climate change, combining measures to reduce emissions of greenhouse gases and management of risks and opportunities related to the challenges of climate change;
5. Stimulate open dialog with all interested parties on E&S Aspects and participate in forums and external initiatives to share experiences and enrichen the debate on these themes;
6. Maintain a relationship with interested parties, including the local community, providing communication channels with the Bank, whilst making sure that the responses are adequately sent;

### 4. Governance and Implementation

The Environmental and Social Risk Policy is approved by the Board of Directors.

The principles and directives herein established are all incorporated into the Onboarding analysis of the counterparties of BTG Pactual and into the credit operations, and the Environmental, Social, and Governance Committee (“ESG Committee”) is responsible for overseeing their implementation. The following people are part of the ESG Committee: C-level employees, senior partners and the Head of ESG.

The ESG technical area is responsible for: (i) performing socioenvironmental risk analysis, guaranteeing compliance with all the principles and directives established in this Policy; and (ii) communicating the results of the analyses to the ESG Committee, to the Risk Committee and to other interested parties (internal or external audience), as per the particularities of each case

## 5. Communication and Transparency

BTG Pactual seeks the constant refinement of its policies and practices in environmental and social risk management, following the evolution of applicable regulations and the best market practices, always respecting the peculiarities of its operations, in line with the principles of relevance and of proportionality.

This Policy will be reviewed periodically, within five years at the most, by the ESG Committee and by the Board of Directors.

Feedback and transparency are an essential part of our commitment to sustainability, which is why we will periodically report on our progress and achievements with regard to the implementation of the principles and objectives presented in this Policy. The Bank also provides communication channels, such as SAC and Ombudsman, which are qualified to receive any queries related to this Policy, or the direct channel of the ESG team, via e-mail [OL-ESG-RISK@btgpactual.com](mailto:OL-ESG-RISK@btgpactual.com).

## 6. Exceptions

All employees of BTG Pactual must respect the principles and directives established in this Policy.

BTG Pactual's solid Compliance and internal controls structure, together with the ESG Committee, is responsible for ensuring the fulfillment of all the activities laid out in this Policy. Any exception must be approved by the ESG Committee, which, if it deems necessary, shall submit the decision to the Board of Directors.