

Luxembourg, 06.02.2024

Environmental and Social Data Sheet

Overview

Project Name:	BTG PACTUAL GREEN ENERGY GENERATION
Project Number:	2023-0142
Country:	Brazil
Project Description:	Intermediated lending transaction to finance the expansion of the Financial Intermediary green energy lending portfolio under a Framework Loan (FL) and its lending portfolio to microenterprises under a multiple beneficiary intermediated loan (MBIL).

EIA required: Some sub-projects may require an ESIA.

Project included in Carbon Footprint Exercise¹: No
(details for projects included are provided in section: "EIB Carbon Footprint Exercise")

Environmental and Social Assessment

This operation concerns a Framework Loan for the implementation of mainly small and medium-sized ground-mounted Solar PV plants in Brazil. The Borrower and Financial Intermediary (FI) is BTG Pactual (BTG), which will on-lend the funds for the installation of the plants to its customers.

Environmental Assessment

This operation intends to bring about environmental benefits by supporting renewable energy projects that help to mitigate climate change. Most of the projects will be ground-mounted solar PV plants. According to the guidelines established in CONAMA (the National Environmental Authority) Resolution No. 01 of 23 January 1986, an Environmental and Social Impact Assessment (ESIA) is required for solar PV projects above 10 MW. The subsequent CONAMA resolution 279/2001 specifies that alternative energy sources will be licensed through simplified environmental studies, however solar PV is not explicitly mentioned. The majority of the projects are expected to be equal to or below 5MW (distributed generation). Although the thresholds for the authorisation procedures can vary between the different States of Brazil, it is expected that the projects will go for a simplified environmental procedure. BTG finances projects only when they are fully authorised. In addition, BTG risk division for ESG matters reviews the projects, with the support of external consultancy, and rejects those not complying with their E&S policy or those that fall under BTG restricted and prohibited activities. Restricted activities include but are not limited to projects located within Environmental Protection Areas or Areas of Relevant Ecological Interest² and as such they are not eligible for financing. As part of its ESG due diligence, BTG uses a geo-processing tool to verify that the projects are not located in, inter alia, protected areas, nature conservation sites and land belonging to indigenous people.

¹ Only projects that meet the scope of the Carbon Footprint Exercise, as defined in the EIB Carbon Footprint Methodologies, are included, provided estimated emissions exceed the methodology thresholds: 20,000 tonnes CO₂e/year absolute (gross) or 20,000 tonnes CO₂e/year relative (net) – both increases and savings.

² Área de proteção ambiental and Área de Relevante Interesse Ecológico. Protected areas under national legislation are among the types of sustainable use protected areas, defined as part of the National System of Conservation Units regulated by Law 9985 of 18 July 2000. In particular, Área de proteção ambiental falls under [IUCN protected area category V](#) - protected landscape/seascape.



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Overall, no significant negative impacts on sensitive natural habitats or other biodiversity areas are expected for the projects. Positive local environmental benefits are expected during operation, given the substitution of polluting power generation options by a cleaner alternative, which is expected to avoid GHG emissions. Specifically, the operation will contribute 100% to Climate Action (mitigation) and will support Brazil's targets for increasing the share of renewable energy sources in its annual electricity generation. The Project also contributes to the achievements of Brazilian objectives, in the context of the country's Intended Nationally Determined Contribution (INDC) agreed following the COP21, where a target of 43% reduction of CO₂ emissions by 2030 (versus the 2005 levels) has been defined.

Social Assessment

To ensure that suppliers are aligned with BTG's values, human rights clauses in BTG's contracts address issues such as child and forced labour. Given the small and medium size of the projects, their promoters and the wide range of potential suppliers and installation companies, BTG will be required to undertake reasonable efforts in case of concern to mitigate against the risk of forced labour in the supply chain. This will include enhanced due diligence where practically achievable, and ensuring that relevant obligations are passed on in supplier contracts.

EIB Paris Alignment for Counterparties (PATH) Framework

The Counterparty, BTG Pactual, is in scope and screened in to the PATH framework, due to its size. The counterparty already meets the requirements of the EIB PATH framework with its existing alignment plan.

Conclusions and Recommendations

The FI has adequate capacity to identify, assess, manage and monitor Environmental, Climate and Social (ECS) impacts and risks of the sub-projects benefiting from EIB support. The FI has systems, processes and procedures in place and adequate resources to implement its E&S policy and procedures, which are deemed to be acceptable to manage Environmental, Climate and Social (ECS) risks related to this operation. The following loan undertakings will be included in the legal documentation:

- BTG shall ensure that projects benefiting from EIB support comply with national and EIB E&S standards.
- BTG will be required to undertake reasonable efforts to ensure that the projects it finances are screened for any labour issues in the supply chain, and will endeavour where possible to cascade down similar requirements in its finance contracts. In line with this, BTG, inter alia and on a best effort basis, will require the solar PV installation companies to obtain certificates from suppliers certifying no violations of labour rights for the production of panels.
- BTG will not finance ground-mounted solar PV plants located in critical habitat areas as defined by the EIB E&S standards.
- The Bank will require the FI to store and keep updated any E&S related documents that may be relevant for the project (e.g. environmental studies, environmental monitoring reports or equivalent documents). When relevant, the FI shall deliver to the EIB the EIA report and other relevant environmental documents.
- Projects (i) with significant negative social impacts, or (ii) requiring physical resettlement, and/or (iii) with impact on indigenous people, shall not be eligible.
- Projects with significant negative impacts on areas with a high biodiversity value and nature conservation areas shall not be eligible.

In view of the above findings and conditions, the operation is deemed satisfactory from an environmental and social compliance perspective.