

Sustainable Financing Framework

May 2023



Table of Contents

Background 3

Company Overview	3
Product Portfolio	4
Materiality and Commitments	5
ESG journey	6

ESG Governance 7

BTG Pactual	7
Board of Directors	8
ESG Commission	8
Business Areas	9
ESG Integration into Risk Analysis	10
Data Security and Protection	13

PAN's Sustainable Financing Framework 14

Use of proceeds	15
Process for Portfolio Selection and Applicability Evaluation	17
Management of Proceeds	18
Reporting	19
Impact Reporting Indicators	20
External review	21

Background

Company Overview

Banco PAN (“PAN”) is a financial institution licensed and operating in Brazil. Headquartered in São Paulo and with more than 3,204 employees, PAN operates mainly in the segments of credit and transactional financial services for individuals.

Banco PAN is part of the BTG Pactual's Prudential Conglomerate, which controls the institution with 72% of total shares. All regulatory information is registered with the Brazilian Central Bank under the Conglomerate's umbrella; however, Banco PAN discloses its individual indicators to provide additional transparency and accountability to the market.

Banco PAN works through a complete digital platform and a robust network of banking correspondents, connecting its clients to contextual financial solutions with simplicity, using technology to democratize access to the financial system to millions of people.

Product Portfolio

Credit, Banking, Payments, Insurance, Investments, Market Place and Health.

Credit

Payroll Loans
Payroll Cards
Auto Loans
Buy Now Pay Later
FGTS Loan
Car Equity

Banking

Checking Account
Credit Card
Debit Card
Top Ups
PIX

Payments

POS Machine
Payment Link
Prepayment
Working Capital

Insurance

Credit linked
Mechanical Assistance
Moto Assistance
Life
Income loss
Mobile Phone

Investments

Poupa PAN
Financial Education

Marketplace

Mosaico Marketplace
Co-branded Card
Mobiauto

Health

Saúde PAN

Materiality and Commitments

In 2022, PAN conducted its second in-depth materiality assessment to understand the main sustainability-focused risks and opportunities faced by the bank. This process included the engagement of over 3,500 clients, employees, correspondents, investors, financial experts and members of PAN's Executive Board and Board of Directors.

As a result, such process defined 10 material topics that guide PAN's ESG strategy, aligning its business to the needs and expectations of its clients, suppliers, employees, and investors and, at the same time, creating economic and social value.

The selection of material topics was based on the following criteria:

- Concerns and priorities of clients, employees, and investors;
- Positioning and business strategy;
- Potential to create value and positive impacts for the society and the environment.

To ensure that the ESG agenda was aligned with the Sustainable Development Goals (SDGs), PAN correlated its material issues with them, promoting convergence between its ESG commitments and the UN Agenda 2030, as follows:

1. Technology and Innovation- SDG 5, 12, 17
2. Culture, People, Inclusion and Diversity - SDG 1, 4, 5, 8, 10, 12, 13, 17
3. Client Journey and Satisfaction - SDG 10, 11, 16
4. Integrated risk and partnerships management - SDG 8, 12, 13, 16
5. Ethics, Transparency and Compliance - SDG 10, 12, 16, 17
6. Data Privacy and Security - SDG 17
7. Fraud Prevention - SDG 16
8. Economic Performance -SDG 8, 17
9. Image and Reputation Management - SDG 11, 16, 17
10. Corporate Governance - SDG 8, 10, 16

Since 2020, when the ESG department was created, PAN has reinforced the importance of this agenda through many initiatives. In 2020, it joined the UN Global Compact and committed to contribute implementing and observing the 10 principles upholding fundamental responsibilities in the areas of human rights, labor, environment and anti-corruption.

ESG Journey

2020



Since 2019, Banco PAN has been awarded with the GPTW standard, that determines the best companies for employees to work in.



The Global Compact was developed for purposes of mobilizing the international business community to adopt fundamental and internationally accepted values in the human rights, labor relations, environment and fight against corruption areas.

2021



Elected one of the Great Places for Women to Work and got its first Top Employer Certification



Compensated 100% of its emissions (ex-financed emissions) generated in 2021, thus becoming its Carbon Neutral journey

IGPTWB3

Entered the 2021 portfolio of the IGPTW (Great Place to Work Index)



The Gold Standard of the Brazilian CHG Protocol Program is the highest level of certification awarded to companies that demonstrate compliance with all transparency criteria in their Carbon Inventory

2022



Initiative by institutional investors interested in the management of greenhouse gas emission effect by the largest companies in the world and the mitigation and adaptation actions they. Scored as B on CDP



Elected as the Top 5 Financial Institutions in Brazil for employees to work and elected Great Place to Work for Women, LGBTQ+ and Ethnic- Racial.

2023



Joined the Brazilian Pact for Racial Equity Promotion



Joined the Partnership for Carbon Accounting Financials, committed to measuring and disclosing the greenhouse gas emissions of its portfolio

ISEB3
ICO2B3

Constituent of the ISE (Corporate Sustainability Index) and ICO2 B3 (Carbon Efficiency Index), 2023 portfolio.

ESG Governance

As part of BTG Pactual Prudential Conglomerate, Banco PAN reports its ESG initiatives and risks to Banco BTG Pactual, leader of the Conglomerate, that has a Board-level ESG oversight. Moreover, PAN's Board of Directors is responsible for overseeing PAN's ESG agenda, which helps to drive a focus on sustainability issues across its strategy, policies and programs.

BTG Pactual:

BTG Pactual is a financial institution with origin and headquarters in Brazil, acting in the main Latin American markets. BTG Pactual has over four thousand professionals providing services of investment banking, asset management, wealth management and corporate lending. Through a platform with high capability of international distribution, it provides a comprehensive range of financial services to a regional and global client base. A few years ago, BTG Pactual focused on large corporations, institutional investors, governments, and high net worth individuals (“HNWI”). More recently, in addition to the institutional clients that BTG Pactual has notably served for decades, the bank has also gained market share in the high income retail segment of the population. BTG Pactual is now capable of servicing individuals through the launch of BTG Pactual Digital (investments platform) and BTG+ (retail bank).

BTG Pactual's vision of sustainability is grounded in the understanding of its responsibility in promoting best practices and using a sustainability lens throughout its entire value chain. Its Social Responsibility initiatives and its ESG and Impact Investing strategy are anchored in BTG Pactual's values and competencies, reflecting its long-term ambition and unconditional commitment to responsible and sustainable development

Board of Directors:

Is the highest governing authority in ESG integration, risk management, sustainability matters and is responsible for monitoring and approving social, environmental and climate related risks and opportunities related to banking activities. Amongst its duties, the Board provides general business guidance, including its ESG journey strategy, approves PAN's Risk Appetite Statement (RAS), monitor risk indicators evolution, and approves PAN's Corporate Policies.

The Board is supported in its duties by a complete structure of committees & Commissions. These include Audit Committee, Remuneration Committee, Risk Commission and ESG Commission

ESG Commission:

The ESG Commission reports to the Board of Directors and to BTG Pactual's ESG Committee. With monthly meetings, the Commission is chaired by the Executive Officer of Legal, HR and ESG and is composed by three other c-level members (CRO, CTO & Chief of Marketing and CRM Officer) and other heads and managers from various backgrounds.

The ESG Commission is responsible for (a) ensuring that PAN's operations and processes are in compliance with the Conglomerate's Social, Environmental and Climate Responsibility Policy ("PR SAC"); (b) ensuring PAN's Social, Environment and Climate Responsibility guidelines are being complied with and subject to assessment by the Board of Directors at least every five years; (c) guiding and validating PAN's ESG annual report, which consolidate ESG action plans, projects, proposals and initiatives; (d) strengthening PAN's ESG culture; (e) monitoring ESG commitments; (f) monitor compliance with current ESG standards, assessing effectiveness of actions implemented, impacts of non-compliance and act in a timely manner to ensure deviation corrections; (g) guiding and establishing competences for the necessary measures for identifying, classifying, evaluating and mitigating of ESG risks; and (h) ensuring that the Board of Executive Officers and the Board of Directors are aware of matters that may have a relevant impact on PAN's image.

Business Areas:

The ESG and Non-Financial Risks corporate teams work together to implement operations, routines and procedures that ensure business alignment with the practices described in the PRSAC and proposed by the ESG Commission.

All employees are responsible for regularly identify ESG risks and capturing opportunities for sustainable development as well as developing products aligned with PAN's ESG agenda.



ESG integration into risk analysis

Banco PAN considers environmental, social and climate aspects to determine its integrated risk management strategy guidelines for the identification, measurement, monitoring, reporting, and mitigation of risk its exposures.

The management of PAN's socio-environmental and climate impact is carried out in such a way as to: (i) ensure compliance with applicable legislation, rules and regulations governing socio-environmental management; (ii) promote efficient consumption of energy, natural resources and inputs, as well as proper management and disposal of generated waste and effluents; and (iii) ensure adequate working conditions and employee well-being, through occupational health and safety standards.

Also, PAN approved with its Board of Directors an Environmental, Social and Climate Responsibility Guideline that confirms its commitment to a long-term ambition and unconditional engagement to responsible and sustainable development, which balances economic growth with ESG aspects.

To avoid engaging in high-risk relationships and contracts, PAN has implemented an exclusive Environmental and Social risk analysis process to which, all its new clients, partners and suppliers are subject to. This process consists of a three-step process:

Individual Clients

Onboarding

All clients are evaluated before starting any relationship with PAN, with crosschecks with national and international ESG lists, as follows:

- Exclusion factor: Child and Slavery Workforce – cross check with list published by Brazil’s Labor Ministry
- ESG filters: embargoed areas by IBAMA; legal processes (including femicide, violence against women, drug trafficking; animal abuse; amongst other) and E&S negative media

Monitoring

- Monitor relevant environmental and social matters of real estate recuperated as collateral.
- Yearly cross-check of existing clients with list published by Brazil’s Labor Ministry

Banking correspondents, Suppliers and Corporate Clients

Onboarding

All banking correspondents, suppliers and corporate clients are evaluated before starting any relationship with PAN, as follows:

- Exclusion factor: Child and Slavery Workforce – cross check with list published by Brazil’s Labor Ministry
- ESG filters: embargoed areas by IBAMA; legal processes against members of the board or company owners (including femicide, violence against women, drug trafficking; animal abuse; amongst other) and E&S negative media
- ESG questionnaire is applied to all suppliers
- Environmental and social contractual clauses, including accordance with PAN’s Code of Ethics to all new suppliers and partners.

ESG & Risk Commissions

Commercial teams are allowed to question an onboarding or monitoring exclusion decision. In those cases, the relationship approval may be submitted to both PAN’s Risk and ESG Commissions

Monitoring

Every commercial relationship is reevaluated at least every 18 months, according to its risk classification. During the reevaluation, all onboarding filters are reapplied.

PAN has an existing pipeline of loans for vulnerable communities, entrepreneurs and autonomous workers, and flex & hybrid vehicles. Accessing the Sustainable Financing market would be a way to further support this sustainable development strategy. In this context, PAN has developed a Sustainable Financing Framework focused on the financing and/or refinancing of new and existing portfolios that meet the Eligibility Criteria below, while simultaneously responding to increasing investor demand for positive social and environmental impact investments with a greater transparency in terms of use of proceeds.

This document serves as PAN's Sustainable Financing Framework for issuing local and international bonds, notes, loans, credit transactions and deposits ("Instruments") having environmental and/or social impact.



Data Security and Protection

Security in the treatment, storage, sharing and disposal of data, in addition to restricting its use only for the appropriate purpose is material to PAN. In recent years, PAN consolidated a set of rules and protocols established for the processing of personal data, both by the different areas of the Bank, and by supplier and partner companies in the following bylaws:

- Privacy and Data Protection
- Response to Incidents Involving Personal Data
- Offering and Prospecting to Individuals Privacy Standards
- Privacy Standards in Product Design
- Data Loss Prevention
- Privacy Risks

The Technology Governance area is responsible for monitoring and centralizing technology risks, which are identified by the evaluation of the Internal Audit team. The manager and the technology team are responsible for monitoring the process and providing the necessary information to the Audit.

After issuing the final Internal Audit report, the technology teams have a deadline to create and formalize the action plan in response to the recommendation. The execution monitoring of action plans is carried out fortnightly. The IT indicators are also available online at the Indicators Center for the teams.

In addition to the Internal Audit, an external audit is carried out every six months by PricewaterhouseCoopers Brasil (PwC), referring to systems that transact data related to the Bank's accounting. Another external audit is carried out annually by Bacen.

PAN's Sustainable Financing Framework

The Sustainable Financing Framework aims to ensure transparency and quality of Green, Social and Sustainability local and international bonds, notes, loans, credit transactions and deposits.

This Framework has been developed in line with the four key pillars of the Green Bond Principles, 2021 (GBP), the Green Loan Principles 2023 (GLP), the Social Bond Principles 2021 (SBP), Social Loan Principles 2023 (SLP) and the Sustainability Bond Guidelines 2021 (SBG).

- 1. Use of proceeds**
- 2. Process for project evaluation and selection**
- 3. Management of proceeds**
- 4. Reporting**



Use of proceeds

The total amount raised through local and international bonds, notes, loans, and deposits issued under this Framework will be allocated towards the financing and/or refinancing of new and existing portfolios that meet the eligibility criteria.

All projects and portfolios backed by loans raised under this Framework must have had a disbursement made during the thirty-six months preceding the issue date of the Instruments or must be allocated within thirty-six months.

All loan instruments under this Framework must be dedicated to financing the following eligible portfolio categories:

Green Portfolio Category

Eligibility Criteria

Objectives

SDG Alignment

Clean Transportation

Financing Electric, Hybrid, Flex and non-motorized vehicles to low income individuals ¹

Only vehicles limited to a threshold of 75g CO2/Km are eligible. ²

Provide access to clean transportation to low-income population



Renewable energy

Financing solar panels for private households

Help transition to clean energy sources



Water Sanitation

Financing individual's investments to adapt households to national sanitation grids

Expansion of water treatment infrastructure and reduce the negative health impact of poor sanitation methods



¹ Brazilians with monthly income equal or lower to a minimum wage.

² Based on lab test ("NEDC") procedure

Social Portfolio Category

Eligibility Criteria

Objectives

SDG Alignment

Socioeconomic advancement and empowerment

Motorcycle financing⁴, FGTS Backed and Payroll Loans to social-economically vulnerable groups

Economically vulnerable population as defined by either income⁵, gender minorities, marginalized communities (black and indigenous people) or victims from natural disasters

Provide equitable participation and integration into the market and society, including reduction of income inequality



Autonomous employees and Micro enterprises Financing and Microfinance

Autonomous employees⁶ and Micro enterprises⁷ with annual revenues of up to R\$300 thousand

Reduce social exclusions and inequalities and improve financial Inclusion



Affordable Housing

Mortgage loans for affordable urban and rural housing to low and moderate income⁵ individuals and families as defined by housing policies of the Ministry of Cities and the federal government and in line with the program “Minha Casa, Minha Vida⁸”

Provide decent and affordable housing



⁴ Low displacement motorcycles, between 50 and 150 cc

⁵ Brazilians with monthly income equal or lower to a minimum wage.

⁶ In accordance with Brazilian law Lei 13.467/17

⁷ In accordance with BNDES definition of autonomous and MSME that can be found here. <https://www.bndes.gov.br/wps/portal/site/home/financiamento/guia/porte-de-empresa>

⁸ Minha Casa Minha Vida (MCMV; in English “My House My Life”) is Brazil’s first-ever effort at large-scale public housing, an ambitious nationwide program tasked with constructing 3.4 million homes as part of a broader effort to upgrade and modernize the nation’s cities. MCMV is funded primarily through the Growth Acceleration Program (PAC), a federal infrastructure-upgrading program. Are eligible to the Framework, the faixas 1, 1.5 and 2 of the program. Please find the eligible categories here: <https://www.gov.br/mdr/pt-br/assuntos/habitacao/minha-casa-minha-vida/programa-minha-casa-minha-vida-mcmv>.

Process for Portfolio Selection and Applicability Evaluation

Eligible Portfolios are expected to comply with local laws and regulations, including any applicable regulatory environmental and social requirement and with IFC's Performance Standards for environmental issues.

As part of PAN's regular relationship approval process, all credit operations are assessed by the Environmental and Social Risk Analysis Process described in section 1.c. above.

To approve eligibility under this framework, PAN's funding team must request a meeting with the ESG Commission, which will check the compliance of the Eligible Projects with the Eligibility Criteria and will be responsible for approving allocations of net proceeds. The ESG Commission will also monitor the environmental and social risk analysis process of the Eligible Portfolios.

Management of Proceeds

The net proceeds will be allocated to the financing of new portfolios and/or refinancing of existing portfolios under the Eligible Portfolio Category. PAN's Treasury team will track internally the proceeds raised from the Sustainable Financing Framework to be allocated to Eligible Portfolios.

Pending the full allocation of the proceeds, the balance of unallocated proceeds will be held in cash or cash equivalent instruments in line with PAN's treasury management. For deposits, pending the full allocation of the proceeds, the balance of unallocated proceeds will also be held in cash or cash equivalent instruments in line with PAN's treasury management by PAN's Treasury team. For deposits, PAN will ensure no double accounting for the assets financed through different instruments. The net proceeds of deposits will be earmarked by PAN to fund Eligible Projects, continuously monitoring the allocated funds thereafter. The overall process raised related to Green, Social and Sustainable deposits do not exceed the quantum of Eligible Portfolios that are not already financed by any other instrument.

Reporting

Allocation reporting will be available to investors within approximately one year from the date of the local and international bonds, notes, loans, credit transactions or deposits issuance, and thereafter once a year until the proceeds have been fully allocated.

The reporting or a dedicated section in PAN's Annual Report will disclose the total amount allocated to the various Eligible Portfolios and impact information on eligible portfolios. This information will be externally reviewed and will be publicly available on PAN's investor relations website.

Allocation Reporting Indicators:

- List of portfolios financed by the loans and securities proceeds, including, but not only, the description of type of loans, the corresponding allocated amount (in R\$), quantity of loans per portfolio financed, average maturity.
- Allocated amount vs. total amount (in %)
- Refinancing vs. new financing
- Amount of non-performing loans per portfolio (%)

Impact Reporting Indicators:

Portfolio Category

Reporting Indicators

Clean Transportation

- Annual GHG emissions reduced/avoided in tons of CO2 equivalent
- Estimated reduction in fuel consumption

Renewable energy

- Annual GHG emissions reduced/avoided in tons of CO2 equivalent
- Annual renewable energy generation in MWh/GWh (electricity)

Circular Economy

- Annual GHG emissions reduced/avoided in tons of CO2 equivalent (car production)

Water Sanitation

- Increase of households with sanitation infrastructure access

Affordable Housing

- Number of units financed/ families supported
- Average housing price / Rental costs compared to the national/regional rent index (Social indicators)

Socioeconomic advancement and empowerment

- Number of loans provided to each target group
- Average loan size provided to each target group
- Number of loans provided to individuals in vulnerable communities

Autonomous employees and Micro enterprises Financing and Microfinance

- Number/volume of loans provided to target groups per type of loan
- Average loan size provided to target groups
- Number of enterprises reached that are run by women
- Number of enterprises reached that are run by black and/or indigenous people

External Review

Second Party Opinion

This first version of PAN's Sustainable Financing Framework was developed in February 2023. Sustainalytics was appointed as the Second-Party Opinion Provider, evaluating the environmental and/or social impact of PAN's Sustainable Financing and its alignment with the Green Loan Principles (GLP), Green Bond Principles (GBP), Social Bond Principles (SBP), Social Loan Principles (SLP) and the Sustainability Bond Guidelines (SBG). The Second-Party Opinion document will be made available on Sustainalytics and PAN's website.

External Verification

An external verification on the allocation of the loans and securities proceeds will be provided, on an annual basis until the complete allocation of proceeds by PAN's auditors. The external auditor / verifier will certify that the proceeds of the loans and securities are either allocated to Eligible Portfolios or invested in approved financial instruments. This will be published on PAN's Investor Relations website.



