

## PRE-ISSUANCE VERIFICATION REPORT

### Limited Assurance Procedure based on Climate Bonds Standard version 2.1

By VIGEO EIRIS

For the Banco Votorantim's 2019 first Green Bond issuance

November 29, 2019

#### SCOPE

Banco Votorantim is considering the issuance of its first 2019 Green Bond (hereafter "Bond") and intends to use the proceeds to finance or refinance the construction and operation of renewable energy projects - photovoltaic and wind energy generation systems (the "Eligible Green Expenditures").

In this context, Vigeo Eiris (the "Verifier") has been commissioned, as an independent third-party provider approved by the Climate Bonds Standard Board, by Banco Votorantim (the "Issuer") to perform the Pre-Issuance Verification of the Bond. This verification has been conducted in accordance with the Climate Bonds Standard (CBS) version 2.1 requirements [i.e. Part A: General requirements to be applied for all Climate Bonds, Part B: Climate Bonds Standard: Solar Sector Criteria Version 2.1 (June 2018), Climate Bonds Standard: Wind Sector Criteria Version 1.1 (October 2017)].

The work undertaken by Vigeo Eiris to provide this verification report included:

- Planning and management of the verification.
- Desk review of the Bond and associated documentation provided by the Issuer.
- Assessment of evidence provided by the Banco Votorantim against the Climate Bond Standard 2.1.
- Internal quality control on the assurance report and conclusions.
- Provision of Vigeo Eiris' Limited Assurance Report.

We have conducted our pre-issuance verification from November 15<sup>th</sup> to November 29<sup>th</sup>, 2019. The methodology, criteria, findings and assurances addressed by this Limited Assurance Procedure are in accordance with relevant general principles & professional standards of independent auditing, and in line with the International Standard on Assurance Engagements other than Audits or Reviews of Historical Financial Information (ISAE 3000).

#### RESPONSIBILITIES OF THE ISSUER AND OF VIGEO EIRIS

This statement relies on the information provided by the Issuer to the Verifier through documents and additional explanations presented during the assessment, based on the understanding that this information was provided to Vigeo Eiris in good faith. Vigeo Eiris has not performed an audit nor other test to check the accuracy of the information provided by the Issuer.

The Issuer is fully responsible for attesting the compliance with its commitments as defined in its policies, for their implementation and their monitoring, and for the information provided.

#### PRE-ISSUANCE VERIFICATION

Based on the supporting elements and explanations provided by the Issuer, nothing has come to our attention that cause us to believe that, in all material respects, Banco Votorantim's 2019 first Green Bond is not in conformance with the Climate Bonds Standard's Pre-Issuance Requirements (version 2.1) and with associated relevant sector-specific technical criteria. This level of assurance applies altogether to the Eligible Green Expenditures, the environmental benefits of the Bond, the evaluation and selection process of the assets, the proposed financial accounting system, and the monitoring & reporting system associated to the Bond, to be implemented over the term of the Bond.

*This Report is valid as of the date of issuance limited to the Banco Votorantim's 2019 first Green Bond. It is provided by Vigeo Eiris to the Issuer and the Climate Bond Initiative.*

## Disclaimer

Transparency on the relation between Vigeo Eiris and the Issuer: Vigeo Eiris has not executed any audit mission or consultancy activity for Banco Votorantim until so far and no established relationship (financial or other) exists between Vigeo Eiris and the Banco Votorantim.

This Assurance Report is a document prepared by the Verifier that conveys the Verifier's opinion on the Bond alignment with the relevant requirements of the Climate Bonds Standard, but it does not provide Climate Bonds Certification itself. Providing this opinion does not mean that Vigeo Eiris certifies the tangibility, the excellence or the irreversibility of the projects financed by the Bond. No assurance is provided by Vigeo Eiris regarding the financial performance of the Issuer nor of the Bond, nor the value of any investment in the Bond, nor of the environmental footprint of the Bond or the compliance with the commitments taken by the Issuer.

Vigeo Eiris cannot be liable for any loss suffered as a result of information or data provided by the Issuer. Vigeo Eiris is not liable for the induced consequences when third parties use this opinion either to make investments decisions or any kind of business transaction.

Restriction on Distribution and Use of this Limited Assurance Report: at the discretion of the Issuer.

## VERIFICATION CRITERIA & FINDINGS

**Context Note:** Banco Votorantim has declared that the Net Proceeds of its 2019 first Green Bond will be allocated to a portfolio of Eligible Green Expenditures from the following CBI categories: Solar Energy and Wind Energy as described in the Banco Votorantim's Green Bond Framework (the last version was provided to Vigeo Eiris on November 14<sup>th</sup> 2019).

The evidence, information and explanations supporting the Bond issuance provided by Banco Votorantim to Vigeo Eiris were both historical (for projects selection process and nominated projects) and hypothetical or projected (for the expected environmental benefits, the proposed financial accounting system, and the monitoring & reporting system associated to the bond, to be implemented over the term of the bond).

The Issuer showed a high responsiveness in providing information to the Verifier. We believe that the procedures we have implemented and the evidence we have obtained are sufficient and appropriate to provide a basis for our findings.

### Summary criteria for assertions of compliance with the pre-issuance requirements of Climate Bonds Standard version 2.1

Vigeo Eiris has assessed Banco Votorantim's 2019 first Green Bond and the nominated projects and assets against criteria and requirements detailed within the Climate Bonds Standard version 2.1:

- Part A: General requirements to be applied for all Climate Bonds
  1. Selection of Nominated Projects & Assets
  2. Internal Processes & Controls
  3. Reporting Prior to Issuance
- Part B: Climate Bonds Standard: Solar Sector Criteria Version 2.1 (June 2018), Wind Sector Criteria Version 1.1 (October 2017).

### Assessment of Banco Votorantim's 2019 first Green Bond against Pre-Issuance Requirements of Climate Bond Standard

#### Part A: General Requirements

#### 1. Selection of Nominated Projects & Assets

##### Clause 1.1

1.1. Check for proof of existence of documented decision-making process which is used to determine the eligibility of Nominated Projects and Assets:

The decision-making process that the Issuer has established and committed to maintain to determine the eligibility of the Nominated Eligible Green Expenditures is detailed within its Green Bond Framework (the "Framework").

- The evaluation and selection of Eligible Green Expenditures are based on two different processes, depending on the customer, namely: Retail (People) and Wholesale (Corporate and Investment Banking and Private Banking). For projects that are under the Retail segment, the selection and evaluation process applies the normal rules for product financing (counting with contractual triggers). For projects under Corporate and Investment Banking and Private Banking segments, selection is on a case-by-case basis. In both cases, the Department of Socio-Environmental Risks carries out the assessment considering ESG, financial, legal and operational criteria. ESG criteria include: Environmental management; Biodiversity and use of natural resources; Human Rights; Health and Safety; and Prevention of fraud.

This includes, without limitation:

1.1.1. A statement on the environmental objectives of the bond

Measurable and relevant environmental objectives have been identified by the Issuer in its Framework and in the Green Portfolio:

- Reduction and/or avoidance of greenhouse gas (GHG) emissions.

1.1.2. A process to determine whether the Nominated Projects & Assets meet the eligibility requirements specified in Part B (Eligibility) of the Climate Bond Standard

The Issuer has stated that 100% of the net proceeds from its first Bond will be used to finance and refinance a Green Portfolio comprised of existing and future Eligible Green Expenditures corresponding to Renewable Energy, namely:

- Solar energy
- Wind energy

All selected Eligible Green Expenditures to be (re)financed by the Bond meet the eligibility requirements of the following Climate Bonds Standard Sector Criteria:

- Solar Projects - Sector Criteria for Solar (version 2.1): Eligible Green Expenditures under this category will not have more than 15% of electricity generated from non-renewable sources and/or are automatically eligible for Certification under Sector Criteria for Solar (version 2.1).
- Wind Projects – Sector Criteria for Wind (version 1.1): Eligible Green Expenditures under this category will not have more than 15% of electricity generated from non-renewable sources and/or are automatically eligible for Certification under Sector Criteria for Wind (version 1.1).

**Clause 1.2** The Issuer shall assess that all proposed Nominated Projects & Assets to be associated with the bond meet the bond’s documented objectives as stated under Clause 1.1 and are compliant under Part B of the Climate Bond Standard.

The Issuer has committed to assess all proposed Nominated Projects & Assets (Eligible Green Expenditures) to be associated with the Bond’s Green Portfolio and to calculate the estimated climate benefits as stated under 1.1.

The Green Bond Framework states that the Socio-Environmental Risk Department will review the compliance of Eligible Green Expenditures with the eligibility criteria of the Framework and CBI General Requirements and Sector Criteria for Wind and Solar. The projects and assets that will be financed under the processes developed for each of the segments of the bank (Retail and Wholesale) will follow the eligibility criteria with proven environmental goals.

**Clause 1.3** The Issuer shall document the Nominated Projects & Assets which are proposed to be associated with the bond and which have been assessed as likely to be Eligible Projects & Assets. The Issuer shall establish a list of Nominated Projects & Assets which can be kept up-to-date during the term of the bond.

The issuer states that the projects already financed belong to the Retail segment, whose documentation is held at loan portfolio level. Regarding the Corporate and Investment Banking and the Private Banking segment, documentation is held on a case-by-case basis, as projects and assets are of a larger amount. The issuer is committed to reporting annually all assets and projects funded with the bond, for both segments.

**Clause 1.4** Nominated Projects & Assets shall not be nominated to other Climate Bonds unless it is demonstrated by the Issuer that distinct portions of the Nominated Projects & Assets are being funded by different Climate Bonds or that the existing Climate Bond is being refinanced via another Climate Bond.

The Issuer has reported that Eligible Green Expenditures have never been nominated to other Climate Bonds or that the existing Climate Bond is being refinanced via another Climate Bond.

**Clause 1.5** The expected Net Proceeds of the bond shall be no greater than the Issuer’s debt obligation to the proposed Nominated Projects & Assets, or the Fair Market Value of the proposed Nominated Projects & Assets.

The expected Net Proceeds of the Bond will not be no greater than the Issuer’s debt obligation to the proposed Eligible Green Expenditures, or the Fair Market Value of the proposed Eligible Green Expenditures.

**Vigeo Eiris reviewed the above elements based on the information and documentation provided by the Issuer during the verification, and nothing has come to our attention that causes us to believe that, in all material respects, Banco Votorantim’s 2019 first Green Bond is not in conformance with the Climate Bonds Standard’s Pre-Issuance Requirements (version 2.1) stated in section 1 “Selection of Nominated Projects & Assets”.**

## 2. Internal Processes & Controls

**Clause 2.1:** The systems, policies and processes to be used for management of bond funds and investments made shall be documented by the Issuer and disclosed to the Verifier and shall include arrangements for the following activities.

The Issuer has described the systems, policies and processes to be used for the management of the Bond’s funds and investments in its Framework and also in its Sustainability and Social Responsibility Policy.

**2.1.1.** Tracking of proceeds: The Net Proceeds of the bond can be credited to a sub-account, moved to a sub-portfolio, or otherwise tracked by the Issuer in an appropriate manner and documented.

The Issuer reports that the Socio-Environmental Risk Department will be responsible for verifying and tracking the Net Proceeds of the Bond, with the support of internal management and the issuer's accounting system. Socio-Environmental Risk Department will verify that the allocation of the Bond's net funds coincides nominally with the disbursements made to the Eligible Green Expenditures, until full allocation of funds.

**2.1.2. Managing unallocated proceeds:** The balance of unallocated Net Proceeds can be managed as per the requirements in Clause 6.2.

The Issuer reports that the unallocated proceeds will be held in cash equivalent or debt securities highly liquid issued by federal government.

**2.1.3. Earmarking funds to Nominated Projects & Assets:** An earmarking process that can be used to manage and account for funding to the Nominated Projects & Assets and enables estimation of the share of the Net Proceeds being used for financing and refinancing.

The estimated share of refinancing is expected to represent approximately 35% of the Net Proceeds of the Bond.

**Vigeo Eiris reviewed the above elements based on the information and documentation provided by the Issuer during the verification, and nothing has come to our attention that causes us to believe that, in all material respects, Banco Votorantim's 2019 first Green Bond is not in conformance with the Climate Bonds Standard's Pre-Issuance Requirements (version 2.1) stated in section 2 "Internal Processes & Controls".**

### 3. Reporting prior to issuance

**Clause 3.1.** The Issuer shall disclose in the Bond Disclosure Documentation:

**3.1.1.** The investment areas, as provided in Clause 9.1, into which the Nominated Projects & Assets fall.

The Issuer has stated that 100% of the net proceeds from its first Bond will be used to finance and refinance a portfolio of Eligible Green Expenditures corresponding to the Eligible categories defined in the Green Bond Framework, namely:

- Renewable Energy

All selected Eligible Green Expenditures to be (re)financed by the Bond meet the eligibility requirements of the following Climate Bonds Standard Sector Criteria:

- Solar Projects - Sector Criteria for Solar (version 2.1): Eligible Green Expenditures falling under this category will not have more than 15% of electricity generated from non-renewable sources and/or are automatically eligible for Certification under Sector Criteria for Solar (version 2.1).
- Wind Projects - Sector Criteria for Wind (version 1.1): Eligible Green Expenditures falling under this category will not have more than 15% of electricity generated from non-renewable sources and/or are automatically eligible for Certification under Sector Criteria for Solar (version 1.1).

**3.1.2.** The intended types of temporary investment instruments for the management of unallocated proceeds in accordance with Clause 2.1.2.

The Issuer reports that the unallocated proceeds will be held in cash equivalent or debt securities highly liquid issued by federal government.

**3.1.3.** The approach the Verifier has taken to pre-issuance procedures (i.e., whether an Assurance Engagement or an Agreed-Upon Procedures Engagement was undertaken).

The Issuer has appointed Vigeo Eiris as an approved CBI Verifier for the review of Banco Votorantim's Framework and conformance with the Climate Bonds Standard. The Pre-Issuance review is conducted following a Limited Assurance procedure.

**3.1.4.** Whether periodic Assurance Engagements will be undertaken during the term of the bond to reaffirm conformance with the Climate Bonds Standard, and the expected frequency of any periodic Assurance.

The Issuer commits to appoint an approved CBI Verifier to conduct the mandatory Post-Issuance compliance review within a period of one year after the issuance, in conformance with the Climate Bonds Standard requirement. The Issuer has communicated to Vigeo Eiris that, after the mandatory post-issuance Assurance Engagement, there will not be additional Periodic Assurance Engagements.

**Vigeo Eiris reviewed the above elements based on the information and documentation provided by the Issuer during the verification, and nothing has come to our attention that causes us to believe that, in all material respects, Banco Votorantim's 2019 first Green Bond is not in conformance with the Climate Bonds Standard's Pre-Issuance Requirements (version 2.1) stated in section 3 "Reporting to issuance".**

**PART B: Climate Bonds Standard Sector Specific Criteria**

**1. Technical criteria for Eligible Projects & Assets: Solar Sector Criteria Version 2.1 (June 2018) and Wind Sector Criteria Version 1.1 (October 2017).**

As indicated in the Framework, selected Eligible Green Expenditures fall under the following sector specific technical criteria of the Climate Bonds Standard:

**1.1 Solar Projects – Sector Criteria for Solar (Version 2.1)**

- Onshore solar electricity generation facilities (construction and operation of onshore solar PV plant).
  - Eligible Green Expenditures will not have more than 15% of electricity generated from non-renewable sources.
- Solar dedicated transmission infrastructure: Eligible Green Expenditures falling in this sub-category are automatically eligible for Certification under Sector Criteria for Solar (version 2.1).

**1.2 Wind Projects – Sector Criteria for Wind (Version 1.1)**

- Onshore wind facilities (construction and operation of onshore wind parks).
  - Eligible Green Expenditures will not have more than 15% of electricity generated from non-renewable sources.
- Dedicated storage, distribution, installation, wholesale and retail: Eligible Green Expenditures falling in this sub-category are automatically eligible for Certification under Sector Criteria for Wind (version 1.1).
- Dedicated transmission infrastructure: Eligible Green Expenditures falling in this sub-category are automatically eligible for Certification under Sector Criteria for Wind (version 1.1).
- Dedicated supporting infrastructure: Eligible Green Expenditures falling in this sub-category are automatically eligible for Certification under Sector Criteria for Wind (version 1.1).

**Vigeo Eiris reviewed the above elements based on the information and documentation provided by the Issuer during the verification, and nothing has come to our attention that causes us to believe that, in all material respects, Banco Votorantim’s 2019 first Green Bond is not in conformance with the Climate Bonds Standard’s Pre-Issuance Requirements (version 2.1) stated in section “Technical criteria for Eligible Projects & Assets”.**

List of supporting elements provided by the Issuer for Pre-issuance verification :

- Green Bond Framework (the last version was provided to Vigeo Eiris on November 14<sup>th</sup>)
- List of Eligible Green Expenditures for the first Green Bond (the “Green Portfolio”)
- Answers to Vigeo Eiris’ questionnaire



Vigeo Eiris is a global provider of environmental, social and governance (ESG) research to investors and public and private corporates. The agency evaluates the level of integration of sustainability factors into organisations' strategy and operations and undertakes a risk assessment to assist investors and companies' decision-making.

Vigeo Eiris offers a wide range of services:

- ▶ **For investors:** decision making support covering all sustainable and ethical investment approaches (including ratings, databases, sector analyses, portfolio analyses, structured products, indices and more).
- ▶ **For companies & organisations:** supporting the integration of ESG criteria into business functions and strategic operations (including sustainable bonds, corporate ratings, CSR evaluations and more).

Vigeo Eiris is committed to delivering client products and services with high added value: a result of research and analysis that adheres to the strictest quality standards. Our methodology is reviewed by an independent scientific council and all our production processes, from information collection to service delivery, are documented and audited. Vigeo Eiris has chosen to certify all its processes to the latest ISO 9001 standard. Vigeo Eiris is an approved verifier for CBI (Climate Bond Initiative). Vigeo Eiris' research is referenced in several international scientific publications.

With a team of more than 240 experts of 28 different nationalities, Vigeo Eiris is present in Paris, London, Brussels, Casablanca, Hong Kong, Milan, Rabat and Santiago.

The Vigeo Eiris Global Network, comprising 4 exclusive research partners, is present in Brazil, Germany, Israel and Japan.

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