

Second-Party Opinion

Itaú Unibanco Holding S.A. Sustainable Finance Framework

Evaluation Summary

Sustainalytics is of the opinion that the Itaú Unibanco Holding S.A. Sustainable Finance Framework is credible and impactful and aligns with the Sustainability Bond Guidelines 2021, Green Bond Principles 2021, Social Bond Principles 2023, Green Loan Principles 2023 and Social Loan Principles 2023. This assessment is based on the following:



USE OF PROCEEDS The eligible categories for the use of proceeds are aligned with those recognized by the Green Bond Principles, Social Bond Principles, Green Loan Principles, and Social Loan Principles. The categories are: Renewable Energy and Energy Efficiency; Clean Transportation; Sustainable Water and Wastewater Management; Pollution Prevention and Control; Environmentally Sustainable Management of Living Natural Resources and Land Use; Green Buildings; Climate Change Adaptation; Inclusive Finance; Affordable Housing; Digital Inclusion; Water Resources Protection; Sustainable Water Management; and Blue Economy. Sustainalytics considers that investments in the eligible categories will lead to positive environmental or social impacts and advance the UN Sustainable Development Goals, specifically SDGs 6, 7, 8, 9, 10, 11, 12, 13, 14 and 15.



PROJECT EVALUATION AND SELECTION Itaú's Technical team involved with ESG Themes will be responsible for the project evaluation and selection process. Itaú has in place processes to identify and mitigate environmental and social risks associated with the eligible projects, which are applicable to all allocation decisions made under the Framework. Sustainalytics considers the project selection process in line with market practice.



MANAGEMENT OF PROCEEDS Itaú's Treasury Department in collaboration with other internal departments, such as Planning, Commercial and ESG will be responsible for the management and allocation of net proceeds. Itaú intends to fully allocate the proceeds from each financial instrument within 24 months after issuance. Unallocated proceeds will be temporarily held in cash or cash equivalents. This is in line with market practice.



REPORTING Itaú commits to report on allocation of proceeds on its website on an annual basis until full allocation. Allocation reporting will include the total amount of financial instruments allocated under each category, amount of unallocated proceeds, and the proportion of financed and refinanced assets. In addition, Itaú is committed to reporting on relevant impact metrics. Sustainalytics views Itaú's allocation and impact reporting as aligned with market practice.

Second-Party Opinion

Reviewed by:

MORNINGSTAR

SUSTAINALYTICS



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¹ This document updates the Second-Party Opinion originally provided by Sustainalytics in January 2021.

Introduction

Itaú Unibanco Holding S.A. (“Itaú” and the “Bank”) is a financial institution providing banking services to 55 million clients. The Bank is headquartered in São Paulo, Brazil and offers commercial, retail, corporate and private banking services. Itaú is publicly listed on the B3 and the NYSE. Itaú employs more than 101,000 employees in Brazil, Argentina, Bahamas, Cayman Islands, Chile, Colombia, Luxembourg, Mexico, Panama, Paraguay, Peru, Portugal, Spain, United Kingdom, US and Switzerland.

Itaú has developed the Itaú Unibanco Holding S.A. Sustainable Finance Framework dated April 2024 (the “Framework”) under which it and its subsidiaries or affiliates² intend to issue green, social or sustainable bonds, covered bonds,³ loans, securities, deposits, repurchase agreements,⁴ securitization,⁵ derivatives,⁶ letters of credit and other financial instruments,⁷ and use the proceeds to finance and refinance, in whole or in part, existing and future projects that are expected to contribute to a sustainable and low-carbon economy, positive environmental contributions and generate positive social impacts in Brazil.

The Framework defines eligibility criteria in the following ten environmental categories:

1. Renewable Energy and Energy Efficiency
2. Clean Transportation
3. Sustainable Water and Wastewater Management
4. Pollution Prevention and Control
5. Environmentally Sustainable Management of Living Natural Resources and Land Use
6. Green Buildings
7. Climate Change Adaptation
8. Water Resources Protection
9. Sustainable Water Management
10. Blue Economy

The Framework defines eligibility criteria in the following three social categories:

1. Inclusive Finance
2. Affordable Housing
3. Digital Inclusion

Itaú engaged Sustainalytics to review the Framework and provide a Second-Party Opinion on the Framework’s environmental and social credentials and its alignment with the Sustainability Bond Guidelines 2021 (SBG), Green Bond Principles 2021 (GBP), Social Bond Principles 2023 (SBP)⁸, Green Loan Principles 2023 (GLP), and Social Loan Principles 2023 (SLP)⁹. Itaú intends to align with IFC Guidelines for Blue Finance¹⁰ to guide its blue bond issuances. The Framework has been published in a separate document.¹¹

² Itaú has confirmed to Sustainalytics that it will have operational control over all subsidiaries or affiliates that will issue financial instruments under the Framework to ensure continual alignment with the criteria defined therein.

³ Itaú has confirmed that: i) the type of covered bond issued will be secured sustainable standard bonds, which will be specified as per the voluntary process guidelines published in Appendix 1 of the GBP 2021 (June 2022 update) and SBP 2023; ii) the net the proceeds from the covered bonds will be used to finance assets deemed eligible according to the Framework’s eligibility criteria; and iii) there will be no double counting of eligible projects under the secured sustainable standard bond, secured sustainable collateral bond and any other outstanding sustainable financing instruments.

⁴ Itaú has confirmed to Sustainalytics that repurchase agreements will include the collateral-only and the use-of-proceeds repurchase agreements. The Bank will be the seller of these repurchase agreements, whose proceeds will be allocated to eligible assets or whose collaterals will be deemed eligible assets as per the Framework.

⁵ Itaú: i) has communicated to Sustainalytics that it will transparently distinguish between secured sustainable standard bonds and secured sustainable collateral bonds in the respective offering documents, per the voluntary process guidelines published in the Appendix 1 of the GBP 2021 (June 2022 update) and SBP 2023; and in the case of a secured sustainable collateral bond, it will ensure that 100% of the underlying assets will align with the eligibility criteria set forth in the Framework; and ii) has communicated to Sustainalytics that there will be no double counting of eligible projects under the secured sustainable standard bond, secured sustainable collateral bond and any other outstanding sustainable financing instruments.

⁶ Sustainalytics notes that Itaú intends to issue derivatives. Derivatives are not administered by the International Capital Market Association nor Loan Market Association and hence are not considered in the scope of this Second-Party Opinion report.

⁷ Sustainalytics has reviewed just those instruments that have been specified under the Framework, excluding derivatives.

⁸ The Sustainability Bond Guidelines, Green Bond Principles and Social Bond Principles are administered by the International Capital Market Association and are available at <https://www.icmagroup.org/green-social-and-sustainability-bonds/sustainability-bond-guidelines-sbg/>

⁹ The Green Loan Principles and Social Loan Principles are administered by the Loan Market Association, Asia Pacific Loan Market Association and Loan Syndications and Trading Association and are available at: <https://www.lsta.org/content/green-loan-principles/#> and <https://www.lsta.org/content/social-loan-principles-slp/> <https://www.itaubr.com.br/relacoes-com-investidores/itaubanco/saiba-mais/esg/>

¹⁰ IFC, “Guidance for Blue Finance”, (2022), at: <https://www.ifc.org/content/dam/ifc/doc/mgrt/ifc-guidelines-for-blue-finance.pdf>

¹¹ The Itaú Unibanco Holding S.A. Sustainable Finance Framework is available on Itaú’s website at: <https://www.itaubr.com.br/relacoes-com-investidores/>

Scope of work and limitations of Sustainalytics' Second-Party Opinion

Sustainalytics' Second-Party Opinion reflects Sustainalytics' independent¹² opinion on the alignment of the reviewed Framework with the current market standards and the extent to which the eligible project categories are credible and impactful.

As part of the Second-Party Opinion, Sustainalytics assessed the following:

- The Framework's alignment with the Sustainability Bond Guidelines 2021, Green Bond Principles 2021, and Social Bond Principles 2023, as administered by ICMA, and the Green Loan Principles 2023 and Social Loan Principles 2023, as administered by LMA, APLMA, and LSTA;
- The credibility and anticipated positive impacts of the use of proceeds; and
- The alignment of the issuer's sustainability strategy and performance and sustainability risk management in relation to the use of proceeds.

For the use of proceeds assessment, Sustainalytics relied on its internal taxonomy, version 1.15, which is informed by market practice and Sustainalytics' expertise as an ESG research provider.

As part of this engagement, Sustainalytics held conversations with various members of Itaú's management team to understand the sustainability impact of their business processes and planned use of proceeds, as well as management of proceeds and reporting aspects of the Framework. Itaú representatives have confirmed (1) they understand it is the sole responsibility of Itaú to ensure that the information provided is complete, accurate or up to date; (2) that they have provided Sustainalytics with all relevant information and (3) that any provided material information has been duly disclosed in a timely manner. Sustainalytics also reviewed relevant public documents and non-public information.

This document contains Sustainalytics' opinion of the Framework and should be read in conjunction with that Framework.

Any update of the present Second-Party Opinion will be conducted according to the agreed engagement conditions between Sustainalytics and Itaú.

Sustainalytics' Second-Party Opinion, while reflecting on the alignment of the Framework with market standards, is no guarantee of alignment nor warrants any alignment with future versions of relevant market standards. Furthermore, Sustainalytics' Second-Party Opinion addresses the anticipated impacts of eligible projects expected to be financed with bond and loan proceeds but does not measure the actual impact. The measurement and reporting of the impact achieved through projects financed under the Framework is the responsibility of the Framework owner.

In addition, the Second-Party Opinion opines on the potential allocation of proceeds but does not guarantee the realised allocation of the bond and loan proceeds towards eligible activities.

No information provided by Sustainalytics under the present Second-Party Opinion shall be considered as being a statement, representation, warrant or argument, either in favour or against, the truthfulness, reliability or completeness of any facts or statements and related surrounding circumstances that Itaú has made available to Sustainalytics for the purpose of this Second-Party Opinion.

Sustainalytics' Opinion

Section 1: Sustainalytics' Opinion on the Itaú Unibanco Holding S.A. Sustainable Finance Framework

Sustainalytics is of the opinion that the Itaú Unibanco Holding S.A. Sustainable Finance Framework is credible, impactful and aligns with the four core components of the GBP, SBP, GLP and SLP. Sustainalytics highlights the following elements of the Framework:

- Use of Proceeds:

¹² When operating multiple lines of business that serve a variety of client types, objective research is a cornerstone of Sustainalytics and ensuring analyst independence is paramount to producing objective, actionable research. Sustainalytics has therefore put in place a robust conflict management framework that specifically addresses the need for analyst independence, consistency of process, structural separation of commercial and research (and engagement) teams, data protection and systems separation. Last but not the least, analyst compensation is not directly tied to specific commercial outcomes. One of Sustainalytics' hallmarks is integrity, another is transparency.

- The eligible categories¹³ are aligned with those recognized by the GBP, SBP, GLP and SLP.
- Itaú has defined two years as the look-back period for its refinancing activities, which Sustainalytics considers to be in line with market practice.
- Under the Renewable Energy and Energy Efficiency category, Itaú intends to finance projects including renewable energy generation from solar, wind, hydropower, tidal and biomass sources, wave or ocean thermal energy, transmission and distribution infrastructure projects, and supply chain facilities related exclusively with marine renewables. Sustainalytics notes the following:
 - The Bank will finance run-of-river hydropower plants without artificial reservoirs. Additionally, Itaú will conduct social and environmental impact assessments for the financing of all hydropower plants.
 - For biomass energy projects, 80% of the feedstock comes from agricultural waste sources,¹⁴ including sugarcane residue. Sustainalytics notes that electricity generation projects from non-waste feedstock will have a maximum life cycle emissions intensity of 100 gCO_{2e}/kWh .
 - The Framework contemplates investments in biofuel production derived from non-waste feedstock with GHG emissions at least 65% lower than the fossil fuel baseline for respective use cases. Sustainalytics notes the following:
 - Itaú has informed Sustainalytics that all non-waste feedstock will be certified by the following recognized and credible third-party standards for biomass energy and biofuel production projects: Roundtable on Sustainable Biomaterials (RSB),¹⁵ International Sustainability & Carbon Certification (ISCC) EU,¹⁶ Bonsucro¹⁷ and Roundtable on Responsible Soy (RTRS).¹⁸
 - Investments in transmission and distribution (T&D) networks will connect renewable energy projects to the electric grid. Currently, more than 80% of the electricity load of Brazil's existing T&D infrastructure is generated from renewable sources. Sustainalytics notes that a significant portion of renewable energy in Brazil comes from hydropower projects. Sustainalytics acknowledges that Itaú will prioritize projects intended to enable other sources of renewable energy to increase their shares in the energy matrix of Brazil.
 - For offshore energy projects, including wind, solar, tidal, and wave or ocean thermal energy, Itaú has confirmed that marine ecosystems will not be negatively impacted. The Bank has also excluded financing of offshore oil and gas as well as the marine mineral extraction sectors. Offshore energy operations may also include additional measures to promote marine biodiversity, such as establishing no-fishing zones and artificial reefs. Itaú has confirmed that such measures will be informed by environmental impact assessments.
 - Itaú has confirmed that fossil fuel backup systems for wave or ocean thermal energy facilities will be limited to power monitoring, operating and maintenance equipment, resilience and protection measures and restart capabilities.
 - Investments in energy efficiency technologies are considered eligible under the Framework if they lead to a minimum of 20% energy savings over existing performance. Sustainalytics notes that the Framework excludes fossil fuel-intensive operations.
 - Eligible supply chain facilities will be wholly dedicated to marine renewable energy development. These may include manufacturing facilities for renewable energy technology components such as turbines and in-stream generators, as well as facilities that provide dedicated storage, distribution, installation, wholesale and retail.
 - Sustainalytics considers investments in this category to be aligned with market practice.
- In the Clean Transportation category, the Bank may finance or refinance the following.

¹³ Renewable Energy and Energy Efficiency, Clean Transportation, Sustainable Water and Wastewater Management, Pollution Prevention and Control, Environmentally Sustainable Management of Living Natural Resources and Land Use, Green Buildings, Climate Change Adaptation, Inclusive Finance, Affordable Housing, Digital Inclusion, Water Resources Protection, Sustainable Water Management and Blue Economy are aligned with those recognized by the Green Bond Principles, Social Bond Principles, Green Loan Principles, and Social Loan Principles.

¹⁴ The Framework excludes the use of animal fats, oil and effluents as a feedstock under this category.

¹⁵ RSB: <https://rsb.org/>

¹⁶ ISCC: <https://www.iscc-system.org/>

¹⁷ BONSUCRO: <https://bonsucro.com/>

¹⁸ RTRS: <https://responsiblesoy.org/?lang=en>

- Charging stations and other electric vehicle infrastructure¹⁹ in existing parking facilities, as well as structures needed to support active transport, such as bicycle lanes, bicycle sharing locations and bicycle docking stations.
- Manufacturing or acquisition of clean transport vehicles or infrastructure for production lines dedicated to the manufacture of electric vehicles.
- Purchase of electric vehicles and hybrid vehicles that have an emissions intensity below 75 gCO₂ per passenger-kilometre for passenger cars and at least 50% lower than average emissions in respective type of vehicle categories per tonne-kilometre for freight. Itaú has confirmed that the emissions intensity will be calculated based on the standards of Brazil's National Institute of Metrology, Quality and Technology (Inmetro).²⁰ The Bank intends to employ the Inmetro standards as a test procedure to determine if vehicles are below the 75 gCO₂e/km threshold. Sustainalytics considers it best practice to use the World Harmonized Light-duty Vehicle Test Procedure (WLTP), which replicates realistic driving conditions and yields more accurate emissions results than other emissions measuring procedures. The Bank has further clarified that these investments shall not be used for the transportation of fossil fuels.
- Sustainalytics notes that Itaú will finance freight road transport that have at least 50% lower tailpipe emissions compared to the average emissions intensity of the respective vehicles within the same group based on the country-level classification of the type of vehicles. Sustainalytics notes that the range of emission intensities can be large and encourages the Bank to prioritize financing vehicles with emissions intensities below 25 gCO₂/tkm and to report on the emissions intensities of the financed vehicles, where feasible. Sustainalytics considers these activities to be aligned with market practice.
- In the Sustainable Water and Wastewater Management category, the Bank contemplates investments in the following.
 - Water treatment plants, sewage treatment plants, systems that minimize water usage (including water reuse) and composting. Itaú has confirmed that wastewater treatment derived from fossil fuel sources will be excluded for financing under this activity. This is in line with market practice.
 - Research and development and production or reuse of sewage sludge for civil construction. Sustainalytics considers this to be aligned with market practice. Itaú has confirmed to Sustainalytics that financing for the reuse of sewage sludge in civil construction will follow decarbonization pathways outlined in the Net Zero Banking Alliance Transition guide.²¹ Sustainalytics recognizes the potential of reusing sewage sludge in civil construction to create some environmental benefits to support the transition of some hard-to-abate industries. Sustainalytics acknowledges that Itaú does not have control over the decarbonization strategies of its customers and encourages Itaú to ensure that the activities and associated assets the Bank finances are expected to align over time with a credible decarbonization pathway.
 - Biogas plants for electric energy conversion derived from anaerobic decomposition of waste feedstock obtained from food production, handling of organic solid waste and wastewater treatment.
 - Itaú confirms that the energy generated from these projects will have a maximum emissions threshold of 100 gCO₂e/kWh. Additionally, crop-based feedstock will be certified by RSB, ISSC EU, Bonsucro and RTRS. Sustainalytics considers the threshold and these certifications to be in line with market practice.
- Under the Pollution Prevention and Control category, Itaú contemplates investments in the following:
 - Processing of organic solid waste and recycling; recycling of plastics²² and electronic waste. Itaú confirmed that electronic waste recycling projects will have robust waste management processes to identify and mitigate associated risks. This is in line with market practice.

¹⁹ Itaú confirms the exclusion of financing parking lots in this category.

²⁰ Inmetro, at: <https://www.gov.br/inmetro/pt-br>

²¹ Net Zero Banking Alliance, "Transition Finance Guide", (2022), at: <https://www.unepfi.org/wordpress/wp-content/uploads/2022/10/NZBA-Transition-Finance-Guide.pdf>

²² Itaú has confirmed to Sustainalytics that plastics will be mechanically recycled.

- Projects focused on energy cogeneration powered by renewables, development and operation of recycling plants and waste-to-energy conversion facilities, and projects for increasing their efficiency.
- Recovery of heat and steam in hard-to-abate sectors, including chemicals, steel and cement.²³ Itaú has confirmed to Sustainalytics that the financing for the recovery of heat and steam activities in hard-to-abate sectors will follow decarbonization pathways outlined in the Net Zero Banking Alliance Transition guide.²⁴ Sustainalytics further notes that assurance of a credible transition from these activities lies with the entities carrying out the activity and therefore encourages the Bank to have clear processes in place to engage with recipients of financing to ensure that they have a credible transition strategy and pathway in place.
- In the Environmentally Sustainable Management of Living Natural Resources and Land Use category, Itaú may finance projects such as the restoration and reforestation of native forests,²⁵ forest management and sustainable agriculture.
 - Sustainable forestry projects are considered eligible if they are certified by credible third-party certification such as Forest Stewardship Council (FSC),²⁶ Program for the Endorsement of Forest Certification (PEFC),²⁷ Brazilian Forest Certification Program (Cerflor)²⁸ or provide an independently reviewed sustainable forest management plan. Sustainalytics views these third-party certification schemes to be credible and in line with market practice.
 - Sustainable agriculture projects are considered eligible if they are certified by the Rainforest Alliance,²⁹ Bonsucro,³⁰ RTRS,³¹ ProTerra,³² The Common Code for the Coffee Community (4C)³³ or provide an independently reviewed sustainable agriculture management plan. Sustainalytics views these certification schemes as credible.
 - Itaú also intends to provide financing for farmers to recover legal reserves.³⁴ The Bank has confirmed that farmers will be required to provide a sustainable management plan to be considered eligible for financing, and restoration activities will use tree species that are well adapted to site conditions.
 - This category also contemplates investments in low-carbon agriculture projects and technologies, such as soil recovery, restoration of degraded areas, biological nitrogen fixation and interventions to reduce and minimize the use of synthetic fertilizers and pesticides.
 - Sustainalytics considers these activities to be aligned with market practice.
- Under the Green Buildings category, the Framework contemplates expenditures towards buildings obtaining a certification at the following levels: LEED (Gold or Above),³⁵ EDGE IFC³⁶ or Aqua-HQE (Excellent or above),³⁷ Green Building Council Brasil (GBC Brasil) Condomínio³⁸ and Casa³⁹ (Gold or Above) and GBC Brasil's Zero Energy in combination with the aforementioned

²³ Sustainalytics notes that hard-to-abate sectors exclude fossil fuel production.

²⁴ Net Zero Banking Alliance, "Transition Finance Guide", (2022), at: <https://www.unepfi.org/wordpress/wp-content/uploads/2022/10/NZBA-Transition-Finance-Guide.pdf>

²⁵ Itaú has confirmed that financing for the remediation or decontamination of soil within this category will not include soil contamination as a result of the clients' own activities.

²⁶ Forest Stewardship Council, FSC: <https://ca.fsc.org/en-ca>

²⁷ PEFC, Standards and Implementation: <https://www.pefc.org/standards-implementation>

²⁸ CENIBRA, "CERFLOR/PEFC/FSC", at: <https://www.cenibra.com.br/cerflorfsc/?lang=en>

²⁹ Rainforest Alliance, Sustainable Agriculture Certification, at: <https://www.rainforest-alliance.org/business/certification/>

³⁰ Bonsucro, "Bonsucro", at: <https://bonsucro.com/>

³¹ Round Table on Responsible Soy, "RTRS", at: <https://responsiblesoy.org/?lang=en>

³² ProTerra, "ProTerra Standard", at: <https://www.proterrafoundation.org/>

³³ 4C Certification, at: <https://www.4c-services.org/>

³⁴ Sustainalytics notes that legal reserves represent almost one-third of Brazil's native vegetation and considers their recovery a crucial step forward to preserve biodiversity and ecosystem services associated with such areas. Metzger, J.P. et al (2019), "Why Brazil needs its Legal Reserves", Perspectives in Ecology and Conservation, at: <https://www.sciencedirect.com/science/article/pii/S253006441930118X>

³⁵ LEED, "LEED Rating System", at: <https://www.usgbc.org/leed>

³⁶ EDGE, "Create Value by Differentiating Your Project", at: <https://edgebuildings.com/>

³⁷ Thorus Engineering, "Você sabe o que é certificação AQUA-HQE?", at: <https://thorusengenharia.com.br/certificacao-aqua-hqe-construcao-sustentavel/>

³⁸ GBC Brasil, "CERTIFICAÇÃO GBC BRASIL CONDOMÍNIO", at: <https://www.gbcbrasil.org.br/>

³⁹ GBC Brasil, "CERTIFICAÇÃO GBC BRASIL CASA", at: <https://www.gbcbrasil.org.br/certificacao/certificacao-casa/>

standards.⁴⁰ Sustainalytics views these certification schemes to be credible and impactful and the selected levels as aligned with market practice.

- In the Climate Change Adaptation category, the Bank may finance: i) installation of infrastructure that provides resilience against flooding or extreme climate events;; ii) reforestation and regeneration projects, iii) carbon sequestration projects using microalgae; iv) production of green hydrogen; and v) the financing, trading and enabling of carbon credit purchases.
 - Itaú has communicated to Sustainalytics that flood management infrastructure projects will be selected based on environmental and climate change vulnerability assessments.
 - Green hydrogen will be produced from water electrolysis and will be powered by renewable energy.
 - Reforestation and regeneration projects are intended to maintain biomes such as the Amazon and the Atlantic Forest. Sustainalytics notes that these projects will use tree species that are well adapted to site conditions and there will be a sustainable management plan in place while developing the projects.
 - Projects including the trading of carbon credit purchases will be certified according to the Verified Carbon Standard or the Gold Standard. The Framework specifies that clients with emissions reduction plans, alignment strategies or net zero targets in place will be eligible to receive financing. The Bank has disclosed to Sustainalytics that the carbon credit projects that the Bank aims to enable will follow the criteria of the Framework. The Bank has also confirmed that only 5-10% of the Framework proceeds will be directed towards this expense.
- Under the Water Resources Protection category, the Bank may finance: i) desalination plants; ii) water efficiency technologies, equipment and management activities; iii) research, design and manufacturing of biodegradable or compostable plant-based plastic products: v) research, design, manufacturing and procurement of alternative low-carbon and biodegradable materials; vi) infrastructure that prevents runoff of agrochemicals, industrial chemicals and waste into areas connected to rivers or coastal water basins; and vii) reduction or replacement of synthetic fertilizers with sustainable and biodegradable fertilizers.
 - Itaú has communicated to Sustainalytics that desalination plants financed under the Framework will be powered by renewable energy or low-carbon sources with average carbon intensity of the electricity below 100 gCO_{2e}/kWh; the facilities will have an appropriate waste management plan for brine disposal and integrated water and power plants (IWPP) with fossil fuel power will be excluded.
 - Water efficiency technologies, equipment and management activities may include solutions such as drip irrigation and water recycling. Itaú has confirmed to Sustainalytics that: i) most of the investments will be carried out in regions with greater water scarcity but they may take place in other regions in Brazil, considering the groundwater and reservoir depletion in the country;⁴¹ ii) the manufacturers of the equipment and technologies will demonstrate the respective substantial water efficiency benefits or a documented reduction in water consumption in related areas of investment; and iii) equipment that rely on fossil fuel or technology and systems that are implemented to fossil fuel or hard-to-abate industries will be excluded.
 - Research, design and manufacturing of biodegradable or compostable plant-based plastic products where the financing will be limited to plastics that i) have at least 90% mechanically recycled or bio-based input that is sustainably sourced and ii) at least 90% of the production is not intended for single-use products. Itaú has communicated to Sustainalytics that, bio-based input will be certified by RSB and ISCC.
 - Itaú has communicated to Sustainalytics that research, design, manufacturing and procurement of alternative low-carbon and biodegradable materials will be limited to procurement of lyocell, lignin, bio pulp, eucalyptus fluff and micro fibrillated cellulose (MFC) certified by FSC or PEFC certifications, to be used in medical, apparel and other industries.

⁴⁰ GBC Brasil, "GBC Brasil Zero Energy", at: <https://www.gbcbrazil.org.br/certificacao/zero-energy/>

⁴¹ Slater, D. (2019), "Water Scarcity in Brazil: A Case Study", Expeditions with MCUP, at: <https://www.usmcu.edu/Outreach/Marine-Corps-University-Press/Expeditions-with-MCUP-digital-journal/Water-Scarcity-in-Brazil/>

- Infrastructure that prevents runoff of agrochemicals, industrial chemicals, mercury, plastics and solid wastes into areas connected to rivers or coastal water basins may include the installation of barriers such as terraces and contour lines to reduce the speed of rainwater, nets or grids at pipe outlets to reduce waste discharges into drainage systems and eco-barriers that are floating structures that retain floating trash from water bodies.
 - Reduction or replacement of synthetic fertilizers with sustainable and biodegradable fertilizers may include financing the procurement of compost from food waste or manure to be used as an organic fertilizer. Itaú has communicated to Sustainalytics that manure from industrial livestock operations will be excluded as a feedstock.
 - Sustainalytics considers these investments to be aligned with market practice.
- Under the Sustainable Water Management category, Itaú intends to invest in construction or upgrade of infrastructure for drinking water, sewerage systems to improve wastewater management and physical or biological treatment of sludge from wastewater treatment. Itaú has communicated to Sustainalytics that wastewater and sludge from fossil fuel and hard-to-abate industries will be excluded. Sustainalytics considers these investments to be aligned with market practice.
- Under the Blue Economy category, Itaú intends to invest in maritime transport and port logistics, as well as fisheries, aquaculture and the seafood value chain.
 - Investments in maritime transport and port logistics may include: i) ballast and bilge water treatment and ii) maritime air and noise pollution prevention. Itaú has confirmed that investments may finance installation services, the purchase and installation of these systems by the operators of the ships or the manufacturers of these systems. Sustainalytics notes that financing these technologies, services and facilities will likely reduce the threat to biodiversity and reduce pollution caused by shipping. In the case of financing ship operators, Sustainalytics encourages the Bank to prioritize those that have fuel switching targets to lower-carbon fuels that are aligned with the recommendations by the International Maritime Organization.⁴²
 - Itaú has confirmed that eligible ships will not be powered by heavy oil. Eligible ships may be powered by liquified natural gas (LNG) or have dual-fuel systems that include a combination of LNG and with another fuel that has relatively lower carbon emissions compared to heavy oil.
 - Investments in aquaculture and seafood value chain may include: i) sustainable fisheries or aquaculture, including that of high-value niche products, such as crustaceans, that meet or exceed the Marine Stewardship Council certification and the Best Aquaculture Practices (BAP) certification at 2 stars or above; and ii) small- to medium-scale biorefineries for processing fish byproducts sourced from fisheries that carry the same aforementioned certifications.
- Under the Inclusive Finance category, the Bank intends to extend financial services to micro, small and medium enterprises (MSMEs) as per the IFC's definition.⁴³
 - The Framework also specifies SMEs that are owned by target populations to be eligible for financing. The target populations include: women-owned companies;⁴⁴ businesses located primarily in the North and Northeast regions of Brazil that lack access to basic infrastructure or in Brazilian municipalities with Human Development Index (HDI) below Brazil's HDI average of 0.765; businesses with restricted access to credit;⁴⁵ and farmers, rural producers, family farmers and rural production cooperatives supported by the Pronaf family agriculture incentive programme.⁴⁶
 - Sustainalytics considers these investments to be aligned with market practice.

⁴² IMO, "IMO's work to cut GHG emissions from ships," at: <https://www.imo.org/en/MediaCentre/HotTopics/Pages/Cutting-GHG-emissions.aspx#:~:text=The%20new%20level%20of%20ambition%20relates%20to%20the%20uptake%20of,by%20international%20shipping%20by%202030>

⁴³ IFC, "IFC's Definitions of Targeted Sectors", at: <https://www.ifc.org/en/what-we-do/sector-expertise/financial-institutions/definitions-of-targeted-sectors>

⁴⁴ Ibid.

⁴⁵ The Framework notes that a company is considered to have a restricted access to credit if it has less than USD 1 million in loans with a bank.

⁴⁶ Government of Brazil, "Acessar o Programa Nacional de Fortalecimento da Agricultura Familiar (Pronaf)", at: <https://www.gov.br/pt-br/servicos/acessar-o-programa-nacional-de-fortalecimento-da-agricultura-familiar-pronaf>

- In the Affordable Housing category, the Bank may finance the construction of urban and rural housing. The Framework specifies the target population as low- and medium-income individuals and families as defined by the housing policies of the municipalities, states or federal government. Itaú has confirmed to Sustainalytics that the housing programmes will follow the same criteria as government housing programmes, such as Minha Casa Minha Vida.⁴⁷ The Bank will ensure that no more than 30% of an applicant's monthly income will be directed towards mortgage payments, following the rules of Brazil's Sistema Financeiro da Habitação (SFH).⁴⁸ Sustainalytics considers the use of the SFH rules as an eligible criterion to assess reasonable assurance of affordability and the identified target populations to be aligned with market practice.
- Under the Digital Inclusion category, Itaú intends to invest in telecommunication infrastructure to improve connectivity in disconnected, underserved areas or regions with an HDI below the Brazilian average. Sustainalytics considers investments in telecommunication infrastructure for identified areas in a developing economy to be aligned with market practice.
- Sustainalytics views positively that the Framework has an exclusionary list to avoid financing businesses and projects with high environmental and social risks, such as activities related to the production of fossil fuels, nuclear energy, weapons, ammunitions or tobacco.
- Project Evaluation and Selection:
 - Itaú's Technical team involved with ESG Themes will be responsible for evaluating and selecting eligible assets that are in line with the Framework's eligibility criteria, working in collaboration with members from the Bank's Commercial, Risk, Credit, Treasury, Products, Planning and ESG departments. The Bank has in place internal environmental and social risk assessment processes to manage or mitigate potential related risks that are applicable to all allocation decisions made under the Framework. For additional details, see Section 2.
 - Based on the allocation of responsibilities and the presence of risk management processes, Sustainalytics considers this process to be in line with market practice.
- Management of Proceeds:
 - Itaú's Treasury Department will be responsible for the management of proceeds and will track allocations to eligible assets using internal records in collaboration with other internal departments, such as Planning, Commercial and ESG.
 - The Bank intends to allocate all proceeds to eligible assets within 24 months of issuance. Any unallocated proceeds will be temporarily held in money market instruments, cash or cash equivalents.
 - Instruments issued under the Framework may include multi-tranche loan facilities. Itaú intends to label only those tranches of such facilities whose proceeds will be allocated according to the eligibility criteria in the Framework. This is aligned with market practice.
 - Additionally, for deposits issued under the Framework: i) a sufficient asset portfolio buffer will be maintained to ensure that assets are replenished to match the deposit amount raised; ii) allocation of proceeds will be completed before the maturity of the instrument; and iii) Itaú ensures no double allocation of proceeds from deposits and other instruments issued under the Framework.
 - Based on the use of a tracking system and the disclosure of the temporary use of proceeds, Sustainalytics considers this process to be in line with market practice.
- Reporting:
 - Itaú commits to report on the allocation of proceeds in an annual report, which will be published on the Bank's website on an annual basis.
 - Allocation reporting will include the amount of ESG-FIs allocated per category, where feasible, case studies on the assets financed under the Framework, the number of ESG-FIs outstanding and their balances, the percentage of net proceeds per ESG-FI allocated and the proportion of financed and refinanced assets. Allocation reporting will be independently verified by an external reviewer who will provide a publicly available assurance letter.

⁴⁷ Government of Brazil, Ministry of Cities, "Programa Minha Casa Minha Vida", at: <https://www.gov.br/cidades/pt-br/assuntos/materias/programa-minha-casa-minha-vida>

⁴⁸ Estadão, "Saiba o que é SFH e como ele influencia no financiamento imobiliário", at: <https://imoveis.estadao.com.br/compra/saiba-o-que-e-sfh-e-como-ele-influencia-no-financiamento-imobiliario/#:~:text=Seja%20brasileiro%2C%20naturalizado%20ou%20que,emancipado%20ap%C3%B3s%20os%2016%20anos.>

- The Bank has communicated to Sustainalytics that in the case of revolving credit facilities, it will report on allocation until loan maturity.
- The impact report will include relevant impact metrics, such as estimated avoided CO₂ emissions (in tCO₂e), the amount of installed renewable energy generation capacity (in MW) and number of families who receive homes.
- Based on the commitment to both allocation and impact reporting, Sustainalytics considers this process to be in line with market practice.

Alignment with Sustainability Bond Guidelines 2021

Sustainalytics has determined that the Framework aligns with the four core components of the GBP, SBP, GLP and SLP.

Section 2: Sustainability Strategy of Itaú

Contribution to Itaú's sustainability strategy

Itaú's commitment to sustainability is laid out in its Positive Impact Commitments (the "Commitments"), which hinge on integrating socio-environmental and climate risk considerations in its investment decisions.^{49,50} As part of the Commitments, the Bank focuses on three primary areas: i) investments in sectors with positive environmental and social impact; ii) financial inclusion of MSMEs and women-led businesses; and iii) integration of ESG into the development of new products.⁵¹

As of 2021, Itaú is a signatory to the Net-Zero Banking Alliance, having committed to reduce its direct GHG emissions and its loan portfolio's net emissions to zero by 2050.⁵² The Bank is also a member of the Partnership for Carbon Accounting Financials (PCAF). Since 2018, the Bank has been a member of the Task Force in Climate Related Financial Disclosures, utilizing PCAF's guidelines to calculate its financed emissions.⁵³

In line with its commitment to direct financing to environmentally and socially impactful projects, Itaú allocated BRL 356 billion (USD 71 billion) to "positive impact industries", including renewable energy, health and education from 2019 to 2023. The Bank aims to invest BRL 400 billion (USD 79.5 billion) by 2025 in products and services that aim to generate positive environmental or social impacts, such as renewable energy, education and forest preservation.⁵⁴ These investments include ESG-labelled fixed-income structures, which reached BRL 29 billion (USD 5 billion) in 2022.⁵⁵

Regarding biodiversity conservation, Itaú founded the Biomass joint venture in 2022 dedicated to restoring and protecting four million hectares of native forest in Brazil in the following 20 years.⁵⁶ The project is expected to reduce 900 million MtCO₂e and protect 4,000 species of animals and plants. The Bank also partnered with the Reverte program in 2021, which is an initiative of The Nature Conservancy and Syngenta, to provide financial solutions to agricultural producers.^{57, 58} This program is intended to promote and support the conversion of degraded pasture lands to agriculturally productive areas in the Brazilian Cerrado.

On financial inclusion, Itaú has set a goal to support 30 million clients through its low-cost financial services platform by 2026. Targeting Brazil's North and Northeast regions, the platform includes free digital banking services and a micro credit system. Itaú provided credit to 95,700 formal and informal microentrepreneurs in 2021 amounting to BRL 340.9 million (USD 67.7 million). In this context, the Bank set a target in 2021 to

⁴⁹ Itaú Unibanco, "Integrated Annual Report 2022", at: <https://www.itaubr.com.br/download-file/v2/d/42787847-4cf6-4461-94a5-40ed237dca33/3d84ebd2-4559-724d-1578-175f4d7770d9?origin=2>

⁵⁰ Itaú Unibanco, "ESG report 2022", (2022), at: <https://www.itaubr.com.br/download-file/v2/d/42787847-4cf6-4461-94a5-40ed237dca33/808d64f4-b6a6-647a-77d8-5d2bbdee03a7?origin=2>

⁵¹ Itaú Unibanco, at: <https://www.itaubr.com.br/sustentabilidade/>

⁵² Ibid.

⁵³ Ibid.

⁵⁴ Itaú Unibanco, "Financing in Positive Impact Industries," at: <https://www.itaubr.com.br/sustentabilidade/en/esg-strategy/financing-in-positive-impact-industries/>

⁵⁵ Itaú Unibanco, "ESG report 2022", (2022), at: <https://www.itaubr.com.br/download-file/v2/d/42787847-4cf6-4461-94a5-40ed237dca33/808d64f4-b6a6-647a-77d8-5d2bbdee03a7?origin=2>

⁵⁶ Itaú has founded this joint venture with Suzano, Vale, Marfrig, Santander and Rabobank. For more information on the Biomes joint venture, see Itaú Unibanco, "ESG report 2022", (2022), at: <https://www.itaubr.com.br/download-file/v2/d/42787847-4cf6-4461-94a5-40ed237dca33/808d64f4-b6a6-647a-77d8-5d2bbdee03a7?origin=2>

⁵⁷ The Nature Conservancy, "Syngenta – Reverte Project", at: <https://www.tnc.org.br/sobre-a-tnc/quem-somos/como-trabalhamos/nossos-apoiadores/apoiadores/syngenta-reverte/>

⁵⁸ Itaú Unibanco, "ESG report 2022", (2022), at: <https://www.itaubr.com.br/download-file/v2/d/42787847-4cf6-4461-94a5-40ed237dca33/808d64f4-b6a6-647a-77d8-5d2bbdee03a7?origin=2>

increase the volume of credit for women-led companies to BRL 17.8 billion (USD 3.5 billion) and reach 24% of the Bank's loan portfolio by 2025. As of 2022, women-led companies made up 23% of the portfolio and 63% of microcredit clients were women entrepreneurs. Alongside these credit offerings, the Bank developed the Itaú Women Entrepreneurs programme in collaboration with the IFC in 2013. Aimed at encouraging female entrepreneurship through free training, business acceleration and networking initiatives, the programme had 28,300 registrations on the learning platform in 2022. Additionally, Itaú provided BRL 711.7 million (USD 141.4 million) in private investment in 2022 in areas such as education, culture, health services and sports. In particular, the Bank's BRL 283.4 million (USD 59.1 million) investment for education in Brazil helped train 78,600 teachers and managers with indirect impact on 4.8 million students in 2022.⁵⁹

Sustainalytics is of the opinion that the Framework is aligned with the Bank's overall sustainability strategy and initiatives and will further Itaú's action on its key environmental and social priorities.

Approach to managing environmental and social risks associated with the projects

Sustainalytics recognizes that the proceeds from the instruments issued under the Framework are intended to be directed towards projects expected to have positive environmental and social impacts. However, Sustainalytics is aware that such eligible projects could also lead to negative environmental and social outcomes. Some key environmental and social risks possibly associated with the eligible projects may include issues involving occupational health and safety, land use and biodiversity issues associated with large-scale infrastructure development, emissions, effluents and waste generated in construction projects financed by the Bank, business ethics and predatory lending.

Sustainalytics is of the opinion that the Bank can manage or mitigate potential risks through implementation of the following:

- Itaú's E&S risk due diligence process categorizes new projects into different risk categories based on their potential impact on traditional communities, climate and human rights following IFC Performance Standards.^{60,61} The Bank's due diligence process also checks for compliance with health and safety laws and regulations.⁶² Furthermore, in case of financing for operations not related to projects, clients are required to submit environmental and social risk assessments based on the requirements specific to their industry, market segment and type of product.⁶³ Additional evaluation criteria are applied to corporate banking clients against relevant sustainability parameters, such as energy and water consumption, liquid effluent discharge, solid waste disposal, atmospheric emissions, health and safety risks for workers, among other criteria.⁶⁴
- The Bank's Code of Ethics guides the Bank's conduct towards its customers and suppliers as well as government bodies,⁶⁵ including on topics such as conflicts of interest and data protection. The Bank's code of conduct for suppliers requires them to adhere to applicable legislation and provide transparency and reporting on cases of misconduct, suspicious accusations, possible fraud, unethical behaviour, violations of human rights or workers' health and safety.⁶⁶ Based on the Code of Ethics, the Bank has established an Integrity and Ethics Programme with key performance indicators focusing on: i) commitment of senior management; ii) policies and procedures; iii) education and communication; iv) monitoring of Integrity and Ethics Programme; and v) channels of manifestation and reporting of ethical deviations, doubts and unlawful acts.⁶⁷ Additionally, the Bank's Corporate Corruption Prevention Policy, which is based on the Brazilian Anti-Corruption Law (Law 12.846/13),⁶⁸ outlines the Bank's anti-corruption practices, which includes an anonymous whistleblower mechanism, prevention of money laundering, training, stakeholder relations and hiring

⁵⁹ Ibid.

⁶⁰ IFC, "Performance Standards", at: https://www.ifc.org/wps/wcm/connect/Topics_Ext_Content/IFC_External_Corporate_Site/Sustainability-At-IFC/Policies-Standards/Performance-Standards

⁶¹ Itaú Unibanco, "E&S Risk Mitigation in Project Finance", (2023), at: <https://www.itau.com.br/download-file/v2/d/42787847-4cf6-4461-94a5-40ed237dca33/67c624a4-f67c-bb65-3b25-ea5c4a3a6936?origin=2>

⁶² Itaú Unibanco, "Procedures to Environmental and Social (E&S) Risk – Credit", (2021), at: <https://www.itau.com.br/download-file/v2/d/42787847-4cf6-4461-94a5-40ed237dca33/eb837ad3-d910-7234-b720-5152a22515de?origin=2>

⁶³ Ibid.

⁶⁴ Ibid.

⁶⁵ Itaú Unibanco, "Code of Ethics", at: <https://www.itauinternational.com/download/CodeOfEthics.pdf>

⁶⁶ Itaú Unibanco, "Supplier relationship code of conduct", at: <https://api.mziq.com/mzfilemanager/v2/d/42787847-4cf6-4461-94a5-40ed237dca33/cd74eebf-8421-5956-8d62-737c69855210?origin=2>

⁶⁷ Itaú Unibanco, "Integrity and Ethics Program", at: <https://www.itau.com.br/relacoes-com-investidores/integridade/en/the-program/>

⁶⁸ Taffarelo, M. et. al. "Bribery and Corruption Laws and Regulations 2023, Brazil", Global Legal Insights, at: <https://www.globallegalinsights.com/practice-areas/bribery-and-corruption-laws-and-regulations/brazil>

practices.^{69,70} The Bank assesses the transparency of its clients and suppliers with “Know your Customer” and “Know your Partner” procedures, in addition to due diligence and a monitoring process for transactions related to politically exposed persons.

- Regarding predatory lending, the Bank’s Environmental, Social and Climate Responsible Policy uses a concept of consumer suitability for all markets, products and services of the Bank. The policy also establishes environmental and social risk procedures and guidelines for credit relationships and credit risk operations in Brazil. These processes include requiring borrowers to identify their intended use of funds, and contractually requiring compliance with applicable environmental and social legislation. The Bank also assesses credit and enforces a list of excluded activities, such as use of forced or compulsory labour and child labour.⁷¹
- Itaú is a signatory to the Equator Principles, which requires the Bank to include an environmental and social risk assessment as part of its regular credit approval process for projects that trigger the Equator Principles. Additionally, the Bank adheres to the Principles for Responsible Investment, the Principles for Responsible Banking, the Principles for Sustainable Insurance, IFC’s Performance Standards, International Financial Reporting Standards, GRI, TCFD, NZBA, SASB, UNEP-FI and to the reporting requirements of the Carbon Disclosure Project, through which it discloses information related to carbon risks and opportunities.

Based on these policies, standards and assessments, Sustainability is of the opinion that Itaú has implemented adequate measures and is well positioned to manage and mitigate environmental and social risks commonly associated with the eligible categories.

Section 3: Impact of Use of Proceeds

All use of proceeds categories are aligned with those recognized by the GBP, SBP, GLP or SLP. Sustainability has focused on three below where the impact is specifically relevant in the local context.

Importance of promoting renewable energy in Brazil

Brazil was the world’s sixth largest GHG emitter as of 2019.⁷² Approximately 52% of the country’s energy comes from oil, coal and natural gas,⁷³ with the energy sector reaching the highest emissions in 50 years to account for approximately 20% of Brazil’s emissions, in great part because of a drought that affected the country’s hydropower capacity.⁷⁴ Following the Paris Agreement, Brazil committed to reduce its GHG emissions by 37% in 2025 and 50% in 2030, compared to 2005 levels, and achieve climate neutrality by 2050.^{75,76} To achieve these emission targets, Brazil aims to expand the use of non-fossil fuel energy sources and increase the share of renewable energy in its energy mix to 45% by 2030, including expanding specifically non-hydro renewables to 28-33% of the energy mix by 2030.⁷⁷ As of 2022, Brazil sourced 6.9% of its electricity from solar and 10.9% from wind energy,⁷⁸ accounting for nearly 7% of the global renewable energy production.⁷⁹

In this context, Sustainability is of the opinion that Itaú’s investments in renewable energy and renewable energy transmission infrastructure will contribute to Brazil’s efforts in lowering emissions from its energy sector.

⁶⁹ Itaú Unibanco, “Canal de denúncia”, at: <https://www.itaubanco.com.br/atendimento-itaubanco/para-voce/denuncia/filtro>

⁷⁰ Itaú Unibanco, “Corporate corruption prevention policy”, at: <https://www.itaubanco.com.br/download-file/v2/d/42787847-4cf6-4461-94a5-40ed237dca33/db5e05c9-2293-15bf-a20e-62208dd638be?origin=1#:~:text=Ita%C3%BA%20Unibanco%20rejects%20any%20form,prevention%20standards%2C%20jurisprudence%20and%20information>.

⁷¹ Itaú Unibanco, “Environmental, Social and Climate Responsibility Policy (Global)”, (2024), at: <https://www.itaubanco.com.br/download-file/v2/d/42787847-4cf6-4461-94a5-40ed237dca33/7f64b0fe-28a6-d8bd-5821-84a2fa3ddf1f?origin=1>

⁷² Carbon Brief report, “The Carbon Brief Profile: Brazil”, at: <https://www.carbonbrief.org/the-carbon-brief-profile-brazil>

⁷³ IEA, “Brazil”, (2019), at: <https://www.iea.org/countries/brazil>

⁷⁴ Instituto de Energia e Meio Ambiente, “Emissões do Brasil têm maior alta em 19 anos”, (2022), at: <https://energiaemambiente.org.br/emissoes-do-brasil-tem-maior-alta-em-19-anos-20221101>

⁷⁵ UNFCCC, “FEDERATIVE REPUBLIC OF BRAZIL Paris Agreement NATIONALLY DETERMINED CONTRIBUTION (NDC)”, (2022), at: <https://unfccc.int/sites/default/files/NDC/2022-06/Updated%20-%20First%20NDC%20-%20-%20FINAL%20-%20PDF.pdf>

⁷⁶ UNFCCC, “FEDERATIVE REPUBLIC OF BRAZIL Paris Agreement NATIONALLY DETERMINED CONTRIBUTION (NDC)”, (2022), at: <https://unfccc.int/sites/default/files/NDC/2022-06/Updated%20-%20First%20NDC%20-%20-%20FINAL%20-%20PDF.pdf>

⁷⁷ CIF, “2030 Brazil Roadmap”, (2021), at: https://www.cif.org/sites/cif_enc/files/knowledge-documents/bnef-cif-fi_project_2030_roadmap_slide_deck_brazil.pdf

⁷⁸ Government of Brazil, “Renewable energy in the Brazilian energy matrix: the share of solar energy reached 6.9% and wind energy, 10.9%”, (2022), at: <https://www.gov.br/en/government-of-brazil/latest-news/2022/renewable-energy>

⁷⁹ IEA, “Brazil aims to make a global impact on clean energy innovation”, (2023), at: <https://www.iea.org/commentaries/brazil-aims-to-make-a-global-impact-on-clean-energy-innovation>

Importance of wastewater management projects in Brazil

As of 2020, more than 40 million Brazilians had limited or no access to safe drinking water, and more than 100 million (nearly 50% of the population) lacked access to sewage collection.^{80,81} Most Brazilian cities struggle with the issue of water pollution caused by untreated sewage discharge to water bodies, and poorly maintained water and drainage infrastructure.^{82,83} In this context, Brazil's Sanitation Law of 2020 reformed the regulatory framework for water and sanitation in the country, providing increased opportunities for investments in the sector, with the aim of developing infrastructure and expanding sanitation services throughout the country.⁸⁴ The new national sanitation framework aims to universalize clean water and sanitation services in Brazil, with the objective of delivering drinking water to 99% of the country's population, and sewage collection and treatment to 90% of the population by the end of 2033.⁸⁵ Since 2020, the programme has already attracted BRL 72.2 billion (USD 14.7 billion) in investments.⁸⁶ To achieve these targets, the Government of Brazil estimates that an additional investment of USD 128 billion will be required in the next 10 years.⁸⁷

Based on the above context, Sustainalytics is of the opinion that the investments in wastewater management and sanitation infrastructure projects under the Framework have the potential to contribute to the achievement of Brazil's water and sanitation infrastructure targets.

Importance of supporting MSMEs in Brazil

MSMEs in Brazil account for 98.5% of all legally constituted companies and 27% of the country's GDP.⁸⁸ Despite the important role MSMEs play in supporting Brazil's economy, these businesses experience much more difficult conditions than larger companies,⁸⁹ leading to limited innovation and export propensity among other consequences.⁹⁰ Taxes and bureaucracy remain complex problems for entrepreneurship in Brazil, exacerbated by restricted access to capital and compounded by high interest rates.⁹¹ Despite the federal government's historical use of loan subsidies to encourage MSME development, the share of MSME loans in total business loans decreased from 55% in 2007 to 36% in 2018, underscoring the financial gap Brazilian MSMEs face.⁹² The disruptions caused by COVID-19 precipitated several new policies that have increased the share of loans to small businesses, including the National Program to Support Micro and Small Enterprises, which offers extraordinary credit lines with decreased interest rates.⁹³ In 2023, a new Ministry of Entrepreneurship, Micro-enterprise, and Small Business was established, and tasked with supporting small businesses and promoting their access to financial resources.⁹⁴

Given the above context, Sustainalytics is of the view that Itaú's provision of financing to MSMEs in Brazil is expected to play an important role in fostering economic and social development, and more broadly contribute

⁸⁰ The World Bank, "Children and Youth—Brazil's Invisible Victims of Inequitable Access to Water and Sanitation", (2020), at: <https://www.worldbank.org/en/news/feature/2020/08/25/brasil-ninos-jovenes-desigualdades-acceso-saneamiento-covid-19>

⁸¹ Government of Canada, "Report: New Legal Framework for Water and Sanitation Approved in Brazil, Creating Opportunities for Canadian Investors," (2020) at:

https://brazcanchamber.org/wp-content/uploads/2020/10/TCS-Report_New-Water-and-Sanitation-Legal-Framework-in-Brazil_August-2020.pdf

⁸² KPMG, "Brazil's Ambitious Journey", (2021) at: <https://home.kpmg/xx/en/blogs/home/posts/2021/06/brazil-ambitious-journey.html>

⁸³ OECD, "Building Water Resilience in Brazil: Ten Years of OECD & ANA Work on Water Governance, Finance and Regulation 2012-2022," (2022), at: <https://www.oecd.org/cfe/cities/BuildingWaterResilienceBrazilEN.pdf>

⁸⁴ Ibid.

⁸⁵ OECD, "Fostering Water Resilience in Brazil, Making water and sanitation regulation in Brazil more effective", at: <https://www.oecd-ilibrary.org/sites/343d7eb1-en/index.html?itemId=/content/component/343d7eb1-en>.

⁸⁶ Government of Brazil, "Novo Marco Legal do Saneamento permitiu atração de R\$ 72,2 bilhões em investimentos para o setor", (2022), at: <https://www.gov.br/pt-br/noticias/transito-e-transportes/2022/03/novo-marco-legal-do-saneamento-permitiu-atracacao-de-r-72-2-bilhoes-em-investimentos-para-o-setor>

⁸⁷ Vianna do Rego Barros, R. et. al., "Brazil's new basic sanitation legal framework", (2020), at:

<https://www.dlapiper.com/en/insights/publications/2020/11/pgi-issue-4/brazil-new-basic-sanitation-legal-framework>

⁸⁸ OECD, "Financing SMEs and Entrepreneurs 2022: An OECD Scoreboard", at: [https://www.oecd-ilibrary.org/sites/91ccd722-en/index.html?itemId=/content/component/91ccd722-en#:~:text=Micro%20and%20small%20enterprises%20\(MSEs,41%25%20of%20the%20total%20payroll](https://www.oecd-ilibrary.org/sites/91ccd722-en/index.html?itemId=/content/component/91ccd722-en#:~:text=Micro%20and%20small%20enterprises%20(MSEs,41%25%20of%20the%20total%20payroll).

⁸⁹ OECD, "SME and Entrepreneurship Policy in Brazil 2020", at: <https://www.oecd.org/publications/sme-and-entrepreneurship-policy-in-brazil-2020-cc5feb81-en.htm>

⁹⁰ Ibid.

⁹¹ UNCTAD, "Competition and Market Access Policies in the Resurgence of MSMEs in Post-COVID-19 Brazil," (2021), at: https://msme-resurgence.unctad.org/sites/smesurge/files/documents/Brazil%20study.SME_FINAL_1.pdf

⁹² Netherlands Enterprise Agency, "Small and Medium-sized Enterprises in Brazil", (2018), at: <https://www.rvo.nl/sites/default/files/2019/03/Small%20and%20Medium-sized%20Enterprises%20in%20Brazil.pdf>.

⁹³ OECD, "Financing SMEs and Entrepreneurs 2022: An OECD Scoreboard", at: [https://www.oecd-ilibrary.org/sites/91ccd722-en/index.html?itemId=/content/component/91ccd722-en#:~:text=Micro%20and%20small%20enterprises%20\(MSEs,41%25%20of%20the%20total%20payroll](https://www.oecd-ilibrary.org/sites/91ccd722-en/index.html?itemId=/content/component/91ccd722-en#:~:text=Micro%20and%20small%20enterprises%20(MSEs,41%25%20of%20the%20total%20payroll).

⁹⁴ Agência Brasil, "Law establishing Ministry of Entrepreneurship Sanctioned," (2024), at: <https://agenciabrasil.ebc.com.br/en/geral/noticia/2024-01/law-establishing-ministry-entrepreneurship-sanctioned>

to reducing social inequalities in the country, considering their oversized participation in the Brazilian economy.

Contribution to SDGs

The Sustainable Development Goals were adopted in September 2015 by the United Nations General Assembly and form part of an agenda for achieving sustainable development by 2030. The instruments issued under the Itaú Unibanco Holding S.A. Sustainable Finance Framework are expected to help advance the following SDGs and targets:

Use of Proceeds Category	SDG	SDG target
Renewable Energy and Energy Efficiency	7. Affordable and Clean Energy	7.1 By 2030, ensure universal access to affordable, reliable and modern energy services
		7.2 By 2030, increase substantially the share of renewable energy in the global energy mix
Clean Transportation	9. Industry, Innovation and Infrastructure	9.1 Develop quality, reliable, sustainable and resilient infrastructure, including regional and transborder infrastructure, to support economic development and human well-being, with a focus on affordable and equitable access for all
	11. Sustainable Cities and Communities	11.2 By 2030, provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities and older persons
Sustainable Water and Wastewater Management	6. Clean Water and Sanitation	6.1 By 2030, achieve universal and equitable access to safe and affordable drinking water for all
		6.3 By 2030, improve water quality by reducing pollution, eliminating dumping and minimizing release of hazardous chemicals and materials, halving the proportion of untreated wastewater and substantially increasing recycling and safe reuse globally
Pollution Prevention and Control	11. Sustainable Cities and Communities	11.6 By 2030, reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management
Environmentally Sustainable Management of Living Natural Resources and Land Use	15. Life on Land	15.1 By 2020, ensure the conservation, restoration and sustainable use of terrestrial and inland freshwater ecosystems and their services, in particular forests, wetlands, mountains and drylands, in line with obligations under international agreements
		15.2 By 2020, promote the implementation of sustainable management of all types of forests, halt deforestation, restore degraded forests and substantially increase afforestation and reforestation globally
Green Buildings	9. Industry, Innovation, and Infrastructure	9.4 By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound

		technologies and industrial processes, with all countries taking action in accordance with their respective capabilities
Climate Change Adaptation	13. Climate Action	13.1 Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries
Water Resources Protection	6. Clean Water and Sanitation	6.4 By 2030, substantially increase water-use efficiency across all sectors and ensure sustainable withdrawals and supply of freshwater to address water scarcity and substantially reduce the number of people suffering from water scarcity
	12. Responsible Consumption and Production	12.2 By 2030, achieve the sustainable management and efficient use of natural resources
Sustainable Water Management	6. Clean Water and Sanitation	6.3 By 2030, improve water quality by reducing pollution, eliminating dumping and minimizing release of hazardous chemicals and materials, halving the proportion of untreated wastewater and substantially increasing recycling and safe reuse globally
Blue Economy	14. Life Below Water	14.4 By 2020, effectively regulate harvesting and end overfishing, illegal, unreported and unregulated fishing and destructive fishing practices and implement science-based management plans, in order to restore fish stocks in the shortest time feasible, at least to levels that can produce maximum sustainable yield as determined by their biological characteristics ⁹⁵
Inclusive Finance	8. Decent work and economic growth	8.10 Strengthen the capacity of domestic financial institutions to encourage and expand access to banking, insurance and financial services for all
	10. Reduced Inequalities	10.2 By 2030, empower and promote the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status
Affordable Housing	11. Sustainable Cities and Communities	11.1 By 2030, ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums
Digital Inclusion	9. Industry, Innovation, and Infrastructure	9.4 By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities

⁹⁵ Sustainalytics notes that this SDG target represents an interim goal established by the UN in 2015 as a pathway to achieve sustainable development by 2030 and has not since been updated. However, in 2019, the UN reported that the percent of global fish stocks within biologically sustainable levels declined from 90% in 1974 to 67% in 2015. Considering this significant decline, Sustainalytics recognizes the continued need for investment toward the achievement of this target and considers it to be relevant and impactful in the context of the Framework.

Conclusion

Itaú has developed the Itaú Unibanco Holding S.A. Sustainable Finance Framework under which it and its subsidiaries or affiliates may issue bonds, covered bonds, loans, securities, deposits, repurchase agreements, securitization, derivatives, letters of credit and other financial instruments. Itaú intends to use the proceeds to finance existing and future projects that are expected to contribute to the decarbonization and socioeconomic advancement in Brazil. Sustainalytics considers that the projects funded under the Framework are expected to provide positive environmental and social impacts.

The Itaú Unibanco Holding S.A. Sustainable Finance Framework outlines a process for tracking, allocation and management of proceeds, and makes commitments for Itaú to report on allocation and impact. Sustainalytics considers that the Framework is aligned with the overall sustainability strategy of the Bank and that the use of proceeds categories will contribute to the advancement of the UN Sustainable Development Goals 6, 7, 8, 9, 10, 11, 12, 13, 14 and 15. Additionally, Sustainalytics is of the opinion that Itaú has adequate measures to identify, manage and mitigate environmental and social risks commonly associated with the eligible projects.

Based on the above, Sustainalytics is confident that Itaú is well positioned to issue the above financial instruments and that the Itaú Unibanco Holding S.A. Sustainable Finance Framework is robust, transparent and in alignment with the four core components of the Green Bond Principles (2021), Social Bond Principles (2023), Green Loan Principles (2023), and Social Loan Principles (2023).

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