

Itaú Unibanco Holding S.A.

Type of Engagement: Annual Review

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Introduction

In January 2021, Itaú Unibanco Holding S.A. (“Itaú” or “the Bank”) issued its first sustainability bond aimed at financing projects that comply with the eligibility criteria defined under the Itaú Unibanco S.A. Sustainability Finance Framework (the “Framework”)¹. Sustainalytics provided a Second-Party Opinion for the Framework in January 2021.² In November 2021, Itaú engaged Sustainalytics to review the projects funded through the issued 2021 sustainability bond and provide an assessment as to whether the projects met the Use of Proceeds criteria and the Reporting commitments outlined in the Framework. Among the available eligibility categories, the Bank focused on financing renewable energy and extending financial services to micro, small or medium enterprises (MSMEs).

Evaluation Criteria

Sustainalytics evaluated the projects and assets funded by the sustainability bond issued in 2021 based on whether the projects and companies financed:

1. Met the Use of Proceeds and Eligibility Criteria outlined in the Itaú Unibanco Sustainability Finance Framework; and
2. Reported on at least one of the Key Performance Indicators (KPIs) for each Use of Proceeds criteria outlined in the Itaú Unibanco Sustainability Finance Framework.

Table 1 lists the Use of Proceeds, Eligibility Criteria, and associated KPIs.

Table 1: Use of Proceeds, Eligibility Criteria, and associated KPIs

Use of Proceeds	Eligibility Criteria	Key performance indicators (KPIs)
Renewable Energy and Energy Efficiency	a.1) Renewable energy, such as wind energy, solar energy and hydro energy (< 20MW) a.2) Energy transmission lines and distribution networks with the purpose of increasing renewable energy from wind and/or solar and/or hydro sources	- Annual GHG emissions avoided in tonnes of CO2 equivalent (tCO ₂ e) - Annual renewable energy generation in GWh - Capacity of installed renewable energy capacity in MWp - Length of constructed transmission lines in km
Inclusive Finance	Investments seeking social development and inclusion, that can be related to job conservation or creation, revitalizing of economically depressed areas, inclusion of minority groups, inclusion of groups with lack of access to financial services and economic opportunities.	Number and volume of loans provided to target group

¹ The Itaú Unibanco S.A. Sustainability Finance Framework is available on Itaú Unibanco’s website at: <https://www.itaubr.com.br/relacoes-com-investidores/Download.aspx?Arquivo=Qee1s7Ww4N4UjIUQ+laLZw==&linguagem=pt>

² Sustainalytics’ Second-Party Opinion is available on Itaú Unibanco’s website at: <https://www.itaubr.com.br/relacoes-com-investidores/Download.aspx?Arquivo=C6ygzGhYF+dP/kMYE8EBIq==&linguagem=pt>

	<p>Eligible investments shall be related to the following criteria:</p> <p>h.1) micro and small enterprises;³</p> <p>h.2) micro, small and medium⁴ enterprises that additionally meets one of the following requirements:</p> <ul style="list-style-type: none"> - Are women-owned companies⁵ - Located primarily in North and Northeast region of Brazil, or in municipalities, or states with human development index (HDI) below the total of Brazil's HDI average - Have restricted access to credit. 	
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Issuing Entity's Responsibility

Itaú is responsible for providing accurate information and documentation relating to the details of the projects that have been funded, including description of projects, amounts allocated, and project impact.

Independence and Quality Control

Sustainalytics, a leading provider of ESG and corporate governance research and ratings to investors, conducted the verification of Itaú's Sustainability Bond Use of Proceeds. The work undertaken as part of this engagement included collection of documentation from Itaú employees and review of documentation to confirm the conformance with the Itaú Unibanco Sustainability Finance Framework.

Sustainalytics has relied on the information and the facts presented by Itaú with respect to the Nominated Projects. Sustainalytics is not responsible nor shall it be held liable if any of the opinions, findings, or conclusions it has set forth herein are not correct due to incorrect or incomplete data provided by Itaú.

Sustainalytics made all efforts to ensure the highest quality and rigor during its assessment process and enlisted its Sustainability Bonds Review Committee to provide oversight over the assessment of the review.

Conclusion

Based on the limited assurance procedures conducted,⁶ nothing has come to Sustainalytics' attention that causes us to believe that, in all material respects, the reviewed bond projects, funded through proceeds of Itaú's Sustainability Bond, are not in conformance with the Use of Proceeds and Reporting Criteria outlined in the Itaú Unibanco Sustainability Finance Framework. Itaú has disclosed to Sustainalytics that it raised a total of USD 500 million through the sustainability bond issuance and the proceeds were fully allocated as of September 30, 2021.

³ The Framework defines micro and small enterprises as those with an annual revenue up to USD 3 million as per the definition of the International Finance Corporation (IFC).

⁴ The Framework defines medium enterprises as those with an annual revenue from USD 3 million to USD 15 million as per the IFC's definition.

⁵ The Framework defines women-owned enterprises as those meeting the following conditions: (a) $\geq 51\%$ owned by woman/women; or (b) $\geq 20\%$ owned by woman/women; AND (i) has ≥ 1 woman as CEO/COO/President/Vice President; AND (ii) has $\geq 30\%$ of the board of directors composed of women, where a board exists, which is in line with the IFC's definition.

⁶ Sustainalytics limited assurance process includes reviewing the documentation relating to the details of the projects that have been funded, including description of projects, estimated and realized costs of projects, and project impact, which were provided by the Issuer. The Issuer is responsible for providing accurate information. Sustainalytics has not conducted on-site visits to projects.

Detailed Findings

Table 3: Detailed Findings

Eligibility Criteria	Procedure Performed	Factual Findings	Error or Exceptions Identified
Use of Proceeds Criteria	Verification of the projects funded by the sustainability bond in 2021 to determine if projects aligned with the Use of Proceeds Criteria outlined in the Itaú Unibanco Sustainability Finance Framework and above in Table 1.	All projects reviewed complied with the Use of Proceeds criteria.	None
Reporting Criteria	Verification of the projects funded by the sustainability bond in 2021 to determine if impact of projects was reported in line with the KPIs outlined in the Itaú Unibanco Sustainability Finance Framework and above in Table 1. For a list of KPIs reported please refer to Appendix 1.	All projects reviewed reported on at least one KPI per Use of Proceeds criteria.	None

Appendix

Appendix 1: Allocation and Impact Reporting by Eligibility Criteria

In 2021, Itaú issued a sustainability bond with a total nominal value of USD 500 million. The full volume has been allocated, with 99% of proceeds financing new projects or loans after the date of issuance (January 15, 2021). The allocation and impact of proceeds are summarized as follows:

Use of Proceeds Category	Environmental or Social Impact Reported by Eligibility Criteria	Net Bond Proceeds Allocation (USD) ⁷	Percentage of Total Allocated Amount
Renewable Energy and Energy Efficiency	Solar energy generated per year is estimated as 69.8 GWh, with portfolio installed capacity of 47.75 MWp and avoided GHG emissions of 5,000 tCO ₂ e per year.	27,515,755	6%
	The following transmission lines and associated substations have been financed: ^{8 9} <ul style="list-style-type: none"> • 169 km of transmission lines and a substation with 800 MVA installed capacity in the state of Rio Grande do Sul • 37 km of transmission lines and expansion of two substations in the state of São Paulo/Mato Grosso do Sul • 173 km of transmission lines and four substations with 1600 MVA combined installed capacity in the state of Minas Gerais 	72,484,245	14%
Financial Inclusion	10,923 loans to micro and small enterprises	200,000,000	40%
	4,591 loans to women-owned MSMEs	80,000,000	16%
	4,956 loans to MSMEs located primarily in North and Northeast region of Brazil	120,000,000	24%

⁷ The projects' currency is BRL and the USD/BRL exchange rate of September 30, 2021 is used for calculating the allocated amounts.

⁸ Sustainalytics notes that over 80% of electricity load of Brazil's existing transmission and distribution infrastructure is generated from renewable sources and the investments in the transmission projects are in line with the *Sistema Interligado Nacional*, a National Interconnected System for improving the resilience of T&D infrastructure as Brazil increases the share of renewable energy.

⁹ The Bank intends to report other types of potential KPIs as made available by the project owner from 2022, such as i) the number of green users connected to the transmission lines and ii) the evolution of the average emission factor of transmitted energy (gCO₂e/kWh).

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