

# Itaú Unibanco Holding S.A.

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## Introduction

Between January 2021 and December 2022, Itaú Unibanco Holding S.A. (“Itaú” or the “Bank”) issued several funding instruments<sup>1</sup> (collectively, the “sustainability issuances”) aimed at financing projects that comply with the eligibility criteria defined under the Itaú Unibanco Holdings S.A. Sustainability Finance Framework (the “Framework”).<sup>2</sup> Sustainalytics provided a Second-Party Opinion on the Framework in January 2021.<sup>3</sup> In April 2023, Itaú engaged Sustainalytics to review the projects funded through the sustainability issuances 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). This is Sustainalytics’ second annual review of allocation and reporting of the instruments issued under the Framework, following a previous review in January 2022.

## Evaluation Criteria

Sustainalytics evaluated the projects funded with proceeds from the sustainability issuances, based on whether the projects:

1. Met the use of proceeds and eligibility criteria defined in the Framework; and
2. Reported on at least one key performance indicator (KPI) for each use of proceeds category defined in the Framework.

**Table 1: Use of Proceeds Categories, Eligibility Criteria and Associated KPIs**

Use of Proceeds Category	Eligibility Criteria	Key Performance Indicators
<b>Renewable Energy and Energy Efficiency</b>	<ul style="list-style-type: none"> <li>• Renewable energy, such as wind energy, solar energy and hydro energy (&lt;20MW)</li> <li>• Energy transmission lines and distribution networks with the purpose of increasing renewable energy from wind and/or solar and/or hydro sources<sup>4</sup></li> </ul>	<ul style="list-style-type: none"> <li>• Annual GHG emissions avoided in tonnes of CO<sub>2</sub> equivalent (tCO<sub>2</sub>e)</li> <li>• Annual renewable energy generation in MWh (electricity) and GJ (other energy)</li> <li>• Capacity of renewable energy plants in MW</li> </ul>

<sup>1</sup> The Bank raised a total of USD 667.3 million which includes USD 500 million through its first sustainability bond in January 2021, USD 80.7 million through a sustainability loan, USD 24.1 million through ESG certificates and USD 62.5 million via a green bond through private placement.

<sup>2</sup> Itaú Unibanco Holding S.A, “Sustainability Finance Framework”, (2021), at: <https://www.itau.com.br/download-file/v2/d/42787847-4cf6-4461-94a5-40ed237dca33/eed2822-9900-4f42-a7be-0f9d4714f404?o>

<sup>3</sup> Sustainalytics, “Itaú Unibanco Sustainability Finance Framework Second-Party Opinion”, (2021), at: <https://www.sustainalytics.com/corporate-solutions/sustainable-finance-and-lending/published-projects/project/ita-unibanco-holding-s-a/ita-unibanco-sustainability-finance-framework-second-party-opinion/ita-unibanco-sustainability-finance-framework-second-party-opinion-pdf>

<sup>4</sup> The increase in energy sources, such as wind and solar in the generation of electric energy and the increase in the supply of biomass from sugarcane and biodiesel contributed to the Brazilian energy matrix to remain at a renewable level much higher than the level observed in the rest of the world. Public policies adopted in recent years favored the entry of renewable sources, such as biodiesel, whose consumption grows year after year in Brazil. Hydraulic power generation, the main source of electricity generation in the country, together with other renewables, represented 84.3% of all national generation in 2019 according to the Ministry of Mines and Energy of Brazil. Transmission lines are fundamental elements to give stability to the electrical system of Brazil, with a large share of renewable energy that are, by nature, intermittent and interdependent. The increase in the share of renewable energy in the Sistema Interligado Nacional (SIN) must be accompanied by expansion of transmission systems to reduce losses and congestion, as well as to guarantee flow and energy security. Distribution systems are responsible for connecting to the transmission to final consumers, and are also important elements to ensure that sources reach users in a safe way (EPE, 2017 (<https://goo.gl/Z8XmKf>); IEEFA, 2018 <https://bit.ly/2Ch6hDb>). Therefore, in local context of Brazil, there is no possibility that the investments done in electric energy transmission lines will distribute electric energy from carbon intensive sources in rates superior than the renewables under normal conditions.

<b>Inclusive Finance</b>	<p>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.</p> <p>Eligible investments shall be related to the following criteria:</p> <ul style="list-style-type: none"> <li>• Micro and small enterprises;<sup>5</sup></li> <li>• Micro, small and medium<sup>6</sup> enterprises that additionally meets one of the following requirements: <ul style="list-style-type: none"> <li>○ Are women-owned companies<sup>7</sup></li> <li>○ 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<sup>8</sup></li> <li>○ Have restricted access to credit<sup>9</sup></li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Number/ volume of loans provided to target group</li> <li>• Number of new businesses created</li> </ul>
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## Issuer's Responsibility

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

## Independence and Quality Control

Sustainalytics, a leading provider of ESG research and ratings, conducted the verification of the use of proceeds from Itaú's sustainability issuances. The work undertaken as part of this engagement included collection of documentation from Itaú and review of said documentation to assess conformance with the Framework.

Sustainalytics relied on the information and the facts presented by Itaú. Sustainalytics is not responsible nor shall it be held liable for any inaccuracies in the opinions, findings or conclusions herein 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 issuances Review Committee to provide oversight of the review.

<sup>5</sup> According IFC's definition of micro and small companies, the annual revenue threshold for this segment is USD 3 million. Those companies may face challenges related to limited access to financial services, such as affordable loans and payments solutions due the lack of collateral or minimum use of access of technology.

<sup>6</sup> According IFC's definition of Medium Enterprise, the annual revenue threshold for this segment is from USD 3 million to USD 15 million. Medium companies in Brazil face similar issues as Micro and Small Enterprises in terms of access to financial services, specially in some regions in Brazil that lack infrastructure and economic opportunities.

<sup>7</sup> According to IFC's definition, an enterprise qualifies as a woman-owned enterprise if: (a)  $\geq 51\%$  owned by woman/women; or (b)  $\geq 20\%$  owned by woman/women; and (i) has  $\geq 1$  woman as CEO/COO/President/Vice President; and (ii) has  $\geq 30\%$  of the board of directors composed of women, where a board exists. Entrepreneurship is a way and alternative for needy families and minority groups to guarantee income, while it benefits the community around them.

<sup>8</sup> According to UN development agency, Brazil's HDI as of 2015 was 0.755.

<sup>9</sup> A company with Restricted access to credit is any company that has less than USD 1 million in loans with the bank. Small and medium enterprises have the potential to drive much-needed job creation and economic growth, but considering their size, they could have little access to the capital they need to thrive. Improving those companies' access to credit could expand their businesses, creating significant numbers of jobs, and providing essential goods and services to their local populations. Also, financing those companies is aligned with the concept of IFC's Inclusive Business concept, whereby we (Itaú) aim(s) to bring the underserved into value chains as suppliers, distributors, retailers, or customers by creating better conditions for them to achieve commercial viability.

## Conclusion

Based on the limited assurance procedures conducted,<sup>10</sup> nothing has come to Sustainalytics' attention that causes us to believe that, in all material respects, the reviewed projects do not conform with the use of proceeds criteria and reporting commitments in the Framework. Itaú has disclosed to Sustainalytics that it raised a total of USD 667.3 million through the sustainability issuances and the proceeds were fully allocated as of 31 December 2022.

## Detailed Findings

**Table 2: Detailed Findings**

<b>Framework Requirements</b>	<b>Procedure Performed</b>	<b>Factual Findings</b>	<b>Error or Exceptions Identified</b>
<b>Use of Proceeds Criteria</b>	Verification of the projects funded with proceeds from the sustainability issuances to determine if projects aligned with the use of proceeds criteria outlined in the Framework.	All projects reviewed complied with the use of proceeds criteria.	None
<b>Reporting Criteria</b>	Verification of the projects funded with proceeds from the sustainability issuances to determine if impact of projects was reported in line with the KPIs outlined in the Framework.	All projects reviewed reported on at least one KPI per use of proceeds category.	None

<sup>10</sup> Sustainalytics limited assurance process includes reviewing the documentation relating to the details of the funded projects, including description of projects, their estimated and realized costs and impact, as provided by the issuing entity, which is responsible for providing accurate information. Sustainalytics has not conducted on-site visits to projects.

## Appendix

### Appendix 1: Allocation and Reported Impact

The funds raised from the sustainability issuances were allocated to loans disbursed between 1 January 2021 and 31 December 2022.<sup>11</sup> 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) <sup>12</sup>	Percentage of Total Allocated Amount
Renewable Energy and Energy Efficiency	<p>The Bank financed two solar photovoltaic projects with the following environmental impacts:</p> <ol style="list-style-type: none"> <li>1. The first project has a portfolio installed capacity of 47.75 MWp; an estimated annual generation of 69.8 GWh and avoided GHG emissions of 5,000 tCO<sub>2</sub>e per year.</li> <li>2. The second project has a portfolio installed capacity of 90.4 MW with 40 photovoltaic generating plants. Its estimated annual electricity generation is 209.6 GWh.</li> </ol>	85,404,311	13%
	<p>The Bank also financed one wind power project consisting of 4 plants in the northeast region of Brazil. With 45 wind turbines, the project has a total installed capacity of 202.5 MW and estimated annual potential of avoiding 90,000 tCO<sub>2</sub>e of GHG emissions.</p>	20,794,603	3%
	<p>The following transmission lines and associated substations have been financed:<sup>13</sup></p> <ul style="list-style-type: none"> <li>• 169 km of transmission lines and a substation with 800 MVA installed capacity in the state of Rio Grande do Sul</li> <li>• 37 km of transmission lines and expansion of two substations in the state of São Paulo/Mato Grosso do Sul</li> </ul>	72,484,245	11%

<sup>11</sup> This is in line with the lookback period of 3 years defined in the Framework.

<sup>12</sup> The projects' currency is BRL and the USD/BRL exchange rate of 31 December 2022 is used for calculating the allocated amounts.

<sup>13</sup> Itaú has communicated to Sustainalytics that the emissions factor of the National Interconnected System or Sistema Interligado Nacional (SIN), to which the transmission line projects are connected, is in a downward trajectory and below the limit of 100 gCO<sub>2</sub>/kWh in the last 5 years. Between December 2020 and September 2021, the number of green users represented 72.47% of the total number of users connected to the SIN.

	<ul style="list-style-type: none"> <li>173 km of transmission lines and four substations with 1600 MVA combined installed capacity in the state of Minas Gerais</li> </ul>		
<b>Financial Inclusion<sup>14</sup></b>	31,637 transactions to micro and small enterprises	368,496,331	55%
	3,363 transactions to women-owned MSMEs	80,076,447	12%
	1,031 transactions to MSMEs located primarily in North and Northeast regions of Brazil	40,076,232	6%
<b>Total allocation of proceeds (USD million)</b>			667.3
<b>Total proceeds raised by the sustainability issuances (USD million)</b>			667.3
<b>Percentage of proceeds allocated</b>			100%

<sup>14</sup> The Bank has communicated to Sustainalytics that the (women-owned) MSMEs financed were selected as per the criteria noted in the Framework.

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