2024

Report on Environmental, Social and Climate Risks and Opportunities | GRSAC Report

Purpose

In recent years, society as a whole has become acutely aware of the Environmental, Social and Climate challenges facing this and future generations. In the corporate world, these discussions and this trend have given rise to an urgent need to integrate Environmental, Social and Governance (ESG) issues into planning and risk management in order to build long-lasting, sustainable and resilient businesses.

At Itaú Unibanco, we recognize the influence our business has on almost every sector of the economy and on the lives of millions of our clients. Our journey towards a more sustainable business and supply chain started over 20 years ago.

This document brings together information and disclosures about Itaú Unibanco required by the Central Bank of Brazil (BACEN) through the following regulations: (i) Resolution No. 139 of the Central Bank of Brazil, of September 15, 2021, which requires the disclosure of a Report on Environmental, Social, and Climate Risks and Opportunities (GRSAC Report); and (ii) Regulatory Instruction No. 153 of the Central Bank of Brazil, of September 15, 2021, which sets the standard tables for the purposes of the disclosures in the GRSAC Report.

GVR[1] Table

Governance in the management of social risk, environmental risk and climate risk

[1]GVR Table: Governance of social risk, environmental risk and climate risk management

Itaú Unibanco incorporates Environmental, Social and Climate Risk management into an integrated and cross-cutting governance structure, and different aspects of the issues (strategic, tactical, operational, controls and compliance) are addressed at different levels of authority.

At the Board of Directors level: the Risk and Capital Management Committee (CGRC), the Environmental, Social and Climate Responsibility Committee, and the Audit Committee (CAud).

At the executive level, joint bodies are established with the presence of the Chief Executive Officer (CEO) and the Chief Risk Officer (CRO), who are represented by the Superior Environmental, Social and Climate Risk Committee (Superior CRSAC), the Superior ESG Council and the ESG Itaú BBA Committee, the latter also with the participation of Itaú BBA's CEO.

To complete our organization in this area, we have other committees at the Board of Officers level, such as the Environmental, Social and Climate Risk Committee (CRSAC) and the Wholesale Banking Products Risk Committee (CRP).

The Board of Directors and the Executive Committee oversee the agenda through regular committees that discuss, guide and resolve on the topic, taking into account its potential impact on risk management and creating opportunities for business. Environmental, social and climate risk issues are subject at least once a year to the analysis of the CGRC, which is responsible for setting out the guidelines, policies and levels of authority for risk and capital management, approving risk appetite limits, and reviewing risk appetite metrics, including metrics of Environmental, Social and Climate Risk risk appetite that monitor the concentration of high Environmental, Social and Climate Risk industries in the bank's loan portfolios.

The CGRC, in turn, is responsible for supporting the Board of Directors in the discharge of the above risk and capital management. The matters discussed by the CGRC, including the risk appetite metrics, work, discussions, resolutions and recommendations of the CGRC, are reported by its chair to the Board of Directors. Additionally, the CGRC also coordinates its activities with the Environmental, Social and Climate Responsibility Committee, with the participation of Board of Directors members, and its mandate is to oversee any actions related to the implementation of the Environmental, Social and Climate Risk Policy (PRSAC). The guidelines of the PRSAC are based on our ESG strategy, which is made up of three pillars (sustainable finance, climate transition, and diversity and development), with strategic goals, related to Environmental, Social and Climate aspects that are periodically monitored by the Board of Directors.

Lastly, the CAud directly reports to the Board of Directors and is responsible for overseeing internal control and risk management processes, the activities carried out by the Internal Audit function, and the activities of the Conglomerate's independent auditors.

At the Executive Committee level, the Superior CRSAC is responsible for assessing and resolving on matters that, as understood by the CRSAC (Board of Officers level), should be submitted to the Executive Committee due to their complexity and materiality, particularly those associated with reputational risk, when specifically required. The CRO is responsible for the risk structure, for the integration of Environmental, Social and Climate Risks into the institution's global risk management framework, for setting the Environmental, Social and Climate Risk Policy, and for liaising with regulators.

At the Executive Committee level, based on the Environmental, Social and Climate responsibility agenda, the Superior ESG Council is responsible for monitoring the work of the bank in view of the main ESG and climate requirements of the market, regulators and civil society. Additionally, it is responsible for approving projects and resources necessary to address priority gaps for the effectiveness of the PRSAC, and matters can be submitted to the Board of Directors when required. Meanwhile, the IBBA ESG Committee, which is more tactical, can submit matters to the Superior ESG Council when required and is responsible for (i) implementing industry decarbonization strategies and action plans; (ii) ensuring and monitoring the achievement of the target for granting R$1 trillion in sustainable finance by 2030; and (iii) monitoring and resolving upon Itaú BBA's ESG and climate work fronts.

At the Board of Officers level, there are other forums that make up Itaú Unibanco's Environmental, Social and Climate Risk governance. The CRSAC is composed of departments and employees that are specialized in the topic, and its main duties are to resolve upon institutional and strategic matters, the institution's public positions and commitments/pacts assumed, as well as the reputational risk associated with Environmental, Social and Climate events involving clients, products, services and operations. The CRSAC is also responsible

for (i) recommending roles and responsibilities for the management of these risks; (ii) monitoring the compliance with the policies and procedures related to Environmental, Social and Climate Risk management; and (iii) submitting resolutions to the executive level, when required.

Product governance takes place through specific forums responsible for assessing different aspects of products, based on specific criteria that may lead to the assessment of Environmental, Social and Climate Risks, such as aspects aimed at identifying the greenwashing risk or aspects that indicate the need to establish specific due diligence processes.

Following this governance, the Board of Directors receives these reports as a result of the committees' responsibilities. As an example, we can mention the Environmental, Social and Climate Risk appetite metrics, which are monitored periodically, and the Board of Directors guides and recommends preventive measures to be taken to ensure that exposures are within the limits established and in line with our strategy.

Additionally, through the CGRC, the Board of Directors monitors the capital adequacy assessment process (ICAAP) that, as from 2024, includes a specific chapter to address the Environmental, Social and Climate Risks and, in its governance, assesses and reports the criteria and material risks to Itaú Unibanco, as well as its opinion on the stress testing program, capital plan, capital and liquidity contingency plan, and Corporate Business Continuity Policy.

With respect to our Compensation Policy, it is incumbent upon the Compensation Committee, which is made up of Board of Directors members, to discuss, analyze and oversee the implementation and operation of the existing compensation models for the Itaú Unibanco Conglomerate. The models include variable compensation, which takes into account environmental, social, climate and governance issues, for professionals involved in ESG agenda-related activities, business and commitments, through performance indicators, projects and initiatives included in the individual performance criteria.

Accordingly, strategic goals and targets are periodically monitored by the levels of authority mentioned above (strategic, tactic, operational, control, compliance), resulting in our integrated and cross-cutting governance.

EST[2] Table

Estratégias utilizadas no tratamento do risco social, do risco ambiental e do risco climático

[2]EST Table: Strategies used to address social risk, environmental risk and climate risk

Environmental, Social and Climate risks are the possibility of losses arising from Environmental, Social and Climate events related to the institution's operations, whether those losses arise from dealings with counterparties, relationships with suppliers, events linked to the transition to a low-carbon economy, or physical changes in weather patterns. These risks have the potential to materialize through traditional risk types, such as credit, market, liquidity and operational risks, which may lead to possible financial losses and reputational damage.

Itaú Unibanco's Environmental, Social and Climate Risk management strategy started with Credit Risk management, taking into consideration its potential for materialization, and has been expanding. It is now also used in the other traditional risk dimensions and in capital management, with drills integrated with other traditional risk dimension or stress tests. In addition to the possible materialization of traditional risks, the internal assessment methodology for credit risk takes into account the potential impact of Environmental, Social and Climate Risks on reputational risk through the verification of objective criteria that classify and qualify this risk.

Different methodologies and tools, based on the international and national best practices, are applied to identify, measure, assess, monitor and disclose Environmental, Social and Climate risks in credit management. These processes also incorporate governance aspects, such as the existence of a Board of Directors and independent auditors, among others, in the conducting of our clients' business.

These methodologies comply with the main rules in effect relating to corporate governance and Environmental, Social and Climate risk management, based on the relevance and proportionality principles, as well as with best market practices, such as:

- Bank Self-Regulation System (SARB) No. 14/2014 and No. 26/2023, of the Brazilian Federation of Banks (FEBRABAN);
- The Equator Principles on financial support to projects;
- The Performance Standards of the International Finance Corporation (IFC), which is the private arm of the World Bank Group;
- The IFC's Practical Guide on Corporate Governance; and
- The World Bank Group's Environmental, Health, and Safety (EHS) Guidelines.

The climate risk management framework is based on a methodology supported by reports and documents from standard-setting organizations, such as the Financial Stability Board (FSB), the World Economic Forum, the International Monetary Fund, the Bank for International Settlements (BIS), and the Network for Greening the Financial System (NGFS), among others.

Additionally, the analysis of Environmental, Social and Climate risk events varies in accordance with their relevance to the industry, size and region of the analyzed client. With respect to products, the analysis also varies in accordance with other characteristics, such as the term of the operation. These different analyses are presented below.

Client Environmental, Social and Climate Analysis

An important part of the Social, Environmental and Climate Risk management strategy involves the assessment of clients and the use of environmental, social, climate and governance information when approving and renewing credit limits and maintaining credit relationships.

The assessment of clients places a significant weighting on Social Risk, such as the protection of human rights, including the rights of indigenous peoples. For example, in compliance with the principles established in the Environmental, Social and Climate Risk Policy, especially those related with human rights, Itaú Unibanco adopts specific diligence and exclusion procedures by means of: use of compulsory labor, use of child labor in violation of legislation and exploitation of prostitution.

Accordingly, we check the Register of Employers that have subjected workers to compulsory labor (as established by Interministerial Administrative Rule MTPS/MMIRDH No. 4 of May 11, 2016) and/or that have a negative mention of the counterparty in the media captured through monitoring and subsequent assessment by specialized teams. Such findings may result in the systemic blocking of corporate and individual taxpayers' registries in any of the segments served by Itaú Unibanco, thus preventing access to more credit, hiring and/or renewing suppliers, or taking out insurance policies.

Industry Categorization

The Environmental and Climate dimensions are added to the Social dimension through the industry categorization process, which takes into account the risks inherent in the economic sectors in which clients operate and that may generate negative impacts on society, the environment and climate. To this end, sustainability parameters, such as consumption of energy and water, in addition to deforestation risk, level of air emissions, risks to employees' health and safety, and risks of disasters, among others, are taken into account.

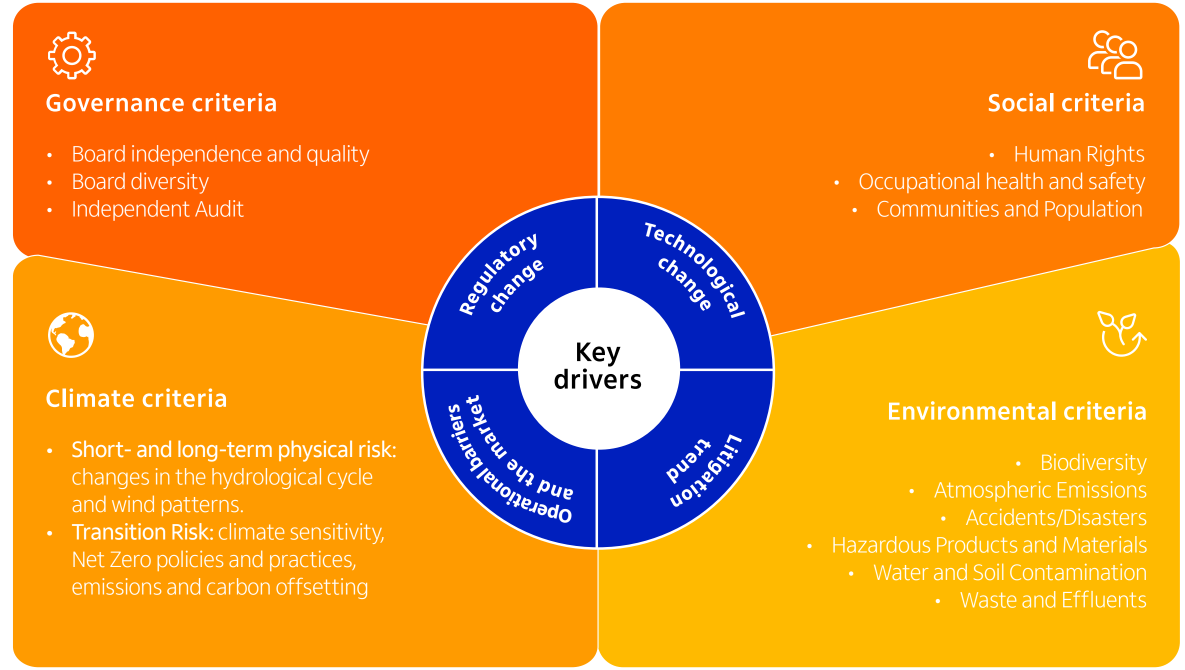
Individual Categorization

In the categorization process for Environmental, Social and Climate Risks of large clients, in addition to the industry risks, individual aspects are taken into consideration, such as the client's inclusion in sustainability indexes, which indicates the adoption of management practices to mitigate these risks, and the client's climate sensitivity, which measures how sensitive the client is to the physical and transition effects of climate change. These factors can positively or negatively impact the industry-based risk categorization initially proposed. The risk categorization resulting from this analysis is included in the calculation models of the credit risk rating for the clients assessed, serving as a basis for capital pricing and allocation.

Sensitive Industries

As mentioned above, for large companies and agricultural producers, the industry in which clients operate is an important factor in the definition of the scope and coverage of the Environmental, Social and Climate Risk analysis. Accordingly, sensitive industries are those that more likely to cause or be subject to material Environmental, Social and Climate Risks. Based on relevance and proportionality criteria, clients from these industries are subject to individual analysis, and the result, as well as in the Individual Categorization set out in item 1.1.2, makes up the Environmental, Social and Climate variable in the calculation of the credit risk rating, thus providing more accurate capital pricing and allocation.

For these cases, the analysis may include social events, such as the impact on traditional communities, occupational health and safety and supply chain management, environmental events, such as the existence of deforestation, embargoes and environmental assessment notices, water consumption and management practices, use of hazardous materials, risk of structures (dams), overlapping of and/or proximity with conservation units and waste management. The sensitivity to physical and transition climate effects is also assessed, as well as the susceptibility to water shortages, the assessment of the volume of greenhouse gas emissions and the financial capability to offset them via carbon credits, emission reduction and/or NetZero policies and practices. Additionally, the methodology used addresses governance aspects, such as the independence and diversity of the Board.



Sensitive sectors classified

- Agriculture: Pesticides and fertilisers
- Agriculture: Slaughterhouses
- Energy sector
- Real estate
- Timber
- Mining
- Metallurgy and steel
- Oil and Gas
- Pulp and paper
- Rural producers
- Chemical and Petrochemicals
- Textiles

Product Environmental, Social and Climate Analysis

The institution's strategy also provides for the management of the Environmental, Social and Climate Risks with respect to products at all stages of governance, from the conception of new products to their renewal and operation. In these cases, the diligence and events of Environmental, Social and Climate Risk addressed are defined in accordance with the characteristics and the structure of the product/operation and are taken into consideration before being acquired and, in some cases, throughout the operation.

The Environmental, Social and Climate events addressed in Section 1.1, Client Environmental, Social and Climate Analysis, are also taken into account in the Environmental, Social and Climate Analysis of certain products, such as the List of Excluded Activities and the impact on traditional peoples, from the social point of view; deforestation and pollution, from the environmental point of view; and volume of air emissions, from the climate point of view. In some cases, the events may vary in accordance with the geographic region.

In addition to these events, the product analysis may also, based on relevance and materiality criteria, include other aspects such as the maturity of the project licensing process, the existence of a Biosecurity Quality Certificate and indications of soil contamination. For more complex transactions, as traditionally happens with long-term project finance transactions (Project Finance), the criteria of the Equator Principles are also taken into consideration.

For both client and product analyses, the identification of risk events is based on publicly available information disclosed by clients, the media, or available in databases provided by public bodies and/or relevant institutions such as the Brazilian Institute for the Environment and Renewable Natural Resources (IBAMA), the "Register of Employers that have subjected workers to compulsory labor", the Adapta Brasil platform of the Ministry of Science, Technology and Innovation (MCTI), the Chico Mendes Institute for Biodiversity Conservation (ICMBio), and the National Mining Agency, among others, as well as data provided directly by the clients themselves or by contracted third parties.

Due to the risk of loan losses arising from Environmental, Social and Climate events, as described with respect to clients and products, Itaú Unibanco has developed an internal process to identify losses based on aspects such as: embargoes imposed by IBAMA, compulsory labor, child labor in violation of legislation and encouragement of prostitution, extreme environmental events/disasters, non-compliance with contractual environmental and social obligations, as well as individual assessment of Environmental, Social and Climate Risk. In 2024, no loan losses related to Environmental, Social and Climate events were identified. It is important to highlight that Itaú Unibanco closely monitored the economic effects arising from the climate event that took place in the state of Rio Grande do Sul in 2024 and, since the beginning of the rain, it has monitored the impacts of the floods on its operations and clients. Our credit risk governance has enabled us to respond promptly and monitor the potential impacts on our credit exposure, permitting quick access to the information required for discussions and related actions. No significant worsening of the credit risk quality of the portfolio exposed to the Rio Grande do Sul event has been identified.

Finally, in December 2024, less than 15% of our loan portfolio was concentrated in industries categorized as "High" exposure to Environmental, Social and Climate Risks.

Stress testing scenario analysis

Itaú Unibanco carries out scenario analysis both for physical risks and transition risks to assess the business resilience and the impact of possible damage associated with climate risks and based on the several international frameworks that encourage the analysis of scenarios, such as the Task Force on Climate-Related Disclosures (TCFD) and, more recently, the International Financial Reporting Standards (IFRS).

For the physical scenario analysis, Representative Concentration Pathway (RCP) scenarios, developed by the Intergovernmental Panel on Climate Change (IPCC), were analyzed to map the potential impacts of the events on the bank's portfolio and serve as a basis for building macroeconomic scenarios used in stress testing, which is based on a scenario of drought, affecting energy generation and, consequently, the macroeconomic indicators. This scenario was developed internally by Itaú Unibanco's team.

Meanwhile, with respect to the transition scenario analysis, the various NGFS scenarios were analyzed and assessed in order to understand the particularities of each one, the variables available, and those scenarios with narratives which best fit the current and future outlook in Brazil. Additionally, as from 2024, we developed an internal scenario for the risk arising from the transition to a low-carbon economy.

With respect to the time criteria adopted to define the different timeframes (short, medium and long term), we highlight the following:

Timeframe	Period	How this timeframe is associated with the strategic and/or financial planning:
Short term	0 to 2 years	Our in-company definition, in line with the document "Global risk reports" of the World Economic Forum, considers short term as up to two years. We also take into account the internal periods used to carry out the quantification of the climate risk capital.
Medium term	2 to 5 years	Medium term is defined as between two and five years, in line with our risk management tool for loan portfolio and our NetZero commitment.
Long term	From 5 years onwards	Consistent with the short term and medium term mentioned above, long term is defined as more than five years, also in line with the document "Global risk reports" of the World Economic Forum.

Assessment of resilience to physical risk

For the analysis of the physical risk scenarios, three different exercises were carried out to map the impacts of physical risks on the loan portfolio and stress test projections.

In the first exercise, the physical risks were mapped based on scenarios adapted to the characteristics of the regions where the bank operates. These analyses took into consideration the conclusions of the IPCC disclosed through the RCP scenario 8.5, which was treated as a pessimistic scenario, and the RCP scenario 4.5, which was treated as an optimistic scenario, based on the projections of widely-used and recognized tools such as Adapta Brasil, developed by the Ministry of Science, Technology and Innovation (MCTI), and the Climate Change Knowledge Portal (CCKP), presented by UNEP-FI's Working Group on TCFD, of which Itaú has been a member since 2018.

Based on the physical risk rating indicated by the Adapta Brasil methodology, individual Brazilian municipalities can be rated as very low or very high risk for different climate events. These ratings allow an assessment of the distribution of the loan portfolio across the locations indicated by the respective risk levels for the different climate events. Comparing the images below, one can see the changes in risk levels between the current scenarios and the pessimistic and optimistic scenarios for 2030, indicating a change in behavior concentrated in the Southeastern and Northeastern regions, and obtain insights for climate risk management.

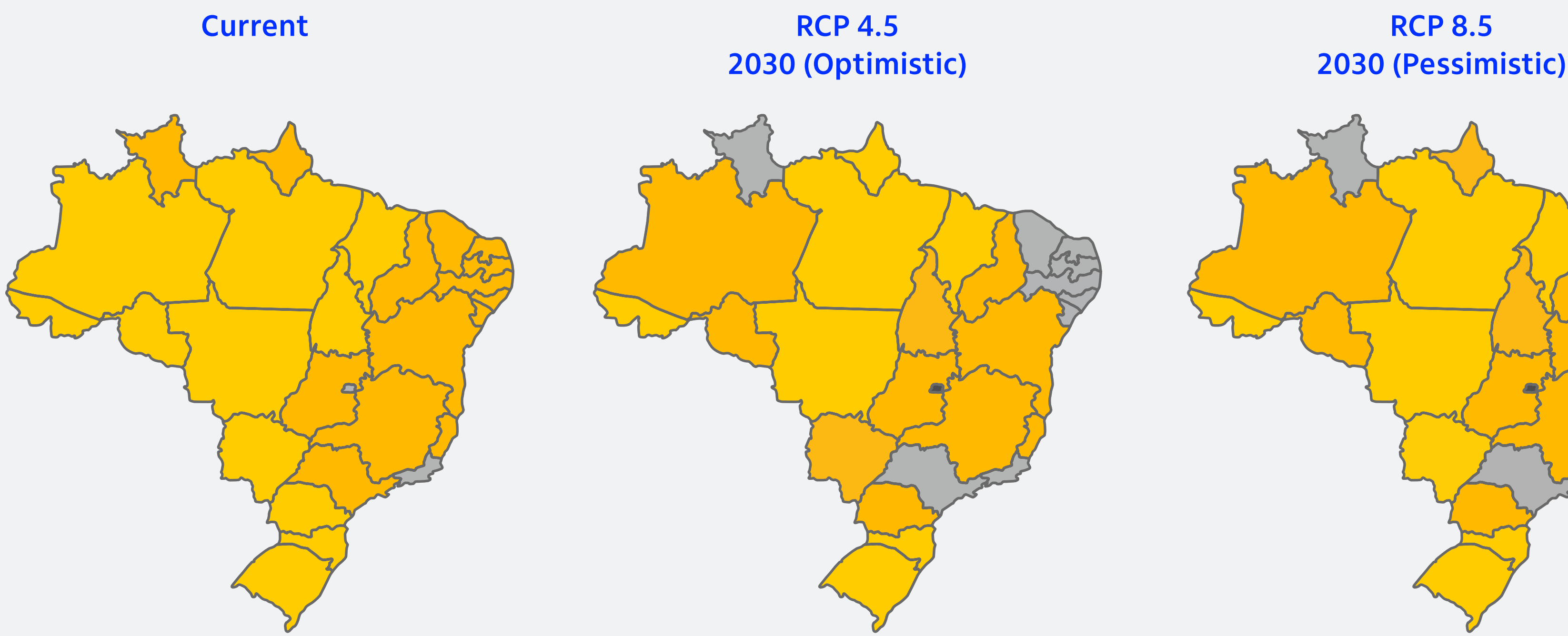
IPCC scenarios evaluated

RCP 8.5

- Temperature up to 8°C
- High CO_2 emissions

RCP 4.5

- Temperature up to 3°C
- Medium CO_2 emissions



Assumptions

- Physical risks taken into consideration:

Risk of drought
Risk of flood
Risk of landslide
Risk of intense rain

Scope: All operations of the bank's credit in Brazil vision.

- Very low
- Low
- Medium
- High
- Very high

Chart 1: Maps resulting from the exercise for physical risks, using risk scenarios and caption from Adapta Brasil

Additionally, two exercises were developed to assess the impacts of extreme physical risk events under two supplementary perspectives. The first exercise, based on academic studies and on the assessment of certain recent events, studied the impact of intense rains on the bank's loan portfolios. The second, based on the RCP scenarios for the risk of drought, replicated the impact of a water restriction scenario, inspired by an event that happened in 2000; the impact was simulated for the economy as a whole as well as through macroeconomic projections, and the potential impacts on the bank's balance sheet were analyzed. Both studies were developed as part of Itaú Unibanco's Stress Testing program, which seeks to expand the approach to incorporate climate aspects.

[3]Balance sheet stress tests are tools widely recognized to assess and measure potential risks to the financial system and its institutions, and are extensively used by part of the industry, the market and regulators.

Assessment of resilience to transition risk

For the purpose of the analysis of transition scenarios, as from 2024, the Macroeconomic Department created a scenario to carry out the stress test in a comprehensive manner, impacting the different variables, such as GDP, inflation rate, interest and foreign exchange rates, and carbon price.

In general, in line with the benchmarks carried out and the best practices reported by different oversight bodies, a number of transition scenarios were analyzed for use in the stress tests, based on two types of approaches.

The first approach, named bottom-up, studied the potential impact on the credit assessment for clients from carbon-intensive industries, based on the industries that joined the Net-Zero Banking Alliance (NZBA) and taking into consideration the relevance of the bank's loan portfolio, in carbon pricing scenarios. Some pricing, fees and offsetting scenarios and a potential impact interval were assessed.

On the other hand, under the top-down approach, additional shocks expected to the economic indicators under a scenario involving a transition to a low-carbon economy were incorporated into the physical climate risk scenario previously mentioned. Once this effect was incorporated, the potential impacts were studied as part of Itaú Unibanco's current Stress Testing program.

The results of the climate stress testing are part of the ICAAP exercise, and no material impacts on Itaú Unibanco's capital planning and adaptive capacity were identified in addition to those already in place as part of the proper management of the Environmental, Social and Climate Risks.

GER[4] Table

Social risk, environmental risk and climate risk management processes

[4]GER Table: Social risk, environmental risk and climate risk management processes

Undertaking and managing risks is the essence of Itaú Unibanco's activities, and is the responsibility of all its employees. The bank's risk appetite defines the nature and the level of acceptable risks, and the risk culture guides the strategic management initiatives and tools to mitigate risk and generate opportunities. The organizational risk management structure complies with the applicable Brazilian and international regulations, and is aligned with best market practices. The bank's risk management model consists of three governance lines: the business areas bear primary responsibility for risk management (identification, assessment, control and reporting), and are tracked by the risks area, which assesses risks according to the established policies, procedures and risk appetite. Finally, the third governance line is the internal audit function, which performs an independent assessment and reports to the Board of Directors.

Environmental, Social and Climate Risk management is part of this risk management framework of the bank, and is carried out based on the same model applied to business risks, in an integrated, cross-cutting manner, based on executive responsibility and on the complete management process.

Business units manage the Environmental, Social and Climate Risks based on the guidelines of internal policy, with specialized support from the risk and legal offices, providing the best management practices in different dimensions on which Environmental, Social and Climate Risks may materialize as a result of the Conglomerate's activities and business.

Accordingly, aiming at the integrity and quality of this risk management process, a governance process was developed in 2024 to ensure that assessments of Environmental, Social and Climate Risks carried out by the first line that indicate a material risk be further reported for assessment by the second line. Additionally, in order to improve the monitoring tools, a qualitative validation process was implemented by the Environmental, Social and Climate Risk department for assessments carried out exclusively by the first line, aiming at verifying the compliance with the rules and methodologies established in internal procedures.

Environmental, Social and Climate Risks are also subject to assessment and monitoring actions, as part of the internal mapping of processes, risks, controls, the monitoring of regulatory updates and the recording of occurrences in internal systems. Following the risk identification process, the next stages are prioritization, response to risk, monitoring and reporting, which supplement risk management at Itaú Unibanco. In 2023, the Integrated Environmental, Social and Climate Risk View Panel was created and made headway in 2024 with the inclusion of indicators, such as those of independent controlled companies, market, liquidity and operational risks. Based on data records, this tool helps manage Environmental, Social and Climate Risks, and is periodically reported to the CRSAC.

Finally, working independently, the internal audit team assesses the risk, control and governance management environment.

With respect to the timely identification of political, legal or regulatory changes that may impact the transition climate risk, we have a structured process, based on the relevance principle, to identify in a timely manner any changes that impact the Financial System. Nevertheless, we seek to contribute to the discussions on bills at the federal, state and municipal levels, and notices of public consultations on the climate agenda. More specifically, legislative proposals are monitored, analyzed and, based on the probability of approval and on the analysis of financial and image risks, performance strategies are developed within the scope of the legislative process. With respect to changes in policies, we identify, capture, analyze, indicate the matter (for example, Environmental, Social and Climate Risks) and report them to the departments to act on regulatory compliance, as well as on monitoring action plans to their implementation.

Credit Risk

Regarding the Credit Risk dimension, the identification, measurement and assessment of Environmental, Social and Climate risks follow guidelines defined in the internal procedures of the Risk Department, which are checked by the business areas and credit departments during the client assessment stages for credit granting and renewal, providing and monitoring guarantees, and in the assessment and monitoring of project finance and structured operations.

For clients, this process includes checking the involvement of all clients in the activities on the List of Excluded Activities, for example, by checking the counterparty against the Register of Employers who have kept workers under compulsory labor conditions, or checking for unfavorable media coverage about the use of child labor in violation of legislation or the encouragement and/or exploitation of prostitution, including child prostitution. The consequence for clients included in this register or for those who provenly carry out such practices is the systemic blocking and resulting denial of access to further credit. This verification also extends to companies and individuals, regardless of their relationship with the bank, and may restrict the entry of potential new clients involved in the situations described in the List.

Different methodologies and tools are used to rate the Environmental, Social and Climate Risks of clients as high, medium and low risk. For small and middle-market companies, this rating is based on the industry risks and, for middle-market companies, it impacts on the credit risk rating. Taking into account that large companies have a greater potential impact on society, the environment and climate, all clients in the large companies segment undergo an individual client categorization process, and the results of this assessment are included in the calculation models for the credit risk rating, and serve as a basis for capital pricing and allocation.

Additionally, as the client's industry is also an important factor in the definition of the scope and coverage of Environmental, Social and Climate Risk analysis, for clients of the large companies segment that operate in sensitive industries, such as Agribusiness – Pesticides and Fertilizers, Agribusiness – Cold Storage Plants, Energy, Real Estate, Wood, Metallurgy and Steel and Iron, Mining, Oil and Gas, Pulp and Paper, Agricultural Producers, Chemical and Petrochemical, Textile Industry and Apparel Retailing, at the time of granting and renewing a credit line, further methodologies and tools are applied in addition to the ESG assessment, strengthening decision-making processes integrated into credit granting and pricing. This assessment covers qualitative and quantitative aspects and takes into consideration the possibility of environmental, social and climate issues affecting the reputation, the financial performance and sustainability of the clients' business – such as litigation arising from environmental accidents or costs associated with regulatory and technological changes from the transition to a more sustainable economy.

All of the analyses described in this section are periodically renewed, and make it possible to monitor the practices adopted by clients and their Environmental, Social and Climate Risks.

Additionally, for the Arms Industry, we have a restrictive policy with specific rules for credit granting. For the Agribusiness – Tobacco Industry, we have implemented a strategy for the gradual reduction, by 2025, of Itaú Unibanco's credit exposure to tobacco-related clients, such as agricultural producers dedicated exclusively to this crop and cigarette manufacturers. Finally, our Net Zero plan foresees the gradual reduction of our credit exposure to clients/operations associated with thermal coal, as well as the restriction for financing unconventional oil and gas exploration operations in oil sands and in the Arctic.

In addition to the Environmental, Social and Climate Risks associated with the economic sector, stricter assessment procedures are applied to clients who operate in more sensitive geographical regions, as well as to products specifically aimed at those regions, such as those in the Amazon biome. For clients, for example, as signatories to the FEBRABAN's Bank Self-Regulation System, we follow the requirements of SARB 26 for cold storage plants and cattle slaughterhouses operating in the Legal Amazon and in the state of Maranhão, applying guidelines and procedures that promote only the financing of activities free of illegal deforestation in this supply chain.

For project finance transactions, whether through the credit market or the capital market, the process for identifying, measuring and assessing Environmental, Social and Climate Risks begins with the gathering of information that encompasses relevant technical and legal aspects, such as regional sensitivity analysis, and the sponsor's level of environmental and social management and governance. The compilation of this information results in the categorization of the project's risks as high, medium or low. After the initial stage, a more detailed assessment is prepared, which may include a variety of Environmental, Social and Climate aspects based on the applicable legislation and good market practices, in accordance with the industry and the geographic region in which the project will be implemented.

LEARN MORE

- Examples of environmental and social diligence for Itaú Unibanco's projects may be found on the Investor Relations website, such as "**Experience in Mitigating Environmental and Social Risks in Project Finance in Project Finance**" →

Risk mitigation is part of the risk management process, and may be carried out in different ways depending on the type of analysis, guided by the principles of relevance and proportionality. For project finance transactions, if compliance with or adherence to good practices is not identified, contractual conditions may be established on the monitoring and release of funds, in order to encourage the adoption of best practices by clients, and compliance with the requirements established by Itaú.

Also, in the case of long-term financing, depending on the Environmental, Social and Climate Risk rating, an action plan may be agreed upon with the client, to be monitored once or twice a year, over the entire duration of the contract, by a specialized department or independent consultant. Each monitoring cycle may include visits to the project site, document reviews, and discussions with the client and the financing agents.

Additionally, with respect to transactions in which the bank primarily assumes the risks associated with the cash flow from the project, a specific credit model is used, under which the categorization of Environmental, Social and Climate Risks directly impacts the rating of the project's credit risk, allowing for more accurate pricing and better capital allocation.

For financing to be allocated to a specific agricultural property, possible illegal deforestation and other risk situations at the financed properties are monitored on a daily basis using a georeferencing tool.

Within the scope of Environmental, Social and Climate Risk management, for credit granting in which real estate is pledged as a guarantee, Itaú Unibanco has processes for the appraisal of properties, which include Environmental, Social and Climate and other aspects, both at the time the guarantee is pledged and over the term of the operation that has the property pledged as guarantee. With respect to climate aspects, a topographic data survey of the property takes into account data such as flooding areas, floods/inundation, and the risk of building collapse or slope failure.

For urban real estate guarantees, an environmental and social analysis of the property offered as a guarantee is carried out upon receipt of a Survey of Contamination Indications (LIC), a standard document used by financial institutions that are signatories to the FEBRABAN's Bank Self-Regulation System, under SARB Regulation No. 14/2014, which contains information on the history of use of the property, its current use, data on the use of the surrounding areas, and which shows, where applicable, any indications of contamination. When indications of contamination or other restrictions on use are identified, an in-depth analysis is carried out by a technical team of the institution, and a Preliminary Environmental Assessment, a Confirmation Investigation or another related study may be requested, as required. In addition to the environmental and social assessment when the collateral is pledged, Itaú Unibanco also carries out a reappraisal of the properties in accordance with the rules provided for in the internal procedures.

For the establishment of rural real estate guarantees, in-person and/or remote reports are used to check for possible forest liabilities and/or overlapping with sensitive areas, such as conservation units, indigenous land or slave-descendant communities. Where overlaps with risk areas are found, an in-depth analysis is carried out by a technical team from Itaú Unibanco.

Itaú Unibanco has a sound Risk Appetite framework that assesses, for example, concentrations in particular industries and segments, among other metrics. In particular, for measuring, monitoring and controlling the health of the loan portfolio with respect to its exposure to Environmental, Social and Climate Risks, the risk appetite framework includes two specific metrics for monitoring the concentration of our portfolio in industries with high environmental and social risks, and in industries which are highly exposed to climate risks, whether physical or transitional.

Operational Risk

Based on best market practices and the practices provided for in SARB No. 14, mostly assuring the requirements provided for in Resolution No. 4,943 of the BACEN, criteria were defined to identify operational losses related to Environmental, Social and Climate events, as part of a broad approach, to which the Risk, Legal and Equity departments contributed. These events may, for example, relate to administrative and legal proceedings in which the institution is a defendant, or to damage to physical assets, all related to Environmental, Social and Climate events.

Once such an identification is made, it is incorporated into the existing operational loss base generation process and becomes part of the operational risk monitoring and management framework, which takes place every month. In 2024, improvements in the methodology of this process were implemented, thus increasing data accuracy. In 2024, losses classified as arising from Environmental, Social and Climate Risks accounted for 14% of total losses in the year. The greater concentration of these losses was due to Social Risk, with 99% of the total base of losses driven by Environmental, Social and Climate Risks.

Market and Liquidity Risk

As in the case of Operational Risk, the incorporation of the Environmental, Social and Climate Risks into Market and Liquidity Risk management follows the stages of identification and measurement of potential impacts and sensitivity, which are then incorporated into the existing framework of limits, controls and risk appetite.

Once the assets, liabilities or positions that are more sensitive to Environmental, Social and Climate events are identified, we assess the potential impact on the pricing and management indicators of each discipline (e.g. Value at Risk, liquidity coverage ratio, net stable funding ratio).

Just as in the case of Operational Risk, as part of this process, no material impacts of Environmental, Social and Climate Risk events have been observed in the market and liquidity risk management process.

It is important to mention that these traditional risks are periodically monitored by the CRSAC through the Integrated Environmental, Social and Climate Risk View Panel. Based on simulations of shocks to assets and proprietary positions, we monitor our resilience and exposure to Environmental, Social and Climate Risks within the traditional types of market and liquidity risk.

itaú