

## Sustainability in Investments and Responsible Investment at Itaú Asset Management

### Introduction

Our mission is to help our clients achieve their long-term financial goals by contributing to the evolution of sustainability in investments through our entire products and services platform.

As managers of our clients' funds, we have the responsibility to invest these funds ethically and responsibly, seeking a thorough understanding of the opportunities and risks involved in our decisions.

We believe that environmental, social and corporate governance (ESG) factors are important long-term drivers of performance for the companies in which we invest, whether because of the opportunities presented or the prospect of mitigating risks.

Robust corporate sustainability, corporate governance, and *stewardship* practices are fundamental to value creation in companies and contribute to more transparent and efficient financial and capital markets. By *Stewardship* we mean excellence at managing and monitoring the securities held on behalf of our clients.

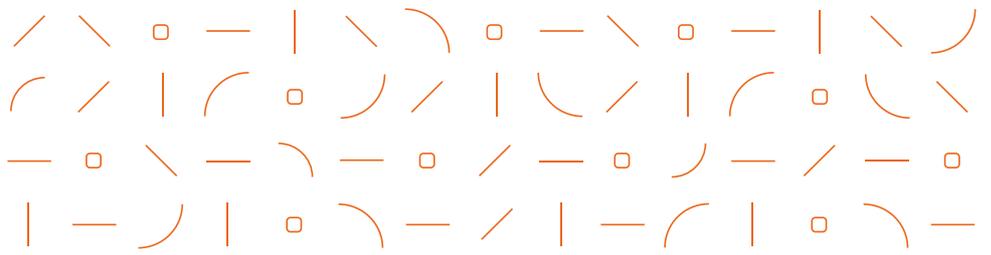
In 2008 Itaú Asset Management adhered to the United Nations Principles for Responsible Investment\*, with the objective of understanding the impact of ESG issues on investment portfolios.

This document establishes the principles and guidelines that support Itaú Asset Management's activities in the areas of sustainability in investments and responsible investment, with the main objectives of fulfilling our fiduciary duty and contributing to the generation of positive externalities for society and the environment.

### Investment process

Our investment process aims to generate value for our clients through the use of proprietary fundamentalist analysis and contact with companies. The objective is to obtain a deep knowledge of the analyzed companies and their sectors of activity.

The continuous search for information, financial or non-financial, that can impact the market value of companies is an integral part of this process. The goal is to have relevant information for fully informed decision making.



## **Approach to the topics Sustainability in Investments and Responsible Investment**

We consider the importance of ESG issues to the extent that these issues can impact the value of the assets in which we invest.

Our approach to sustainability in investments and responsible investment aims to create value for our clients by identifying opportunities and reducing risks related to equity and fixed income portfolios.

Aware to the impacts of our investments, in our models and analyses, we use international initiatives and standards related to the sustainability theme in investments, ESG integration, and information reporting to guide our efforts in these fronts. We follow and encourage the use of standards such as SASB, TCFD, ODS, GRI\*\*, and others to produce, measure, and report material ESG information.

### **The Importance of Climate Change**

Climate change has the potential to increase the frequency and severity of extreme weather events, alter rainfall patterns, impact agroforestry productivity, and demand significant investments in adaptation and resilience by companies. Therefore, understanding the potential financial impact of these and other climate change issues is one of the objectives of our ESG models, which have a dimension dedicated to the topic.

Itaú Asset Management publicly supports the Paris Agreement, in line with its principles of responsible investment and fiduciary duty to clients.

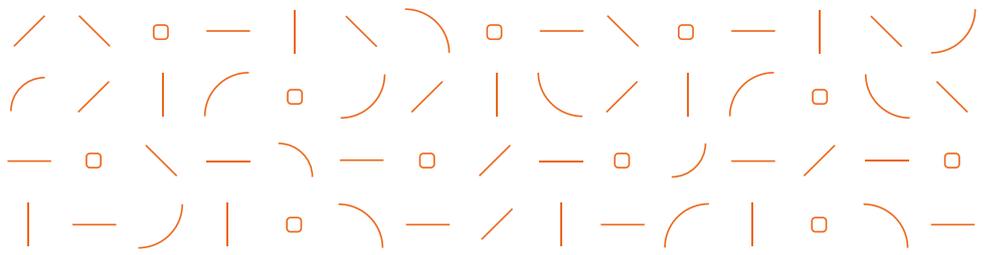
## **Guidelines:**

### **I. Internal governance**

The implementation of the ESG analysis of invested companies is the responsibility of the dedicated ESG unit, and is shared with all fund managers and sector analysts, who are responsible for knowing the ESG risks pointed out in these analyses and considering them in their investment decisions.

The ESG unit is independent from active management strategies, and is part of the organizational structure for index fund management. Head of Indexed & ESG reports directly to Itaú Asset's CIO and CEO.

The responsibility for overseeing *Stewardship*, ESG integration, votes at meetings of investee companies, and engagements lies with our CIO and CEO. We reassess our ESG plans and goals annually.



## II. ESG integration in the investment process

We integrate ESG issues into our investment process through a proprietary analysis methodology, and by contracting specialized services.

The methodology developed by Itaú Asset Management to integrate ESG issues into its company valuation process aims to estimate the financial impact of these issues on traditional *valuation* models. This assessment identifies multisectoral dimensions and prioritizes the critical dimensions for each sector when assessing companies. Each company's performance is evaluated:

- Potential impact on cash flow;
- Manageability; and
- Availability of information.

As a result an estimate of financial impact at the valuation date is presented. Prior knowledge and pricing of relevant ESG issues assists in identifying events with the potential to create or destroy value for companies.

### **Environmental Factors:**

Our ESG integration model formally considers environmental factors related to the following areas: Water, Energy, and Materials; Biodiversity and Land Use; Waste Management; and Climate Change.

### **Social Factors:**

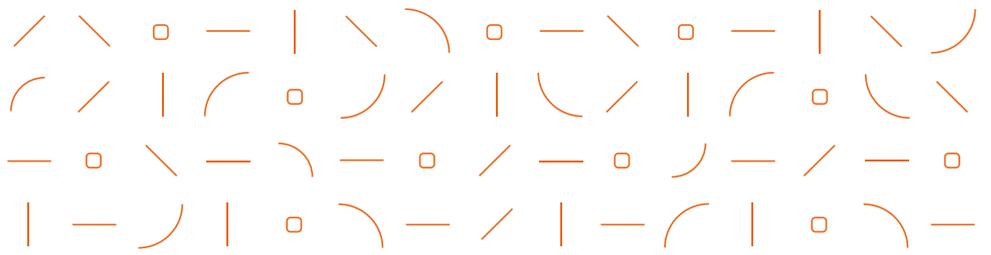
Our ESG integration model formally considers social factors related to the following areas: Customers; Communities; Employees; and Suppliers.

### **Corporate governance factors:**

Our ESG integration model formally considers corporate governance factors related to: Corporate board governance structure, its composition, independence, executive grade, gender diversity, compensation, and technical committees, among other relevant areas.

Conflicts of interest related to the topics of sustainability in investments and responsible investment are addressed through direct engagement with the companies and their *stakeholders*. In possession of as much information as possible, we trigger internal governance, which involves our CEO and CIO, as well as the ESG Unit to address the matter.

We do not use negative filters that restrict the scope of investment.



## II. Exercising Voting Rights - Proxy Voting

Good corporate governance practices can promote greater alignment between the interests of companies and those of their shareholders.

Itaú Asset Management takes environmental, social, and corporate governance matters into consideration when exercising its voting rights at general meetings of the assets held by the funds.

We use service providers in our voting activities at investee company meetings. The voting decision is independent and subject exclusively to internal governance. These providers must necessarily integrate ESG matters into their activities and recommendations.

## III. Engagement and transparency

We consider engagement with investee companies an appropriate way to broaden our knowledge about the companies. The goal is to establish a constructive dialog and deepen the understanding of how certain ESG matters can impact your market value.

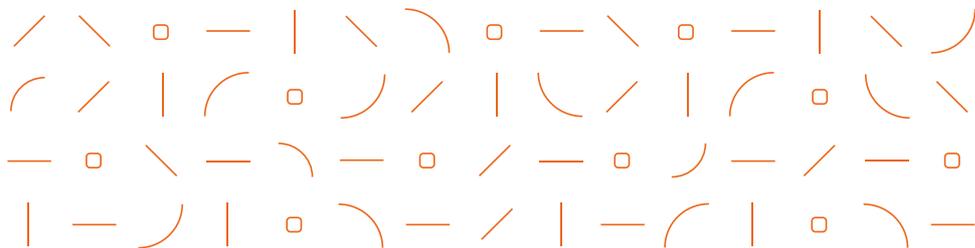
Where appropriate, we encourage the adoption of best management and corporate governance practices with the aim of reducing risk and protecting our clients' interests. We encourage investee companies to disclose ESG information that may impact their financial performance.

We participate in collective engagements with public and private entities in order to join forces with investors who share our vision of the importance of sustainability in investments. In these engagements we always seek to promote best practices in environmental, social, and corporate governance management.

We seek to participate in collective engagements considering the potential positive impact of the initiative and our exposure in the target companies.

### **Reporting and information control:**

We report on our activities and developments in the areas of sustainability in investments and *stewardship* through periodic public reports, such as AMEC's *Stewardship* Report and Itaú Unibanco's Integrated Annual Report. Information control is carried out by Itaú Asset's ESG Unit, under the supervision of the Compliance and Audit departments, as per activities defined in Itaú Asset Management's internal policy and procedure.



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