Climate report

Structured based on the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD)
Published April 2024, Updated December 2024

Summary

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- 25 years on the ESG agenda
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- Partnering clients in the transition

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Recommendation	What we do	Pages
Governance		
Board's oversight of climate risks and opportunities.	The Board of Directors and the Executive Committee oversee the evolution of the climate agenda through committees dedicated to social, environmental and climate issues, deliberate on the incorporation of climate issues into strategic decisions and monitor our progress in relation to commitments and objectives.	10-12
The role of executives in assessing and managing climate risks and opportunities.	Executives have responsibility for the climate agenda. Our climate governance is addressed in corporate policies and procedures. We have a training agenda on the matter. Climate topics can an impact the compensations of our executives.	10-17
Strategy		
Risks and opportunities identified in the short, medium, and long term.	We map climate risks and opportunities that could affect our businesses and operations and have developed a response strategy. We also assess our exposure to different sectors and opportunities through risk management processes and climate metrics.	19-21; 27-29; 42; 45-47
Impact of climate risks and opportunities on business, strategy, and financial planning.	The risks and opportunities identified influence our strategy, which is focused on adopting actions for the climate transition through stakeholder engagement and solutions to reduce the impacts of climate change on our own business and operations. We develop products and services with a climate focus, set emission reduction objectives for our own operations and for the priority sectors established by the Net Zero Banking Alliance (NZBA).	3; 14-17; 25-26; 30-40; 68-86
Resilience of the organization's strategy, considering different climate scenarios	We apply different climate scenarios to guide our risk management processes and the definition of our sectoral decarbonization objectives. Based on the International Energy Agency's (IEA) Net Zero scenario for the Electricity, Steel and Cement sectors and the International Aluminum Institute's (IAI) scenario for the Aluminum sector, these objectives are aligned with a 1.5 °C trajectory and underpin our ambition to be the climate transition bank for our clients. For assessing physical climate risks, we apply the Representative Concentration Pathways (RCP) scenarios developed by the Intergovernmental Panel on Climate Change (IPCC).	20; 21-24; 48-51
Risk Management		
Processes for identifying and assessing climate risks	We have developed a methodology to identify both physical and transition climate risks in the short, medium, and long term, and we are attentive to developments in the regulatory agenda that could impact our business and operations.	44; 49-50
Processes for managing climate risks.	We have adopted measures to address climate risks in our assessments of clients, credit operations and our own operations, with a focus on increasing our resilience. In addition, we monitor the credit portfolio's exposure to physical and transition risks, with periodic reports.	51-54

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Recommendation	What we do	Pages
Integration of the processes for identifying, assessing and managing climate risks into the institution's overall risk management	We map the transmission channels that connect climate risks to other traditional risk disciplines, such as credit and operational risks. Based on these connections, we manage climate risk in an integrated manner, strengthening the bank's risk management processes which, in turn, are supported by a robust governance structure based on the three lines of defense methodology.	13-14; 42-44; 52
Metrics and objectives		
Metrics used by the institution to assess climate risks and opportunities.	We have adopted specific metrics for managing climate risks and opportunities, linked to our business and our operations. We actively participate in global discussions focused on the construction of new metrics, as well as the evolution of calculations and methodologies for quantifying emissions.	56-60
Scope 1, 2 and 3 emissions and the associated risks.	We measure scope 1, 2 and 3 emissions in line with the GHG Protocol guidelines and financed emissions using the Partnership for Carbon Accounting Financials (PCAF) methodology. In 2023, our performance was: Scope 1: 19.208 tCO_2e Scope 2: 132 tCO_2e Scope 3, except financed emissions: 63.490 tCO_2e Financed emissions: 22.451.714 tCO_2e	56-57; 61-66
Objectives used to manage climate risks and opportunities.	We want to achieve net-zero by 2050, with intermediate objectives for sectors and our operations. Considering current technological availability and the public policy landscape, our efforts have enabled us to evolve the following definitions: • 63% reduction in the financed emissions intensity of the electricity generation sector by 2030. • Exit from financial operations with the thermal coal sector by 2030. • 23% reduction in the steel sector's financed emissions intensity by 2030 • 19% reduction in the financed emissions intensity of the aluminum sector by 2030 • 23% reduction in the financed emissions intensity of the cement sector by 2030 • 44% reduction in emissions intensity financed in the light vehicle manufacturing sector by 2030. • 44% reduction in the intensity of emissions financed in light vehicle financing by 2030 • 36% reduction in the financed emissions intensity for Corn, 25% for Soy and 12% for Animal husbrandry by 2030. • Mobilize R$ 1 trillion in sustainable finance by December 2030. • 80% of our agencies powered by renewable energy by 2025.	26; 56-60; 68-86

Introduction

GFANZ | Fundamentals

The climate transition is an opportunity to rethink our economic model based on forms of production and consumption with high greenhouse gas emissions. Scientific reports show that the climate is changing at a faster rate than expected and supporting compliance with the Paris Agreement to contain the effects of climate change is a responsibility shared by all economic agents, whether public or private, companies or individuals.

To comply with the Paris Agreement, we depend on a series of transformations and innovations that promote the reduction of emissions in the various sectors of the economy, bringing important opportunities for our clients, with emphasis on stimulating new low- or zero-carbon technologies, low-carbon agriculture, the promotion of clean energy operations, the bioeconomy, and the conservation of our ecosystems.

In this sense, we understand that our challenge is the sum of the challenges of each of our clients and we seek to support them at every stage of this journey, “from day-to-day to D-day”.

Being the climate transition bank for our clients means going far beyond banking solutions. We have the potential to encourage them to measure their emissions, define a transition plan and reduce and remove their GHG emissions, as well as enabling voluntary offsetting when applicable.

This strategy is reflected across the board in our business, portfolio management, governance processes and risk management.

Global standards and initiatives related to climate change, provide the foundations for our climate strategy:

- **Paris Agreement:** as a signatory of the Principles of Responsible Banking (PRB) and the NZBA, we seek to align our strategy with the Paris Agreement, which aims to limit the rise in global average temperature to 1.5ºC and reach net zero by 2050.
- **Task Force on Climate-Related Financial Disclosures (TCFD):** we have been supporting and incorporating the TCFD recommendations since 2017. The task force, created by the Financial Stability Board (FSB), aims to make climate disclosure a market practice. Recently, the TCFD was incorporated by the IFRS Foundation.
- **Principles of Responsible Banking (PRB):** since 2019, we have been signatories to the PRB, an initiative linked to Unep-FI, which aims to align the global financial system with initiatives that promote a positive impact on society and the planet.
- **GHG Protocol:** we received the Gold Seal from the Brazilian GHG Protocol Program, which certifies organizations for the high quality of their emissions inventories. Our emissions data is available on the Public Emissions Registry.
- **Partnership for Carbon Accounting Financials (PCAF):** in 2021, we joined PCAF, a global partnership of financial institutions focused on developing methodologies to measure financed and invested emissions.
- **CDP:** we also disclose information on the CDP platform, the world's leading climate finance index, with issues aligned to key market standards.
- **Unep-FI:** we participate in the TCFD working group with nearly 40 financial institutions from different countries.
- **Sustainable Development Goals (SDGs):** we have integrated the SDGs into our ESG and climate strategy. The content of this report has interacions with SDG 13, which refers to Climate Action.
- **Glasgow Financial Alliance for Net Zero (GFANZ):** we aim to incorporate GFANZ's recommendations into our Climate Transition Plan. We are members of the advisory board of the initiative's Brazil chapter.
- **IFRS (International Financial Reporting Standards Foundation)/ International Sustainability Standards Board (ISSB):** We have been following the developments of the ISSB and the Accounting and Sustainability Pronouncements Committee (CPC) to develop the applicability of the General Requirements for Disclosure of Financial Information Related to Sustainability and Climate (IFRS S1 and S2).

Highlights:

- R$ 420 billion allocated to positive impact sectors (from August 2019 to June 2024).
- 40 startups with ESG and Climate focus in Cubo ESG, the largest hub of Cubo Itaú.
- New ESG product lines for the agribusiness sector.
- Definition of sectoral decarbonization objectives for electricity generation, aluminum, steel and cement and commitment to the coal phase-out.
- We are leaders in the ranking of structured ESG operations in both the local and foreign markets and highlighted in several awards related to ESG and climate performance.
- We participated as ESG Advisors and Coordinators in the first sovereign issuance of sustainable bonds in Brazil.
- Since the beginning of the Reverte program, R$1.5 billion were contracted and earmarked for the conversion of 237,000 hectares of degraded pastures into crops.

Independent assurance

In this report we present data relating to climate, emissions and overall eco-efficiency that have been assured within the scope of our ESG Report. Here we list the main GRI metrics assured, relevant to this Climate Report.

GRI 2-25	Economic Performance	Financial implications and other risks and opportunities related to climate change
GRI 2-29	Energy	Energy consumption in the organization
GRI 201-2	Energy	Reduction in energy consumption
GRI 302-1	Water	Water consumption
GRI 302-4	Emissions	Direct greenhouse gas emissions (Scope 1)
GRI 303-5	Emissions	Indirect greenhouse gas emissions (Scope 2)
GRI 305-1	Emissions	Other indirect greenhouse gas emissions (Scope 3)
GRI 305-2	Emissions	Greenhouse gas (GHG) emissions intensity
GRI 305-3	Emissions	Reduction of greenhouse gas emissions
GRI 305-4	Waste	Waste generated
GRI 305-5	Stakeholder Engagement	Approach for stakeholder engagement

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› For more details go to our Supplementary Index →

Governance

Oversight of climate risks and opportunities

GFANZ | Governance

The Board of Directors and the Executive Committee oversee the agenda through periodic committees that discuss, direct, and decide on the issue, considering its potential impact, risk management and opportunities for the business.

We have specialists responsible for incorporating the agenda into our institutional and business areas, ensuring that sustainability is integrated into the core of our business strategy.

The Board of Directors oversees the implementation of the strategy and makes recommendations for action on ESG and climate issues, as well as approving the Social, Environmental and Climate Responsibility Policy (PRSAC).

The Board has a Social, Environmental and Climate Responsibility Committee which oversees actions relating to the implementation of the PRSAC, coordinating its activities with the Risk and Capital Management Committee (CGRC) and the Audit Committee (CAud).

At the Executive Committee level, we have the Superior ESG Commission, which is responsible for defining and ensuring compliance with the ESG and Climate strategy. Also at this level, we have Social, Environmental and Climate Risk Committees with the mandate to ensure the proper management of these risks.

Specifically, at Itaú BBA, we have a periodic ESG Committee, which includes the CEO and the executive directors monitoring the decarbonization objectives.

The implementation of the climate strategy is part of the compensation agreement for Itaú BBA's executives, reinforcing its importance to the business.

Competencies of directors and executives

Our Board of Directors has members with capabilities in climate issues and who are involved in topics such as bioeconomy, environmental protection and preservation of Brazilian biomes and best social, environmental and climate practices in the management of companies and financial institutions.

We have executives with knowledge and experience in climate change who participate or have participated in institutions that have been evolving on ESG and climate issues, such as the Brazilian Business Council for Sustainable Development (CEBDS), the UN Global Compact, B3, the Monetary Securities Commission (CVM), the Brazilian Association of Financial and Capital Market Entities (ANBIMA), Brazilian Federation of Banks (FEBRABAN), Glasgow Financial Alliance for Net Zero (GFANZ) FRS Foundation. Its core competencies include bioeconomy, climate change and disclosure.

Executives involved in the agenda

Our executives have specific responsibilities linked to climate issues and oversee the agenda through the committees in which they participate:

Chief Executive Officer (CEO): Itaú Unibanco's CEO establishes the organization's climate strategy and is responsible for the supervision and final approval of the work.

Itaú BBA's Chief Executive Officer (CEO): the CEO of Itaú BBA is responsible for overseeing the integration of the net zero strategy into our business model.

Chief Sustainability Officer (CSO): leads the Institutional Relations and Sustainability area and acts as the institutional PMO for the sustainability strategy, directing the teams that work on the implementation and monitoring of commitments in line with institutional guidelines, market trends and technical knowledge on climate change.

Chief Risk Officer (CRO): responsible for the risk structure, is also in charge of the unit that integrates climate risk into the institution's overall risk management, is responsible for the Social, Environmental and Climate Risk Policy and the specific procedure for Climate Risk Management. It also interacts with regulators.

Chief Financial Officer (CFO): leads the Finance and Investor Relations areas and is responsible for the processes of disclosing results and reports to the market, including the provision of climate information.

Committees that oversee climate agenda

Board of Directors

Topics related to sustainability and climate change are discussed regularly.

The highest climate and ESG discussion forum in the institution, it directs the bank's climate strategy and oversees climate risks and opportunities. Approves and reviews the Social, Environmental and Climate Responsibility Policy (PRSAC) and guides actions to ensure its effectiveness.

Level: Board of Directors

Members of the Board of Directors. The list of members is available at **Itaú website**.

Social, Environmental and Climate Responsibility Committee

At least three times a year.

Defines the social, environmental and climate responsibility strategy, directs and supervises the bank's climate strategy. Approves and revises the Social, Environmental and Climate Responsibility Policy (PRSAC) and guides actions with a view to its effectiveness and integrates its activities with the Risk and Capital Management Committee (CGRC).

Level: Board of Directors

Members of the Board of Directors, listed at **Itaú website**.

Audit Committee (CAud)

Climate issues are discussed on demand.

It discusses and supervises the actions taken by the areas responsible for Social, Environmental and Climate risks, and the Sustainability area, responsible for the opportunities approach.

Level: Board of Directors

The list of CAud members is available at **Itaú website**.

Capital and Risk Management Committee (CGRC)

Climate issues are discussed on demand.

Supports the Board of Directors in risk management, including social, environmental and climate risks.

Level: Board of Directors

The list of CGRC members is available at **Itaú website**.

ESG Itaú BBA Committee

Quarterly

Approves sectoral decarbonization strategies and action plans, ensures and monitors compliance with the objective of R$400 billion in positive impact sectors by 2025 and actions related to the climate transition for Itaú BBA's businesses. It monitors and deliberates on Itaú BBA's ESG and climate workstreams.

Level: Executive Committee

CEO of Itaú BBA; Chief Sustainability Officer Director of Institutional Relations and Sustainability (CSO); Risk Officer (CRO); Corporate Compliance Officer; Finance Officer; Legal Officer; Strategy and Planning Officer of Itaú BBA; executives from the Commercial; Agribusiness; Credit; Project Finance and Investment Banking areas.

Superior Social, Environmental and Climate Risk Committee (Superior CRSAC)

On demand.

Deliberates on climate risk decision-making, indicated by the CRSAC to rise to a higher level due to the complexity and materiality of the issue.

Level: Executive Committee

CEO of Itaú Unibanco; CEO of Itaú BBA; Chief Risk Officer (CRO); Director of Institutional Relations and Sustainability (CSO); Legal Director.

Superior ESG Commission

3 times a year.

The Committee has the authority to submit matters to the Board of Directors as necessary.

Monitors the bank's performance in the face of the main ESG and climate demands from the market, regulators, and civil society.

Level: Management

Members of the Executive Committee (list available on **Itaú website**).

CEO of Itaú Unibanco; Chief Financial Officer (CFO); Chief Risk Officer (CRO); Chief Sustainability Officer (CSO) and those responsible for the agenda.

Responsible Investment Committee

At least three times a year.

Updates team training advances in sustainable finance and best practices, regulations, voluntary pacts that guide investment advice, the individual investor, partner managers, ESG criteria for estate planning and other matters related to the investment products managed by the Wealth Management Services (WMS) area.

Level: Management

Director of Credit Risk and Modeling; Director of Corporate Compliance; Director of Institutional Relations and Sustainability (CSO); Legal Director; Directors of impacted areas.

Social, Environmental and Climate Risk Committee (CRSAC)

On demand.

Deliberates on strategic, business, and institutional matters involving Social, Environmental and Climate Risks.

Level: Management

Director of Credit Risk and Modeling; Director of Corporate Compliance; Director of Institutional Relations and Sustainability (CSO); Legal Director; Directors of impacted areas.

Policies and procedures

GFANZ | Governance | Implementation Strategy

We have specific Policies and Procedures that address climate change agenda under the scope of our Social, Environmental and Climate Responsibility Policy.

Social, Environmental and Climate Responsibility Policy (PRSAC) (public document)

It presents the principles, guidelines, and strategies for the social, environmental and climate pillars.

We have recently included our guidelines for the carbon-intensive sectors of the NZBA, in line with our decarbonization objectives. The sector-specific rules will be present in the policy to formalize the actions of our transition plan.

Risk Management Policy (internal document)

Establishes the guidelines and structure for risk management based on three lines of defense, the roles and responsibilities in risk management and the integration of Social, Environmental and Climate Risks with other risks.

Investor Relations Policy (Public document)

Describes the responsibilities and conduct of professionals in charge of investor relations, including on topics related to Sustainability.

Social, Environmental and Climate Risk Policy (public document)

Establishes the rules and responsibilities related to the management of Social, Environmental and Climate Risks.

Corporate Integrity, Ethics and Conduct Policy (public document)

Presents complementary guidelines to Itaú Unibanco's Code of Ethics and recognizes social, environmental and climate responsibility as a pillar of our strategy.

Climate Risk Management Procedure (internal document)

Formalizes the processes for identifying, assessing, and managing climate risk, including the process for mapping it, assessing its sensitivity and the roles and responsibilities for managing it.

Social, Environmental and Climate Risk Procedure - Credit (internal document)

Establishes guidelines for credit relationships and operations with credit risk, as well as the guidelines and criteria for their analysis, in addition to monitoring metrics and responsibilities.

"Positive Impact Commitments" Procedure (internal document)

Formalizes the roles and responsibilities in monitoring and complying with Positive Impact Commitments.

Procedure for establishing Itaú Unibanco taxonomies (internal document)

Presents the guidelines adopted in the construction of the commitment to finance positive impact sectors and the associated taxonomy and the main frameworks used in classifying sectors and defining taxonomies.

Environmental Aspects and Impacts Management Procedure (internal document)

Formalizes the management of environmental aspects and impacts associated with activities, products, and services.

Employee engagement

The Sustainability, ESG Planning, Portfolio Management, Business, Risk, Product, Credit, Finance, Investor Relations, Data, Stress Testing, Equity, Procurement, and other teams work together to implement our climate strategy in our business and operations.

Specific and general training

We offer our executives, sales teams, and other employees specific training on the ESG and Climate agenda. Our "Uncomplicating Sustainability and ESG" track, open to all employees, has content related to concepts, global challenges, social, environmental and climate responsibility and our role in strategic issues of the climate agenda, offering an introduction to the topic for our employees.

In addition, with a focus on commercial teams, prioritizing the officers who serve the large company segments (Commercial Banking and Corporate Investment Banking) at Itaú BBA, we offer a 5-hour learning plan with specific content on the climate agenda to enable them to address the issue with our clients.

The education covers the following topics:

- **Net Zero Strategy:** context of the commitment, calculation methodology, challenges, opportunities, and our action strategy.

- **ESG business opportunities:** sustainable finance and social, environmental and climate risk assessment.

- **Innovation:** Innovation: presentation of the startups and solutions that make up the Cubo ESG with the aim of addressing clients' decarbonization challenges.

- **Carbon market:** typology of carbon markets, opportunities for originating and trading carbon credits.

1,250 employees from the wholesale segment took part in the training on net zero, conducted by our experts with the aim of demonstrating the bank's progress on this agenda and the connection with our strategy.

Considering the importance of the agriculture sector in the decarbonization of our portfolio, another important training front offered to our commercial and specialist teams is training in products aimed at best production practices in agrobusiness, including solutions aimed at adopting technologies that reduce emissions from production systems. In addition, we hold training events in a hybrid format on topics such as net zero, social, environmental and climate risk and the carbon market.

We had the support of the academy in a workshop aimed at the commercial and ESG areas on the challenges and opportunities associated with the climate transition in the oil and gas and transportation sectors.

For our executives, we carried out training and engagement activities on topics such as the forest economy, biodiversity, low carbon hydrogen, and the carbon market.

In 2023 we also welcomed representatives from our International Units for an immersion in our ESG and climate strategy, with training sessions led by our in-house experts covering the main points of our climate strategy, such as governance, risk management and the decarbonization strategy.

Climate-related compensation incentives

In line with our Remuneration Policy for Administrators, environmental, social and governance issues affect the remuneration of Directors and employees involved in activities, businesses and commitments related to the ESG agenda, through performance indicators, projects and initiatives included in the individual performance criteria. The themes connect to our ESG strategy, which is represented by the Positive Impact Commitments.

In 2023, our CEO's assessment included ESG and climate issues, the outcome of which impacted the variable compensation. The target was linked to the R$400 billion* financing metric for sustainable development, including sectors with a positive impact on the climate. For the 2024 review cycle, not only the CEO, but also the executives who have the greatest responsibility for implementing the sustainability strategy have dedicated part of their goals to social, environmental and climate challenges.

These objectives were defined according to the accountability of each area, duly broken down from the executive level to the managerial and operational levels.

Itaú BBA's CEO also has his target linked to the R$400 billion* financing metric for sustainable development, as well as including the challenge of defining sectoral decarbonization objectives.

The challenge of engaging and training teams in relation to the climate strategy is also reflected in the targets contract of the Wholesale commercial directors and our CSO, who also has the challenge of acting on the advocacy agenda, positively influencing climate policies, as well as acting on the evolution of the net zero agenda by establishing sectoral decarbonization objectives.

These challenges are reflected in the objective contracts of employees from the most diverse teams and monitored through performance indicators, implementation of projects and initiatives defined in the individual objective contract at various hierarchical levels.

Below we present the objectives grouped by ESG and climate themes:

*In October 2024 we increased our ambition to mobilize R$1 trillion in this type of activity by 2030

Climate change

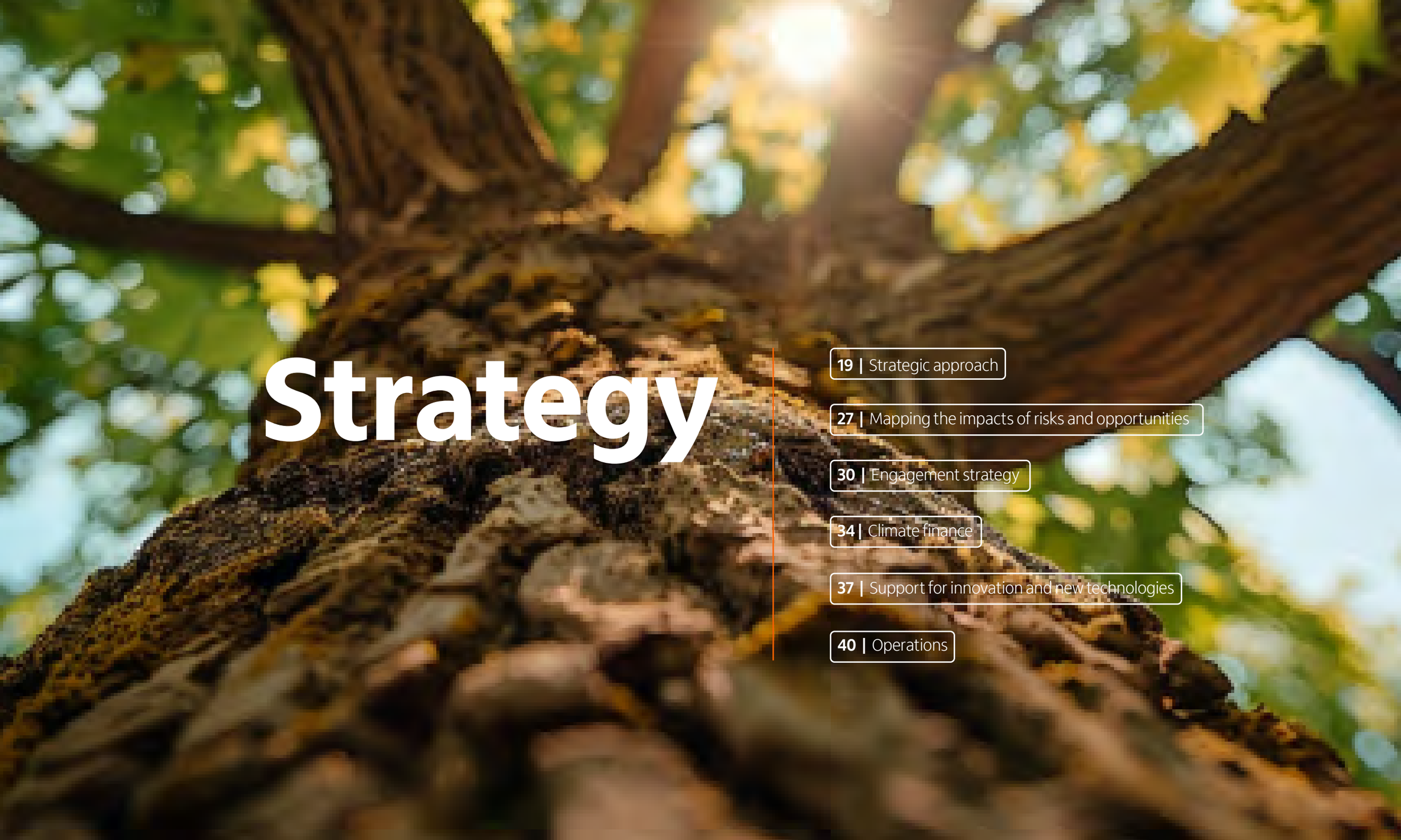
Objectives relating to the implementation of the climate strategy with a focus on Net Zero transition plans; development of new products, services, metrics, positioning, and advocacy on climate change issues. These objectives are included in the contracts of directors and superintendents in areas related to the topic.

Transparency in communication

Objectives related to the financial reporting agenda and ESG and climate reporting, including the quality of financial statements, the advancement of indicators and the implementation of ESG and climate knowledge tracks for employees and society in general. These objectives are included in the contracts of executives, directors, managers and employees of the finance and audit teams, as well as the investor relations and accounting departments.

Environmental management of our operations

Objectives for reducing energy, greenhouse gas emissions, water consumption and waste generation in our own operations and those of our suppliers, as well as the creation of indicators for monitoring. Some executives, directors, managers, and employees of the business units responsible for infrastructure have their remuneration linked to meeting these objectives.



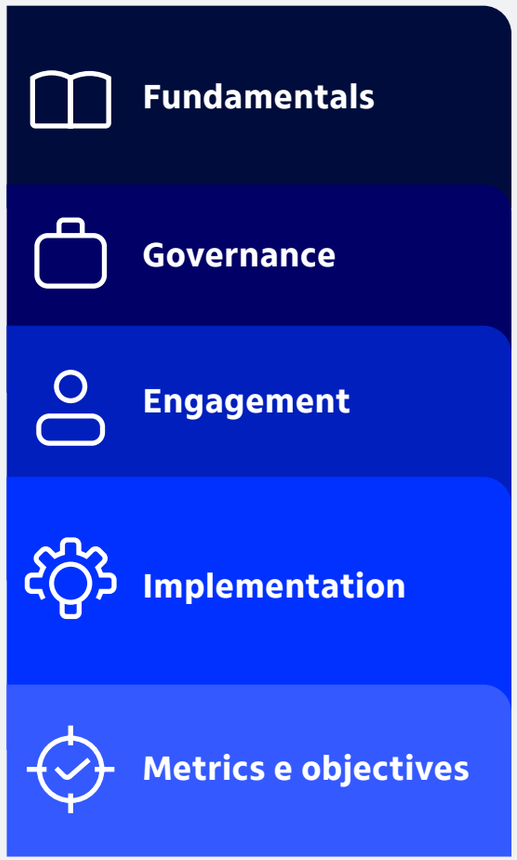
Strategy

Strategic approach

GFANZ | Fundamentals

Our climate strategy is focused on supporting our clients' transition to a low-carbon economy and achieving net zero by 2050. It has been built considering recommendations from the main standards applicable to the financial sector such as the NZBA, the TCFD and the GFANZ guidelines for Climate Transition Plans.

Our Climate Transition Plan



Our strategy is based on our commitment to achieving net zero in scopes 1, 2 and 3 by 2050. We continually seek to understand and assess the context of climate change discussions and the opportunities and risks for our business, clients, and operations. Throughout this section, we present our mapping of climate risks and opportunities and our commitment to net zero.

As detailed in the dedicated section, the climate transition is reflected across the board in our governance practices, including the engagement of our employees.

Constant engagement with the most diverse stakeholder groups, especially our clients, industry, and public authorities, is the way to identify innovative solutions and capture opportunities towards a low-carbon economy.

More details on our climate engagement strategy are presented in the continuation of this chapter.

We are taking actions to increase the resilience of our businesses and operations in the face of climate change, constituting the implementation strategy of our Transition Plan. We work mainly with Itaú BBA, which is responsible for the relationship with large and medium-sized companies and the entire agribusiness chain, by defining decarbonization objectives for specific sectors and sustainable finance with the development of green products, structured operations focused on ESG, specific credit lines and portfolio alignment to achieve Net Zero by 2050.

We have established specific metrics and objectives for the decarbonization of our portfolio and our own operation which are presented in the continuation of this chapter and in a special section of this report.

Net zero strategy

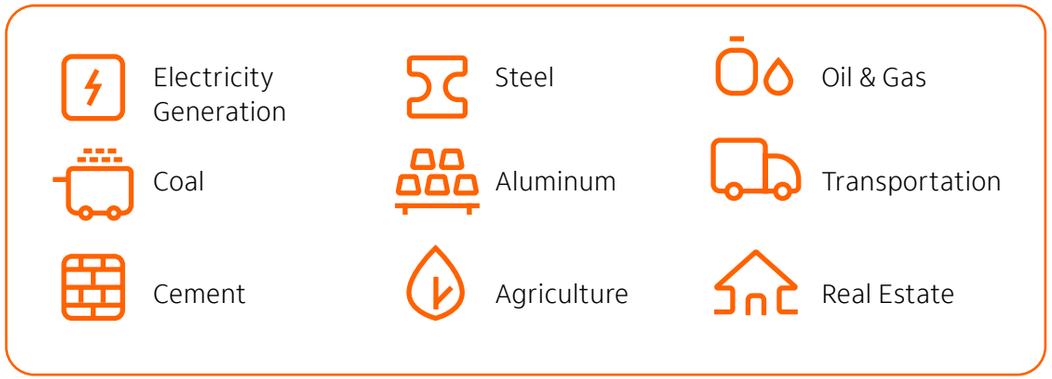
GFANZ | Fundamentals

Achieving Net Zero means reducing net CO_2 equivalent (CO_2e)[1] emissions to zero by adopting decarbonization solutions.

Emissions can be caused by direct operations (the so-called scope 1), by energy consumption (scope 2), and by sources that are not controlled by the company but are included in its activity in a broad way, such as suppliers and clients (scope 3).

In the case of a bank, the most relevant emissions are those related to the credit portfolio, i.e., financed emissions (scope 3). This means that, to achieve Net Zero, we depend on the decarbonization of our clients and the real economy.

Considering the size of this challenge and based on climate scenarios, NZBA has defined 9 sectors as priorities for evaluation and positioning in relation to decarbonization:



*Carbon dioxide equivalent (CO_2e) corresponds to all the different greenhouse gases evaluated in terms of their equivalence to carbon dioxide (CO_2), considering the different warming potentials. In this sense, when we talk about CO_2, we are referring to carbon dioxide, while CO_2e refers to all greenhouse gases.

The NZBA recommends that the setting of these objectives is aligned with the latest scientific scenarios that lead to Net Zero on a trajectory aligned with 1.5 °C, such as scenarios from the Intergovernmental Panel on Climate Change (IPCC) and the Net Zero Scenario from the International Energy Agency (IEA).

By becoming a member of the NZBA, we have made the following commitments:

- Annually disclose the emissions financed and the progress of our climate transition plan.
- Disclose decarbonization positions or goals for the nine sectors prioritized by the NZBA within 36 months of joining.
- Make the first disclosure of decarbonization objectives, focusing on relevant sectors and clients, within 18 months of joining the NZBA, considering intermediate objectives for 2030.
- Review objectives and transition plan every five years after the disclosure.
- Release a climate transition plan one year after the objectives.
- Achieve Net Zero by 2050 for scopes 1, 2 and 3.

Achieving net zero by 2050 depends on the availability of data, tools, methodologies and appropriate public policies for the decarbonization of sectors and their adoption by our clients.

For some sectors of the economy, technological solutions still need to be scaled up. These sectors require support in the transition and need to be monitored by market players.

Our climate transition plan

GFANZ | Fundamentals | Implementation Strategy

We incorporate climate change as a central element of our business strategy, seeking to support our clients' transition to a low-carbon economy. In this way, we generate opportunities and reduce the impact of climate change on our portfolio and on society.

We have established sectoral objectives for reducing emissions, with structured timeframes, prioritizing listening to clients and companies in the priority sectors. The Plan applies to our operations in Brazil and in our International Units and will be reviewed periodically to incorporate advances in climate change knowledge, as well as being based on the essential tripod of support for innovation, Credit Portfolio targeting and client engagement, respecting the technological and economic momentum of each sector and geographic region.

Defining the objectives first involves knowing the baseline of GHG emissions. Since 2021, we have been reporting our financed emissions, the results of which are presented in the Metrics and Objectives section of this report.

As part of our climate strategy, we also manage our Credit Portfolio to promote low-carbon businesses and ensure the creation of sustainable value for our clients' businesses. Portfolio management considers risk diversification and efficient use of the balance sheet, in line with our decarbonization objectives.

Defining our decarbonization objectives

In the process of defining the baseline and our sectoral emissions reduction objectives, we made a coordinated effort with the participation of experts from the different structures of the organization, the academy, following the best market practices and in line with the reality of each sector.

Baseline

Calculation of emissions from priority sectors indicated by the NZBA.

Sectoral decarbonization objectives

Climate Transition Plan

Opportunities, challenges, technologies, products and services to support clients in the climate transition.

Application of the PCAF methodology

To measure financed emissions, we use the PCAF methodology, which applies the attribution principle used by the GHG Protocol, in which financed emissions are calculated based on the attribution factor - the ratio between the amount financed or invested and the economic value of the company or activity financed. In our calculation process, we always look for the best available data, as recommended by the methodology.

Coverage

In the current fiscal year, we considered the credit and securities portfolios of Itaú BBA. For all sectors, we evaluate the issues associated with each client's operation, when available. This process is continually improved based on the quality and availability of information.

Scenarios

As recommended by the NZBA, we used scientific scenarios aligned with the Paris Agreement, which consider limiting the temperature rise to 1.5 °C with Net Zero in 2050 with no overshoot or with limited overshoot of the 1.5°C objective.

Dependencies and priorities

To achieve our climate objectives, we depend on our clients and the real economy decarbonization, as well as the evolution of innovative technologies and the regulatory progress. For this reason, in addition to implementing our transition plan, we list stakeholder engagement as a key link in our strategy.

The decarbonization path is complex and can be affected by factors beyond the control of financial institutions, such as macroeconomic conditions, geopolitical events, changes in weather patterns and extreme events. These factors can add volatility to the emissions of various sectors of the economy and consequently affect the indicators.

As a way of dealing with these uncertainties and volatility, we work with methodologies aligned with science and continually review our strategy.

In line with scientific recommendations, in our transition plan we prioritize strategies that promote the reduction of greenhouse gas emissions and, if reduction is not possible, strategies that allow for the removal of carbon. Often, reduction and removal strategies may not be available at scale. Throughout this journey we offer solutions for offsetting through high integrity carbon credits.

Our approach to prioritizing sectors

GFANZ | Metrics and Objectives

As recommended by the NZBA, in April 2023 we published our first decarbonization targets and began our journey through electricity generation and coal activities, considering that by decarbonizing the electricity matrix, we are promoting the decarbonization of the entire chain through the reduction of scope 2 emissions.

In April 2024, we expanded our coverage by adopting decarbonization targets for industrial activities – Steel, Cement and Aluminum – which will benefit from the decarbonization target of the electricity generation sector, and can leverage the decarbonization of other sectors – such as the automotive sector and the real estate sector – through the supply of essential raw materials.

In this update of the report, we are also publishing decarbonization targets for the Transport sector, covering the activities of light vehicle manufacturing and light vehicle financing, which can contribute to the decarbonization of the Oil and Gas sector and benefit from the decarbonization targets already established.

For the Oil and Gas sector, whose transition is relevant to the decarbonization of the energy matrix, we have set a target of not financing unconventional oil and gas exploration operations in the Arctic and Tar Sands and are deepening our understanding of the different alternatives and routes for the transition, taking into account economic, social and environmental constraints.

For the Real Estate sector, considering constraints related to the just transition and the effective adoption of decarbonization levers, we have not set decarbonization targets at this time, as detailed at the end of the report.

For the Agribusiness sector, we are advancing in the construction of scenarios appropriate to the Brazilian reality, in partnership with other financial institutions and deepening the analyses to define a decarbonization target appropriate to its materiality in our portfolio and the availability of data, scenarios and decarbonization alternatives.

Our sectoral decarbonization targets are aligned with science. When establishing the objectives, we used scientific scenarios aligned with 1.5°C, with no or limited overshoot of the target, and we considered the Sectoral Decarbonization Approach, in addition to considering the particularities of our portfolios and the geographies in which we operate and the role of public policies in the transition.

Implementation of decarbonization objectives

We implement our decarbonization objectives by training our sales force, engaging with our stakeholders, managing our portfolio, and offering our products, services and advisory services to our clients. These initiatives are described in greater detail in the following sections.

We have maintained a constant dialog with our clients from different sectors to understand their challenges and necessities, we have also sought the involvement of different actors such as industry associations and academy.

Some solutions need to be developed and scaled up to make the climate transition viable. Below we summarize some of the levers for the decarbonization journey. The actions we are taking to set objectives and address the challenges of each sector are described in the “Sectoral Approach” chapter at the end of this report.

Main decarbonization levers

Electricity generation

- Low-emission power generation
- Energy efficiency

Steel

- Adoption of the Electric Arc Furnace (EAF) process
- Circularity
- Carbon Capture, Use and Storage
- Low-carbon hydrogen

Aluminum

- Circularity
- Greater share of secondary aluminum
- Expanding the use of low-emission electricity

Cement

- Reduction of the clinker factor
- Co-processing
- Carbon capture and storage
- Low-carbon hydrogen

Oil and Gas

- Process improvements
- Low emission fuels
- Biofuels
- Carbon Capture, Use and Storage

Transport

- Low emission fuels
- Electrification
- Fleet modernization

Real estate

- Energy efficiency
- Building retrofit
- Distributed generation

Agriculture

- Process efficiency
- Nature-based solutions
- Low-carbon agricultural practices

In addition to technological progress, many of these levers depend on regulatory development and their economic viability. We follow the evolution of this agenda and work to positively influence public policies, especially the regulated carbon market, which can enable the climate transition in various sectors. More information on our work with public authorities is available in the “Engagement Strategy” section.

Sectoral decarbonization objectives

	Sector Emission scopes covered				Baseline			Reduction objectives	
Sector	Scope 1	Scope 2	Scope 3	Scenario	Year	Emissions	Year	objectives	Emissions
Electricity generation	☑			IEA NZE	2021	103 gCO_2e/kWh	2030	⇩63%	38 gCO_2e/kWh
Coal	☑	☑	☑	IEA NZE	2021	N/A	2030	Phase-out	N/A
Cement[1]	☑	☑		IEA NZE	2022	0,61 tCO_2e/t Cement	2030	⇩23%	0,47 tCO_2e/t Cement
Steel[1]	☑	☑		IEA NZE	2022	1,22 tCO_2e/t Steel	2030	⇩23%	0,94 tCO_2e/t Steel
Aluminum[1]	☑	☑		IAI	2022	3,28 tCO_2e/t Aluminum	2030	⇩19%	2,66 tCO_2e/t Aluminum
Light vehicle manufacturing			☑	IEA NZE	2022	203 gCO_2e/km	2030	⇩44%	114 gCO_2e
Light vehicle financing	☑			IEA NZE	2022	249 gCO_2e/km	2030	⇩44%	140 gCO_2e/km
Agri - Corn	☑	☑		FGV	2023	0,11 tCO2e/t Corn	2030	⇩36%	0,07 tCO2e/t Corn
Agri - Soy	☑	☑		FGV	2023	0,20 tCO2e/t Soy	2030	⇩25%	0,15 tCO2e/t Soy
Agri - Animal husbrandry	☑	☑		FGV	2023	3,09 tCO2e/head	2030	⇩12%	2,72 tCO2e/head

[1]We are aware of the publication of Version 2 of the NZBA Guidelines, effective from April 22, 2024. As the work to define Sectoral Decarbonization Objectives for Cement, Steel and Aluminum was started before the definition of Version 2 of the Guidelines, the objectives were constructed following Version 1 of the NZBA Guidelines.

LEARN MORE →
› About the process of defining the objectives of each sector in the section Sectoral Approach

Mapping the impacts of risks and opportunities

Climate risks and opportunities can affect the financial sector and other businesses.

Climate risks are classified as physical and transition risks. Physical risks are related to an increase in the frequency and intensity of extreme weather events and changes in climate patterns. Transition risks, on the other hand, are associated with emissions trading and taxation schemes, laws, and regulations to restrict emissions, climate litigation, technological barriers, changes in clients and consumer behavior, etc. (more information on **page 42**).

Effective action in the present to mitigate climate change minimizes the physical risks in the long term. A delayed climate transition could increase exposure to physical risks in the future, especially if we fail to comply with the Paris Agreement.

Climate change also brings opportunities to develop new products and services that promote climate transition, participation in carbon markets, increased business resilience to different mitigation and adaptation scenarios and greater efficiency in the use of resources.

Risks identified

The mapping of the main climate risks identified their potential impacts on the institution and mitigation initiatives are presented in the Climate Risks section of this report.

Opportunities identified

We know that the climate transition demands funding for mitigation and adaptation, investment in the development of innovative technologies and sustainable infrastructure, and for us, this is an agenda of opportunity. That is why we are committed to developing new products and services that drive an efficiency and innovation agenda that meets our clients' new reality. The table below gives some non-exhaustive examples of how climate opportunities have been incorporated.

Short term (up to 2 years)

Opportunity category	Opportunity	Location in the value chain	Response actions	Expected impact
Efficient use of resources	Eco-efficiency	Own operations	Initiatives to reduce emissions, energy consumption, water consumption and waste generation. Measuring and offsetting residual GHG emissions. By 2025 we want to have 80% of our agencies powered by renewable energy sources.	Increased efficiency. Greater resilience of operations to the risks of climate change.
Products and services	Climate finance	Operations with clients	We offer capital market products, our own credit lines, and on-lending, as well as partnerships with multilateral banks to sectors that mitigate climate change and we are committed to mobilize R$1 trillion in sustainable finance by 2030. To find out more about our work on these agendas, visit our **ESG Report**.	Supporting our clients' decarbonization journey. Increased revenue through demand for lower-emission products and services. Increased revenues through new adaptation solutions (e.g. insurance risk transfer products and services). Improved competitive position to reflect changing consumer preferences, resulting in increased revenues.
Research and development	Investment in research and development	Relationship with stakeholders	Investment in climate-focused research and development through specific actions, such as support for the FGV Bioeconomy Observatory, the Innovation Center for New Energies at Unicamp and the Amazon Journey with the Certi Foundation. We also supported a study focusing on the carbon market with the International Chamber of Commerce (ICC).	Participation in new markets and support for innovation. Increasing the resilience of our businesses. Access to knowledge on climate change.
Research and development	Support for innovation through the ESG Hub	Transversal	Its aim is to support clients' decarbonization journey by connecting them to startups with solutions to their main challenges, working on three main focuses: i) Net Zero knowledge and innovation; ii) connections to Net Zero solutions; iii) positioning and communication. By the end of 2023, the hub already had 48 startups with different focuses in the ESG and Net Zero universe.	Supporting our clients' decarbonization journey. Innovation solutions focused on Net Zero. Engaging clients and partners in the Net Zero journey. Access to new markets and knowledge on climate change.

Short term (up to 2 years)				
Opportunity category	**Opportunity**	**Location in the value chain**	**Response actions**	**Expected impact**
Market positioning	Participation in sector associations with a climate focus within Febraban, CEBDS, Unep-FI, UN Global Compact, GFANZ, PCAF, NZBA	Relationship with stakeholders	Partnerships with industry promote substantial improvements in our climate strategy because of the exchange of knowledge, benchmarking and methodologies developed, also cooperating with the resilience of our strategy.	Engaging the industry in the decarbonization journey. Continuous improvement of our climate management practices.
Resilience	Adapting our branches to physical risks.	Own operation	We assessed the exposure of our network of agencies to flood risks resulting from climate change. The study supports the adoption of actions to adapt and improve the bank's resilience to this type of event.	Greater resilience of our own operations to the physical risks arising from climate change.
Medium term (up to 5 years)				
Resilience	Improving climate risk and opportunity management processes.	Transversal	Initiatives to reduce emissions, energy consumption, water consumption and waste generation. Measuring and offsetting residual GHG. emissions.	Greater resilience of our operations. Integration of climate issues into our governance processes and management of risks and opportunities.
Products and services	Support for our clients in the Brazilian Emissions Trading System	Operations with clients	We have been following developments in the establishment of a Brazilian Emissions Trading System in the cap-and-trade model and we believe that, as a financial institution, we can support our clients in adapting to this new regulation.	Support for our clients' decarbonization journey. Increased revenues through demand for products and services.
Long Term (over 5 years)				
Products and services	Financing new climate solutions (green hydrogen, CCUS, among others)	Operations with clients	Continuous monitoring of the evolution of innovative technologies and action to positively influence the public policy agenda to enable decarbonization.	Supporting our clients' decarbonization journey. Innovation solutions focused on Net Zero. Engaging clients and partners in the Net Zero journey. Access to new markets and knowledge on climate change

Engagement strategy

GFANZ | Engagement Strategy

Partnerships with our stakeholders are crucial to advancing the agenda of mitigating and adapting to climate change. We engage our clients on various issues related to the ESG and climate agenda through different processes of social, environmental and climate analysis, commercial strategy, structuring ESG bonds, relationships with investee companies and other actions according to needs and opportunities.

Clients

As a financial institution, we depend on our clients to reach net zero by 2050, and we have the ambition to act as key partners on this journey. In establishing our decarbonization objectives and our climate transition plan, we engage with clients in priority sectors to understand their main challenges and priorities on the climate change agenda.

Over the course of 2023, we held more than 453 engagement meetings with clients, as well as 35 training events with companies from different sectors that focused on the sustainable finance and carbon market agenda, including cases and best market practices.

We provide a monthly newsletter with market data and relevant news related to social, environmental and climate issues that may impact our clients, such as emissions by Brazilian companies in the local and foreign markets, the regulatory landscape, climate solutions and innovations in the ESG ecosystem.

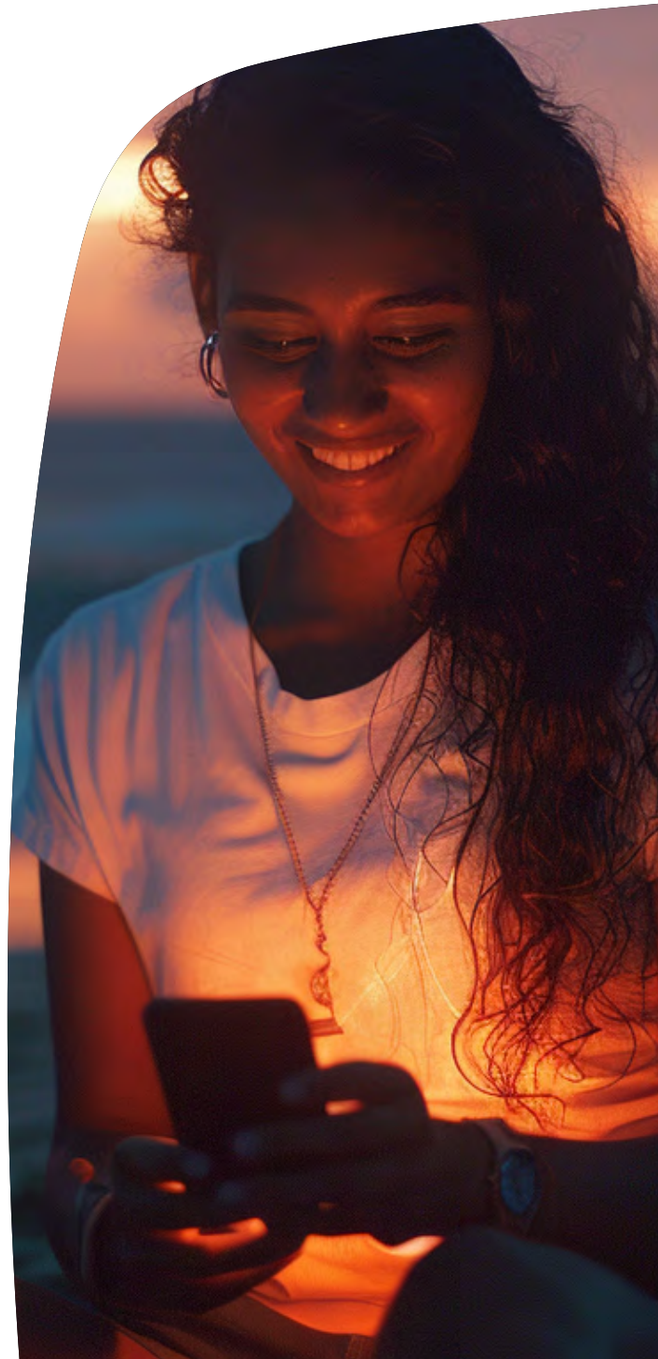
We advise our clients on the issuance of ESG operations with prominence in both the local and foreign markets.

Itaú Private Bank has also carried out various actions to engage high-income clients by holding events to disseminate knowledge on ESG and climate issues, such as debates between consultancies and clients at the Family Wealth Across Generation (FWAG), an event held with our clients in the position of “successors”.

We broadened our communication channel with clients by sending out communications about ESG and climate products, offering clients in the Private segment funds in Brazil and offshore products available on our shelf and providing a digital guide to demystify concepts about the topic in investments.

We hold events focused on agendas relevant to our clients’ decarbonization at the ESG Hub, as detailed below.

More information on the engagement practices of our clients in different business segments can be found in our **ESG Report**.



Client assessment tool

We appointed a multidisciplinary team to build a proprietary tool to support the process of assessing our clients' ESG and climate performance. The development of the platform and an ESG rating makes it possible to integrate data on our clients' performance in relation to ESG factors, the Sustainable Development Goals (SDGs) prioritized in our analysis, material issues, governance, and climate factors, such as the measurement of greenhouse gas emissions and the existence of objectives, to generate the most complete diagnosis possible of our clients' strategy.

This tool supports both the understanding of each client's momentum on the subject, the management of the bank's relationship with them and the structuring of financial transactions, as well as the alignment of our ESG and climate strategy with our clients' sustainability and transition efforts, and is used by areas such as business, risk, credit, and finance.

Engagement with associations

We are active in forums such as the Brazilian Business Council for Sustainable Development (CEBDS), the Global Compact, the International Chamber of Commerce and the Brazil Climate, Forests and Agriculture Coalition and we engage in dialogue with the most diverse sectors of the real economy, contributing to the dissemination of knowledge and cooperating on the different decarbonization challenges. Participation in these forums has given us a broader understanding of our clients' decarbonization challenges.

We are also active in specific financial industry forums such as Febraban, Unep-FI, NZBA, GFANZ, which allow us to exchange knowledge and advance initiatives that enhance the role of the financial system in the decarbonization agenda. As an example, our participation in the Unep-FI working group has made it possible to build a broad knowledge base on the implementation of the TCFD in financial institutions around the world. The contents are available on the Unep-FI website.

Engagement with Public Authorities

A significant part of the decarbonization agenda depends on the formulation of public policies. That is why we have an active advocacy strategy to promote knowledge and actions to decarbonize the real economy, such as our work with the Executive, Legislative and Judiciary branches, together with various relevant market players, associations, and representative bodies. We seek to align understandings and make recommendations on bills currently before Congress on ESG and climate issues, such as regulating the carbon market. We registered at least 9 agendas with public agents related to bills involving the regulation of carbon credits (here under the focus of the impact of financial products).

Engagement with suppliers

To act at every link in the chain, we also engage with our supply chain by means of a questionnaire to qualify the practices adopted in relation to social, environmental and climate issues. We also held a workshop for active suppliers and for the board responsible for this relationship. Together with CDP, we provide specific training on how to disclose their emissions data to suppliers, considering the sectors in which they operate and the volume of their contracts.

Engagement with academy

We partner with academy on issues related to the climate agenda. We sponsor FGV's Bioeconomy Observatory, Unicamp's Center for Innovation in New Energies and support researchers from the Brazilian Institute for Sustainable Transportation (IBTS) and the Fauna Projetos Consultancy. Dialogue with science has ensured more consistent progress in our decarbonization efforts.

Engagement with international units

We act in an advisory capacity, providing technical guidance and support on the subject whenever requested by the International Units, as well as sharing new standards and guidelines on social, environmental and climate risks. Throughout 2023, training sessions were held for all international units on existing social, environmental and climate risk governance, including climate risk criteria included in our methodologies.

Aligning our engagement strategy with 1.5°C

Our participation in trade and sector associations considers our priorities and institutional positioning, including our commitments and policies related to sustainability, climate change and ESG.

Our aim is to make a positive contribution to advancing the sustainability and climate change agenda and to ensure that we contribute to our decarbonization strategy, which is aligned with 1.5°C. When divergences are identified, we seek to harmonize the entities' objectives with the pillars of our climate strategy through dialogue, engagement, and advocacy actions, supported by technical information and benchmarks.

We identified 21 associations to which we are affiliated that can contribute to our climate strategy and alignment with 1.5°C, having assessed aspects such as the category of the association, the potential for contribution to the decarbonization strategy and any positions in relation to this agenda.

Climate finance

GFANZ | Implementation Strategy

Climate products and services

Our ESG products and services in the retail, wholesale and investment segments make a positive contribution to the climate agenda. Below we highlight the main products and services that contribute to the agenda. The full list of ESG products and services can be found in our **ESG report** or in our PRSAC Compliance Effectiveness Plan.

Wholesale

Sustainable finance

To finance sectors, we consider environmental, social, climate and governance criteria established by various national and international frameworks. Large groups were defined as:

- **Renewable energy:** Generation of energy from cleaner sources, such as solar, wind and small hydroelectric plants.
- **Agribusiness:** Initiatives that promote the restoration of forest areas and good practices and investment in productivity, maintenance of biodiversity, preservation of water resources and carbon stocks.
- **Pulp and paper:** projects that contribute to climate mitigation through responsible management.
- **Infrastructure projects:** projects that increase economic development and reduce environmental impacts through rail transportation, sanitation, and solid waste.
- **Energy Services:** initiatives that reduce the cost of access to energy, making the service more accessible throughout the country.
- **Health and Education:** hospitals and laboratories that promote an improved quality of life and educational institutions aimed at training and employing the population.

ESG debt securities on the capital market

Structuring ESG debt issues in the local and foreign markets following the guidelines of the International Capital Market Association (ICMA) and best market practices, including Green, Social, Sustainable and Sustainability-linked Bonds with characteristics linked to sustainability objectives, which contribute to climate goals.

Green Entrepreneur Plan

Encourages the financing of more sustainable real estate, commercial or residential projects through differentiated conditions - which may include better financing rates. It provides technical solutions for adapting the projects of client construction companies and developers to more sustainable practices. Projects are periodically audited with a view to ensuring they are suitable for final certification, stimulating a more sustainable market and providing technical training for real estate developers.

Green financial bills

Green financial bill operation whose resources will be used to support the financing of electric, hybrid and multi-fuel vehicles, with the aim of leveraging the low-carbon economy and promoting low-emission vehicles in Brazil. We made additional tranches of this operation with individual clients, legal entities, and asset managers, raising a further R$ 500 million.

Bio-inputs

This line is available in two modalities - “Use” and “Commercialization” - to expand the supply of this category of products on the market and encourage the adoption of this technology in the production systems of our clients in the agribusiness segment. Its adoption brings several benefits to the system, such as improving the fixation and availability of nutrients in the soil for plants; favoring the natural cycling of nutrients in the soil; building organic matter; reducing production costs and the influence of exchange rate fluctuations.

Solar Energy

The Energy Line is intended for investment in the acquisition, installation and/or maintenance of photovoltaic energy generation projects in the operations of Rural Producers, Agribusinesses and Cooperatives.
In addition to promoting the energy transition in agricultural activities, the line contributes to the installation of stable and safe infrastructure in the countryside, reducing the risk of intermittent energy supply and reducing production costs.

Certifications

The Certifications Line is designed to finance certified production (rural producers and production cooperatives). For the time being, the line includes two certifications that are internationally recognized for the robustness of their protocols and for comprehensively covering the issue of sustainability in rural production - RTRS for soy producers and Rainforest Alliance for coffee, citrus and other fruit crops.

Coverage

The Coverage line is aimed at rural producers and production cooperatives. The aim of the line is to encourage a good practice that has already been widely adopted in Brazilian agricultural production, direct planting “in the straw”, i.e. without turning over the soil. The adoption of a cover crop in the off-season makes up, along with crop rotation and planting “in the straw”, what is known as the Direct Planting System - one of several practices considered in a “regenerative” agricultural production system.

Investments

We work through Itaú Asset Management to structure funds with an ESG bias, including thematic funds associated with water, clean energy, and the green economy. We also offer a range of products with a positive contribution to the ESG and climate agendas, including fixed-income operations with a green seal or issued by companies with good practices.

Insurance

We sell agricultural insurance through partner insurance companies to protect farmers’ crops from planting to harvest against covered climatic events such as fire, wind, rainfall, and temperature variations, among others. If the farmer uses Precision Agriculture, in which the production system is carried out in a more sustainable way, it may be eligible for rate reductions.

Retail

Electric cars

To meet the unique needs of our clients, we offer financing options with reduced rates for electric vehicles and a consortium for electric and hybrid vehicles. The product facilitates access to vehicles with low or zero local greenhouse gas emissions and contributes to democratizing access to this type of technology.

Solar panel

Aimed at clients looking for clean energy, we offer financing for solar panels, facilitating access to the installation of solar panels, thus producing cheaper, renewable energy. The product gives consumers greater autonomy and access to an energy source with zero greenhouse gas emissions at the time of generation. In 2023 the product was made available to 100% of individual clients (account holders).

Support for innovation and innovative technologies

GFANZ | Implementation Strategy

In 2022, we launched Cubo ESG, a connection hub for corporations, startups, and investors to generate knowledge, innovation and connections related to the ESG agenda, especially regarding climate challenges. The aim is for the startups present at the hub to develop solutions so that large companies in the country, especially the bank's clients, can make the transition to a low-carbon economy. We believe that technological entrepreneurship is an important pillar for regenerating the planet and fostering new business models.

Solutions at the ESG Hub

At the beginning of 2024, the Cubo ESG had 48 startups working on the most distinct aspects of the ESG, with an emphasis on the net zero agenda.

Among the startups present at the ESG Hub are solutions focused on issues such as energy efficiency, ESG indicators, carbon measurement, supply chain management, the use of water resources, among other strategic topics for the sustainability agenda.

To build this ecosystem involving corporations, investors, and startups, we sought to foster connections between market challenges related to the transition and solutions capable of generating a positive impact and improving ESG and climate performance. The essential criteria for selecting participants included being in the traction or scale phase, already having a consolidated client base and having a trained team.

The curatorship aimed to identify technological solutions with a growth structure capable of serving diverse clients, especially those of assorted sizes associated with the bank.

Main results achieved

Throughout 2023 we sought to foster dialogue and collaboration between large corporations and startups, catalyzing transformations and innovations to promote decarbonization.

To this end, a series of actions were undertaken, from research aimed at identifying sectoral challenges and opportunities to the development of a journey to disseminate knowledge and foster business.

As an initial step, we conducted a survey of our clients to understand the main challenges related to the transition to a low-carbon economy.

Based on these conclusions, we held a series of events to connect corporations and startups and foster knowledge and innovation. The approach aimed to stimulate the process of open innovation, accelerating the transition to more sustainable business models. Among the challenges identified and discussed throughout the series of events were:

- Sustainability in the supply chain
- Circular economy
- Innovation for decarbonization
- ESG metrics and regulatory requirements

Considering the specific challenges of the climate transition for some sectors, since the creation of the hub, we have stimulated sectoral discussion forums having already addressed the Energy, Oil and Gas, Agriculture, Metallurgy and Steel and Automotive sectors.

Throughout this journey, we were able to engage more than 3,000 participants in different agendas, adding up to more than 35 hours of content and with the contribution of 78 specialized speakers and 43 startups.

We have also hosted notable events at Cubo to discuss issues related to climate change. In the first half of the year, we organized an event to discuss the challenges and opportunities related to the voluntary carbon market and in the second half of the year we organized “COP ao Cubo,” with strategic partners focusing on discussing Brazil’s priorities for COP 28 and the challenges for COP 30 in Belém.

Carbon market

We have been operating in the voluntary carbon market since 2017, when we began offsetting our scope 1 and 2 GHG emissions by purchasing carbon credits. In 2024, we started trading carbon credits through our carbon desk, serving Itaú itself and our clients.

We offer climate solutions to our clients with a strategy based on three main pillars: (i) diagnosis; (ii) reduction and removal of emissions; (iii) residual management of emissions. We want to encourage our clients to invest increasingly in understanding their carbon footprint and identifying projects that can contribute to the reduction and/or removal of GHG from their activities. In cases where reduction and/or removal is not yet possible, we encourage the company to invest in managing its emissions. We work on all fronts, in a one-stop-shop concept for carbon services, from project origination to commercialization.

On the origination side, we advise our clients on identifying new projects that need financing for reduction and/or removal initiatives and new carbon credit projects that can be developed and monetized. We were the first Brazilian bank to advise on a mergers and acquisitions transaction in the carbon market, acting as advisors to Carbonext on the sale of an equity stake to Shell. Together with Suzano, Vale, Marfrig, Santander and Rabobank, we invested in the creation of Biomas, a new company focused on forest conservation and restoration (for more information on Biomas, see our ESG Report).

To sell carbon credits on the voluntary market, we created CarbonPlace, a carbon credit marketplace, in partnership with other international banks, with the intention of facilitating access to the voluntary market, promoting greater liquidity and transparency. The platform aims to eliminate barriers such as the lack of transparency in relation to market prices and liquidity.

It is also part of our strategy to support, in partnership with other market players, public policies, governance and macroeconomic conditions that encourage the generation and trading of high integrity carbon credits in Brazil, positively exploiting the economic and environmental potential that this asset can bring to the country.

We are part of Febraban's Carbon Market Squad, ANBIMA's carbon working group and the Brazilian Initiative for the Voluntary Carbon Market to support the development and structuring of this market and increase Brazil's contribution to the world with high integrity credits.

The carbon market represents an important opportunity for Brazil, which has the potential to generate high integrity credits that contribute to achieving our climate objectives.

Operations

We have been publishing our GHG emissions inventory since 2008. Since then, we have adopted initiatives focused on minimizing the climate impact of our own operations and the impact of climate change on them.

From an eco-efficiency point of view, we manage our GHG emissions with the aim of reducing them and aligning them with our Net Zero strategy. Our inventory follows strict procedures for its construction, includes scopes 1, 2 and 3 and is verified by an independent third party and certified by Inmetro, which enables us to be recognized with the Gold Seal by the Brazilian GHG Protocol Program. Since 2018, we have been offsetting our remaining scope 1 emissions (Brazil, Argentina, Paraguay and Uruguay) and scope 2 emissions (Paraguay and Uruguay) and using an internal carbon price to support our studies on the voluntary carbon market.

To reduce our scope 1 emissions, we have created governance and action plans focused on measuring and reducing fugitive emissions associated with refrigeration, which account for almost 90% of our scope 1, using retrofitting of refrigeration equipment and other technological and more efficient tools.

In the case of scope 2 emissions, we have invested in clean and renewable energy generation through distributed generation, investment in solar panels and the purchase of Renewable Energy Certificates (RECs), for 100% of the remaining electricity we consume in Brazil. Our intention to encourage the consumption of energy from renewable sources. In this way, through the market-based approach, our emissions are zeroed out. We are continuing our efforts to increase energy efficiency in our own operations. To find out more about our eco-efficiency strategy, including our management of water, waste, paper, and other resources, visit our **ESG report**.

The opportunities in our operations are related to investments in innovative technologies to reduce the generation of emissions and waste and the consumption of water and energy, as well as encouraging suppliers to adopt climate practices that are more suited to the current and future scenario.

We carry out an assessment of the exposure of our network of agencies to the physical risks of climate change to identify possible actions to adapt to climate change and we develop contingency plans for water and energy risks. To find out more about the initiative, check out the Risk Management section of this report.

Climate risks

Climate risk management

Climate risk has become increasingly relevant to business and the global economy, whether in the materialization of transition risk, new regulations related to the subject, requiring adaptations in processes, policies and practices, or the consequences of the materialization of physical risks that have proven to be more intense, frequent and with impacts in different geographies. As already described in the topic "Mapping the impacts of risks and opportunities", climate risks are systemic in nature, with the potential to impact other risk disciplines ("traditional risks"), which is why they can affect the financial situation of our clients, jeopardizing the fulfillment of contractual obligations with the bank.

The table below shows how climate risks can affect our clients and, as a result, our business, due to the potential impact on our clients' finances, for example, by altering their turnover and, consequently, their profitability.

On the regulatory side, it is worth noting that in 2021, the Central Bank of Brazil launched a package of regulations aimed at Social, Environmental and Climate responsibility and the management of these risks in financial institutions, an example that has been followed by other financial regulators in Brazil and around the world. The regulations are in addition to the country's environmental legislation and self-regulations, which serve as a benchmark for action on climate change for the bank and our clients.

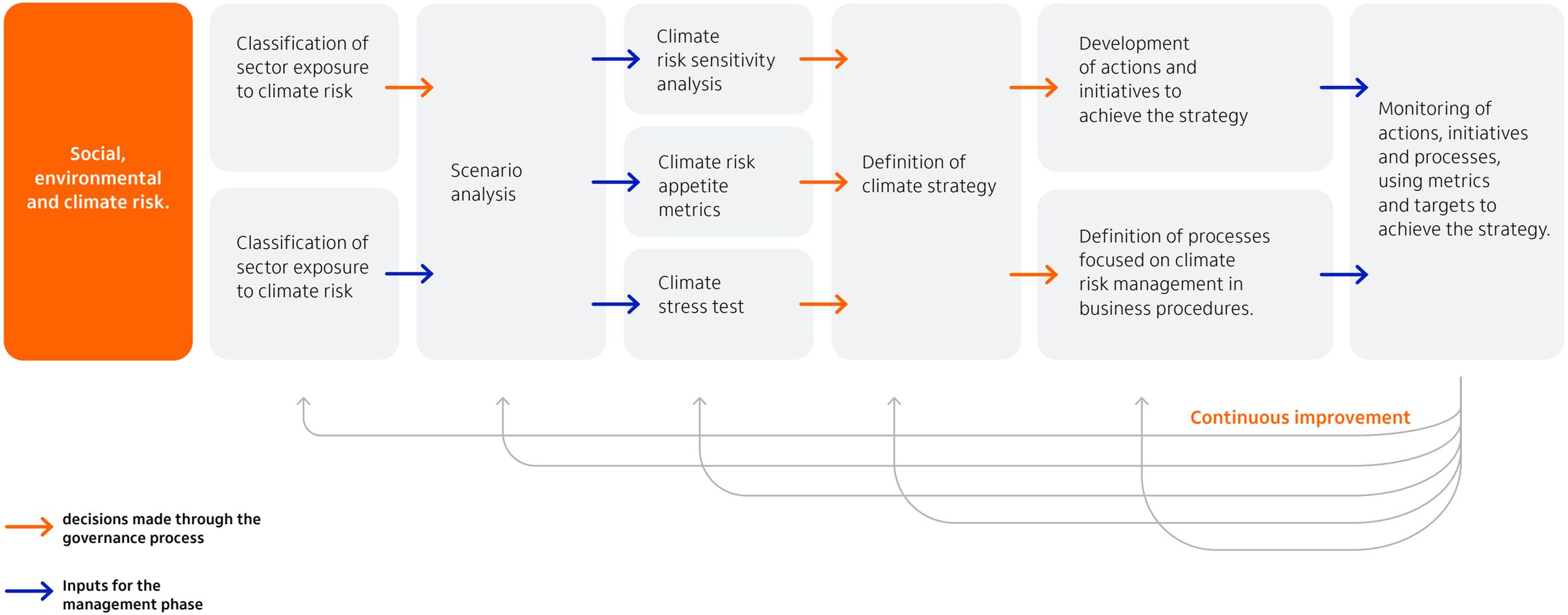
In addition, in 2022 we published the Global Social, Environmental and Climate Risk Policy, which aims to establish guidelines for managing these risks, as well as determining their roles and responsibilities and governance processes.

Classification of climate risks according to TCFD

Transition risks	
Legal and public policy	**Market**
Increase in the price of GHG emissions.	Change in customer behavior.
Demand for disclosure of climate information.	Economic barriers in global markets.
Mandates and regulation of existing products and services.	Increased cost of raw materials.
Exposure to litigation.	
Technology	**Reputation**
Substitution of existing products and services with lower emission options.	Changes in consumer preferences.
Unsuccessful investment in innovative technologies.	Stigmatization of the sector.
Transition costs to lower emission technology.	Increased stakeholder concern or negative stakeholder assessment.

Physical risks	
Acute	**Chronis**
Increased severity of extreme weather events, such as cyclones and floods.	Changes in precipitation patterns and extreme variability in weather patterns.
	Rising average temperatures.
	Rising sea levels.

We have aligned our climate risk management with the methodology and framework of the Committee of Sponsoring Organizations of the Treadway Commission (COSO), which comprises the stages of identifying, prioritizing, responding to, monitoring and reporting assessed risks. In practice, these steps can be translated into actions such as mapping processes, defining controls, capturing new standards and monitoring actions for their implementation, recording and managing risk notes in internal systems, governance through committees for collegiate analysis of risk tolerance and reporting to the Executive Committee and Board of Directors.



Sector exposure to climate risk

We classify credit exposure to climate risk considering the combination of physical and transition risks based on the TCFD sector classification, considering the particularities of Brazil. Below we present the classification of sectors according to climate exposure, which is used as part of the assessment of the bank's exposure to climate risk.

● **Low climate exposure**	Sectors that have low vulnerability to the impacts of physical risk and have a low contribution to intensifying climate risks
●● **Medium climate exposure**	Sectors that are dependent on or correlated with high-exposure sectors and have a certain vulnerability to the impacts of physical risk and transition risk, as well as contributing in a moderate way to climate effects
●●● **High climate exposure**	Sectors that are highly affected by extreme events, both chronic and acute, of physical risk and/or those sectors that are exposed to transition risk due to their characteristics and which, by their nature, if there are no mitigating actions, contribute to intensify climate risk.

Sugar and alcohol	●●●	Infrastructure	●●●
Public administration	●	Leisure and tourism	●●
Agribusiness and fertilizers	●●●	Construction material	●●●
Food and beverages	●●●	Metallurgy, and steel and iron	●●●
Banks and other financial institutions	●	Media	●
Capital goods	●●●	Mining	●●●
Durable goods - except vehicles	●●	Oil and gas	●●●
Non-durable goods	●●	Petrochemicals and chemicals	●●●
Pulp and paper	●●●	Individuals	●
Commerce - sundry	●●	Services	●●
Concessions for infrastructure	●●●	Technology	●
Sundry	●	Telecommunications	●
Energy	●●●	Trading	●●●
Education and health	●	Transportation and logistics	●●●
Pharmaceutical and cosmetics industry	●●●	Vehicles/auto parts	●●●
Real estate	●●●		

Identified risks

We map and identify the main risks and their potential impacts within the institution. This work is reviewed periodically and is based on research into scientific reports and documents from global reference organizations such as the Financial Stability Board, World Economic Forum, NGFS, among others. The risks were classified according to their nature transitional or physical, and assessed in relation to their timeframe for materialization, considering short-term (up to 2 years), medium-term (2 to 5 years) and long-term (over 5 years) intervals. In this way, we can see the potential impacts with the respective initiatives needed and already being implemented by the bank to mitigate the impacts within the institution.

Climate risk group	Timeframe	Impacts	Risk management initiatives
Acute physical risk: greater severity of extreme weather events, such as floods, extreme rainfall, heat spikes	Up to 5 years	Impact on the availability of energy for refrigeration, on the availability of water for irrigation and higher expenses with this demand since the Brazilian energy grid is essentially hydroelectric. Impact on the health of employees and the availability of labor, with possible delays in deliveries and deadlines. Impact on animal welfare and crop health.	• Contingency plans for climate risks. • Assessment of our branches' exposure to flood risks and monitoring of water availability for data centers. • Clients credit rating awareness.
Chronic physical risk: changes in climate patterns	Over 10 years old		
Transition risk: Public and legal policies	Up to 2 years	Costs in the industrial sector are increasing with a consequent loss of competitiveness, lower job creation, lower GDP growth and domestic demand, price increases for the industry's main inputs. Alignment of accounting data with sustainability reports, adopting the same indicators and quantitative metrics, which can generate a prohibitive cost of compliance and adaptation to new processes and methodologies. Risk of disclosure of sensitive and strategic information for the business and questioning and speculation of greenwashing. Monitoring and ensuring adherence to regulatory requirements.	• Advocacy with public authorities to encourage carbon regulation. • Monitoring and ensuring compliance with regulatory requirements. • Multidisciplinary working groups focused on assessing compliance and creating action plans. • Monitoring and responding to legislative issues and civil society manifestations in the national and international market.

Climate risk group	Timeframe	Impacts	Risk management initiatives
Transition risk: Market	Up to 5 years	Slow down economic growth. Loss of market share to local competitors and impact on company profitability. Decrease in the availability of jobs. Effort to map stakeholders and their expectations.	• Participation in sector associations with a climate focus within Febraban, CEBDS, Unep-FI, Global Compact and ICC to monitor requirements, benchmarking, and standardizing information. • Advocacy with public authorities to encourage carbon regulation. • Offering green products such as the green entrepreneur plan and the Legal Reserve.
Transition risk: Technology	Up to 10 years	Technology and innovation as facilitators and accelerators in different sectors with the need to adopt tools on a large scale to achieve a significant impact in reducing or eliminating GHG emissions and moving forward with deadlines, requiring investments aimed at financing this innovative technology.	• Participation in sector associations with a climate focus. • We evaluate clients using an internal tool to better target the offer of products and solutions to the transition economy. • Renewable solar energy generation for agencies.
Transition risk: Reputation	Up to 10 years	Efforts to map stakeholders and their expectations. Efforts to engage stakeholders. Adjusting companies' strategic objectives. Internal governance for approving new green products.	• Reducing the portfolio's exposure to climate risk through green products and businesses and incentives for sectors with a positive impact • Decarbonization objectives. • Phase out of thermal coal.

Climate sensitivity

We monitor and measure the portfolio's sensitivity to climate risk based on a combination of two dimensions linked to relevance and proportionality. The first is associated with the sectoral exposure to climate risk of our clients, i.e., the degree of exposure of the sectors to climate risk, considering the combination of physical and transition risks, and the credit quality of each client. The second considers credit issues, also through two factors: the ratio of the terms of current operations versus how representative a given sector or client is within the institution's credit portfolio.

In addition to the portfolio view demonstrated by the application of the sensitivity calculation methodology, we also maintain a climate risk assessment at client level.

These results guide individualized client management strategies which, added to other variables, can sensitize a client's credit rating.

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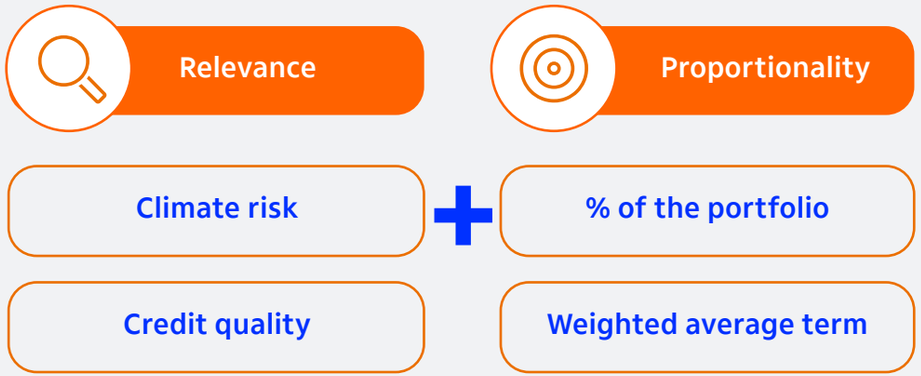
› ESG report →

Sensitivity calculation methodology



Risk appetite metrics

In addition, to monitor the health of the credit portfolio in relation to its exposure to climate risk, we assess the tolerance to climate risk that we are willing to assume, which is reflected in limits established and monitored monthly in an integrated manner by the Executive Committee and the Board of Directors. In this context, in December 2023, less than 15% of our credit portfolio was concentrated in sectors categorized as "High" exposure to climate risks.

Scenario analysis

As a way of assessing business resilience and the impact of damage associated with climate risks, and following the various international frameworks that encourage scenario analysis, such as the TCFD and, more recently, the IFRS, we carry out a series of scenario analyses, both for physical risk and transition risk.

For the physical scenario exercises, we analyzed the RCP (Representative Concentration Pathways) scenarios developed by the IPCC (Intergovernmental Panel on Climate Change) to map the impacts of the events on our portfolio and serve as a basis for constructing the macroeconomic scenarios used in the stress test.

As for the transition scenario exercises, we analyzed and evaluated the various scenarios of the NGFS (Network for Greening the Financial System) in order to understand the particularity of each one, the variables available, those whose narrative best fits Brazil's current and future moment and which will also serve as a basis for building internal scenarios that were incorporated into our stress test exercises.

About a vision of opportunities, we also evaluate the International Energy Agency's (IEA) Net Zero scenarios, which are used as a basis for defining our sectoral decarbonization objectives and our commercial ambition, following the NZBA's recommendations.

NGFS
Orderly Transition: In this scenario, the transition to a low-carbon economy starts immediately and takes place in an orderly manner with action by regulators and the government to guarantee financial stability. There is a significant reduction in emissions from energy generation and deforestation. In other words, the economy will have time to adjust to the new context.
Disorganized Transition: In this scenario, governments and regulators act late, and the transition occurs abruptly and disorderly, with a greater impact on certain sectors and countries. In this scenario, there is a greater likelihood of monetary crisis and unemployment in carbon-intensive sectors. Among the risks could be the creation of carbon markets, an increase in climate litigation and greater pressure on organizations.
Hot House World: In this scenario, there is no transition, and the objectives of the Paris Agreement are not achieved. The physical effects of climate change will become increasingly evident, especially from 2030 onwards. The occurrence of extreme events and irreversible changes in weather patterns could alter the productivity of various sectors of the economy and lead to socio-economic and environmental crises.
Too little, too late: In this scenario, not enough is being done to meet climate targets, causing aggressive and abrupt climate action. Thus, the presence of physical risks becomes greater and more evident and stimulates the disorderly transition. This space can be exploited by assuming greater physical risk for disordered scenarios

RCP (Representative Concentration Pathaways)
RCP 4,5: Physical scenario considered intermediate with average greenhouse gas emissions, and which estimates a temperature increase of approximately 3 degrees above pre-industrial levels.
RCP 8,5: An alarming physical scenario with high concentrations of greenhouse gas emissions, projecting a temperature increase of 5 degrees.

Physical risk resilience assessment

In our studies analyzing physical risk scenarios, we carried out three different exercises to map the impacts of physical risks on our loan portfolio and stress test projections.

In the first exercise, we mapped physical risks against scenarios adapted to the characteristics of the region in which we operate. These studies considered the IPCC's conclusions in the RCP 8.5 scenario, considered pessimistic, and in the RCP 4.5 scenario, considered optimistic, based on the projections presented by 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, presented by UNEP-FI of the TCFD Working Group, which we have been part of since 2018.

In this exercise, we classified the risk by municipality in which we have operations, together with the concentration allocated to each one, which gave us a risk scale ranging from Very Low to Very High. This scale was based on Adapta Brasil together with the location of our exposure.

Based on the physical risk classification indicated by the Adapta Brasil methodology, it is possible to classify Brazil's municipalities on a scale of extremely low to extremely high risk for different climatic events. With this classification, it is possible to assess the distribution of the loan portfolio in the locations indicated by the respective risk level, for the different climatic events. Comparing the images below, it is possible to see the evolution of the risk level between the current scenario and the pessimistic and optimistic scenarios for 2030, indicating a change in behavior concentrated in the Southeast and Northeast regions, and providing insights for climate risk management.

IPCC scenarios evaluated

RCP 8,5

heating up to 5°c

High CO_2e emissions

RCP 4,5

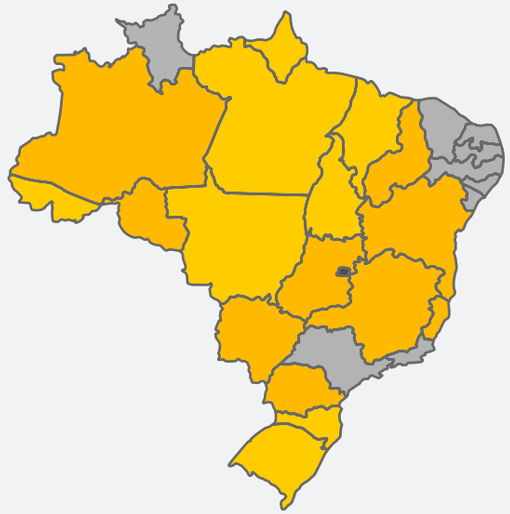
Heating up to 3°C

Average CO_2e emissions

Present

RCP 8,5
2030 (pessimistic)

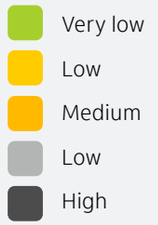
RCP 4,5
2030 (optimistic)



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.



In addition, we developed two exercises to assess the impact of extreme physical risk events from two complementary perspectives. In the first, based on academic studies and evaluating some recent events, we studied the impact of intense rainfall scenarios on our credit portfolios, with a specific focus on the administrative regions of São Paulo.

In another approach, we based on RCP scenarios for drought risk, replicated the impact of a water restriction scenario, inspired by the event that occurred in 2000, and simulated the impact on the entire economy. Through macroeconomic projections, we studied the potential impacts that would affect the bank's balance sheet. Both studies were developed as part of Itaú Unibanco's Stress Test program, that we are improving to incorporate climate aspects.

*Drought risk map for 2030.
Balance Sheet Stress Tests are widely recognized tools for assessing and measuring potential risks to the financial system and its institutions, and are widely used by industry, the market and regulators.

Transition risk resilience assessment

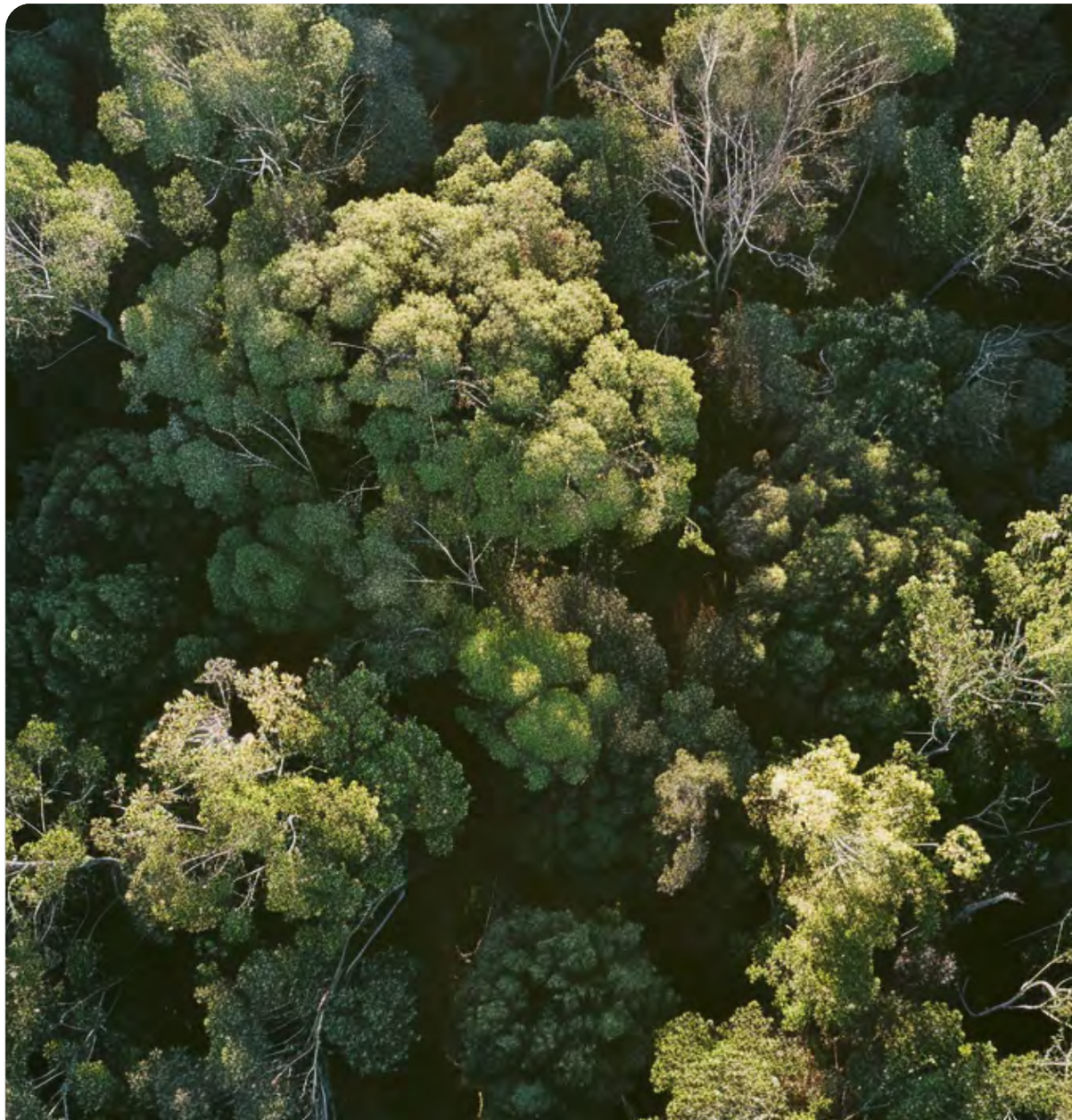
For the transition scenario exercises, the 4 NGFS scenarios were evaluated, based on the latest report released from the body's phase 4. These scenarios go through estimates based on what the transition to a low-carbon economy will look like, how this affects greenhouse gas concentrations in the atmosphere and what the impacts will be on various variables such as GDP and carbon prices.

In general, in line with benchmarks and the main practices reported by different supervisory bodies, we carry out transition scenario analyses for use in stress tests, with two types of approaches.

In the first view, which we call bottom-up, we studied the potential impact of implementing a carbon price on our clients' credit rating. We evaluated a number of tax, price and compensation scenarios and a range of potential impacts.

In the top-down view, we incorporated into our climate scenario the expected impacts on economic indicators of a transition scenario to a low-carbon economy. Once this effect has been incorporated, we study the potential impacts within the Stress Test program in place at Itaú Unibanco.

In addition, transition scenarios are used to draw decarbonization curves and define priority sectors, based on the NZBA. For this purpose, we used the scenarios presented by the IEA, aligned with a temperature rise limitation of 1.5 °C.



Managing climate risk when granting credit

Our climate risk assessment strategy is incorporated into environmental and social risk assessment framework, which already has a mature assessment framework and includes sectoral and individualized analyses.

In the sectoral approach, all clients in the Large Companies portfolio (turnover of more than R$500 million per year) have an individualized risk categorization that considers the client's climate sensitivity and has an impact on their credit risk rating.

Costumers in the Large Companies portfolio, those with senior credit ratings, and clients operating in specific sectors* are subjected to due diligence, which includes climate aspects and measures, among other factors, their exposure to physical and transition risks, such as sensitivity to changes in the hydrological cycle or the wind regime, as well as the financial capacity to offset their emissions through carbon credits. In addition, we assess their climate management practices, such as objectives, policies and investments in alternative energies, with the aim of capturing actions that contribute to mitigating both the physical and transition risks to which they are subject.

For products such as long-term project finance, whose risks are primarily linked to the cash flows of the project itself, we apply the Equator Principles, which include management of impacts associated with climate change based on their guidelines and the IFC's Performance Standards.

Further details on the methodologies mentioned here can be found in our **ESG Report**.

Adapting to physical risks in the management of operations

Operating loss events are related to i) administrative and judicial proceedings in which the institution is a defendant and ii) damage to physical assets. An internal system is used to generate a database of operational losses, categorizing the events. In the process of monitoring these events, it was possible to observe that no actual losses or significant provisions (less than 5% of the total loss observed in the period) were identified in the history due to weather events.

To help mitigate the consequences of climate change and reduce losses in the face of worsening extreme natural events, we have established some plans for adapting to physical risks. The interruption of customer service at branches is a risk that had to be addressed. For this reason, we carried out a pilot study of the vulnerability of branches with a recent history of being impacted by climatic events to direct preventive actions towards these points of sale. Based on the identification of potential impacts, we developed plans to adapt the branches to flooding and contingency plans for water and energy risks.

Base cases of operational losses due to weather events

Adaptation plan: flooding of branches and interruption of customer service

- **Risk description:** Every year during the rainy season, some of our branches suffer from natural disasters, such as floods, which affect our operation, causing various risks, such as the safety of our clients and employees and major financial losses for the business. With a view to mitigating these impacts, we carried out a study of the branches that have a recent history of weather events, in order to direct preventive actions towards these points of sale.
- **Nature of the impact:** financial and non-financial**.**
- **Time horizon of the risk:** short term (mainly).
- **Scope:** nationwide, with the largest number of branches affected in the states of São Paulo, Rio de Janeiro and Minas Gerais.
- **Severity:** approximately 63 branches (1.8% of the total) with a history and potential risk of new events.
- **Nature of impact:** environmental, social, and economic.
- **Mitigation actions:** we directed the assessment to specialists who will indicate possible mitigation solutions for the branches, considering the surrounding terrain, history of flooding and characteristics of the property.
- **Main results:** Of the 80 agencies monitored in 2023, 18 were closed, 22 agencies were referred for architectural adaptation in the Master Plan, with the installation of floodgates, layout changes, among others, and two agencies were included in the monitoring base in 2024. For the remaining cases, the recommendation was to relocate the branch to another location that is not exposed to the risk of flooding.

Contingency plan for water and energy risks

- **Risk description:** lack of electricity from concessionaires and lack of water supply from concessionaires, for an indefinite period.
- **Nature of impact:** financial and non-financial.
- **Time horizon of the risk:** cyclical and unpredictable events, impacts can occur in the short, medium and long term.
- **Scope:** business center and data center.
- **Severity:** business areas affected, such as digital agencies.
- **Nature of impact:** financial and non-financial.
- **Mitigation actions:** annual scheduled maintenance of substations, with monitoring of generator tank levels and simulated power outages. And maintenance of water reservoir inflow levels at a minimum of 80%, monitoring of reservoir levels by the operations center and issuance of supply alert levels.
- **Main results:** there have been no electrical or water outages at the business center in the last five years.

Metrics and objectives

Key metrics and objectives

GFANZ | Métricas e Objetivos

The following table shows our main metrics and objectives related to climate change. Some objectives are qualitative in nature and therefore do not have associated metrics. Likewise, we understand that some metrics relate to material processes or issues such as climate risk management or the incorporation of climate opportunities. To find out about other ESG metrics and our performance in previous years, check out our **ESG report**.

Objective or related topic	Associated metric To find out about our performance in previous years, visit our ESG Report
Objective: by 2030, achieve a 50% reduction in unified Scope 1 and 2 emissions and a 50% reduction in Itaú Brasil's Scope 3 emissions (base year 2023).	Scope 1 emissions – Brazil 2023 – 18,738 tCO_2e 2022 – 22,328 tCO_2e 2021 – 16,477 tCO_2e
	Scope 1 emissions – LATAM[1] 2023 – 19,208 tCO_2e 2022 – 22,925 tCO_2e 2021 – 17,048 tCO_2e
Objective: by 2030, achieve a 50% reduction in unified Scope 1 and 2 emissions and a 50% reduction in Itaú Brasil's Scope 3 emissions (base year 2023).	Scope 2 emissions by Location - Brazil 2023 - 14,336 tCO_2e 2022 – 16,773 tCO_2e 2021 – 52,168 tCO_2e
	Scope 2 emissions by Location - LATAM[1] 2023 - 14,468 tCO_2e 2022 – 16,475tCO_2e 2021 – 54.907 tCO_2e
	Scope 3 emissions, except financed – Brazil 2023 – 62,682 tCO_2e 2022 – 40,525 tCO_2e 2021 – 58,477 tCO_2e
	Scope 3 emissions, except financed – LATAM[1] 2023 – 63,490 tCO_2e 2022 – 41,659 tCO_2e 2021 – 59,479 tCO_2e

[1]Until 2022, considers operations in Brazil, Argentina, Paraguay and Uruguay. In 2023, considers operations in Brazil, Paraguay and Uruguay.

Objective or related topic	Associated metric To find out about our performance in previous years, visit our ESG Report
Objective: to reduce scope 1,2,3 emissions and achieve Net Zero by 2050 in our direct and indirect emissions.	Emissions financed by legal entities (scope 3, category 15)[2] 2023 – 20.6 million tCO_2e 2022 – 18.7 million tCO_2e 2021 – 17.3 million tCO_2e
	Emissions financed by individuals (scope 3, category 15)[2] 2023 – 1.8 million tCO_2e 2022 – 1.9 million tCO_2e 2021 – 1.7 million tCO_2e
Objective: to continue the certification of 100% renewable energy and zero emissions by purchase choice.	Scope 2 emissions by purchasing choice – Brazil 2023 – 0 tCO_2e 2022 – 0 tCO_2e 2021 – 0 tCO_2e
	Scope 2 emissions by purchasing choice – LATAM[1] 2023 – 132 tCO_2e 2022 – 2,703 tCO_2e 2021 – 2,739 tCO_2e
Objective: To offset 100% of the remaining Scope 1 emissions (Brazil, Argentina, Paraguay and Uruguay) and Scope 2 emissions (Argentina, Paraguay and Uruguay).	Acquisition of 25,628 Emissions Reduction Certificates, generated by a REDD+ project (reducing emissions from deforestation and forest degradation) that protects forests located in the Amazon and at risk of deforestation.

[1] Until 2022, considers operations in Brazil, Argentina, Paraguay and Uruguay. In 2023, considers operations in Brazil, Paraguay and Uruguay.

[2] Consider Brazil, Paraguay, Uruguay, Argentina, Chile, Colombia, Europe, Central America and North America.

Objective or related topic	Associated metric To find out about our performance in previous years, visit our ESG Report
Objective: Invest in the inclusion of bicycles as a mode of transport in large urban centers to promote a more inclusive and low-carbon economy.	In 2023, 5,408 tons of CO_2e were avoided 18.4 million trips in 2023, totaling 250,000 active users
Objective: To reduce energy consumption by 34,9% between 2018 and 2030. (Baseline: 575,507 MWh in 2018)	Energy consumption – Brazil 2023 - 384,762 MWh 2022 – 401,310 MWh 2021 – 430,599 MWh
Objective: to reduce waste to landfill by 88.1% between 2018 and 2030. (Baseline: 23,555 ton in 2018).	Waste destined for landfills – Brazil 2023 – 2,401 t 2022 – 2,511 t 2021 – 12,820 t
Objective: to reduce water consumption by 62.6% between 2018 and 2030. (Baseline: 1,449,083m³ in 2018).	Water consumption - Brazil 2023 – 663,713 m^3 2022 – 628,831 m^3 2021 – 516,514 m^3
Material topic: climate risk management.	Climate risk assessment 2023 – more than 50% of clients in the credit portfolio of large companies and rural producers have undergone social, environmental and climate risk assessment.
Material topic: internal carbon pricing.	Internal carbon price referring to the cost of offsetting emissions with carbon credits 2023 – R$ 55,00/tCO_2e 2022 – R$ 27,76/ tCO_2e
Material topic: climate adaptation.	Branches exposed to flood risks 2023 - 63 branches (1.8% of the total) 2022 - 80 branches (2% of the total)

Objective or related topic	Associated metric To find out about our performance in previous years, visit our ESG Report
Material topic: contingency for water and energy risks.	Monitoring of the levels of the diesel oil tanks of the generators and simulated power outages, maintenance of the input levels of the water reservoirs. There have been no electrical or water outages at the business center in the last five years.
Objective: mobilize R$1 trillion in sustainable finance by 2030.	Financing positive impact sectors (cumulative) 2023 -R$ 355.9 billion 2022 - R$ 266.4 billion 2021 - R$ 171.1 billion 2024 (until June) - R$ 420 billion To find out more about the distribution of resources between the different positive impact sectors, visit our **ESG Report**
Material theme: climate finance.	Credit for electric and hybrid vehicles (cumulative) 2023 - R$ 1,098.2 million 2022 - R$ 568.3 million 2021 - R$ 326.7 million
Material topic: climate finance.	Solar panel financing (cumulative) 2023 – R$ 73.7 million 2022 - R$ 55.1 million 2021 - R$ 3.0 million
Material topic: climate finance.	In 2023: • Green credit operations: R$378.8 million in local currency. • Sustainable operations: R$559 million in local currency. • Operation linked to sustainability objectives (SLB): US$ 4.7 million in foreign currency
Material topic: climate finance.	• Amount financed in sustainable construction Since 2021: 48 projects for which we have allocated R$3.7 billion in funding.

Objective or related topic	Associated metric To find out about our performance in previous years, visit our ESG Report
Material topic: climate finance.	Revert Program In 2023, R$649 million was contracted to convert 101,000 hectares of degraded pasture into crops. Since the start of the program, R$1 billion has already been contracted for the conversion of 160,000 hectares.
Objective: to have environmental, social and governance (ESG) assessments on 100% of applicable assets and engagement processes to foster 100% of our partners by 2025.	Assets under management by Asset Management (AUM) with ESG and climate ratings - R$879 billion in assets under management. - 308 qualified professionals. - 9.9% ESG coverage for all eligible assets. To find out more about the other metrics associated with ESG management at Itaú Asset, visit our **ESG Report**.
Objective: by 2025, continuously grow our volume of ESG assets under management.	Volume of assets in ESG funds (Asset management) • R$878.6 billion in assets under management in open-ended funds. • R$ 674.3 million in net assets in Responsible Investment products.
Material topic: engagement with investees.	Engagement with investees (number of sectors) • 152 engagements with companies in economic sectors. • Participation in 236 meetings of investee companies.
Material topic: portfolio concentration (Asset Management).	In 2023, we achieved 99.9% ESG coverage for all eligible assets at Itaú Asset Management and only 1% of resources allocated to sectors that may present risks to consumers or third parties, and the sectors of production or distribution of fossil fuels and derivatives.
Material topic: support for our clients' decarbonization.	Number of startups in Cubo ESG at the end of 2023: 48.
Objective: to encourage our supply chain to adopt commitments and practices with a positive social and environmental impact.	Three meetings with our suppliers, with our main agenda being issues related to Itaú Unibanco's ESG strategy and the generation of positive impact in our chain. 91% of the suppliers invited reported information on climate change in the CDP Supply Chain Program.

Financed emissions

GFANZ | Metrics and Objectives

In 2023, we continued to improve our methodology for calculating financed emissions, evolving the quality of the data and the scope of the analysis of our credit portfolio. These efforts reflect our commitment to providing stakeholders with transparent information on the environmental impact of our business on the global climate scenario.

We have adopted the Partnership for Carbon Accounting Financials (PCAF) guidelines to quantify the greenhouse gas (GHG) emissions associated with our lending activities. This involves calculating the emissions generated by our clients' activities in proportion to the financial resources granted to them, in an approach that recognizes the importance of our actions in supporting our clients on their decarbonization journey.

As a highlight of the importance of this agenda, in 2023, the coordinator responsible for the activity of calculating financed emissions was approved to participate in the PCAF Core Team, being the only representative of Latin American financial institutions, with the aim of contributing to the improvement of the standard for measuring financed emissions.

As a result of this work, the table below gives an overview of the calculation over the last 3 years, which we will detail in the following chapters, according to each business unit:

Overview of financed emissions[2] | GRI 305-3	Dec/21	Dec/22	Dec/23
Total financed emissions - MM tCO_2e	19.0	20.6	22.5
Value of appraised portfolio - R$ billion	628.1	680.8	716.2
Total credit portfolio - R$ billion	1,027.2	1,141.5	1,176.5
Valuation coverage in relation to total portfolio - %	61.1%	59.6%	60.9%
Valuation coverage in relation to portfolios with applicable methodology - %	100%	100%	100%
Portfolios without applicable calculation methodology - R$ billion	399.1	460.7	460.4

[1]Considers the financed emissions from Corporate clients, Scopes 1 and 2.

Methodology for calculating emissions

The PCAF methodology covers the measurement of emissions from seven asset categories*, which can be measured using five methods, depending on the availability of data from our clients (each method has a score, with 1 being the best and 5 the worst). The greater the availability of our clients' data, the greater the accuracy of this calculation.

Credit portfolio - legal entities

The year 2023 marked a significant step forward in our process of preparing and disclosing the inventory of financed corporate issues. In line with Itaú Unibanco's ambition to support large companies in the transition to a low-carbon economy, we signed a commitment with the NZBA (Net Zero Banking Alliance) to become net zero by 2050 in our scope 3 (financed emissions) for the carbon-intensive sectors: energy, steel, cement, aluminum, oil and gas, real estate, transport and agribusiness (more information from page 68.

Financed emissions[1] - Legal entities | GRI 305-3	Dec/21	Dec/22	Dec/23
Emissions financed - MM tCO_2e	17.3	18.7	20.6
Value of the portfolio evaluated - R$ billion[2]	527.5	559.2	588.1
Weighted quality score (PCAF)	4.36	3.98	3.83
Valuation coverage in relation to total portfolio - %[3]	100%	100%	100%

[1] Considers issues financed by PJ Scope 1 and 2 clients.

[2] The 2021 base date inventory was recalculated with the inclusion of securities and the exclusion of guarantees and sureties,

[3] The Portfolio Coverage Ratio was calculated as the ratio between the value of the assessed portfolio and the total value of the portfolio for which the PCAF methodology is already available.

*Corporate and equity securities (listed and unlisted), loan portfolio, project finance, real estate projects, mortgages, motor vehicle loans and public debt securities.

We have improved our methods, increasing the accuracy and comprehensiveness of the data, both in Brazil and in our international units. We focus our efforts both on improving the calculation and on finding the best information to build an inventory that adheres to our credit operations, according to the particularities of each sector.

However, there is a major challenge for us to obtain and consolidate the best information, as it is essential for our clients to make their GHG emissions data publicly available and for companies to share their financial statements to improve the portfolio's average score.

Below, we highlight the criteria adopted for classification in each tier of the score and the % of the portfolio in each of them, comparing the last 3 years. It is worth noting that the PCAF score measures the quality of the information used to calculate financed issues, i.e., the greater the availability of data from our clients, the better our score (1 being the best and 5 the worst).

Data used to calculate financed emissions | GRI 305-3	Dec/21	Dec/22	Dec/23
Score 1 - Emissions published and insured	9.4%	17.3%	16.5%
Score 2 - Emissions published but not insured	0.4%	1.4%	1.9%
Score 3 - Emissions estimated by physical production	0.0%	0.0%	1.4%
Score 4 - Estimated emissions by invoicing	24.9%	28.4%	42.4%
Score 5 - Estimated emissions by contracted credit	65.3%	52.9%	38.1%

Currently, approximately 20% of our credit portfolio for corporate clients and securities has a score of 1, 2 or 3, with publicly available data, and 80% has a score of 4 or 5, with estimates of financed issues. We would highlight our progress, especially in the 15-percentage point reduction in clients with Score 5.

It should be noted that to calculate financed emissions with scores from 1 to 4, it is also necessary to obtain the client's financial information. In the absence of this information, emissions are calculated using the emission factors associated with the Score 5 method. As the PCAF recommends, for the credit portfolio, the methodology associated with the "Business Loans and Unlisted Equity" asset class was adopted. For the securities portfolio, we adopted the "Listed equity and Corporate Bonds" methodology .

And, in line with the PCAF recommendations, this year we included the calculation of financed scope 3 emissions for the Oil & Gas, Transport, Mining, Construction, Materials and Industrial Activities sectors, which totaled 9.3 million tons of CO_2e (PCAF quality score: 3,9)** detailed in the spreadsheets below:

Intensity of GHG emissions by asset class | GRI 305-3	Financed emissions[1] ($MMtCO_2e$)			Credit portfolio in R$ Billion			Relative emissionss[1]		
	2021	2022	2023	Dec/21	Dec/22	Dez/23	2021	2022	2023
Business loans	**17.3**	**18.7**	**20.6**	**527.5**	**559.2**	**588.1**	**0.033**	**0.033**	**0.035**
Business loans	12.4	12.1	11.7	406.6	416.7	412.2	0.030	0.029	0,028
Corporate bonds	4.9	6.6	8.9	120.8	14.5	175.9	0.041	0.046	0.051

[1] Considers Scope 1 and Scope 2 emissions

GHG emissions intensity by region | GRI 305-3	Financed emissions			Portfolio in R$ Billion			Relative emissions[1]		
	2021	2022	2023	Dez/21	Dez/22	Dez/23	2021	2022	2023
Brazil	11.7	12.8	15.3	343.8	372.7	410.3	0.034	0.034	0.037
Latin America (Paraguay, Uruguay, Argentina, Chile, and Colombia)	3.3	2.9	3.0	114.8	110.9	108.7	0.028	0.026	0.027
Other international units (Europe, Central America, and North America)	2.4	3.1	2.3	68.8	75.7	69.1	0.035	0.040	0.034
Total	**17.3**	**18.7**	**20.6**	**527.5**	**559.2**	**588.1**	**0.033**	**0.033**	**0.035**

[1] Considers Scope 1 and Scope 2 emissions

*The 2021 base-date inventory was recalculated with the inclusion of titles and exclusion of endorsements and sureties, following PCAF guidelines and aiming to maintain the comparability of the results presented here.

GHG emissions intensity by activity sector (iSector) | GRI 305-3	Financed emissions[1] ($MMtCO_2e$)			Credit portfolio in R$ Billion			Relative emissions[1]		
	2021	2022	2023	Dez/21	Dez/22	Dez/23	2021	2022	2023
Agriculture	4.3	5.0	8.2	30.2	33.9	47.5	0.143	0.148	0.172
Cement	0.8	0.9	1.6	1.4	3.1	3.2	0.541	0.296	0.508
Metallurgy and steel	0.7	0.7	1.5	10.6	9.9	11.8	0.068	0.067	0.125
Commerce	1.4	1.9	1.3	96.0	114.3	107.5	0.014	0.017	0.012
Energy	1.5	1.6	1.3	28.8	42.0	50.5	0.051	0.039	0.025
Oil and gas	1.2	2.0	1.2	12.6	16.8	18.8	0.092	0.118	0.064
Industry - miscellaneous	1.2	1.4	1.0	18.6	19.7	11.7	0.063	0.073	0.087
Petrochemicals and chemicals	0.8	0.8	0.9	13.9	15.0	13.4	0.058	0.055	0.064
Food and beverages	0.7	0.7	0.8	28.2	30.6	29.4	0.025	0.024	0.027
Transportation	2.1	1.2	0.8	35.8	33.8	32.8	0.059	0.036	0.023
Services - miscellaneous	0.8	0.8	0.3	64.6	58.0	57.2	0.012	0.013	0.006
Mining	0.2	0.1	0.3	5.2	2.7	3.7	0.042	0.050	0.080
Pulp and paper	0.2	0.3	0.3	6.0	6.1	7.0	0.040	0.050	0.036
Sanitation	0.1	0.2	0.2	5.8	6.3	6.6	0.012	0.029	0.030
Pharmaceuticals and cosmetics	0.2	0.2	0.2	4.5	5.5	5.5	0.042	0.042	0.028
Wood and furniture	0.1	0.1	0.1	4.5	4.6	3.9	0.023	0.025	0.030
Footwear and textiles	0.1	0.1	0.1	6.3	6.6	6.8	0.012	0.013	0.013
Electronics and IT	0.1	0.1	0.1	5.7	5.9	5.4	0.010	0.021	0.014
Vehicles and auto parts	0.0	0.0	0.1	5.7	6.1	7.7	0.008	0.008	0.008
Real estate	0.0	0.1	0.1	19.5	28.2	28.8	0.003	0.003	0.002
Construction	0.1	0.1	0.1	22.6	24.4	28.9	0.003	0.002	0.002

GHG emissions intensity by activity sector (iSector) | GRI 305-3	Financed emissions[1] ($MMtCO_2e$)			Credit portfolio in R$ Billion			Relative emissions[1]		
	2021	2022	2023	Dez/21	Dez/22	Dez/23	2021	2022	2023
Recycling	0.0	0.0	0.1	0.2	0.4	0.4	0.146	0.134	0.139
Coal	0.0	0.0	0.0	0.0	0.0	0.1	0.000	0.925	0.618
Capital goods	0.0	0.0	0.0	3.4	3.7	3.6	0.011	0.009	0.009
Banks and financial institutions	0.6	0.1	0.0	43.7	27.8	27.4	0.014	0.002	0.001
Health	0.0	0.0	0.0	7.8	8.1	11.0	0.003	0.003	0.002
Communications	0.0	0.0	0.0	10.5	10.5	10.9	0.003	0.003	0.002
Leisure and tourism	0.0	0.0	0.0	6.5	6.8	6.9	0.004	0.003	0.003
Logistics	0.0	0.0	0.0	2.0	4.2	4.8	0.003	0.004	0.004
Infrastructure	0.0	0.0	0.0	3.4	5.5	6.8	0.003	0.002	0.003
Education	0.0	0.0	0.0	4.1	5.3	5.2	0.002	0.002	0.001
Insurance, reinsurance and social security	0.0	0.0	0.0	3.7	3.9	2.7	0.003	0.003	0.003
Public services	0.0	0.0	0.0	2.4	2.4	3.2	0.001	0.002	0.002
Culture and recreation	0.0	0.0	0.0	1.2	1.6	1.5	0.001	0.001	0.001
Third sector	0.0	0.0	0.0	0.1	0.1	0.0	0.001	0.001	0.003
Miscellaneous	0.1	0.0	0.1	12.0	5.6	15.7	0.007	0.006	0.005
Total	**17.3**	**18.7**	**20.6**	**527.5**	**559.2**	**588.1**	**0.033**	**0.033**	**0.035**
Score	**4.4**	**4.0**	**3.8**	**-**	**-**	**-**	**-**	**-**	**-**

[1] Considers Scope 1 and Scope 2 emissions

*For more details on the calculation methods for the asset categories covered by the PCAF, see the Manual "The Global GHG Accounting & Reporting Standard - Part A Financed Emissions", published by the PCAF (available at: https://carbonaccountingfinancials.com/en/standard#the-global-ghg-accounting-and-reporting-standard-for-the-financial-industry).

**In order to broaden the scope of the measurement of financed emissions, PCAF has indicated that its members should estimate and publish this year Scope 3 emissions from Oil & Gas, Transport, Mining, Building Construction, Materials and Industrial Activities clients (NACE L2 Code: 05-09, 10-18, 19-20, 21-33, 41-43, 49-53, 81)). For more information, see the PCAF Manual (page 51) (available at: https://carbonaccountingfinancials.com/en/ standard#the-global-ghg-accounting-and-reporting-standard-for-the-financial-industry)

Credit portfolio - individuals

Each year, we have expanded the coverage of the necessary information by capturing new bases with the same aim of improving the quality of our data on credit operations aimed at individuals, reinforcing the materiality that issues from cars and real estate* financed by the bank represent.

For emissions from financing vehicles for individuals, we adopted the methodology corresponding to the "Motor Vehicle Loans" asset class, using the 4 and 5 score calculation methods.

Financed emissions - Vehicle financing (Retail) | GRI 305-3	Dec/21	Dec/22	Dec/23
Financed emissions- MM tCO_2e	1.5	1.7	1.5
Value of the portfolio evaluated - R$ billion	29.6	31.6	33.2
Weighted quality score (PCAF)	4.1	4.5	4.2
Valuation coverage in relation to the total portfolio- %	100%	100%	100%

Finally, in the case of financed issues from the mortgage's portfolio, we face some challenges in Brazil regarding the availability of accurate data on energy consumption, performance and other specific characteristics by state and property type.

As a result, we have maintained the PCAF recommendation in our calculation method, based on score 4, considering the average energy consumption per square meter of the property.

Financed issues - Real estate loans (Retail) | GRI 305-3	Dec/21	Dec/22	Dec/23
Financed issues - MM tCO_2e	0.2	0.2	0.3
Valued portfolio - R$ billion	71.0	89.9	94.8
Weighted quality score (PCAF)	4.0	4.0	4.0
Valuation coverage in relation to the total portfolio - %	83%	85%	84%

Throughout this year, we will continue to engage and contribute to PCAF in the evolution of the methodologies for calculating financed emissions. In addition, we will work on expanding the coverage of our portfolio considered in the baseline, to include new assets with the methodologies under development. And, if necessary, we will make retroactive adjustments in subsequent calculations to ensure transparency and comparability of data.

*The PCAF recommends measuring residential emissions based on the home's energy consumption, considering the Brazilian energy grid (score 4 considers using this information and adopting an average emission factor, given the size of the property). For vehicles, the PCAF indicates that emissions should be calculated based on the model and fuel consumed. We adopt score 4 for contracts in which PCAF provides an appropriate emission factor for the type, make and model of vehicle financed, and score 5 is used when we adopt an average emission factor per type of vehicle (passenger car, bus, or truck).

Sectoral approach

Electricity generation

The electricity sector is a driver of economic and social development, essential for GDP growth and improving people's quality of life. Electricity generated by low-emission energy sources is also fundamental to sustainable development.

Concerns about energy security and climate change have led governments to establish energy policies that promote energy efficiency, and the diversification of the grid with a greater share of renewable sources in electricity generation as solutions for mitigating greenhouse gas emissions.

According to the EPE, 84.8% of the Brazilian electricity grid is made up of renewable energy sources, which puts the country in a privileged position in the decarbonization of this sector. This gives Brazil the opportunity to be one of the first countries in the world to have an electricity grid with zero net greenhouse gas emissions.

The activity is relevant to our portfolio and is critical to the decarbonization of the economy, given that the use of renewable energies is a key step towards the decarbonization of other sectors of the economy, such as transport and industry, for example.

In addition, electricity demand is expected to grow globally over the next few years. In Brazil, an average growth of around 3% per year is projected, according to the National Energy Plan (PNE) 2050. By supporting the decarbonization of this activity, we are also contributing to the decarbonization of scope 2 of our entire client portfolio.

Baseline and decarbonization objective

As already mentioned, we have adopted robust criteria for defining our emissions baseline. Based on the measurement of financed emissions, we identified the power generation companies in our client portfolio and used the power generation (MWh) and GHG emissions (tCO_2e) data for each client individually.

The baseline has a PCAF score of 2.5, in the methodology's metric which ranges from 5 (based on the average emission factor indicated by PCAF) to 1, (information collected through the inventories published by the counterparty/client and audited).

Considering that different methodological approaches can be adopted in the calculation of the baseline and in the definition of decarbonization objectives, we reiterate that the disclosures of different financial institutions are not directly comparable and, if made, must consider the differences in methodology and scope of the data disclosed.

Based on the International Energy Agency's (IEA) Net Zero Scenario for 2050, aligned with the Paris Agreement, we have set an objective of a 63% reduction in the intensity of greenhouse gas emissions financed for the electricity generation sector. The scenario considers the efforts needed to keep global temperature rise to 1.5°C and leads to net zero for this sector in 2040. Once this objective is met, the emissions intensity of our portfolio would fall from 103 gCO_2e/kWh in 2021 to 38 gCO_2e/kWh in 2030. The objective includes exposure to Corporate Finance and Project Finance, which have a methodology for calculating emissions financed both in Brazil and in the international units in which we operate.

Decarbonization objective | Electricity	
Sector	Electricity Generation
Scenario	IEA NZE
Emissions coverage	Scope 1
Base year	2021
Baseline	103 gCO_2e/kWh
Emissions 2030	38 gCO_2e/kWh
Reduction Objective % (2030)	63%
Emissions 2040	0 gCO_2e/kWh
Reduction Objective % (2040)	100%
Objective development	
Date	December/2022
Emissions	44 gCO_2e/kWh

Implementing the objective

To achieve this reduction, the clients in our energy portfolio must be committed to the transition to a low-carbon economy. Through financial instruments and products that finance the transition and increase the share of renewable energies, we will support these clients on their decarbonization path in line with the Paris Agreement.

Our challenge is to engage clients who still use more GHG-intensive sources to generate electricity and who currently account for most emissions in our electricity generation portfolio. Another challenge, as a bank with international operations, is to ensure that the climate transition takes place in an accelerated and equitable manner in the geographies in which we operate, respecting any legal barriers and observing the principles of fair climate transition and integrity of information.

This objective will be reviewed periodically in line with NZBA guidelines, and our progress will be reported annually.

Evolution of the objective

The beginning of 2021 was marked by a water crisis. After several years of lower than necessary rainfall, the main hydrological basins were at critical levels, which required the activation of thermoelectric plants to guarantee the country's energy supply.

Despite the challenging situation, there was a good period of rainfall between December 2021 and May 2022, which allowed the reservoirs to recover and reduced the use of thermoelectric plants.

In this context, financed emissions in 2022 were 44 gCO_2e/kWh. As already mentioned, this reduction compared to the previous year was due to less use of thermal power plants because of favorable weather conditions.

The reality of our portfolio is very much in line with the emissions scenario for the electricity sector in Brazil: in 2021 the Brazilian grid had an intensity of 126 gCO_2e/kWh and in 2022 this intensity reached 42.3 gCO_2e/kWh, according to information from the National Emissions Registration System (**SIRENE**).

It is important to note that due to the situation of the Brazilian energy grid, we should see greater volatility in emissions financed in the short term, but this does not impact our commitment to the climate transition in the medium and long term.

Thermal coal

In line with scientific scenarios, to keep the Earth's temperature, rise to within 1.5°C, the transition from fossil fuels to low-emission sources is necessary.

The Glasgow Financial Alliance for Net Zero (GFANZ) signals that phasing out highly carbon-intensive activities, such as coal-fired power generation, is necessary to accelerate the transition to a low-carbon economy.

The main impact of mineral coal compared to other fossil fuels is its intensity of greenhouse gas emissions for electricity generation. While coal emits 270.9 tCO_2e to generate 1TJ of electricity, fuel oil emits 203.6 tCO_2e/TJ, diesel oil emits 194.9 tCO_2e/TJ and natural gas emits 124.6 tCO_2e/TJ, according to the PDE (Ten Year Energy Plan) 2030.

Brazil stands out in terms of energy generation, with a grid made up mostly of renewable sources. In the country, according to BEN – National Energy Balance 2022, installed coal capacity is only 1.7%, although in Latin America this percentage rises to 5.1%.

As a Brazilian bank with a strong presence in Latin America and a global presence, we recognize our potential to stimulate the energy transition. Therefore, in 2023, we revised our commitment to phase out the thermal coal sector by 2030.

We understand that, despite stimulating the transition to cleaner energy sources, the phase-out of carbon-intensive activities must be conducted responsibly to avoid undesirable environmental, climatic, or social consequences. For this reason, we are committed to a gradual phase-out, contributing to the achievement of a low-carbon economy.

The restrictions, stated in our commitment, are subject to the legal impositions that exist in the geographies in which we operate and apply initially to thermal coal, i.e., coal-fired power station assets or projects and coal mining and dedicated infrastructure.

The restrictions apply to:

1. Direct financing and refinancing operations, for example through operations such as Infrastructure Finance or Project Finance
2. Lines of credit and financing
3. Investment banking services
4. Investments via proprietary treasury or quasi-equity

Restriction for thermal coal

We do not carry out any investment banking services or financial operations aimed directly at coal-fired power generation assets and economic groups or companies that had, in July 2023:

- More than 15% of their revenues derived from coal-fired thermoelectric power generation; or
- Installed coal-fired power generation capacity exceeding 1,000 MW.
- Expanding its coal-fired power generation activity.

Restriction on coal mining and dedicated infrastructure

The restrictions apply directly to mineral coal extraction assets (coal mining) and dedicated infrastructure and to economic groups and companies that had, in July 2023:

- More than 15% of their revenues derived from coal mining or dedicated infrastructure; or
- Whose annual coal extraction exceeds 10 million tons.
- Expanding their coal mining activities or dedicated infrastructure, regardless of the representativeness of their revenues.

In the case of potential clients, the start of a relationship will not be allowed when there is a dependence on:

- Revenues of more than 10% from coal-fired thermoelectric generation or installed capacity of more than 1,000 MW.
- Revenues of more than 10% from coal mining or dedicated infrastructure, or annual coal extraction of more than 10 million tons.

In 2030, the restrictions will extend to economic groups and companies that have any percentage of their revenues coming from coal-fired power generation and coal mining and dedicated infrastructure, i.e., the limit on annual coal extraction will be zero.

Operations that promote responsible coal phase-out

Our commitment is to support our clients in adopting cleaner and more efficient sources of energy generation and to support them in this transition. We want to ensure that carbon-intensive assets undergo a proper transition or, where applicable, decommissioning, a process that must be carried out in an orderly manner and in line with the principles of a just transition.

In this way, we understand that operations that promote the responsible phasing out of carbon-intensive assets can be important, as long as they are associated with engagement with the companies and the adoption of contractually defined conditions that provide for the decommissioning of coal assets before 2030 and associated with the adoption of good environmental, social and climate management practices.

The bank will finance and provide services to current and future clients in their initiatives that result in the decarbonization of their matrices. The aim is never to stop supporting any client, but rather to support them on their journey to reduce their emissions.

With the aim of having a positive impact on the real economy and in line with international best practice, the following are exceptions to the rule at the moment: (i) specific contracts for the supply of coal to steel mills; (ii) specific operations with contractually defined earmarking of resources to promote the energy transition, provided that the progress and achievement of the transition objectives is monitored and proven; (iii) operations that help promote the managed phase out of coal-related assets, provided that the criteria established by GFANZ are met.

Engagement and transparency

We carry out actions to engage clients operating in the affected sectors in order to promote the transition to less carbon-intensive activities, with an emphasis on renewable energies with a low emissions profile.

This engagement takes place in a variety of ways, such as by carrying out financial transactions or offering investment banking services, which will be conditional on monitoring the achievement of transition objectives. If the client does not reach the limits set by 2030 or does not zero their exposure by that date, the consequence will be that they will not carry out any new operations, as they fall outside our "phase out" policy.

The restrictions apply to:

1. Direct financing and refinancing, e.g., through operations such as Project Finance and Infrastructure Finance, limit is 0, i.e., no new operations are allowed.

2. Clients who are increasing their dependence on Coal, limit is 0, i.e., no new operations are allowed.

3. Lines of Credit and Financing, restrictions according to the table, depending on whether they are current or new clients.

4. Investment Banking services such as Underwriting of Fixed Income Operations, Initial Public Offerings (IPOs), among others, restrictions according to the table, depending on whether they are current or new clients.

5. Investments via proprietary treasury or quasi-equity, restrictions according to the table, depending on whether they are current or new clients.

Definitions:

- The relative limit refers to the maximum percentage of the client's revenue from Coal-fired Power Plants or Coal Mining and Dedicated Infrastructure.
- The absolute limit refers to the maximum installed capacity of coal-fired power plants or the maximum extraction of coal.

Assets, economic groups, or companies	Commercial relationship with Itaú	2023		2030	
		Relative limit	Absolute limit	Relative limit	Absolute limit
Coal-fired power stations	Project Finance	0	0	0	0
	Groups Increasing Their Dependence on coal	0	0	0	0
	Current Clients	15% of revenue	1,000 MW	0	0
	New Clients	15% of revenue	1,000 MW	0	0
Coal mining and dedicated infrastructure	Project Finance	0	0	0	0
	Groups Increasing Their Dependence on Coal	0	0	0	0
	Current Clients	15% of revenue	10 million tons	0	0
	New Clients	10% of revenue	10 million tons	0	0

Cement

Cement is the second most consumed material in the world, second only to water, and plays a fundamental role in the development of construction and real estate activities. Globally, the sector is responsible for 4% of greenhouse gas emissions, according to Climate Trace data. In Brazil, due to the emissions profile, this share falls to less than 1% of the total, but still represents 22% of industry emissions according to estimates by the **SEEG**.

Most emissions are concentrated in scope 1, particularly in the calcination process, which can account for up to 63% of the sector's total emissions. The perimeter chosen was clinker manufacturing, due to the materiality of this stage in the production process. Decarbonizing the sector depends on factors such as energy efficiency, the use of low-emission sources and reducing the clinker factor.

In addition to these factors, the use of carbon capture and storage (CCS) technologies should play a significant and growing role, according to the IEA NZE scenario, particularly after 2030.

In Brazil, due to our electrical grid and production practices already adopted by the national industry such as co-processing and reducing the clinker factor, the sector's emissions are already lower than the global average, but there is a challenge to reconcile the possible increase in production with maintaining low emission levels, as well as promoting reductions in line with decarbonization scenarios.

Baseline and decarbonization objective

The definition of the emissions baseline was based on the application of the IPCC guidelines for emissions inventories, applying the PCAF methodology and using primary data from clients, whenever available. Exposures with a calculation methodology available from clients who manufacture cement and clinker were considered.

With the estimated data we arrived at a baseline of 0.61 tCO_2e/t Cement with a PCAF score of 1.5.

The values are expressed in CO_2e/ton of cement. We chose this approach because it standardizes the emissions resulting from the production of both cement and concrete through the production of clinkers. In addition, we chose the gross emissions approach because we believe it provides greater comparability and benefits from the use of alternative materials in the manufacture of cement.

The objective includes exposure to products that have a methodology for calculating emissions financed both in Brazil and in the international units where we operate.

Considering that different methodological approaches can be adopted in the calculation of the baseline and in the definition of decarbonization objectives, we reiterate that the disclosures of different financial institutions are not directly comparable and, if made, must consider the differences in methodology and scope of the data disclosed.

Based on the International Energy Agency's (IEA) Net Zero Scenario for 2050, we have set an objective of a 23% reduction in the intensity of greenhouse gas emissions financed for the cement portfolio. Once the objective is achieved, the emissions intensity of the portfolio would reach 0.47 tCO_2e/t Cement in 2030.

Decarbonization Objective | Cement	
Sector	Cement Industry
Scenario	IEA NZE
Emissions coverage	Scope 1 and 2
Perimeter	Cement product manufacturing
Base year	2022
Baseline	0.61 tCO_2e/t Cement
Emissions 2030	0.47 tCO_2e/t Cement
Reduction Objective % (2030)	23%

Implementing the objective

Achieving the sector's decarbonization objective depends, mostly, on reducing the clinker factor in cement production, adopting energy efficiency and transition actions and innovative technologies such as CCS and low-carbon hydrogen, particularly from 2030 onwards.

The use of alternative fuels, such as biomass and waste, also makes it possible to reduce emissions in the manufacture of cement products, but there are caveats regarding availability, which can bring volatility to the industry's emissions.

Throughout 2023 we have been talking to our clients to understand the challenges associated with adopting these solutions and the extent to which financial institutions can support the sector's climate transition. An important part of these measures depends on regulatory changes and the maturity and availability of innovative technologies, which have already been mapped and monitored in our strategy.

We will continue to map our clients' decarbonization challenges and their potential solutions, as well as connecting them to our transition plan, promoting engagement with our stakeholders, offering low-carbon solutions, and integrating the objective into our governance structure. In this journey, we also consider the efforts needed to ensure that the climate transition takes place in an accelerated and equitable manner in the different geographies in which we operate, respecting any legal barriers and observing the principles of a just climate transition and integrity of information.

Steel

Steel production is of foremost importance to various industries and economic activities, such as the manufacture of machinery and equipment, vehicle manufacturing and construction. It is a basic industry, fundamental for other industries and even for the climate transition.

There are two main methods for making steel: (i) BOF (blast oxygen furnace), which relies on the use of thermal coal to reduce iron ore, a carbon-intensive process; and (ii) EAF (electric arc furnace), which uses a combination of scrap metal and electricity to make steel. Given Brazil's electricity grid, there is potential to reduce emissions with the use of renewable energy.

Most of the emissions from steel production are concentrated in the production phase and are difficult to reduce. Many of the solutions for reducing emissions depend on technological advances and the participation of technologies such as hydrogen and the use of CCS, as well as solutions such as the transition to renewable electricity and the use of scrap.

In Brazil, there are great opportunities in the sector's transition, particularly because of our electricity grid and the country's potential for innovative technologies, such as low-carbon hydrogen.

Baseline and decarbonization objective

The definition of the emissions baseline was based on the IPCC guidelines for emissions inventories, applying the PCAF methodology and using primary data from clients whenever available. Exposures in products with a funded emissions calculation methodology (following the PCAF methodology) and scope 1 and 2 emissions from clients operating in steel manufacturing were considered.

The perimeter of the sectoral objective is the steel production stage (reduction of iron ore).

With the estimated data we arrived at a baseline of 1.22 tCO_2e/t Steel with a PCAF score of 1.2.

Considering that different methodological approaches can be adopted in calculating the baseline and defining decarbonization objectives, we reiterate that the disclosures of different financial institutions are not directly comparable and, if made, must consider the differences in methodology and scope of the data disclosed.

Based on the International Energy Agency's (IEA) Net Zero Scenario for 2050, we have set an objective of a 23% reduction in the intensity of greenhouse gas emissions financed for the steel sector portfolio. Once the objective is reached, the emissions intensity of the portfolio would be 0.94 tCO_2e/t Steel in 2030.

Decarbonization Objective| Steel	
Sector	Steel
Scenario	IEA NZE
Emissions coverage	Scopes 1 and 2
Perimeter	Steel production (reduction of iron ore)
Base year	2022
Baseline	1.22 tCO_2e/t Steel
Emissions 2030	0.94 tCO_2e/t Steel
% Reduction Objective (2030)	23%

Implementing the objective

Decarbonizing the sector involves the energy transition, circularity, increasing the use of scrap in the production process, the adoption of green technologies and adaptations that allow for greater efficiency in steelmaking.

Increasing steel production using the EAF process combined with renewable electricity is also an important lever for reducing emissions in the sector.

Steel has characteristics that allow it to be circularized using scrap metal in the production process, reducing emissions from the production process. However, due to the high durability of steel, the availability of scrap metal is limited, requiring a significant share of BOF even with the adoption of circularity solutions.

The energy transition, with the search for substitutes for coal, is an essential lever for achieving these reductions. Solutions such as charcoal and low-carbon hydrogen can play a vital role in the sector. In the long term, carbon capture through CCS may become necessary. Both hydrogen and CCS, however, are technologies that are still in the development stage and need to gain scale to reach the industry.

We have been following the evolution of these solutions and talking to our clients to understand what the decarbonization challenges are for the sector and how financial institutions can support this journey.

In 2023, we held a MeetUp at Cubo Itaú on the challenges of decarbonizing the steel and aluminum industry, with the participation of industry representatives and startups with ESG solutions. At the event, we were able to understand the industry's priorities in the net zero journey, such as the search for new energy sources and innovations in production processes.

We will continue to follow the evolution of the agenda and promote engagement actions and the offer of decarbonization solutions to our clients. In this journey, we also consider the efforts needed to ensure that the climate transition takes place in an accelerated and equitable manner in the different geographies in which we operate, respecting any legal barriers and observing the principles of a just climate transition and information integrity.

Aluminum

Aluminum is an important input for various other industries and activities such as construction, vehicle manufacturing, packaging, machinery, and equipment.

It has important attributes such as lightness, corrosion resistance and recyclability and is an important material for the development of technologies that will make the energy transition possible, such as solar panels and electric cars.

The sector's emissions are concentrated in scopes 1 and 2 and originate from the production of primary (i.e., first use) aluminum, which requires bauxite mining, alumina refining and smelting in furnaces. Scope 2 emissions (electricity consumption) are especially important because of the electricity consumed in the smelting stage (reduction of alumina to aluminum).

Recyclability means that most of the emissions from the production process can be avoided. However, some aluminum applications, such as aviation and engine manufacturing, require a high degree of purity and are incompatible with the use of scrap.

Among the main levers for decarbonizing the sector are the use of renewable electricity sources, inert anodes (to replace carbon anodes), the use of biomass to generate heat in some stages of the production process, the use of CCS solutions and a greater share of recycled (secondary) aluminum in the mix.

*Smelting: this is the process of extracting aluminum from alumina. It is an electrolytic process that uses substantial amounts of electricity.

Baseline and decarbonization objective

The definition of the emissions baseline was based on the application of the IPCC guidelines for emissions inventories, applying the PCAF methodology and using primary data from clients, whenever available. Exposures to products with an available emissions calculation methodology (following the PCAF methodology) and scope 1 and 2 emissions from clients operating in the smelting stage of primary aluminum manufacturing were considered.

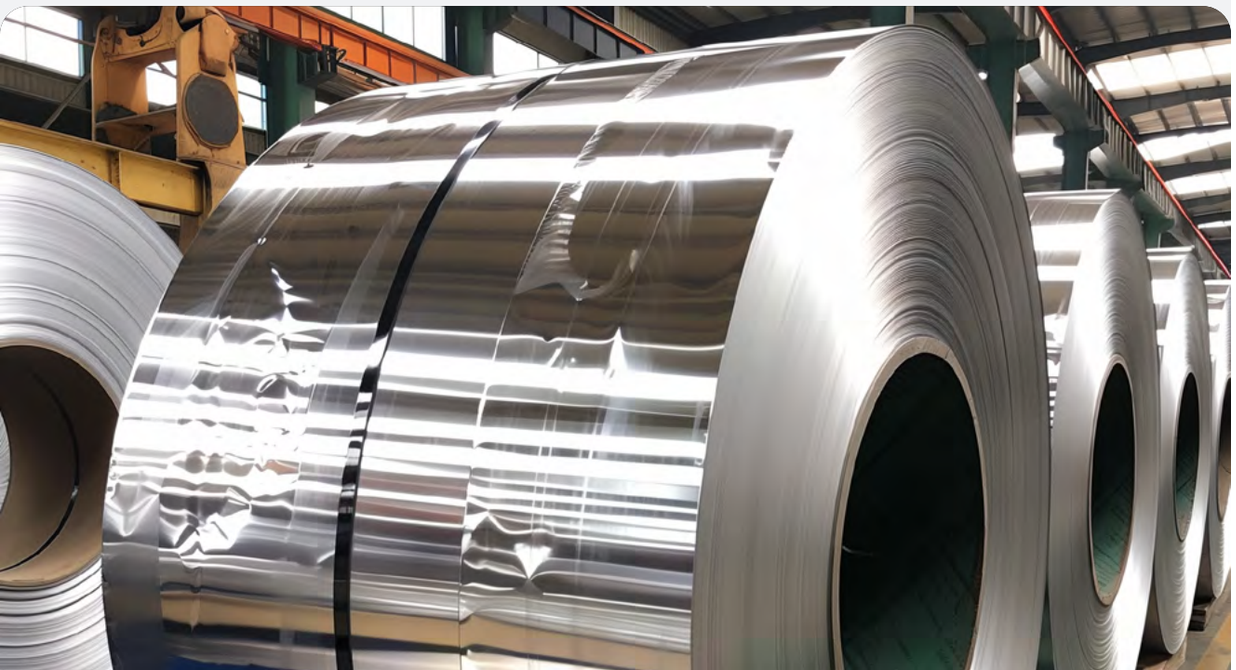
The perimeter of the sectoral objective considers the smelting stage, since it represents 72% of emissions from primary aluminum production, according to International Aluminum Institute's (IAI).

With the estimated data we arrive at a baseline of 3.28 tCO_2e/t Aluminum with a PCAF score of 2.2.

Considering that different methodological approaches can be adopted in calculating the baseline and setting decarbonization objectives, we reiterate that the disclosures of different financial institutions are not directly comparable and, if made, must consider the differences in methodology and scope of the data disclosed.

Based on the IAI scenario, we set an objective of a 19% reduction in the intensity of greenhouse gas emissions financed for the aluminum sector portfolio. Once the objective is reached, the emissions intensity of the emissions intensity of the portfolio would reach 2.66 tCO_2e/t Aluminum in 2030.

Decarbonization Objective | Aluminum	
Sector	Aluminum
Scenario	IAI NZE
Emissions coverage	Scopes 1 and 2
Perimeter	Alumina reduction for aluminum (smelting)
Base year	2022
Baseline	3.28 tCO_2e/t Aluminum
Emissions 2030	2.66 tCO_2e/t Aluminum
% Reduction Objective (2030)	19%



Implementing the objective

Brazil's emissions intensity is much lower than the global average, mainly due to the fact that our electricity grid is mostly made up of renewable sources. While in the world the intensity is 16.1 tCO2e/t Aluminum, according to IAI, in Brazil this intensity varies between 2.75 and 3.5 tCO2e/t Aluminum according to the Brazilian Aluminum Association (ABAL).

In addition to maintaining the use of renewable energy, increasing the share of secondary aluminum - i.e., recycled aluminum - in the mix can be an important decarbonization lever, but the availability of aluminum scrap and the demand for primary aluminum in some applications can be a limiting factor.

Innovative technologies and innovations in the production process can play a significant role in reducing the sector's emissions and should be incorporated as they become more widespread.

As in other sectors, we have been talking to our clients to identify their main challenges and how Itaú can support them on their decarbonization journey.

In 2023, we held a MeetUp at the Itaú Hub on the challenges of decarbonizing the steel and aluminum industry, with the participation of industry representatives and startups with ESG solutions. At the event, it was possible to understand the industry's priorities in the net zero journey, such as the energy transition and innovations in the production process.

We will continue to accompany and support the evolution of the sector and our clients towards decarbonization through engagement actions and the offer of products and services. In this journey, we also consider the efforts needed to ensure that the climate transition takes place in an accelerated and equitable manner in the different geographies in which we operate, respecting any legal barriers and observing the principles of a just climate transition and information integrity.

Agribusiness

Net zero trajectory and the importance of "tropicalizing" methodologies for measuring emissions and removals in the agricultural sector

Climate change can have significant economic impacts on the agricultural sector. Irregularity in the distribution of rainfall, an increase in average temperature and a greater frequency of extreme weather events, such as droughts and floods, directly affect agricultural and livestock productivity and can lead to production losses, increased costs and, consequently, impacts on farmers' incomes and the country's food security.

At the same time, adopting sustainable practices reduces emissions and ensures greater resilience to climate change. Production systems with greater climate resilience and lower Greenhouse Gas (GHG) emissions also guarantee food security by aligning technological gains, reducing emissions, reducing risks and guaranteeing the population's supply.

The climate commitments made by financial institutions represent a great opportunity to promote even more sustainable and competitive agriculture. To achieve this, it is necessary to evolve methodologies to measure emissions and removals from the sector in Brazil, based on the different production models and regional particularities.

Currently, the methodological references for measuring emissions need to be improved and adapted to the reality of Brazilian tropical agriculture. Firstly, the emission factors need to be tropicalized. Many methodologies use exogenous emission factors that do not consider the particularities of the agricultural sector. There is also a need to recognize removals because of the use of sustainable practices. Without removals, the sector will be wrongly measured.

The agricultural sector plays a central role in Brazil's ability to reduce its greenhouse gas emissions and achieve the goals of the Paris Agreement. This occurs through the adoption of sustainable practices, such as no-till farming, integrated systems, biological nitrogen fixation, among other activities and practices adopted, which not only reduce emissions, but also promote the removal and storage of carbon in the soil. This sector has the potential to be the most important for decarbonizing the Brazilian economy, and this relevance also extends to financial institutions.

That's why it's essential to highlight the importance of banks committed to the net zero agenda, which work not only to offer financial solutions aimed at decarbonizing their portfolios, but also to consolidate more accurate methodologies for measuring emissions and removals and charting the sector's decarbonization trajectory.

By Eduardo Delgado Assad and team

Agribusiness is key to reducing greenhouse gas emissions, as well as adapting to the impacts of climate change, especially in the Brazilian context. The sector accounted for 24% of the Brazilian GDP in 2023, being relevant for ensuring food security in Brazil and in the world. At the same time, it is directly responsible for 28% of greenhouse gas emissions in the country, which places the sector as one of the most important in the development of a low-carbon economy. Due to its relevance in our portfolio and financed emissions, the sector was considered a priority for defining and implementing a decarbonization strategy.

The transition to a low-carbon agribusiness presents challenges, but also opportunities. Throughout its history, the industry has developed technologies and practices adapted to the tropics that, as they are adopted, promote greater efficiency and sustainability. In this context, the transition process to sustainable agriculture starts from the adoption of such technologies at scale to ensure that the sector is part of the solutions in the fight against climate change.

Continuing the work started in 2022, to identify and process the data necessary for the calculation of financed emissions, in 2023 we hired a consultancy for technical and specific deepening in the Agro segment that resulted in significant advances in the face of the challenges identified at the beginning of the studies, allowing us to structure a robust process for calculating financed emissions in line with the peculiarities of the agribusiness sector in Brazil.

As for the data necessary to calculate the emissions financed, we have evolved internally in the organization of our databases and in the creation of the necessary tools for the extraction and availability of information. In 2024, the main advance was the completion of the baseline of financed emissions for the year 2023, a significant progress that marks a key step in the construction of our decarbonization strategies. We continue with efforts to automate processes and enrich information that will allow us to qualify the calculation of emissions and differentiate groups of customers based on practices adopted in their production systems. However, not all information is accessible via databases, whether public or private, and will still require effort to be incorporated into our calculations.

To define our decarbonization trajectory, we chose to adopt the National Scenario for Decarbonization in Agribusiness as a reference. This study, prepared by FGV, a renowned institution with extensive experience in analysis and projections of Agribusiness development, considered regional specificities of Brazilian production systems, their emission factors and common practices, which are often only possible in tropical environments. In compliance with scientific rigor and in line with the commitment to reduce emissions compatible with the limitation of warming to 1.5°C, the recently published National Scenario built by FGV for Brazilian Agribusiness becomes a sectoral reference, ensuring a solid methodological basis and transparency and comparability to the calculations. Methodological updates will be incorporated whenever it is possible.

1*CEPEA/CNA: Agribusiness GDP 2023: GDP of Brazilian Brazilian Agribusiness - Center for Advanced Studies in Applied Economics - CEPEA-Esalq/USP
** SEEG, 2023: SEEG - Emission Estimation System of Gases

Baseline and decarbonization goal

Based on the methodology of the Partnership for Carbon Accounting Financials (PCAF) and GHG Protocol, and the parameters of the 4th National Emissions Inventory, a baseline was calculated for the year 2023, with a PCAF score of 3.0. element.

Based on the FGV National Decarbonization Scenario, we have set a target of reducing the intensity of financed greenhouse gas emissions of 36%, 25% and 12% for the corn, soybean and livestock portfolios, respectively. These reductions result in emission intensities of 0.07 tCO2e/t Corn, 0.15 tCO2e/t Soybeans and 2,72 tCO2e/head in 2030.

The baseline includes the CPR and Rural Credit products, products that allow us to monitor (i) the reduction in the issuance of the agricultural portfolio in which the bank actually operates, (ii) track the progress of reduction, contract by contract, (iii) identify opportunities and (iv) transparently communicate to the market our role in the customer's transition.element.

Decarbonization goal | Agribusiness			
Sector	Corn	Soy	Animal husbandry
Scenario	FGV	FGV	FGV
Emissions Coverage	Scopes 1 and 2	Scopes 1 and 2	Scopes 1 and 2
Perimeter	CPR and Rural Credit	CPR and Rural Credit	CPR and Rural Credit
Base year	2023	2023	2023
Baseline	0,11 tCO2e/t Corn	0,20 tCO2e/t Soy	3,09 tCO2e/head
Emissions 2030	0.07 tCO2e/t Maize	0.15 tCO2e/t Soybeans	2.27 tCO2e/head
% reduction target (2030)	36%	25%	12%

Objective implementation

While we work to define the best tools and methodologies for measuring and monitoring our portfolio, we consolidate our position as a partner of our clients in the transition to a low greenhouse gas emission activity.

In 2023, the bank created a specific area for the ESG agenda in agribusiness, with the objective of aggregating knowledge, proposing solutions, developing financial products and green businesses. We have supported our clients in the transition to sustainable practices, offering financial products and promoting businesses aligned with the ESG agenda in Agribusiness, articulating institutional efforts necessary to advance the ESG agenda in the sector and developing data intelligence to measure and monitor ESG practices that interfere with financed emissions.

We have expanded our offer of ESG products for Agribusiness, offering financial solutions targeted and incentivized for practices and technologies that contribute to Itaú's decarbonization objectives for the sector and, above all, that support rural producers in the transition to a more resilient and sustainable agriculture. Currently, we offer five types of products designed to encourage the adoption of best practices in agricultural activity: Bioinputs Use, Bioinputs Commercialization, Solar Energy, Certifications and Coverage. In addition to the thematic modalities, Itaú BBA's ESG strategy for Agribusiness also includes the "Sustainable Chains" approach in which, through Agreements and Partnerships, we recognize Good Practices Programs for Sustainable Production and are the financial partner of the Rural Producer adhering to these Programs.

Throughout 2024, we have progressed on our journey to define our decarbonization goal and will maintain the strategy already adopted to grow the agribusiness sector, seeking to offer products aimed at the adoption of low-emission practices in agriculture and livestock and support programs that scale up the adoption of these practices by rural producers.

Alliances to promote low-carbon practices in agriculture

A relevant part of our strategy to generate a positive impact and contribute to the sustainable development of agribusiness involves partnerships and support for programs capable of giving scale and greater attractiveness to the adoption of good production practices. Some partnerships signed by the bank have proven to be potential catalysts for the reduction of financed emissions. The main alliance in this regard is Syngenta's Reverte Programs, of which we are the financial partner.

Cases

Reverte Program

The Reverte program is an initiative of Syngenta with the objective of promoting, technically and financially, the conversion of degraded pasture areas into agricultural areas. This movement makes it possible, in addition to increasing productivity, to expand production areas without the need to open new areas. Rural producers adhering to the program comply with socio-environmental criteria and receive technical guidance and technological solutions provided by Syngenta and partners for the implementation of the project for the recovery and conversion of the areas. We are partners of the Reverte program, providing exclusive financial solutions that are appropriate to the needs of the rural producer for the execution of the project. By September 2024, R$ 1.5 billion had been contracted for the conversion of 235 thousand hectares of degraded pastures into crops.

Transport

The mobility and transport sector is one of the fundamental pillars of the global economy, as it connects industries, markets and people, enables trade between countries allowing the circulation of goods and services on a local and global scale, in addition to playing a relevant role in economic growth. The sector is composed of different modes (air, rail, road and sea) and includes manufacturers of vehicles, vessels and aircraft, as well as their passenger and cargo transport operators.

It is one of the sectors with the highest emission of greenhouse gases (GHG), accounting for 14% of global emissions according to Climate Trace. The decarbonization of the transport sector, although complex, especially due to the number of actors and subsectors involved, is essential to achieve a low-carbon economy and achieve net zero goals.

In Brazil, it is responsible for about 9.3% of total greenhouse gas emissions, and 92% of these emissions are concentrated in the road modal, according to the Greenhouse Gas Emissions Estimation System (SEEG).

Considering this reality, we decided to focus on setting decarbonization objectives for the road modal, which represents most of our exposure in the sector. Our scope covers both light vehicle manufacturers and financing for the acquisition of light vehicles by individuals.

The sector has a diversified profile of customer size, ranging from small and medium-sized enterprises (SMEs) to large companies and multinationals, at different stages of maturity in their decarbonization journey.

Brazil has competitive advantages related to the use of biofuels in its fleet, but the challenges to achieve net zero are great, as they require a mix of solutions ranging from the transition from fossil fuels to biofuels to the adoption of low or zero local emission vehicles through electrification.

We have formed a multidisciplinary working group that has been discussing the priorities, challenges and decarbonization routes for the sector. The group had the technical advice of the Brazilian Institute of Sustainable Transport (IBTS) in the selection of methodologies and understanding of decarbonization routes, in all modes of transport. In addition, we worked on the revision of the Net Zero Banking Alliance (NZBA) standards for the establishment of decarbonization objectives for the sector.

This group also monitors other modes of transport, so that, if there is financial and/or emissions materiality for the bank and if data, scenarios and decarbonization routes are available, we can incorporate them into our decarbonization goals.

Baseline and decarbonization goal

Most of a vehicle's lifecycle emissions are concentrated in the use stage, which can account for up to 99% of emissions considering internal combustion engine vehicles.

For this reason, the definition of the baseline for calculating our objective in the sector considered tank-to-wheel or tailpipe emissions. This is also the approach adopted by Inmetro's Brazilian Vehicle Labeling Program (PBEV), which measures the energy efficiency and GHG emissions of light vehicles.

Following the guidelines of the GHG Protocol Brazil, vehicles powered by biofuels have local emissions from biogenic sources (renewable) and without fossil emissions. A vehicle with an internal combustion engine that uses hydrous ethanol (E100), for example, emits 96% less GHG compared to a vehicle that uses type C gasoline (standard in Brazil, with 27% mandatory addition of ethanol). The same accounting logic applies to other biofuels, according to the GHG Protocol.

Battery electric vehicles (BEVs), meanwhile, have zero local emissions during use, since they do not have internal combustion.

With regard to emission intensity metrics, the International Energy Agency (IEA NZE) scenario provides information in terms of gCO2e/pkm (grams of CO2 equivalent per passenger-kilometer). In the absence of official information regarding the occupancy rate of light vehicles in Brazil, we have defined occupancy at 1 passenger per vehicle and that the baseline and target emissions will be presented in the gCO2e/km metric.

Considering that different methodological approaches can be adopted in calculating the baseline and defining decarbonization objectives, we reiterate that disclosures from different financial institutions are not directly comparable and, if carried out, should account for differences in methodology and scope of the data disclosed.

Decarbonization Goal Light Vehicle Manufacturers

Based on the methodology of the Partnership for Carbon Accounting Financials (PCAF), a baseline of 203 gCO2e/km was calculated, with a PCAF score of 3.

Based on the International Energy Agency's (IEA) net zero scenario in 2050, we have set a goal of a 44% reduction in the intensity of greenhouse gas emissions financed for the portfolio of the light vehicle manufacturers sector. This would result in an emissions intensity of 114 gCO2e/km in 2030.

Decarbonization goal | Light Vehicle Manufacturers	
Sector	Light Vehicle Manufacturers
Scenario	IEA NZE
Emissions Coverage	Scope 3 – Category 11
Perimeter	Emissions from vehicle use (tank to wheel)
Base year	2022
Baseline	203 gCO2e/km
Emissions 2030	114 gCO2e/km
% reduction target (2030)	44%

Decarbonization Goal Financing of Light Vehicles

For part of the financing of light vehicles, the methodology of the Partnership for Carbon Accounting Financials (PCAF) was also adopted, in which the calculated baseline was 249 gCO2e/km, with a PCAF score of 4.

Considering the same scenario as the IEA, we have set a goal of a 44% reduction in the intensity of greenhouse gas emissions for the financing portfolio of the light vehicle sector. Achieving the target, the portfolio's emissions intensity will be 140 gCO2e/km in 2030.

Decarbonization goal | Light Vehicle Financing	
Sector	Light Vehicle Financing
Scenario	IEA NZE
Emissions Coverage	Scope 1
Perimeter	Emissions from vehicle use (tank to wheel)
Base year	2022
Baseline	249 gCO2e/km
Emissions 2030	140 gCO2e/km
% reduction target (2030)	44%

Implementation of the objectives

The decarbonization of the sector in Brazil depends on three main levers: promotion of biofuels, incentive to electrification, and financing of technologies that improve energy efficiency.

The first lever involves increasing the use of biofuels, an activity in which Brazil stands out and has a robust infrastructure for the distribution of ethanol and biodiesel. Both gasoline and diesel have regulatory mandates to add biofuel in the country – which already considerably reduces emissions.

However, data from the National Petroleum Agency (ANP) indicate that most of the fueling is made with Type C Gasoline, even though more than 80% of the Brazilian fleet is composed of flex-fuel vehicles, suitable for the use of ethanol. Technological and efficiency developments have reduced the difference in yield per liter between ethanol and gasoline in recent years, but it is necessary to promote incentives for the effective adoption of biofuels.

Initiatives such as the Fuel of the Future and Green Mobility Program (MoVer) are promising from the point of view of reducing emissions, greater vehicle safety and greater energy efficiency. Renewing the national fleet is also crucial and can have a significant impact on reducing emissions.

The electrification of the sector is an important front, which should coexist with the adoption of biofuels, and can benefit from the Brazilian electricity matrix, mostly composed of renewable energy. Progress in electrification, however, is dependent on growth in infrastructure, including supply points, distribution networks, and the correct disposal of batteries, as well as progress in public policies for the transition of the sector, which can stimulate not only structural improvements but also fleet renewal.

We have supported this transition by financing low-emission or zero-emission vehicles, with emphasis on electric and hybrids with reduced rates, and we have supported our customers in the transition to low-carbon practices.

We maintain continuous dialogue with the innovation ecosystem, through initiatives such as the ESG Cube, and with academia, and through our support for the Center for Innovation in New Energies (CINE), which have mobility as one of their pillars of action, which has been fundamental to explore sustainable mobility solutions.

The decarbonization of the sector has also been widely discussed through events that we have organized, such as the “Innovation Day - Decarbonization Challenges of the Automotive Industry”, in which we were able to hear the challenges and opportunities of decarbonization of the sector from the perspective of the industry itself.

Oil and Gas

The oil and gas sector plays an important role in the Brazilian economy, representing more than 10% of GDP and contributing to more than 1.6 million direct jobs, according to the Brazilian Institute of Oil and Gas (IBP). In addition, it is essential for Brazil's energy security, accounting for 35% of all domestic energy supply, according to the 2023 National Energy Balance (BEN).

Most of this energy supply serves strategic sectors, such as industry and transport, which still rely heavily on fossil fuels. And the transition to a low-carbon economy in the sector still does not have cost-effective levers for reducing its emissions in the short term.

The country, however, has important advantages on the international scene. According to the Brazilian Center for International Relations (CEBRI), while in the world the carbon intensity in the oil sector is 22 kgCO2e/barrel, Brazilian pre-salt oil has an intensity of 10 kgCO2e/barrel. This lower intensity can be explained by the use of more efficient technologies, the predominance of offshore operations and good environmental practices adopted in the country. Such factors allow Brazil to continue providing energy security throughout the global transition to a low-carbon economy.

The sector's transition needs to combine a reduction in the average emissions intensity in the extraction and production stages with the transition to lower-emitting energy sources in the use stage, as pointed out by the International Energy Agency (IEA NZE) scenarios. Among the main levers to reduce the average emissions intensity in the exploration chain are energy efficiency, electrification, the adoption of Carbon Capture, Use and Storage (CCUS) technologies, and the reduction of fugitive emissions. In the use phase, we can mention the adoption of low-carbon hydrogen, electrification, second-generation biofuels, and other inputs that can replace fossil fuels.

Despite these efforts, the oil and gas sector faces a major challenge to achieve emissions neutrality by 2050. The demand for fossil fuels continues to grow, due both to the increase in the need for global energy, and to the lack of viable substitutes for this source of energy and raw material.

Commitments and Funding Criteria

To identify the challenges and opportunities of the transition in this sector, we formed a multidisciplinary working group in partnership with the Alberto Luiz de Coimbra Institute for Graduate Studies and Research in Engineering at the Federal University of Rio de Janeiro (COPPE/UFRJ) and the Brazilian Institute of Sustainable Transport (IBTS). This group studies both the supply of energy and its use, especially in the Transport sector, which concentrates most of the emissions.

Among the challenges encountered, we can mention uncertainties regarding the decarbonization scenario of the sector in Brazil, since public policies and investments to prolong the exploration and use of oil and gas are still being observed. According to CEBRI, the production of oil from the Brazilian pre-salt has presented an extremely competitive extraction cost, which favors the expansion and internationalization of the sector. In addition, the high price of oil and natural gas has encouraged oil companies to slow down their energy transition plans.

The Energy Research Company (EPE) estimates that oil production in Brazil should peak at 5.3 million barrels per day in 2030, to decline in the following years. EPE also estimates that, in 2034, oil production in the country will be up to 47% higher than in 2023.

In addition, the absence of economic instruments, such as carbon pricing that burdens and discourages the use of fossils, and public policies and subsidies that encourage and scale fossil substitutes such as green hydrogen, fleet electrification, ethanol fuel cells, and others.

Considering these technological, economic and energy security limitations, we have chosen, at this time, not to establish a decarbonization goal for the oil and gas sector. We continue to study the sector, as well as dialogue with stakeholders and academia, to direct the appropriate efforts to decarbonization and contribute to the advancement of our customers' energy transition plans. It is important to note that, based on scientific guidelines and our commitment to net zero, we prohibit new credit, infrastructure finance and project finance operations related to the exploration of unconventional oil and gas in tar sands and the Arctic, as these are regions and practices that present high environmental and carbon emission risks.

We have also set decarbonization goals for the transport sector, which accounts for most of the oil and gas demand in Brazil, as well as for the steel, aluminum and cement industries. Considering that electrification will be an important lever for decarbonizing the sector, we have also set a decarbonization goal for electricity generation. Combined, these initiatives will make a significant contribution to the decarbonization of the sector without compromising Brazil's energy security.

In this context, we understand that it is essential to promote incentives and financial products to accelerate the use of renewable sources. Brazil already has a prominent position in the production of biofuels, such as ethanol, biodiesel and green diesel and has great potential in advanced biofuels, such as Sustainable Aviation Fuel (SAF), synthetic fuels and others. These technologies are key to replacing fossil fuels and decarbonizing energy use, especially in the transport sector, but this transition needs to occur in an orderly and fair way, mitigating risks of energy exclusion.

We will continue to closely monitor the projection of demand curves for fossil fuels, international energy transition agreements, the macroeconomic scenario, and public policies that impact the oil and gas sector. These factors will be fundamental to guide the definition of new initiatives and review our performance. Our commitment is to continuously adapt our actions, ensuring that we contribute responsibly to energy transition and sustainability, always aligned with the best global practices and the specific needs of Brazil.

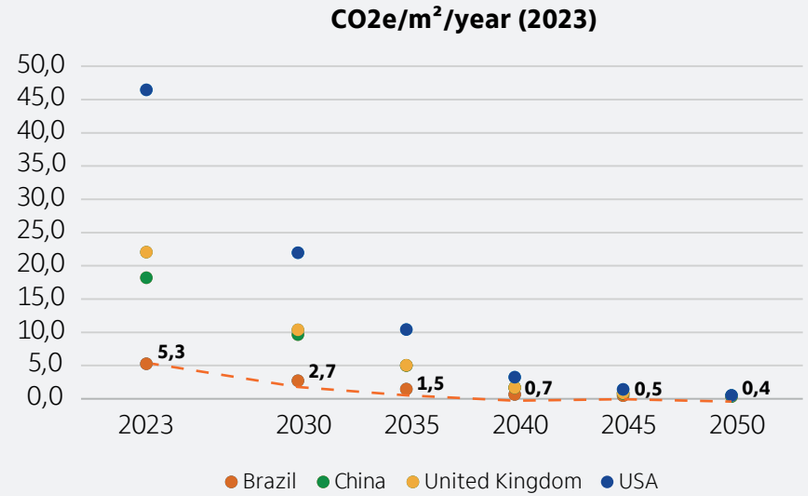
We will also continue to engage with academia and the innovation ecosystem to build solutions for this sector, in addition to maintaining constant dialogue with the government through our advocacy initiatives.

Real estate

The real estate sector, both commercial and residential, has important environmental, social and economic relevance, especially in the context of decarbonization. According to data from the National Energy Balance (BEN), about 15% of Brazil's energy demand (both electricity and fuel) comes from real estate.

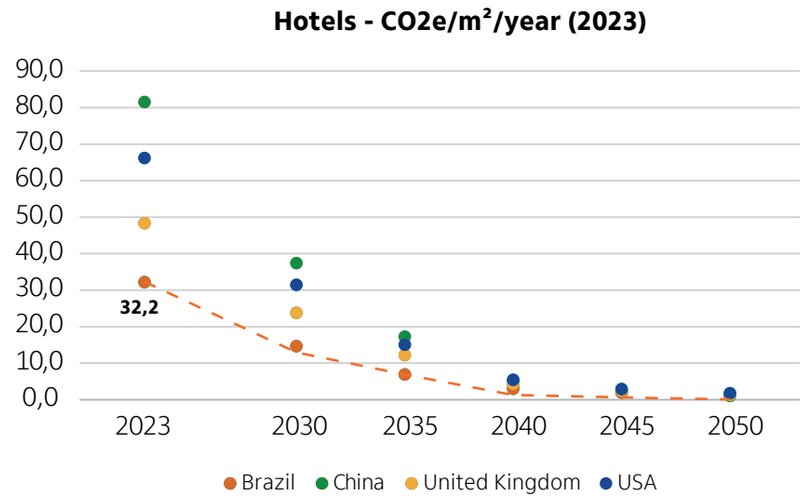
The sector represents 1.3% of total greenhouse gas emissions in Brazil, according to data from the Greenhouse Gas Emissions Estimation System (SEEG). Data from Climate Trace show that this representativeness can reach 9.5% in Europe and 8.6% in the United States. On the world average, the share is 6% of emissions.

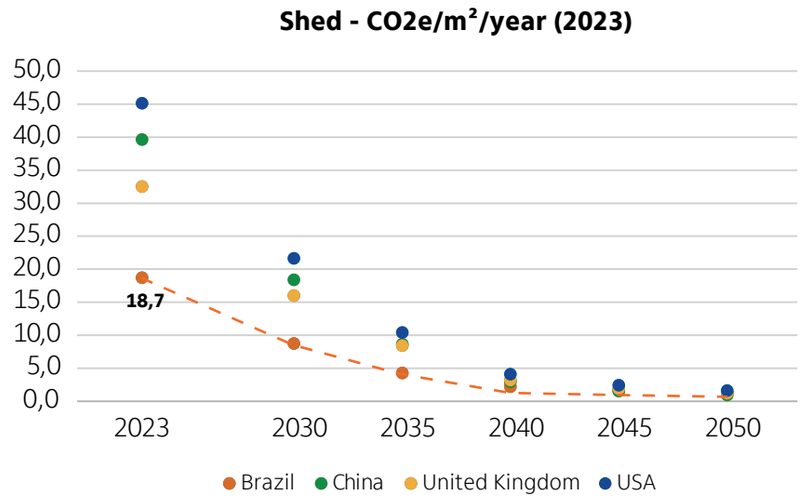
According to the International Energy Agency (IEA), the main source of emissions in the real estate sector is in the use phase of the property, which can represent 80% of total emissions. In Brazil, the low intensity of emissions from the electricity matrix, given the high share of renewable energy sources, combined with the lower demand for heating, the tropical or sub-tropical climate in most of the country, considerably reduces energy consumption and, consequently, the sector's emissions compared to other countries:

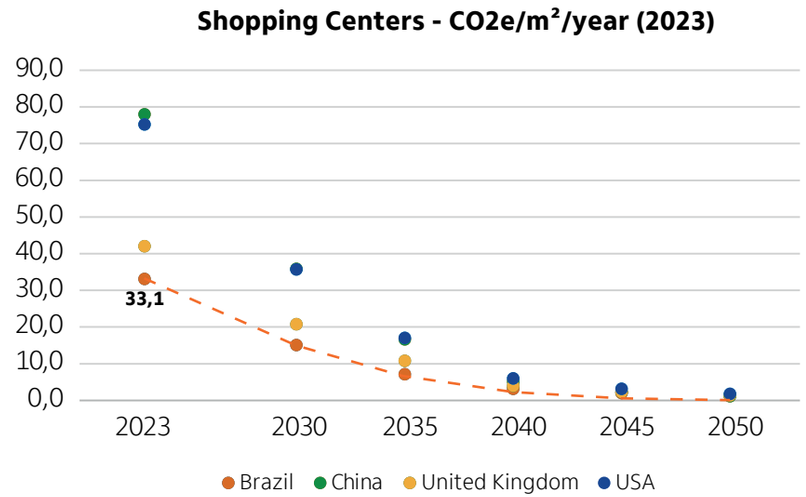


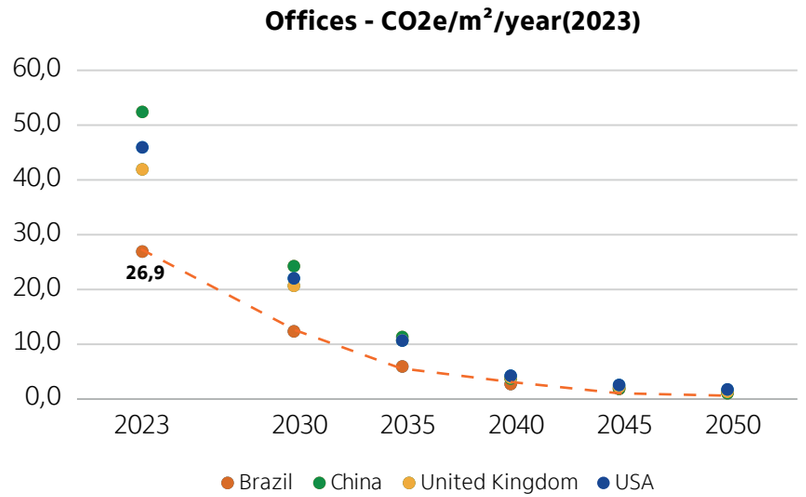
* Considers Multifamily Properties, such as apartments.

GHG Emission Intensity - Commercial Properties









Source: CREEM

In the case of commercial properties, the intensity of emissions per square meter tends to be higher than that of residential properties due to the higher consumption of electricity in air conditioning and lighting. The possible presence of gas-fired boilers also contributes to higher emissions in this comparison.

However, Brazil starts from a relatively advantageous position compared to other countries, with low-emission electricity available throughout the electricity grid (with the exception of some locations not served by the SIN – National Interconnected System), which contributes positively to lower GHG emissions per m² from residential properties and commercial operators, such as shopping malls, commercial slabs, hotels and logistics warehouses.

Among the main levers for the decarbonization of the real estate sector is the increase in the share of renewable sources of electricity and thermal energy (such as biogas), the increase in energy efficiency through the use of equipment with lower energy consumption, the electrification of equipment powered by fossil fuels (such as boilers and gas stoves), the modernization of existing properties (retrofits) and the generation of decentralized electricity, as solar.

We recognize that the implementation of each of these levers depends on the particular conditions of each property. At the same time, they point to the direction, given the current technological stage, of the main sources of GHG emission reduction in the real estate system.

Although Brazil has advantages in emissions intensity in this sector, there are important challenges for the effective reduction of emissions.

From the point of view of residential properties, the absence of public policies aimed at reducing fossil energy consumption, such as the electrification of gas stoves and showers, and the high costs of modernization (retrofit), which can exceed the purchasing power of families, stand out.

Another point to be considered is the worrying housing deficit in Brazil, which in 2022 reached 6 million households, an increase of 4.2% compared to 2019, according to the IBGE. This represents 8.3% of the total housing in the country. In addition, the lack of adequate housing exposes the population to significant climate risks, such as floods and heat waves, exacerbating the vulnerability of communities and making it difficult to recover after natural disasters.

As for commercial real estate, the absence of public policies that encourage the renovation and reduction of GHG emissions from real estate is an important obstacle.

Our approach to decarbonizing real estate

To understand the challenges of the sector, we formed an internal multidisciplinary working group that has been dedicated to exploring the obstacles and opportunities of decarbonization.

Currently, only about 25% of our clients in the commercial real estate portfolio have emission inventories, which makes it difficult to establish a baseline and measure the evolution of the sector. In addition, the complex dynamics between landlords and tenants make it difficult to access essential information to monitor progress towards net-zero greenhouse gas emissions targets.

Considering the sector's low participation in Brazil's GHG emissions matrix, as well as limitations for measuring, implementing, and monitoring decarbonization levers, at this time, we do not see the necessary conditions to establish a decarbonization goal for the real estate sector.

However, we will continue to offer solutions to encourage more sustainable practices in the use of real estate for our clients.

We stimulate the decarbonization of the sector also through the offer of our products and services. Among the solutions already available, we have the promotion of renewable electricity generation, credit lines dedicated to the installation of solar panels and products such as the Green Entrepreneur Plan, which promotes the adoption of sustainable practices for residential and commercial properties.

In addition, the sector benefits indirectly from low-emission electricity, addressed in our decarbonization objective for the electricity sector.

In addition, at Cubo Itaú - one of the most relevant innovation hubs in Latin America, we have a vertical specifically focused on the construction sector - Construliving - to discuss the challenges of construction and housing, develop solutions and support our customers in their decarbonization journeys, driving transformation and innovation in the sector.

We understand that the set of actions adopted above and the constant monitoring of the sector are the pillars that we can direct to support the transition of the real estate use sector to a net zero economy in GHG emissions.

Challenges and vision for the future

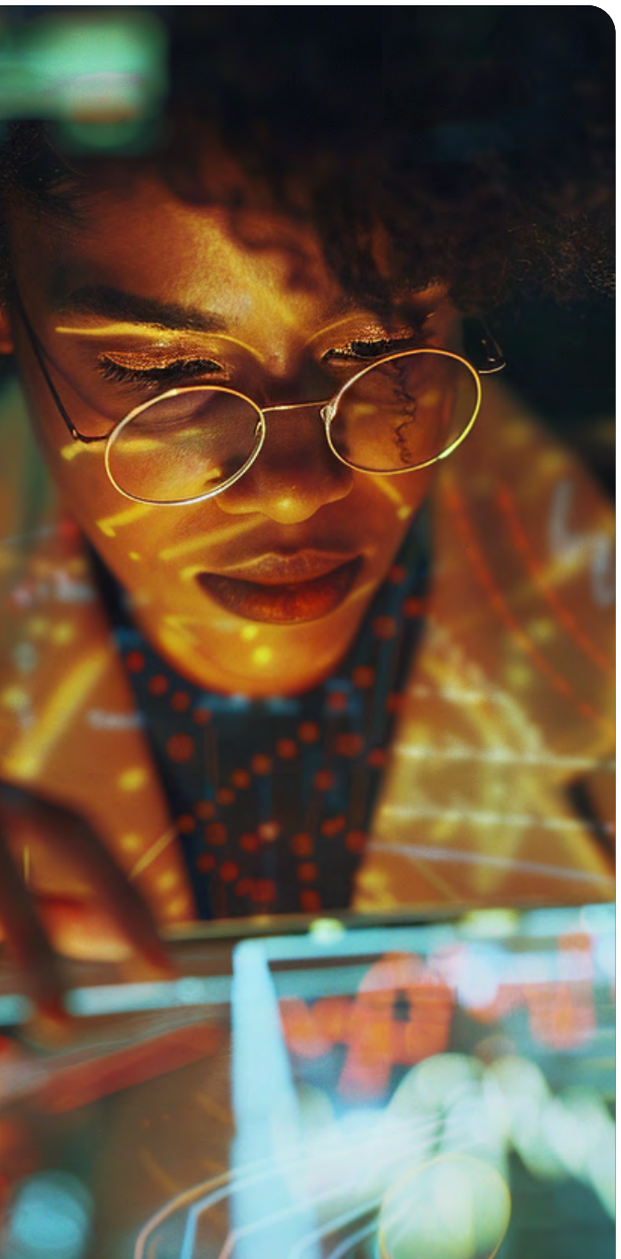
Despite noteworthy progress in recent years, there are still challenges for climate change management in financial institutions. These challenges are related to the regulatory environment, engagement with stakeholders, diverse levels of client maturity, standardization of methodologies and calculators, access to structured and available data, risk management and adequate transparency of climate information.

Regulations

One of the great challenges for Brazil continues to be the uncertainty of the regulatory environment in relation to the implementation of a carbon market and a robust information system for emissions data from productive entities, what we call Measurement, Reporting and Verification (MRV). The institutional and regulatory arrangement is necessary so that the country can adopt an efficient and flexible carbon pricing system, seeking compliance with the Brazilian NDC and without interfering with the competitiveness of industry. Added to this is the potential to encourage the generation of carbon credits which, in a scenario of greater legal certainty, could unlock investments. We support initiatives both to encourage the voluntary market and advocacy in relation to the regulated market, since national and international regulations on the subject can impact our strategy, requiring adaptations in processes and disclosures.

Engagement

Engaging the different stakeholders is also a challenge due to the still limited knowledge of the subject, particularly in the domestic market. Internally, we have acted by training our employees and dialoguing with suppliers, clients, industry associations and other stakeholders. As we evolve in this process, we seek to ensure that the interests of different players are reconciled, without jeopardizing climate ambition, which is also extremely necessary.



Technology and innovation

As a financial institution, we depend on the decarbonization of the economic agents in our supply chains to achieve Net Zero by 2050. Our main objective is to support the climate transition of clients and the economy, contributing to greater equity in the evolution of the agenda. As already mentioned, we have carried out a diagnosis of our clients' maturity in relation to decarbonization and have worked to engage them in the climate and ESG agenda, but the road to transforming climate management into a market practice is still long and depends on technological innovation so that the various sectors of the economy have availability and access to technologies capable of offering scalable solutions to the challenges of decarbonization.

Brazil still suffers from a relative lack of regionalized data for climate change management, such as a bank of national emission factors. In many cases, the lack of disclosure of greenhouse gas emissions by companies makes it difficult to know the reality of certain sectors. Even for sectors where information is more readily available, it is not necessarily appropriate to the national context, and even for clients who are already engaged and mobilized, not all technological solutions are widely available and accessible, such as carbon capture and storage technologies. We believe that innovation can play a crucial role in increasing the availability of data and solutions for decarbonization. That is why we are working on this agenda through the Cubo ESG and dialog with the academy, as well as creating proprietary solutions for using ESG data.

Risk Management

Climate change makes it necessary to review risk management processes to deal with the uncertainties imposed by physical and transition risks, particularly in the medium and long term. The impact of climate change can be systemic, which prevents it from being restricted to a single risk discipline and makes it necessary to reconcile different themes such as credit analysis, sector objectives, risk appetite, biodiversity, among others.

Transparency

Finally, once efforts have been made to implement the climate strategy, communicating it, and providing an adequate level of transparency on this issue remains a challenge for financial institutions and investors. The TCFD is still the main framework for disclosing climate information, but other initiatives have emerged around the world and the complexity of climate change also makes it necessary to align frameworks, methodologies, and indicators to meet the dissimilar needs of different stakeholders. We have continued our efforts to align our communications with the TCFD recommendations and to fulfill our commitment to the NZBA.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