



Emerging Risks 2021



Concept and Governance

Concept_

For us, emerging risks are those with medium and long-term with potentially medium and long-term material impact on our business, for which there are not sufficient elements for their complete assessment and mitigation, due to the number of factors and impacts not fully known yet. Their causes may originate from external events and result in the emergence of new risks or in the intensification of risks already monitored by the institution.

Governance_

The identification and assessment of emerging risks are the responsibility of the various business and support areas of Itaú Unibanco, and the Risk Area is responsible for defining the work methodology and conducting meetings. All identified risks are approved by the directors of the affected areas and deliberated by the "Compliance and Operational Risk Committee".

Technological Alternatives in the Substitution of Traditional Banking Services

Risk description_

The new digital technologies are transforming traditional banking products and services, requiring innovation and disruptive tools. This changes the way of customers demand or interact with banking services and makes the environment more competitive with other players, making it necessary to adapt to this new trend in the financial market.

Impact_

Technological innovations such as artificial intelligence, cloud, distributed accounting technology (DLT), quantum technology and cryptographic assets change the nature of financial systems and services, affecting us in the following ways:

- Changing consumer behaviors:** search for new financial services and products requiring greater interaction, mobile access and faster transactions;
- Adaptation of internal processes and resources:** the need to maintain current legacy systems, along with the modernization of business services and technology, as well as the development of new employee skills through training and qualified hiring.
- Outsourcing dependence:** need to pay attention to the risk of concentration and dependence of suppliers.

Mitigation Actions_

The strategic management of technology included an increase in investment of approximately R\$1.5 billion in 2020, mainly in new products and commercial platforms aimed at improving the bank's operational efficiency in the medium and long term. We are also committed to accelerating our digital transformation process, having hired in the technology area more than 3,700 qualified employees, in addition to incorporating the structure of ZUP IT Innovation, a developer experience company acquired in Oct/2019. Our technology initiatives have modernized services, increasing productivity and reducing the time to implement solutions. There is also the BIA, a business continuity management tool that identifies the financial and operational impact of an eventual interruption in our core processes and evaluates replacement alternatives. Finally, there is the CUBO incubator for the development of alternative and innovative technologies and business models.

Customer Demographic Transition in Contrast with Technological Innovations

Risk description _

Brazil has more than 28 million people in their 60s, a number that represents 13% of the country's population. This percentage tends to double in the coming decades, according to the Population Projection, released in 2018 by the Brazilian Institute of Geography and Statistics (IBGE), causing this growth in life expectancy to expand the senior participation in the consumer market for banking services in the long term. This requires us to adapt our communication, products, and services to this consumer profile with specific needs, aiming at the continuity of our business lines and promoting sustainability for our stakeholders.

Impact _

We understand that our senior customers may find more difficult to use technology, so they need help with accessibility and inclusion to our increasingly digital financial products and services. We must consider that these clients' unfamiliarity with the use of these tools may result in the fear of "loss" of the money transacted and, therefore, the low adherence to them.

In addition, we are concerned about the increased possibility of fraud that can occur with these customers, whose lack of adequate support can lead them to be victims of social engineering situations and scams.

We also understand the importance of developing products and services with assisted technology that supports hardware and software that are more accessible to people who have sensory and motor difficulties, providing in self-service equipment, for example, care with the size of the letters used in the interface.

Mitigation Actions _

We have the Itaú Viver Mais program, which provides the inclusion of people over 55 years old in sports and social and cultural activities. In 2020, its main objective was to support the network for the protection of the rights of the elderly in confronting the pandemic and to reinforce its partnership with the Longeviver Platform, a geostatistical data platform designed to support the development of public policies oriented towards demographic change and population aging.

We are dedicated to the agility and quality of customer service, practicing, even before the promulgation of laws about waiting time at our agencies, differentiated service for the elderly, encouraging business practices in favor of this public.

In addition, on our own site, there are campaigns about digital inclusion that serve to encourage the download of the mobile application for customers who have not had contact with the tool yet.