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ESG Products and Services Results

December 31, 2020

Positive impact driven by ESG products and services

Considering Environmental, Social and Governance (ESG) aspects is key for a business to thrive in today's world. As a result, governments, companies, and institutions around the world are restructuring their stances and long-term strategies to have a positive impact on society, conducive to growth. Such practice and its unfolding are proving beneficial on all fronts.

In addition to effectively contributing to a better future, companies that embrace ESG issues across the board have been associated with greater strength, greater resilience against environmental and social risks, and lower cost of capital.

At the environmental level, where the criterion is performance and management of environmental impacts, corporations take actions that reduce consumption of natural resources or make their processes safer against environmental risks. At the same time, they can contribute to ESG prosperity and Positive Impact 5 of green areas and forests, generating environmental wealth besides offsetting negative impacts

The social level refers to the respect for universal human rights, with respect to employees, suppliers, and the community. This is put into practice, for example, by carefully assessing suppliers to prevent slave labor or unhealthy conditions for the people involved in the entire process. At the same time, fostering the employee development and securing their healthy well-being are stances that have a positive impact.

At the governance level, corporate management linked to compliance and anti-corruption processes is assessed, in addition to its long-term strategy, the independence and diversity of its board members, among other issues related to the way a company operates. Thus, this index offers enormous clarity for investors and society. The transparent disclosure of key information and data in reporting is an example of how to put this ESG pillar into practice.

Itaú's approach during the transformative ESG scenario

The financial system permeates all layers of society and all industries. This reality—added to our 96-year history, our influence as Brazil's most valuable brand, the scope of our products and services, and our broad reach to people and businesses of all sizes and profiles throughout the country—highlights our great responsibility as an agent of transformation. We acknowledge this.

And this was the starting point for us to assume a new positioning. We have immersed ourselves in global challenges, conducted research and talked to experts, employees, leaders, clients, shareholders, suppliers, and citizens to analyze and discover how Itaú could act to help build a better future.

ESG products and services main results

In 2020, we allocated R\$27.75 bn to positive impact sectors strategically defined by Itaú Unibanco in 2019 during the statement of our commitments.

This volume of capital allocated to the green and social impact economy accounts for 14.2% of the bank's total lending portfolio as of December 31, 2020.

In 2020, by structuring transactions in the local and foreign capital markets, Itaú BBA reached the milestone of R\$62 bn in structured operations for its clients. Of this volume, 18.9% corresponded to ESG transactions, which consist of issuing Green, Social and Sustainable Bonds, Climate Transition and Sustainability-Linked transactions.

In 2020, we allocated R\$8.55 bn to the sustainable infrastructure sectors. This volume of capital allocated to generating positive social impact on the Brazilian emerging market accounts for 4.4% of the bank's total credit portfolio as of December 31, 2020.

To encourage the development of the ESG market in Brazil and Latin America, both emerging markets, we decided to take the first step and advise our clients on the ESG agenda free of charge. In this advisory process, we are paid only for the associated product/service and not for the advisory service itself. We strategically decided that it would be a good start to promote this service for free so that more and more companies can make the sustainable transition, extending our expertise acquired over the years so that today we can show the way to our clients. But the fact that we are not charging for advisory services today does not mean that it is not expressive; in 2020 we were the only bank to advise two other Brazilian banks in their first green issues, which were structured as Private Placements. In addition, we also worked in the green issues of Rumo and Klabin alongside other banks, like in all other transactions in this area conducted in 2020. We are proud of our journey and of the transformative power that we are having in these markets.