

# Second-Party Opinion

## Itaú Unibanco Sustainability Finance Framework



### Evaluation Summary

Sustainalytics is of the opinion that the Itaú Unibanco Sustainability Finance Framework is credible and impactful and aligns with the Sustainability Bond Guidelines 2018 (SBG) and the Green Loan Principles 2020 (GLP). This assessment is based on the following:



**USE OF PROCEEDS** The eligible categories for the use of proceeds – Renewable Energy and Energy Efficiency, Clean Transportation, Sustainable Water and Wastewater Management, Pollution Prevention and Control, Environmentally Sustainable Management of Living Natural Resources and Land Use, Green Buildings, Access to Essential Services, Inclusive Finance – are aligned with those recognized by both the Green Bond Principles 2018 (GBP), Social Bond Principles 2020 (SBP) and GLP. Sustainalytics considers that the eligible categories will lead to positive environmental or social impacts and advance the UN Sustainable Development Goals, specifically SDG 7, 8, 9, 10, 11, and 15.



**PROJECT EVALUATION / SELECTION** Itaú Unibanco's eligible projects will be selected by its dedicated Sustainability Finance Committee based on the established eligibility criteria. The Sustainability Finance Committee is comprised of members from cross-functional departments. Sustainalytics considers the project selection process to be in line with market practice.



**MANAGEMENT OF PROCEEDS** Itaú Unibanco's issuances under the Framework are intended to be managed by the Treasury department using existing internal tracking systems. The Bank intends on allocating net proceeds from issuance in the first 36 months from the date of issuance. Pending full allocation, the unallocated net proceeds will be invested in cash or cash equivalents. Sustainalytics considers the processes in place to manage proceeds and the disclosure for temporary use pending allocation to be in line with market practice.



**REPORTING** Itaú Unibanco intends to report on allocation of proceeds on its website on an annual basis until full allocation. This report will include amount of unallocated proceeds, number of beneficiaries, average loan amount and amount allocated with a breakdown per Eligibility Criteria. In addition, Itaú is committed to reporting on relevant impact metrics. Sustainalytics views Itaú's allocation and impact reporting as aligned with market practice.

|                        |                            |
|------------------------|----------------------------|
| <b>Evaluation date</b> | January 8, 2021            |
| <b>Issuer Location</b> | State of São Paulo, Brazil |

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## Introduction

Itaú Unibanco Holding S.A. (“Itaú”, or the “Bank”) is a financial institution providing banking services to about 55 million clients.<sup>1</sup> The Bank is headquartered in São Paulo, Brazil and offers commercial, retail, corporate, and private banking services. Itaú is publicly listed on the B3 and the NYSE. The Bank was established as a result of the merger of Banco Itaú and Unibanco in November 2008.

Itaú has developed the Itaú Unibanco Sustainability Finance Framework (the “Framework”) under which it intends to issue multiple sustainability bonds and loans and use the proceeds to finance and/or refinance, in whole or in part, existing and future projects that promote a climate resilient future; and/or projects with positive social outcomes. The Framework defines eligibility criteria in eight areas:

1. Renewable Energy and Energy Efficiency
2. Clean Transportation
3. Sustainable Water and Wastewater Management
4. Pollution Prevention and Control
5. Environmentally Sustainable Management of Living Natural Resources and Land Use
6. Green Buildings
7. Access to Essential Services
8. Inclusive Finance

Itaú engaged Sustainalytics to review the Itaú Unibanco Sustainability Finance Framework, dated January 2021, and provide a Second-Party Opinion on the Framework’s environmental and social credentials and its alignment with the SBG and GLP.<sup>23</sup> This Framework will be published in a separate document on the Bank’s website.<sup>4</sup>

### Scope of work and limitations of Sustainalytics Second-Party Opinion

Sustainalytics’ Second-Party Opinion reflects Sustainalytics’ independent<sup>5</sup> opinion on the alignment of the reviewed Framework with the current market standards and the extent to which the eligible categories are credible and impactful.

As part of the Second-Party Opinion, Sustainalytics assessed the following:

- The Framework’s alignment with the Green Bond Principles 2018, Social Bond Principles 2020, and Sustainability Bond Guidelines 2018, as administered by ICMA;
- The Framework’s alignment with the Green Loan Principles 2020, as administered by LMA;
- The credibility and anticipated positive impacts of the use of proceeds; and
- The alignment of the issuer’s sustainability strategy and performance and sustainability risk management in relation to the use of proceeds.

For the use of proceeds assessment, Sustainalytics relied on its internal taxonomy, version 1.6, which is informed by market practice and Sustainalytics’ expertise as an ESG research provider.

As part of this engagement, Sustainalytics held conversations with various members of Itaú’s management team to understand the sustainability impact of their business processes and planned use of proceeds, as well as management of proceeds and reporting aspects of the Framework. Itaú representatives have confirmed (1) they understand it is the sole responsibility of Itaú to ensure that the information provided is complete, accurate or up to date; (2) that they have provided Sustainalytics with all relevant information and

<sup>1</sup> Itaú Annual Report 2019 published at: <https://www.italu.com.br/relacoes-com-investidores/annual-report/2019/pdf/integrated-report-2019.pdf>

<sup>2</sup> The Sustainability Bond Guidelines are administered by the International Capital Market Association (ICMA) and are available at <https://www.icmagroup.org/green-social-and-sustainability-bonds/sustainability-bond-guidelines-sbg/>

<sup>3</sup> The Green Loan Principles are administered by the Loan Market Association (LMA) and ICMA and are available at <https://www.lsta.org/content/green-loan-principles/>

<sup>4</sup> The Itaú Unibanco Sustainability Finance Framework is available on Itaú Unibanco’s website at: <https://www.italu.com.br/relacoes-com-investidores/Home.aspx?linguagem=en>

<sup>5</sup> When operating multiple lines of business that serve a variety of client types, objective research is a cornerstone of Sustainalytics and ensuring analyst independence is paramount to producing objective, actionable research. Sustainalytics has therefore put in place a robust conflict management framework that specifically addresses the need for analyst independence, consistency of process, structural separation of commercial and research (and engagement) teams, data protection and systems separation. Last but not the least, analyst compensation is not directly tied to specific commercial outcomes. One of Sustainalytics’ hallmarks is integrity, another is transparency.

(3) that any provided material information has been duly disclosed in a timely manner. Sustainalytics also reviewed relevant public documents and non-public information.

This document contains Sustainalytics' opinion of the Framework and should be read in conjunction with that Framework.

Any update of the present Second-Party Opinion will be conducted according to the agreed engagement conditions between Sustainalytics and Itaú.

Sustainalytics' Second-Party Opinion, while reflecting on the alignment of the Framework with market standards, is no guarantee of alignment nor warrants any alignment with future versions of relevant market standards. Furthermore, Sustainalytics' Second-Party Opinion addresses the anticipated impacts of eligible projects expected to be financed with bond proceeds but does not measure the actual impact. The measurement and reporting of the impact achieved through projects financed under the Framework is the responsibility of the Framework owner.

In addition, the Second-Party Opinion opines on the intended allocation of proceeds but does not guarantee the realised allocation of the bond proceeds towards eligible activities.

No information provided by Sustainalytics under the present Second-Party Opinion shall be considered as being a statement, representation, warrant or argument, either in favour or against, the truthfulness, reliability or completeness of any facts or statements and related surrounding circumstances that Itaú has made available to Sustainalytics for the purpose of this Second-Party Opinion.

## Sustainalytics' Opinion

### Section 1: Sustainalytics' Opinion on the Itaú Unibanco Sustainability Finance Framework

Sustainalytics is of the opinion that the Itaú Unibanco Sustainability Finance Framework is credible, impactful and aligns with the four core components of the GBP, SBP and GLP. Sustainalytics highlights the following elements of Itaú's Sustainability Bond Framework:

- Use of Proceeds:
  - The eligible categories – Renewable Energy and Energy Efficiency, Clean Transportation, Sustainable Water and Wastewater Management, Pollution Prevention and Control, Environmentally Sustainable Management of Living Natural Resources and Land Use, Green Buildings, Access to Essential Services and Inclusive Finance – are aligned with those recognized by the GBP and SBP.
  - The Renewable Energy and Energy Efficiency category includes projects in wind, solar and hydro energy generation, and in transmission and distribution (T&D) infrastructure. Sustainalytics notes the following details related to eligible projects:
    - For hydro energy, the Bank has disclosed its intention to select projects that are less than 20 MW.
    - Investments in T&D networks will connect renewable energy projects to the electric grid. Currently, over 80% of the electricity load of Brazil's existing T&D infrastructure is generated from renewable sources. Sustainalytics notes that investments in this category are in line with the *Sistema Interligado Nacional*, a National Interconnected System for improving the resilience of T&D infrastructure as the country increases the share of energy sourced from renewable sources. Please refer to Section 3 for more details.
      - Sustainalytics notes that a significant portion of renewable energy in Brazil comes from hydropower projects. Sustainalytics acknowledges that Itaú will prioritize projects that will enable sustainable sources to be increased within the energy matrix in Brazil.
      - The Bank's in-house Environmental and Social (E&S) Risk Team conducts environmental and social impact assessment prior to taking on infrastructure projects such as the ones highlighted in this category of the Framework (for

- more details please refer to Section 2). Sustainalytics considers investments in this category to be aligned with market practice.
- Investments in energy efficiency technologies are considered eligible if they lead to a minimum of 30% energy savings over current performance. Sustainalytics notes that these investments will not finance fossil-fuel intensive operations.
  - Sustainalytics considers investments in this category along with the associated thresholds to be aligned with market practice.
- Under the Clean Transportation category, the Bank intends to finance projects that enable the manufacture or purchase of clean vehicles or infrastructure that promotes and supports the use of clean transport. This includes:
- Charging stations and other electric vehicle infrastructure as well as structures needed to support active transport such as bicycle lanes, bicycle sharing locations, parking stands etc.
  - Financing the manufacture of clean transport vehicles which will pertain to production lines dedicated to the manufacture of electric vehicles.
  - Financing the purchase of electric vehicles and hybrids that meet the criteria of emissions intensity below 75g CO<sub>2</sub> per passenger km for passenger cars and below 25g CO<sub>2</sub> per tonne km for freight.
  - The Bank has further clarified that these investments shall not be used for the transportation of fossil fuels.
  - Sustainalytics considers these activities to be aligned with market practice.
- Within the Sustainable Waste and Water Management category, the Bank contemplates investments in water treatment plants, systems that minimize water usage (including water reuse), composting, co-processing of organic solid waste and recycling. Further, Itaú will also consider investing in biogas plants for electric energy conversion derived from anaerobic decomposition of waste and crop-based feedstock subject to the following conditions.
- Biogas projects included in this category are subject to an emissions threshold of 100g CO<sub>2</sub>e/kWh of energy generated, in line with market practice.
  - Crop-based feedstock is considered eligible if it is certified by credible third-party certification schemes such as the Roundtable on Sustainable Biomaterials (RSB), International Sustainability & Carbon Certification (ISCC), Bonsucro, and the Roundtable on Responsible Soy (RTRS). The Framework allows for projects where feedstock is certified by other schemes as long as the Bank assesses them to be equivalent to the schemes mentioned above. Sustainalytics encourages the Bank to consider only those projects where feedstock has been sustainably sourced demonstrated by a credible third-party certification.
- Sustainalytics considers these investments and the associated thresholds to be aligned with market practice.
- Under the Pollution Prevention and Control category, Itaú contemplates investments in projects focused on managing particulate matter waste, energy cogeneration, recovery of heat and steam as well as the development, operation and increased efficiency of recycling plants and waste-to-energy conversion factories. The Bank clarifies in the Framework that investments in this category will not finance operations that are engaged in the production of or are inherently reliant on fossil fuels. Sustainalytics views this category as aligned with market practice.
- The Environmentally Sustainable Management of Living Natural Resources and Land Use category refers to the financing of sustainable agriculture, forest management and reforestation projects and sustainable animal welfare programs.
- Sustainable forestry projects are considered eligible if they are certified by credible third-party certification schemes such as the Forest Stewardship Council (FSC), Brazilian Forest Certification Program (Cerflor), and Program for the Endorsement of Forest Certification (PEFC) or other equivalent sustainable forestry certifications. Please refer to Appendix 1 for an overview of the referenced certification schemes.
  - Sustainable agriculture projects are considered eligible if they are Rainforest Alliance Certified™ or GlobalGAP (Good Agricultural Practices) certified. Sustainalytics

- considers these projects eligible while noting that GlobalGAP certification does not necessarily provide guaranteed minimum levels of impact (please refer to Appendix 2 for details on agriculture certification schemes). Accordingly, Sustainalytics considers the reliance on the scheme to be a minor limitation to the Framework.
- Sustainalytics notes that the Framework allows for investments in projects certified by third-party certification schemes other than the above that the Bank considers equivalent to the above schemes.
  - This category also contemplates investments in low-carbon agriculture projects and technologies such as soil recovery, restoration of degraded pastures, and biological nitrogen fixation.
  - Sustainalytics considers the above projects to be aligned with market practice and encourages the Bank to rely on certification schemes mentioned above or those that are considered as equivalent and aligned with market practice at the time of investment.
- Under the Green Buildings category, the Bank considers investments in buildings that are certified for positive environmental attributes by third-party certifying bodies. For the purpose of this Framework, investments in buildings certified as Gold or Platinum by the Leadership in Energy and Environmental Design (LEED) or Excellence in Design for Greater Efficiencies (EDGE) will be considered eligible. Sustainalytics considers these certifications schemes to be credible and the associated thresholds to determine eligibility to be aligned with market practice. Please refer to Appendix 3 for more details.
  - Under Access to Essential Services, the Bank contemplates investments in public infrastructure focused on healthcare services, sports and culture facilities, investments in private education institutions focused on increasing access to underserved populations, and programs focused on inclusion of aging population.
    - Target population for investments in private education include students from low-income households or residing in areas where socio-economic indexes are lower than Brazil's national average.
    - The Bank intends to finance educational institutions that have a strategy to serve students from the target population defined above and enhance accessibility to quality education through lower tuition fees than premier institutes.
    - Sustainalytics considers these investments to be aligned with market practice.
  - Under the Inclusive Finance category, the Bank intends on extending financial services to micro- and small enterprises<sup>6</sup> and small and medium enterprises (SMEs).<sup>7</sup> Sustainalytics notes that:
    - SMEs are eligible for financing under this category if they belong to target populations that currently lack access to financial services such as women-owned companies (as defined by the International Finance Corporation),<sup>8</sup> businesses located primarily in Northeast and Northern Brazil that lack access to basic infrastructure or in Brazilian municipalities with human development index (HDI) below Brazil's HDI average of 0.755, and businesses that have restricted access to credit.
    - Sustainalytics notes that provinces in the Northeast and North of Brazil currently report an HDI lower than that of Brazil's national average and through such financing, the Bank intends to aid local businesses in these areas with access to financial services.
    - Sustainalytics considers these investments to be aligned with market practice.
  - Sustainalytics views positively that an exclusionary list has been implemented with the aim of ensuring that financing under the Framework is not provided to businesses and projects in sectors with high environmental and social risk. This includes activities related to production of

<sup>6</sup> The Framework defines Micro- and small-enterprises as companies with a annual sales up to US\$ 3 million and may also have limited access to financial services such as affordable loans and payments solutions due the lack of collateral or minimum use of access of technology as per the definition provided by IFC

<sup>7</sup> The Framework defines SME as any company with annual sales up to US\$ 15 million.

<sup>8</sup> IFC defines women-owned businesses as: (a) ≥ 51% owned by woman/women; or (b) ≥ 20% owned by woman/women; AND (i) has ≥ 1 woman as CEO/COO/President/Vice President; AND (ii) has ≥ 30% of the board of directors composed of women, where a board exists, "IFC's Definitions of Targeted Sectors" at:

[https://www.ifc.org/wps/wcm/connect/industry\\_ext\\_content/ifc\\_external\\_corporate\\_site/financial+institutions/priorities/ifcs+definitions+of+targeted+sectors](https://www.ifc.org/wps/wcm/connect/industry_ext_content/ifc_external_corporate_site/financial+institutions/priorities/ifcs+definitions+of+targeted+sectors)

fossil fuels (including those that are inherently reliant on fossil-fuels), nuclear energy, weapons and munitions and tobacco.

- **Project Evaluation and Selection:**
  - Itaú is establishing a Sustainability Finance Committee (the “Committee”) that will be responsible for identifying and selecting eligible projects to be funded based on the criteria set out in the Sustainability Finance Framework as well as provide final project approval.
  - The Committee comprises of representatives from the Bank’s Treasury, Environmental & Social Risk, Sustainability, Compliance, Credit and Investor Relations departments. Each transaction will also go through the regular credit approval process which includes evaluation of environmental and social risks associated with the project.
  - Based on a dedicated committee with multi-stakeholder representation for project evaluation and selection, Sustainalytics considers this process to be aligned with market practice.
- **Management of Proceeds:**
  - Net proceeds from any issuance under the Framework will be managed by the Treasury department using existing internal tracking systems.
  - The Bank intends on allocating net proceeds to refinance existing projects commenced within three years prior to issuance or to finance new projects within three years from the date of issuance. Itaú has communicated that financing for eligible projects maturing prior to bond maturity will be reallocated to other projects subject to the same eligibility criteria laid out in the Framework.
  - Pending full allocation, the unallocated net proceeds will be invested in cash or cash equivalents.
  - An external reviewer will verify the allocation of proceeds on an annual basis until complete allocation of the net proceeds.
  - Sustainalytics considers the processes in place to manage proceeds and the disclosure for temporary use pending allocation to be in line with market practice.
- **Reporting:**
  - Itaú commits to reporting on the use of proceeds annually until full allocation in a dedicated report intended to be made publicly available in the Bank’s website.
  - This report will include details related to amounts of allocated and unallocated proceeds, as well as other indicators such as number of beneficiaries, average loan amount and amount allocated with a breakdown per Eligibility Criteria.
  - The Bank intends to also publish an impact report which will include output and performance against Key Performance Indicators (KPIs) per Eligibility Criteria.
  - Based on the commitment to allocation and impact reporting, Sustainalytics considers this process to be in line with market practice.

#### **Alignment with Sustainability Bond Guidelines 2018**

Sustainalytics has determined that the Itaú Unibanco Sustainability Finance Framework aligns to the four core components of the GBP and SBP. For detailed information please refer to Appendix 4: Sustainability Bond/ Sustainability Bond Programme External Review Form.

## Section 2: Sustainability Strategy of Itaú

### Contribution of Framework to Itaú Unibanco's sustainability strategy

Sustainalytics notes Itaú's commitment to sustainability through the Positive Impact Commitments made by the Bank in its Annual Report 2019 summarizing its sustainability strategy going forward.<sup>9</sup> As part of this strategy, the Bank highlights its commitment to accountability and disclosures, creating a positive impact through its business, and as well as commitments relating to ethics and responsible management:

- As part of its commitment to creating a positive impact through business, the Bank has outlined four key areas: (i) Financing in positive impact sectors, (ii) Financial Citizenship, (iii) Responsible investment, and (iv) Inclusion and entrepreneurship.<sup>10</sup> In September 2019, Itaú became a signatory to the Principles of Responsible Banking through which it committed to strategically align its business with UN SDGs and facilitate circulation of capital from a "high waste and pollutant generation and low concern of social concerns economy to a greener and socially inclusive economy."<sup>11</sup>
- Itaú plans to enable the transition to a greener economy through a commitment to invest R\$ 100 billion (US\$ 19.2 billion) to 20 positive impact sectors including renewable energy generation, services related to renewable energy supply, basic infrastructure for sanitation, among others by 2025. The Bank has also committed to invest R\$15 billion (US\$ 2.9 billion) towards renewable energy within the same timeframe.<sup>12</sup>
- Regarding inclusion and entrepreneurship, Itaú sets forth its commitments to improve financial inclusion for Micro-enterprises and SMEs, particularly those owned by minority populations. Considerable investments were reported for 2019 with the microcredit portfolio growing considerable to R\$ 37 million (US\$ 7 million) up from 2018 figure of R\$ 14 million (US\$ 2.7 million) in 2017 with 59% of the loans to women-led businesses.<sup>13</sup>
- The Bank plans on including over 300,000 entrepreneurs in a low-cost financial services platform by 2021 as well as increase credit allocated to women-led SMEs to R\$ 9 billion (US\$1.7 billion) measuring over 20% of its credit portfolio.<sup>14</sup>
- To further demonstrate its commitment to responsible investment, Itaú supported 67 projects through its Ecomudança E&S Funds in 2019, impacting more than 1,700 families. Within the projects supported, 42% are in the forest sector, and have prevented 42,000 metric tons of GHG emission.<sup>15</sup>
- At an operational level, the Bank procured 100% of its energy requirements from renewable sources in 2019 either through direct procurement or purchase of offsets and achieved water consumption lower than its goal.<sup>16</sup>
- The Bank plans on incorporating ESG considerations into its business and has committed to providing an ESG evaluation for 100% of applicable assets by 2022 as well as incorporating risk, return, and effect variables associated with environmental and social issues related to its loan portfolio by 2025.<sup>17</sup>

Sustainalytics is of the opinion that the Itaú Unibanco Sustainability Finance Framework is aligned with the company's overall sustainability strategy and initiatives and will further the Company's action on its key environmental and social priorities.

### Well-positioned to address common environmental and social risks associated with the projects

While Sustainalytics recognizes that the use of proceeds from the Framework will be directed towards eligible projects that are recognized by the GBP, SBP, and GLP to have positive environmental and social impact, Sustainalytics is aware that such eligible projects could also be contribute to negative environmental and social outcomes. Some key E&S risks could include occupational health and safety concerns, management

<sup>9</sup> Itaú website, Integrated Annual Report 2019 at: <https://www.itaú.com.br/relacoes-com-investidores/annual-report/2019/pdf/integrated-report-2019.pdf>

<sup>10</sup> Ibid

<sup>11</sup> Ibid

<sup>12</sup> Ibid

<sup>13</sup> Ibid

<sup>14</sup> Ibid

<sup>15</sup> Ibid

<sup>16</sup> Ibid

<sup>17</sup> Ibid

of waste generated in construction, managing community relations and ensuring stakeholder participation, and risks associated with activities carried out by companies and processes financed.

Regarding the proceeds from issuances under this Framework, Itaú takes an active approach to mitigate these risks and for the purpose of the Framework has incorporated into its exclusionary criteria clients and projects that operate in the fossil fuels, nuclear energy, oil & gas, tobacco, weapons and munitions.<sup>18</sup> Further, in its 2019 Annual Report, the Bank extends this restricted list to extraction of wood from native forests, fishing activities, meat plants and slaughterhouses, and extraction or industrialization of asbestos. Sustainalytics considers the reliance on an exclusionary list to be indicative of a proactive approach to manage environmental and social concerns associated with eligible projects.

Further, Sustainalytics notes the following processes and mechanisms in place to manage and/or mitigate potential risks:

- Itaú has established an E&S Risk Committee comprising members from Risk, Compliance and, Legal, Departments to assign roles and responsibility for management of such risks and monitor and record any non-compliance.<sup>19</sup>
- The Bank is a signatory to the Equator Principles as part of which environmental and social risk assessment is a part of Itaú's regular credit approval process for the projects that have the Equator Principles Triggers.
- Itaú's sustainability strategy and policy are approved by its board of directors to align with the Bank's long term vision. It's key environmental, social, and governance (ESG) strategy is guided by a Sustainability Finance Committee consisting of Executive Committee members; and the environmental and social risk is deliberated by the Environmental and Social Risk Committee. To better implement its Sustainability policy and mitigate ESG risks, Itaú adopted an environmental management system with ISO 14001 certification.<sup>20</sup>
- Itaú has communicated to Sustainalytics that as part of its due diligence process before taking on any new project, it ensures that the project complies with local regulations relating to health and safety of workers on-site and disposal of waste. Further, the Bank also checks whether land considered for projects is not in a protected area or belongs to indigenous communities of Brazil.
- In case of financing for operations not related to projects, clients are submitted to environmental and social assessment regarding materiality of E&S risks, based on the requirements specific to industry, market segment and type of product. Additional evaluation is applied to clients in the corporate banking segment according to sustainability parameters, such as energy and water consumption, liquid effluent discharge, solid waste disposal, atmospheric emissions, health and safety risk for workers, among other criteria.
- Itaú's environmental and social due diligence on project finance structured transactions begins with collecting prior environmental and social information from the project, such as licensing stage, environmental and social governance (health and safety, waste management, grievance mechanisms, etc.), sensitive characteristics of the surroundings and other variables. At the end of the analysis, it may be necessary to design an action plan aimed at boosting the adoption of best practices by a client and which should be monitored by the environmental and social risk area on a biannual or annual basis, during the term of the contract. The contractual obligations resulting from this plan are widely discussed with the client, becoming conditions preceding the use of funds. The environmental and social analysis, as well as its monitoring, include observing a variety of environmental and social aspects of the local legislation and International Finance Corporation's (IFC) performance standards, when applicable. Each monitoring cycle can include desk reviews, negotiations with the client and funding agents, and visits to the project.

Based on these policies, standards and assessments, Sustainalytics is of the opinion that Itaú has implemented adequate measures and is well-positioned to manage and mitigate environmental and social risks commonly associated with the eligible categories.

<sup>18</sup> Included in the Framework

<sup>19</sup> Ibid

<sup>20</sup> Itaú website, Bureau Veritas Certification published May 2020 at: <https://www.itaubr.com.br/relacoes-com-investidores/Download.aspx?Arquivo=VeRxxxK0QKx6CjOSWSH/Zw==&IdCanal=jjCFHS5ladmGCLdvw2zldg==>

## Section 3: Impact of Use of Proceeds

All eight use of proceeds categories are aligned with those recognized by GBP or SBP. Sustainalytics has focused on three below where the impact is specifically relevant in the local context.

### Importance of promoting renewable energy in Brazil

Being one of the BRICS<sup>21</sup> countries with an emerging economy, Brazil has the world's sixth-largest GHG emissions.<sup>22</sup> Following the Paris Agreement, the country committed to reducing its GHG emission by 37% in 2025 and 43% in 2030, compared to 2005 levels.<sup>23</sup> As of 2019, 52% of the country's energy comes from coal, oil and gas.<sup>24</sup> To achieve the emission target, Brazil aims to expand the use of non-fossil fuel energy sources and increase the share of renewable energy, other than hydropower, to 28-33% by 2030. In addition, Brazil is trying to achieve 10% added energy efficiency by the same year.<sup>25</sup> Therefore, promoting the use of renewable energy and renewable energy transmission infrastructure will help Brazil transition to a low carbon economy. In this context, Sustainalytics recognizes the potential positive environmental impact of Itaú's investment in renewable energy.

### Importance of wastewater management projects in Brazil

As per a post-COVID UNICEF report, around 15 million people in the urban areas of Brazil lack access to safely-managed water with about 25 million rural population having access to just a "basic level" of water supply service.<sup>26</sup> This data is complemented by the 2020 drinking-water crisis that ensued in the city of Rio when an abnormal amount of geosmin<sup>27</sup> was found in water, leading to health issues among thousands of residents.<sup>28</sup> In addition to the water supply issue, only about 50% of the Brazilians have access to sewage collection and treatment services.<sup>29</sup>

To address the wastewater treatment issue, in 2020, Brazil established a National Sanitation Bill which aims to offer water distribution services to 99% of its population, and sewage collection and treatment services to 90% by 2033.<sup>30</sup> It is estimated that the Bill may provide an investment opportunity of up to USD 131 billion by 2033.<sup>31</sup> Given that only 8% of the sanitation services in Brazil are provided by private organizations, achieving this target would need investments from more private players.<sup>32</sup> In this context, Sustainalytics recognizes the importance of Itaú's financing of wastewater management, and its positive environmental and social impact.

### Importance of financial inclusion and access to finance for women in Brazil

As per a McKinsey report, Latin America has "very low banking penetration" compared to other regions. The report shows that several countries in Latin America have only 30-50% of the population<sup>33</sup> that has an account with a financial institution, compared to over 90% in developed countries such as the US, the UK, and Spain.<sup>34</sup> In the case of Brazil, about 25% of the population remains underbanked with many of them being in the labor force, having high consumption potential.<sup>35</sup>

<sup>21</sup> The BRICS countries— Brazil, Russia, India, China and South Africa.

<sup>22</sup> Carbon Brief report, "The Carbon Brief Profile: Brazil", at: <https://www.carbonbrief.org/the-carbon-brief-profile-brazil>

<sup>23</sup> UNFCCC website, "Federative Republic of Brazil- Intended Nationally Determined Contribution", at: <https://www4.unfccc.int/sites/ndcstaging/PublishedDocuments/Brazil%20First/BRAZIL%20iNDC%20english%20FINAL.pdf>

<sup>24</sup> IEA website, "Brazil", at: <https://www.iea.org/countries/brazil>

<sup>25</sup> <http://www.cleanenergyministerial.org/countries-clean-energy-ministerial/brazil>

<sup>26</sup> UNICEF report, "The key role of Water, Sanitation and Hygiene Promotion in the response to Covid-19 in Brazil", at: <https://www.unicef.org/brazil/media/9746/file/policy-brief-wash-in-response-to-covid-19.pdf>

<sup>27</sup> Geosmin is a substance produced by micro algae that proliferate in water.

<sup>28</sup> France 24 report, "Brazil's water crisis sparks concern" at: <https://www.france24.com/en/americas/20200123-inside-americas-brazil-water-crisis-sparks-concern-rio-trump-impeachment-prohibition>

<sup>29</sup> Forbes report, "Brazil's New Sanitation Bill To Draw Domestic And Foreign Private Investment", at: <https://www.forbes.com/sites/mergermarket/2020/07/14/brazils-new-sanitation-bill-to-draw-domestic-and-foreign-private-investment/?sh=7a0e77bd4ef0>

<sup>30</sup> Ibid.

<sup>31</sup> Ibid.

<sup>32</sup> Lexology report, "Brazilian New Basic Sanitation Law: The Reform and Its Implication for New Investments", at: <https://www.lexology.com/library/detail.aspx?g=083f5d2c-b8e9-406e-b65d-7b3a7179e332>

<sup>33</sup> Population that is over the age of 15.

<sup>34</sup> McKinsey report, "Lessons from leaders in Latin America's retail banking market", at: <https://www.mckinsey.com/industries/financial-services/our-insights/lessons-from-leaders-in-latin-americas-retail-banking-market>

<sup>35</sup> BEXS report, "The accessibility of consumption to unbanked consumers", at: <https://www.bexs.com.br/international/accessibility-unbanked-consumers/#:~:text=In%20Brazil%2C%20the%20unbanked%20population,and%20have%20high%20consumption%20potential>

In terms of access to finance for women, a survey carried out in Brazil established that around 60% of the respondents who had no access to a bank account in 2019 were women.<sup>36</sup> In the case of women-led businesses, the IFC identifies Brazil as the Latin American country with the largest credit gap for women-owned enterprises, where 45% of women-owned SMEs consider access to finance as “a major constraint in operating and growing their businesses”.<sup>37</sup> Apart from the issues faced by the women-owned businesses in Brazil, there also some visible gaps in the share of female-led business as well with only 22% of the female workers in the country taking leadership positions.<sup>38</sup> To address these inequalities, that usually transcend to gender financing gaps, the Brazilian government has committed to reducing the gender workforce gap by 25% by 2025, compared to the 2018 level.<sup>39</sup> Given this context, Sustainalytics recognizes the importance of financing female-owned businesses, promoting financial education among vulnerable groups and their impacts on reducing inequality in Brazil. The projects funded through Itaú’s sustainability bonds are anticipated to bring positive social impacts in Brazil.

#### Alignment with/contribution to SDGs

The Sustainable Development Goals (SDGs) were set in September 2015 and form an agenda for achieving sustainable development by the year 2030. This sustainability bond advances the following SDGs and targets:

| Use of Proceeds Category               | SDG  | SDG target  |
|--|--|---|
| Renewable Energy and Energy Efficiency | 7. Affordable and Clean Energy   | 7.1 By 2030, ensure universal access to affordable, reliable and modern energy services.<br>7.2 By 2030, increase substantially the share of renewable energy in the global energy mix  |
| Clean Transportation                   | 9. Industry, Innovation and Infrastructure<br><br>11. Sustainable Cities and Communities | 9.1 Develop quality, reliable, sustainable and resilient infrastructure, including regional and transborder infrastructure, to support economic development and human well-being, with a focus on affordable and equitable access for all<br><br>11.1 By 2030, ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums<br><br>11.2 By 2030, provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities and older persons |

<sup>36</sup> Statista study, “Distribution of population who had not used a bank account in the last six months in Brazil as of May 2019, by gender”, at: <https://www.statista.com/statistics/1117951/brazil-population-without-bank-account-gender/>

<sup>37</sup> IFC report, “Brazil: Lending for Women Entrepreneurs with Itaú”, at: [https://www.ifc.org/wps/wcm/connect/news\\_ext\\_content/ifc\\_external\\_corporate\\_site/news+and+events/news/lending+for+women+entrepreneurs+-+brazil](https://www.ifc.org/wps/wcm/connect/news_ext_content/ifc_external_corporate_site/news+and+events/news/lending+for+women+entrepreneurs+-+brazil)

<sup>38</sup> Statista report, “Share of female workers in Brazil in 2017 and 2018, by position”, at: <https://www.statista.com/statistics/940056/share-female-workers-position-brazil/>

<sup>39</sup> Human Rights Watch report, “Working for Less in Brazil”, at: <https://www.hrw.org/news/2018/03/08/working-less-brazil>

|   |   |  |
|---|---|--|
| Sustainable Water and Wastewater Management                                     | 11. Sustainable Cities and Communities                                    | 11.1 By 2030, ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums  |
| Pollution Prevention and Control  | 11. Sustainable Cities and Communities                                    | 11.6 By 2030, reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management  |
| Environmentally Sustainable Management of Living Natural Resources and Land Use | 15. Life and Land   | <p>15.1 By 2020, ensure the conservation, restoration and sustainable use of terrestrial and inland freshwater ecosystems and their services, in particular forests, wetlands, mountains and drylands, in line with obligations under international agreements</p> <p>15.2 By 2020, promote the implementation of sustainable management of all types of forests, halt deforestation, restore degraded forests and substantially increase afforestation and reforestation globally</p> |
| Green Buildings   | 9. Industry, Innovation, and Infrastructure                               | 9.4 By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities  |
| Access to Essential Services  | 11. Sustainable Cities and Communities                                    | 11.1 By 2030, ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums  |
| Inclusive Finance   | <p>8. Decent work and economic growth</p> <p>10. Reduced Inequalities</p> | <p>8.10 Strengthen the capacity of domestic financial institutions to encourage and expand access to banking, insurance and financial services for all</p> <p>10.2 By 2030, empower and promote the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status</p>   |

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## Conclusion

Itaú has developed the Itaú Unibanco Sustainability Finance Framework under which it will issue sustainability finance instruments and use the proceeds to finance projects in eight categories mentioned above. Sustainalytics notes that the projects funded by net proceeds are intended to provide positive environmental and social impact.

The Framework outlines a process by which proceeds are intended to be tracked, allocated, and managed, and commitments have been made for reporting on the allocation and impact of the use of proceeds. Furthermore, Sustainalytics believes that the Framework is aligned with the overall sustainability strategy of the Bank and that the use of proceed categories contribute to the advancement of the UN SDGs 7, 8, 9, 10, 11, and 15. Additionally, Sustainalytics is of the opinion that Itaú has adequate measures to identify, manage and mitigate environmental and social risks commonly associated with the eligible projects funded by the use of proceeds.

Based on the above, Sustainalytics is confident that Itaú Unibanco is well-positioned to issue sustainability bonds and that that Itaú Unibanco Sustainability Finance Framework is robust, transparent, and in alignment with the four core components of the Green Bond Principles 2018, Social Bond Principles 2020, and Green Loan Principles 2020.

## Appendices

### Appendix 1: Overview of Referenced Forestry Certifications

|                         | FSC <sup>40</sup>   | PEFC <sup>41,42</sup>  |
|-------------------------|---|--|
| <b>Background</b>       | Founded in 1993 after the 1992 Earth Summit in Rio failed to produce any international agreements to fight against deforestation, FSC aims to promote sustainable forest management practice.   | PEFC was founded in 1999 in response to the specific requirements of small- and family forest owners as an international umbrella organization providing independent assessment, endorsement and recognition of national forest certification systems.   |
| <b>Basic Principles</b> | <ul style="list-style-type: none"> <li>• Compliance with laws and FSC principles</li> <li>• Tenure and use rights and responsibilities</li> <li>• Indigenous peoples' rights</li> <li>• Community relations and workers' rights</li> <li>• Benefits from the forests</li> <li>• Environmental impact</li> <li>• Management plans</li> <li>• Monitoring and assessment</li> <li>• Special sites – high conservation value forests (HCVF)</li> <li>• Plantations</li> </ul>   | <ul style="list-style-type: none"> <li>• Maintenance and appropriate enhancement of forest resources and their contribution to the global carbon cycle</li> <li>• Maintenance and enhancement of forest ecosystem health and vitality</li> <li>• Maintenance and encouragement of productive functions of forests (wood and no-wood)</li> <li>• Maintenance, conservation and appropriate enhancement of biological diversity in forest ecosystems</li> <li>• Maintenance and appropriate enhancement of protective functions in forest management (notably soil and water)</li> <li>• Maintenance of socioeconomic functions and conditions</li> <li>• Compliance with legal requirements</li> </ul>  |
| <b>Governance</b>       | <p>The General Assembly, consisting of all FSC members, constitutes the highest decision-making body.</p> <p>At the General Assembly, motions are proposed by one member, seconded by two more, and deliberated and voted on by all members. Members are entitled to vote to amend the bylaws, initiate new policies, and clarify, amend or overturn a policy decision by the board.</p> <p>Members apply to join one of three chambers – environmental, social, or economic – that are further divided into northern and southern sub-chambers.</p> <p>Each chamber holds 33.3% of the weight in votes, and within each chamber the votes are weighted so that the North and South hold an equal portion of authority, to ensure influence is shared equitably between interest groups and countries with different levels of economic development.</p> <p>The votes of all individual members in each sub-chamber represent 10% of the total vote of the sub-chamber, while the votes of organizational members make up the other 90%.</p> <p>The members vote for the board of directors, which is accountable to the members. There is an international board elected by all members and a US board, elected by the US-based members.</p> | <p>PEFC's governance structure is formed by the General Assembly (GA) which is the highest authority and decision-making body. It is made up of all PEFC members, including national and international stakeholders.</p> <p>Members vote on key decisions including endorsements, international standards, new members, statutes and budgets. All national members have between one and seven votes, depending on membership fees, while international stakeholder members have one vote each.</p> <p>The Board of Directors supports the work of the GA and together the GA and the Board make the formal approval of final draft standards. Standards are developed by working groups.</p> <p>In general, PEFC's governance structure is more representative of industry and government stakeholders than of social or environmental groups, which gives industry and governments more influence in the decision-making process. However, the organization does include stakeholders from all sectors.</p> |

<sup>40</sup> Forest Stewardship Council, FSC: <https://ca.fsc.org/en-ca>

<sup>41</sup> The Brazilian Forest Certification Program (CERFLOR) was formally endorsed by PEFC in 2005 and has since formed alignment. As such, Sustainalytics' analysis of PEFC's framework, guidelines and credibility can be applied to CERFLOR. See more, at: <https://www.pefc.org/discover-pefc/our-pefc-members/national-members/brazilian-forest-certification-programme-cerflor>

<sup>42</sup> Programme for the Endorsement of Forest Certification, PEFC: <https://www.pefc.org/>

|  |   |   |
|--|---|---|
| <p><b>Scope</b></p>                      | <p>FSC is a global, multi-stakeholder owned system. All FSC standards and policies are set by a consultative process. There is an FSC Global standard and for certain countries FSC National standards. Economic, social, and environmental interests have equal weight in the standard setting process. FSC follows the ISEAL Code of Good Practice for Setting Social and Environmental Standards.</p>  | <p>Multi-stakeholder participation is required in the governance of national schemes as well as in the standard-setting process. Standards and normative documents are reviewed periodically at intervals that do not exceed five years. The PEFC Standard Setting standard is based on ISO/IEC Code for good practice for standardization (Guide 59)<sup>43</sup> and the ISEAL Code of Good Practice for Setting Social and Environmental Standards.</p>  |
| <p><b>Chain-of-Custody</b></p>           | <ul style="list-style-type: none"> <li>• The Chain-of-Custody (CoC) standard is evaluated by a third-party body that is accredited by FSC and compliant with international standards.</li> <li>• CoC standard includes procedures for tracking wood origin.</li> <li>• CoC standard includes specifications for the physical separation of certified and non-certified wood, and for the percentage of mixed content (certified and non-certified) of products.</li> <li>• CoC certificates state the geographical location of the producer and the standards against which the process was evaluated. Certificates also state the starting and finishing point of the CoC.</li> </ul>  | <ul style="list-style-type: none"> <li>• Quality or environmental management systems (ISO 9001:2008 or ISO 14001:2004 respectively) may be used to implement the minimum requirements for chain-of-custody management systems required by PEFC.</li> <li>• Only accredited certification bodies can undertake certification.</li> <li>• CoC requirements include specifications for physical separation of wood and percentage-based methods for products with mixed content.</li> <li>• The CoC standard includes specifications for tracking and collecting and maintaining documentation about the origin of the materials.</li> <li>• The CoC standard includes specifications for the physical separation of certified and non-certified wood.</li> <li>• The CoC standard includes specifications about procedures for dealing with complains related to participant’s chain of custody.</li> </ul> |
| <p><b>Non-certified wood sources</b></p> | <p>FSC’s Controlled Wood Standard establishes requirements to participants to establish supply-chain control systems, and documentation to avoid sourcing materials from controversial sources, including:</p> <ol style="list-style-type: none"> <li>a. Illegally harvested wood, including wood that is harvested without legal authorization, from protected areas, without payment of appropriate taxes and fees, using fraudulent papers and mechanisms, in violation of CITES requirements, and others,</li> <li>b. Wood harvested in violation of traditional and civil rights,</li> <li>c. Wood harvested in forests where high conservation values are threatened by management activities,</li> <li>d. Wood harvested in forests being converted from forests and other wooded ecosystems to plantations or non-forest uses,</li> <li>e. Wood from management units in which genetically modified trees are planted.</li> </ol> | <p>The PEFC’s Due Diligence System requires participants to establish systems to minimize the risk of sourcing raw materials from:</p> <ol style="list-style-type: none"> <li>a. forest management activities that do not comply with local, national or international laws related to: <ul style="list-style-type: none"> <li>○ operations and harvesting, including land use conversion,</li> <li>○ management of areas with designated high environmental and cultural values,</li> <li>○ protected and endangered species, including CITES species,</li> <li>○ health and labor issues,</li> <li>○ indigenous peoples’ property, tenure and use rights,</li> <li>○ payment of royalties and taxes.</li> </ul> </li> <li>b. genetically modified organisms,</li> <li>c. forest conversion, including conversion of primary forests to forest plantations.</li> </ol>                                   |
| <p><b>Accreditation/verification</b></p> | <p>FSC-accredited Certification Bodies (CB) conduct an initial assessment, upon successful completion companies are granted a 5-year certificate. Companies must undergo an annual audit every year and a reassessment audit every 5 years. Certification Bodies undergo annual audits from Accreditation Services International (ASI) to ensure conformance with ISO standard requirements.</p>  | <p>Accreditation is carried out by an accreditation body (AB). Like a certification body checks a company meets the PEFC standard, the accreditation body checks that a certification body meets specific PEFC and ISO requirements. Through the accreditation process PEFC has assurance that certification bodies are independent and impartial, that they follow PEFC certification procedures.</p> <p>PEFC does not have their own accreditation body. Like with the majority of ISO based certifications, PEFC relies on national ABs under the umbrella of the International Accreditation Forum (IAF). National ABs need to be a</p>   |

<sup>43</sup> ISO, ISO/IEC Guide 59:2019: <https://www.iso.org/standard/23390.html>

|                   |   |  |
|-------------------|---|--|
|                   |   | member of the IAF, which means they must follow IAF's rules and regulations. |
| <b>Conclusion</b> | Sustainalytics views both FSC and PEFC as being robust, credible standards that are based on comprehensive principles and criteria that are aligned with ISO. Both schemes have received praise for their contribution to sustainable forest management practices <sup>44</sup> and both have also faced criticism from civil society actors. <sup>45,46</sup> In certain instances, these standards go above and beyond national regulation and are capable of providing a high level of assurance that sustainable forest management practices are in place. However, in other cases, the standards are similar or equal to national legislation and provide little additional assurance. Ultimately, the level of assurance that can be provided by either scheme is contingent upon several factors including the certification bodies conducting audits, national regulations and local context. |  |

<sup>44</sup> FESPA, FSC, PEFC and ISO 38200: <https://www.fespa.com/en/news-media/blog/fsc-pefc-and-iso-38200>

<sup>45</sup> Yale Environment 360, Greenwashed Timber: How Sustainable Forest Certification Has Failed: <https://e360.yale.edu/features/greenwashed-timber-how-sustainable-forest-certification-has-failed>

<sup>46</sup> EIA, PEFC: A Fig Leaf for Stolen Timber: <https://eia-global.org/blog-posts/PEFC-fig-leaf-for-stolen-timber>

## Appendix 2: Overview of Referenced Agriculture Certifications

|  | <b>GLOBAL G.A.P.<sup>47</sup></b>  |
|--|--|
| <b>Background</b>  | The GLOBALG.A.P. (Global Good Agricultural Practice) is a global organization that promotes safe, sustainable agriculture worldwide.   |
| <b>Clear positive impact</b>                               | Promoting sustainable agriculture practices, including for crops, livestock, and aquaculture.  |
| <b>Minimum standards</b>                                   | <p>The GLOBALG.A.P. standard places a high degree of emphasis on the implementation of management plans and procedures, with a correspondingly lower focus on quantitative targets.</p> <p>Assessment criteria are classified as “major must”, “minor must”, or “recommendation”, indicating the priority placed on highly important components of the standard. All major musts need to be met to receive certification.</p>  |
| <b>Scope of certification or programme</b>                 | <p>The integrated standard requires assessment of waste &amp; pollution management, environmental impact, water use, site productivity, and energy efficiency.</p> <p>The aquaculture and livestock standards additionally cover four pillars laid out by the FAO (aquaculture: food safety, environment, workers, animal welfare; livestock: resource use efficiency, conservation, rural livelihoods, community and ecosystem resilience, and responsible management).</p> |
| <b>Verification of standards and risk mitigation</b>       | <p>GlobalGAP approves certification bodies, which can then in turn carry out audits and verification.</p> <p>Certification is valid for one year.</p>  |
| <b>Third party expertise and multi-stakeholder process</b> | Developed based on guidelines published by the UN FAO, GlobalGAP is administered by an independent not-for-profit agency.  |

<sup>47</sup> [https://www.globalgap.org/uk\\_en/](https://www.globalgap.org/uk_en/)

### Appendix 3: Green Building Certification Schemes

|                      | LEED  | EDGE <sup>48</sup>  |
|----------------------|---|---|
| Background           | Leadership in Energy and Environmental Design (LEED) is a US Certification System for residential and commercial buildings used worldwide. LEED was developed by the non-profit U.S. Green Building Council (USGBC) and covers the design, construction, maintenance and operation of buildings.  | EDGE (or “Excellence in Design for Greater Efficiencies”) is a green building standard and certification system developed by the International Finance Corporation and applicable in 140 countries.   |
| Certification levels | <ul style="list-style-type: none"> <li>• Certified</li> <li>• Silver</li> <li>• Gold</li> <li>• Platinum</li> </ul>   | <ul style="list-style-type: none"> <li>• Certified/ non-certified</li> </ul>  |
| Areas of assessment  | <ul style="list-style-type: none"> <li>• Energy and atmosphere</li> <li>• Sustainable Sites</li> <li>• Location and Transportation</li> <li>• Materials and resources</li> <li>• Water efficiency</li> <li>• Indoor environmental quality</li> <li>• Innovation in Design</li> <li>• Regional Priority</li> </ul>   | <ul style="list-style-type: none"> <li>• Management is part of the Core Framework of EDGE<sup>49</sup></li> </ul>   |
| Requirements         | <p>Minimum requirements independent of level of certification; point-based scoring system weighted by category to determine certification level.</p> <p>The rating system is adjusted to apply to specific sectors, such as: New Construction, Major Renovation, Core and Shell Development, Schools-/Retail-/Healthcare New Construction and Major Renovations, and Existing Buildings: Operation and Maintenance.</p> | <p>1. Climatic Conditions of the Location<br/> Monthly average wet and dry bulb temperature; Monthly average outdoor wind velocity; Monthly average outdoor humidity, Solar radiation intensity; Annual average rainfall; Carbon dioxide intensity of the electricity grid; Average cost of energy (by fuel type) and water.</p> <p>2. Building Type and Occupant Use<br/> Homes: for both apartments and houses (assumptions for area and occupancy are based on income categories); Hotels: for both hotels and resorts (assumptions for area, occupancy and the type of support services are based on the star rating of the property); Offices: assumptions are based on occupancy density and hours of use; Hospitals: assumptions are based on the type of hospital (e.g., nursing home, private or public hospital, clinic or diagnostic center); Retail: assumptions are based on the type of retail building (e.g., department store, mall, supermarket, light industry or warehouse); Education: assumptions are based on the type of</p> |

<sup>48</sup> Website available at: <https://www.edgebuildings.com/marketing/edge/>

<sup>49</sup> EDGE Methodology Report available at: <https://www.edgebuildings.com/wp-content/uploads/2018/10/181018-EDGE-Methodology-Version-2.pdf>

|                            |   |  |
|----------------------------|---|--|
|                            |   | <p>educational facility (e.g., pre-school, university or sports facility), as well as occupancy density and hours of use.</p> <p>3. Design and Specifications<br/>Thermal properties of the building envelope; Window to Wall Ratio; Building Orientation</p> <p>4. Calculation of the End Use Demand<br/>Overall energy demand in buildings; heating ventilation and air conditioning demand; virtual energy for comfort, energy demand for hot water requirements; lighting energy demand; water demand in buildings; estimations on rainwater harvesting or recycled water onsite; embodied energy in building materials.</p> |
| Qualitative Considerations | Widely accepted within the industry, both in North America and internationally, and considered a guarantee of strong performance. | To achieve the EDGE standard, a building must demonstrate a minimum 20% reduction in operational energy consumption, water use and embodied energy in materials as compared to typical local practices.  |
| Performance display        |   |    |
|                            |   | As of May 2019, accreditation for the EDGE certification was provided by 637 independent EDGE experts worldwide.   |
|                            |   | Strong assurance of overall quality due to the EDGE's development under the IFC umbrella.  |

## Appendix 4: Sustainability Bond / Sustainability Bond Programme - External Review Form

### Section 1. Basic Information

|   |  |
|---|--|
| Issuer name:  | Itaú Unibanco Holding S.A.                     |
| Sustainability Bond ISIN or Issuer Sustainability Bond Framework Name, if applicable: | Itaú Unibanco Sustainability Finance Framework |
| Review provider's name:   | Sustainalytics                                 |
| Completion date of this form:   | January 8, 2021                                |
| Publication date of review publication:   |  |

### Section 2. Review overview

#### SCOPE OF REVIEW

The following may be used or adapted, where appropriate, to summarise the scope of the review.

The review assessed the following elements and confirmed their alignment with the GBP and SBP:

- |  |  |
|--|--|
| <input checked="" type="checkbox"/> Use of Proceeds        | <input checked="" type="checkbox"/> Process for Project Evaluation and Selection |
| <input checked="" type="checkbox"/> Management of Proceeds | <input checked="" type="checkbox"/> Reporting                                    |

#### ROLE(S) OF REVIEW PROVIDER

- |   |  |
|---|--|
| <input checked="" type="checkbox"/> Consultancy (incl. 2 <sup>nd</sup> opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification   | <input type="checkbox"/> Rating        |
| <input type="checkbox"/> Other ( <i>please specify</i> ):                       |  |

Note: In case of multiple reviews / different providers, please provide separate forms for each review.

#### EXECUTIVE SUMMARY OF REVIEW and/or LINK TO FULL REVIEW (*if applicable*)

Please refer to Evaluation Summary above.

### Section 3. Detailed review

Reviewers are encouraged to provide the information below to the extent possible and use the comment section to explain the scope of their review.

## 1. USE OF PROCEEDS

Overall comment on section *(if applicable)*:

The eligible categories for the use of proceeds - Renewable Energy and Energy Efficiency, Clean Transportation, Sustainable Water and Wastewater Management, Pollution Prevention and Control, Environmentally Sustainable Management of Living Natural Resources and Land Use, Access to Basic Infrastructure, Access to Essential Services, Inclusive Finance - are aligned with those recognized by both the Green Bond Principles 2018 (GBP), Social Bond Principles 2020 (SBP) and GLP. Sustainalytics considers that the eligible categories will lead to positive environmental or social impacts and advance the UN Sustainable Development Goals, specifically SDG 7, 8, 9, 10, 11, and 15.

### Use of proceeds categories as per GBP:

- |  |   |
|--|---|
| <input checked="" type="checkbox"/> Renewable energy   | <input checked="" type="checkbox"/> Energy efficiency   |
| <input checked="" type="checkbox"/> Pollution prevention and control   | <input checked="" type="checkbox"/> Environmentally sustainable management of living natural resources and land use |
| <input type="checkbox"/> Terrestrial and aquatic biodiversity conservation   | <input checked="" type="checkbox"/> Clean transportation  |
| <input checked="" type="checkbox"/> Sustainable water and wastewater management  | <input type="checkbox"/> Climate change adaptation  |
| <input type="checkbox"/> Eco-efficient and/or circular economy adapted products, production technologies and processes                             | <input type="checkbox"/> Green buildings  |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with GBP categories, or other eligible areas not yet stated in GBPs | <input type="checkbox"/> Other (please specify):  |

If applicable please specify the environmental taxonomy, if other than GBPs:

### Use of proceeds categories as per SBP:

- |   |  |
|---|--|
| <input type="checkbox"/> Affordable basic infrastructure  | <input checked="" type="checkbox"/> Access to essential services                                   |
| <input type="checkbox"/> Affordable housing   | <input checked="" type="checkbox"/> Employment generation (through SME financing and microfinance) |
| <input type="checkbox"/> Food security  | <input type="checkbox"/> Socioeconomic advancement and empowerment                                 |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with SBP categories, or other eligible areas not yet stated in SBP | <input type="checkbox"/> Other (please specify):   |

If applicable please specify the social taxonomy, if other than SBP:

## 2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (if applicable):

Itaú Unibanco's eligible projects will be selected by its dedicated Sustainability Finance Committee based on the established eligibility criteria. The Sustainability Finance Committee is comprised of members from cross-functional departments. Sustainalytics considers the project selection process to be in line with market practice.

### Evaluation and selection

- |   |   |
|---|---|
| <input type="checkbox"/> Credentials on the issuer's social and green objectives  | <input checked="" type="checkbox"/> Documented process to determine that projects fit within defined categories               |
| <input checked="" type="checkbox"/> Defined and transparent criteria for projects eligible for Sustainability Bond proceeds | <input checked="" type="checkbox"/> Documented process to identify and manage potential ESG risks associated with the project |
| <input checked="" type="checkbox"/> Summary criteria for project evaluation and selection publicly available                | <input type="checkbox"/> Other (please specify):  |

### Information on Responsibilities and Accountability

- |   |   |
|---|---|
| <input type="checkbox"/> Evaluation / Selection criteria subject to external advice or verification | <input checked="" type="checkbox"/> In-house assessment |
| <input type="checkbox"/> Other (please specify):  |   |

## 3. MANAGEMENT OF PROCEEDS

Overall comment on section (*if applicable*):

Itaú Unibanco's issuances under the Framework are intended to be managed by the Treasury department using existing internal tracking systems. The Bank intends on allocating net proceeds from issuance in the first 36 months from the date of issuance. Pending full allocation, the unallocated net proceeds will be invested in cash or cash equivalents. Sustainalytics considers the processes in place to manage proceeds and the disclosure for temporary use pending allocation to be in line with market practice.

### Tracking of proceeds:

- |   |
|---|
| <input checked="" type="checkbox"/> Sustainability Bond proceeds segregated or tracked by the issuer in an appropriate manner |
| <input checked="" type="checkbox"/> Disclosure of intended types of temporary investment instruments for unallocated proceeds |
| <input type="checkbox"/> Other (please specify):  |

### Additional disclosure:

- |   |   |
|---|---|
| <input type="checkbox"/> Allocations to future investments only | <input checked="" type="checkbox"/> Allocations to both existing and future investments |
|---|---|

- |  |  |
|--|--|
| <input type="checkbox"/> Allocation to individual disbursements                  | <input checked="" type="checkbox"/> Allocation to a portfolio of disbursements |
| <input type="checkbox"/> Disclosure of portfolio balance of unallocated proceeds | <input type="checkbox"/> Other (please specify):                               |

**4. REPORTING**

Overall comment on section (if applicable):

Itaú Unibanco intends to report allocation proceeds on its website on an annual basis until full allocation. This report will include amount of unallocated proceeds, number of beneficiaries, average loan amount and amount allocated with a breakdown per Eligibility Criteria. In addition, Itaú is committed to reporting on relevant impact metrics. Sustainalytics views Itaú's allocation and impact reporting as aligned with market practice.

**Use of proceeds reporting:**

- |  |  |
|--|--|
| <input type="checkbox"/> Project-by-project            | <input checked="" type="checkbox"/> On a project portfolio basis |
| <input type="checkbox"/> Linkage to individual bond(s) | <input type="checkbox"/> Other (please specify):                 |

**Information reported:**

- |   |  |
|---|--|
| <input checked="" type="checkbox"/> Allocated amounts | <input checked="" type="checkbox"/> Sustainability Bond financed share of total investment |
| <input type="checkbox"/> Other (please specify):      |  |

**Frequency:**

- |  |                                      |
|--|--------------------------------------|
| <input checked="" type="checkbox"/> Annual       | <input type="checkbox"/> Semi-annual |
| <input type="checkbox"/> Other (please specify): |                                      |

**Impact reporting:**

- |  |  |
|--|--|
| <input type="checkbox"/> Project-by-project            | <input checked="" type="checkbox"/> On a project portfolio basis |
| <input type="checkbox"/> Linkage to individual bond(s) | <input type="checkbox"/> Other (please specify):                 |

**Information reported (expected or ex-post):**

- |  |   |
|--|---|
| <input type="checkbox"/> GHG Emissions / Savings | <input type="checkbox"/> Energy Savings                         |
| <input type="checkbox"/> Decrease in water use   | <input type="checkbox"/> Number of beneficiaries                |
| <input type="checkbox"/> Target populations      | <input type="checkbox"/> Other ESG indicators (please specify): |

**Frequency:**

- |  |                                      |
|--|--------------------------------------|
| <input checked="" type="checkbox"/> Annual       | <input type="checkbox"/> Semi-annual |
| <input type="checkbox"/> Other (please specify): |                                      |

**Means of Disclosure**

- |   |   |
|---|---|
| <input type="checkbox"/> Information published in financial report  | <input type="checkbox"/> Information published in sustainability report   |
| <input type="checkbox"/> Information published in ad hoc documents  | <input checked="" type="checkbox"/> Other (please specify): report for sustainable finance published annually as per requirements of the Framework. |
| <input type="checkbox"/> Reporting reviewed (if yes, please specify which parts of the reporting are subject to external review): |   |

Where appropriate, please specify name and date of publication in the useful links section.

**USEFUL LINKS (e.g. to review provider methodology or credentials, to issuer’s documentation, etc.)**

**SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE**

**Type(s) of Review provided:**

- |  |  |
|--|--|
| <input type="checkbox"/> Consultancy (incl. 2 <sup>nd</sup> opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification / Audit                        | <input type="checkbox"/> Rating        |
| <input type="checkbox"/> Other ( <i>please specify</i> ):            |  |

**Review provider(s):**

**Date of publication:**

**ABOUT ROLE(S) OF REVIEW PROVIDERS AS DEFINED BY THE GBP AND THE SBP**

- i. **Second-Party Opinion:** An institution with sustainability expertise that is independent from the issuer may provide a Second-Party Opinion. The institution should be independent from the issuer’s adviser for its Sustainability Bond framework, or appropriate procedures such as information barriers will have been implemented within the institution to ensure the independence of the Second-Party Opinion. It normally entails an assessment of the alignment with the Principles. In particular, it can include an assessment of the issuer’s overarching objectives, strategy, policy, and/or processes relating to sustainability and an evaluation of the environmental and social features of the type of Projects intended for the Use of Proceeds.
- ii. **Verification:** An issuer can obtain independent verification against a designated set of criteria, typically pertaining to business processes and/or sustainability criteria. Verification may focus on alignment with internal or external standards or claims made by the issuer. Also, evaluation of the environmentally or socially sustainable features of underlying assets may be termed verification and may reference external criteria. Assurance or attestation regarding an issuer’s internal tracking method for use of proceeds, allocation of funds from Sustainability Bond proceeds, statement of environmental or social impact or alignment of reporting with the Principles may also be termed verification.
- iii. **Certification:** An issuer can have its Sustainability Bond or associated Sustainability Bond framework or Use of Proceeds certified against a recognised external sustainability standard or label. A standard or label defines specific criteria, and alignment with such criteria is normally tested by qualified, accredited third parties, which may verify consistency with the certification criteria.
- iv. **Green, Social and Sustainability Bond Scoring/Rating:** An issuer can have its Sustainability Bond, associated Sustainability Bond framework or a key feature such as Use of Proceeds evaluated or assessed by qualified third parties, such as specialised research providers or rating agencies, according to an established scoring/rating methodology. The output may include a focus on environmental and/or social performance data, process relative to the Principles, or another benchmark, such as a 2-degree climate change scenario. Such scoring/rating is distinct from credit ratings, which may nonetheless reflect material sustainability risks.

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**2015: Best SRI or Green Bond Research or Rating Firm**  
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**The**  
**Green Bond**  
**Principles**