



ESG Integration

And Covid-19

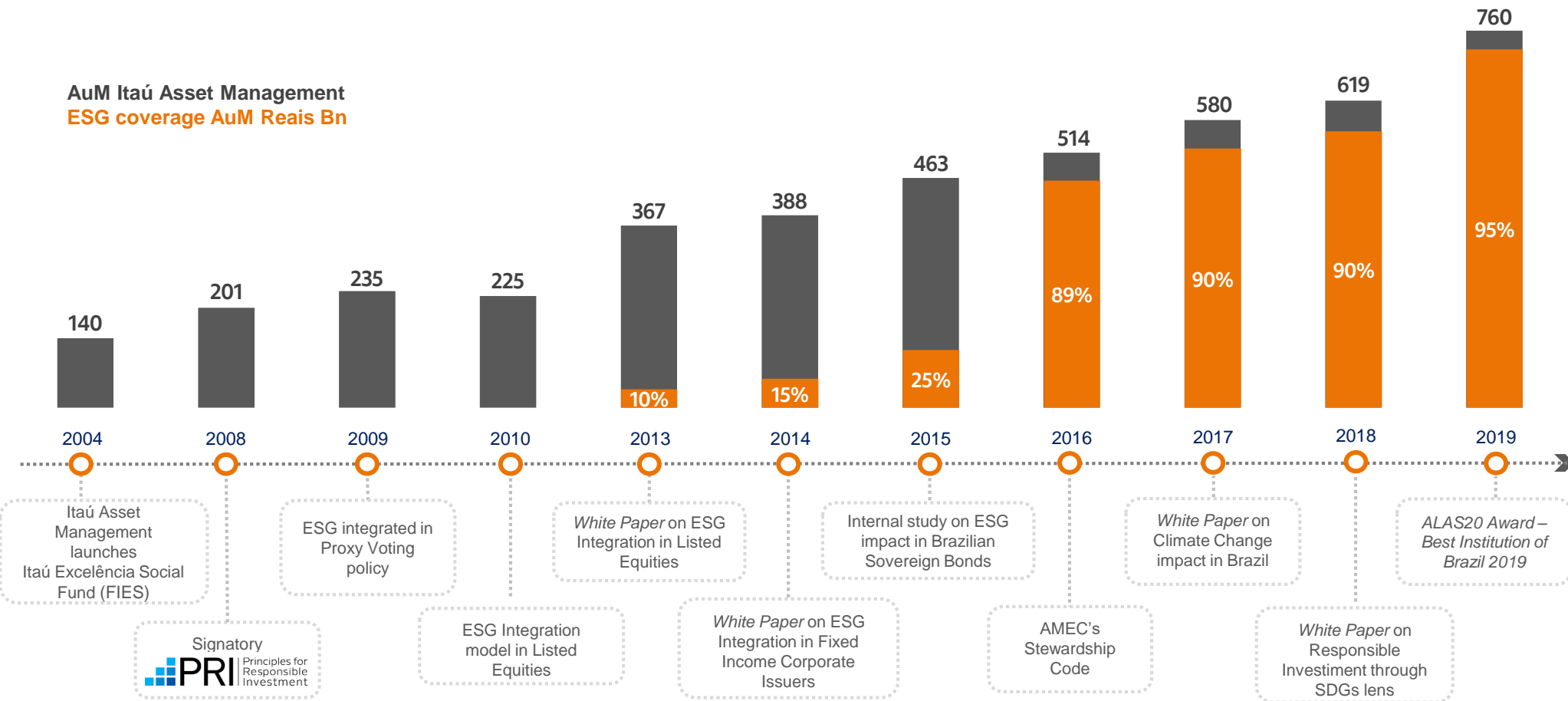
April, 2020

ESG Integration at IAM over the years



Timeline and capabilities

AuM Itaú Asset Management
ESG coverage AuM Reais Bn

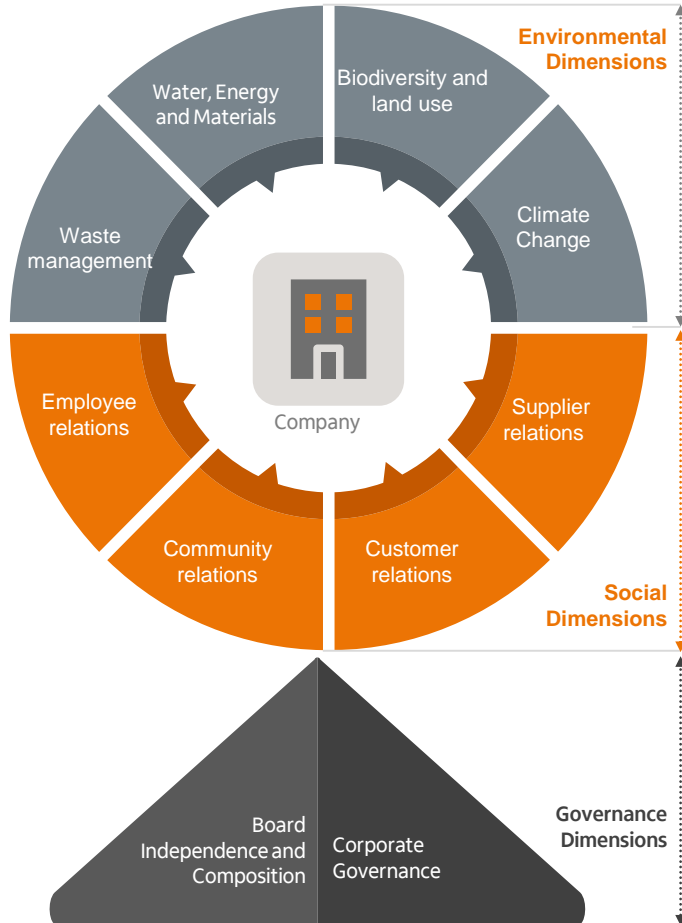


Itaú Asset Management ESG Strategy



Overview

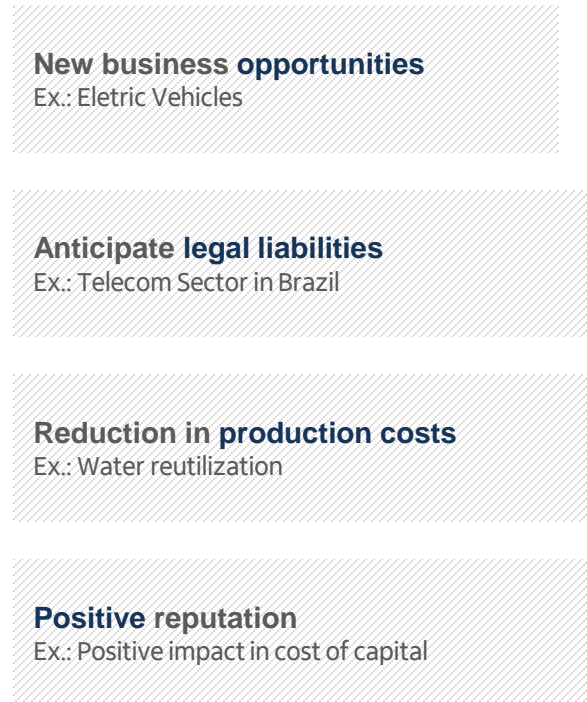
What we do?



How we do?



Why we do?



Source: *The Reference Compendium on Business and Sustainability*, University of Cambridge Programme for Industry, 2004 (interpretação e adaptação Fundação Brasileira para o Desenvolvimento Sustentável) | Extraído do Guia Novo Valor -Sustentabilidade nas Empresas da BM&FBovespa 09.set.2016

Itaú Asset Management ESG Integration Model



ESG integration in DCF models

ESG Integration in Listed Equities

Cross-sector
dimensions

+

Sector-specific
value drivers

+

Company
performance

1st
stage

Research

- Revenues
- Costs
- Expenses

- Provisions
- Capex
- Cost of capital

2nd
stage

Quantifi-
cation

Calculation
of ESG
issues NPV

Company
fair value
adjustment

3rd
stage

Valuation

Source: Itaú Asset Management

Itaú Asset Management ESG Integration Model



Cross Industry Dimensions | Associated Risks and Opportunities



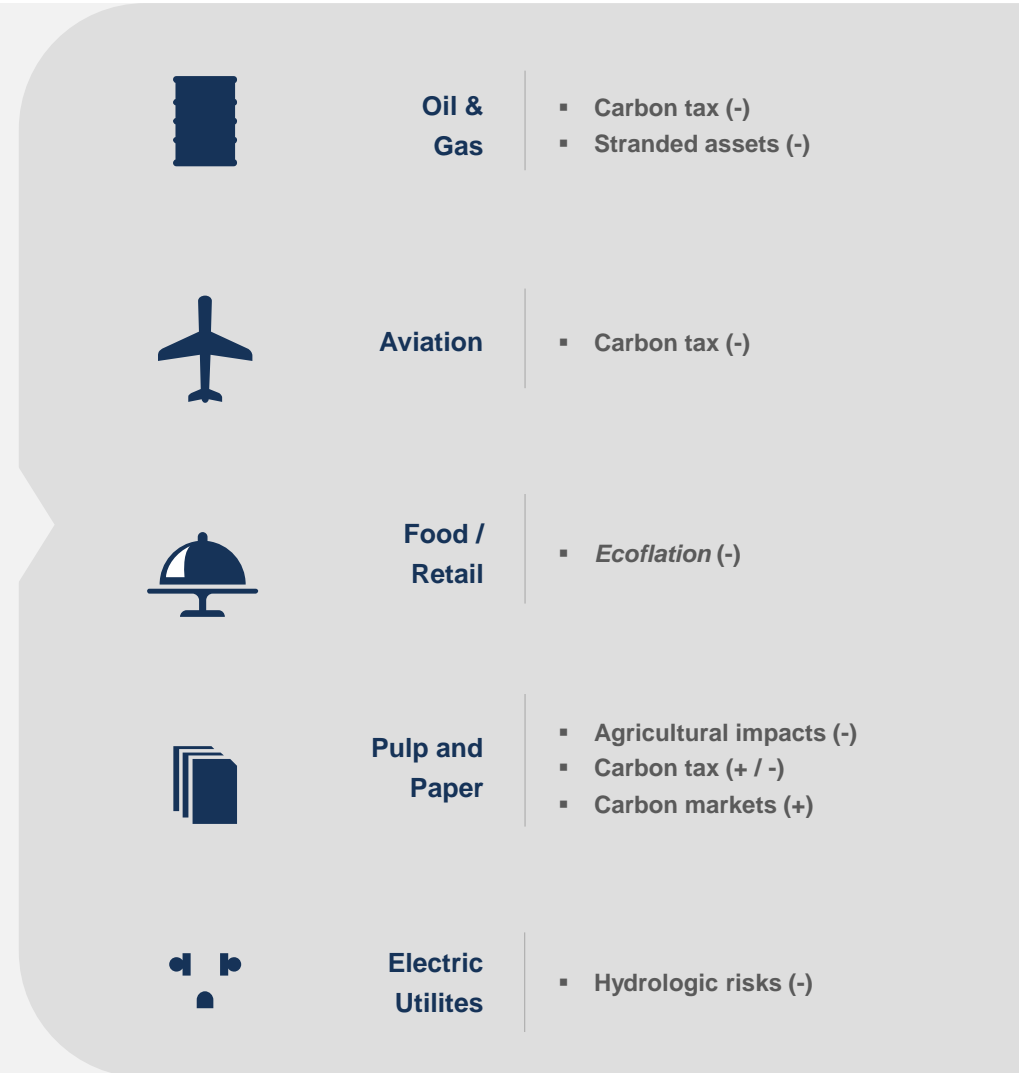
	Oil & Gas	<ul style="list-style-type: none"> ▪ Large spills (-) ▪ Minor spills (-)
	Mining	<ul style="list-style-type: none"> ▪ Mining Dams (-) ▪ Water contamination (-) ▪ Iron ore dry beneficiation (+)
	Retail	<ul style="list-style-type: none"> ▪ Ugly Food trend (+) ▪ Recycling (+) ▪ Reverse Logistics (-)
	Pulp and Paper	<ul style="list-style-type: none"> ▪ Odor (-) ▪ Effluents (-) ▪ Reverse Logistics (-)
	Electric Utilities	<ul style="list-style-type: none"> ▪ Particulate emissions (-) ▪ Capex for filters (-)

Source: Itaú Asset Management.

Itaú Asset Management ESG Integration Model

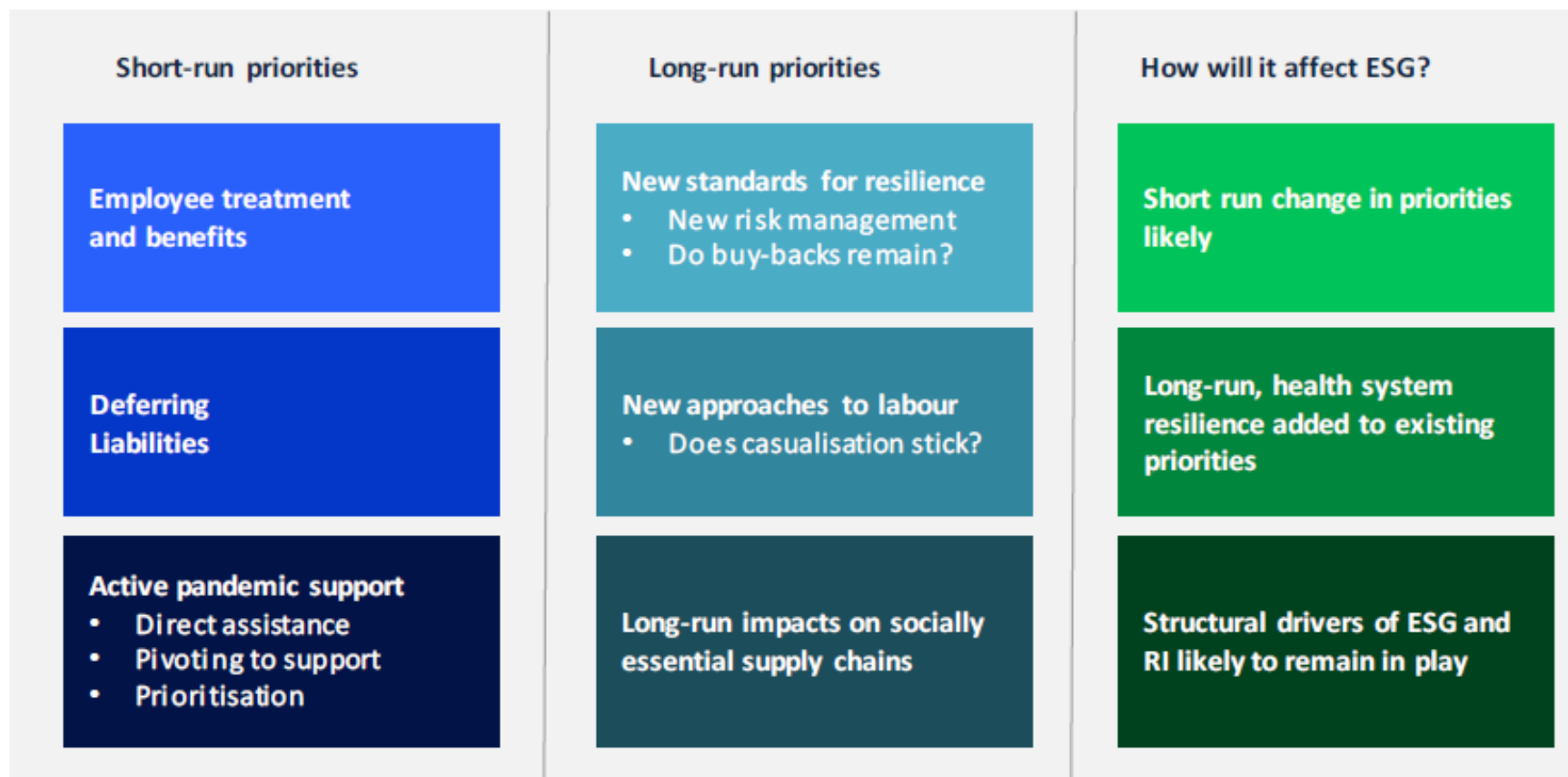


Cross Industry Dimensions | Associated Risks and Opportunities



Source: Itaú Asset Management.

Figure 1. How is ESG changing to engage with the pandemic?



Source: Citi Research

Source: Citi Research - Glimpses of a post-pandemic future Report, 2020

Covid-19 Engagement Initiatives



PRI-coordinated | ESG responses by investors to Covid-19 in the short term

The PRI is establishing two signatory participation groups to coordinate and develop investor responses, focusing on:

1. short-term responses, and ensuring responsible ESG approaches remain at the forefront of investor activities;
2. a future economic recovery phase, considering the how the financial system should function to ensure sustainable outcomes.

These groups will encourage discussion and then support action on the highest priority areas for investors, companies and governments.

IMMEDIATE INVESTOR ACTIONS

- Action 1: Engage companies that are failing in their crisis management
- Action 2: Engage where other harm is being hidden behind, or worsened by, the crisis
- Action 3: Re-prioritise engagement on other topics
- Action 4: Publicly support an economy-wide response
- Action 5: Participate in virtual AGMs
- Action 6: Be receptive to requests for financial support
- Action 7: Maintain a long-term focus in investment decision making

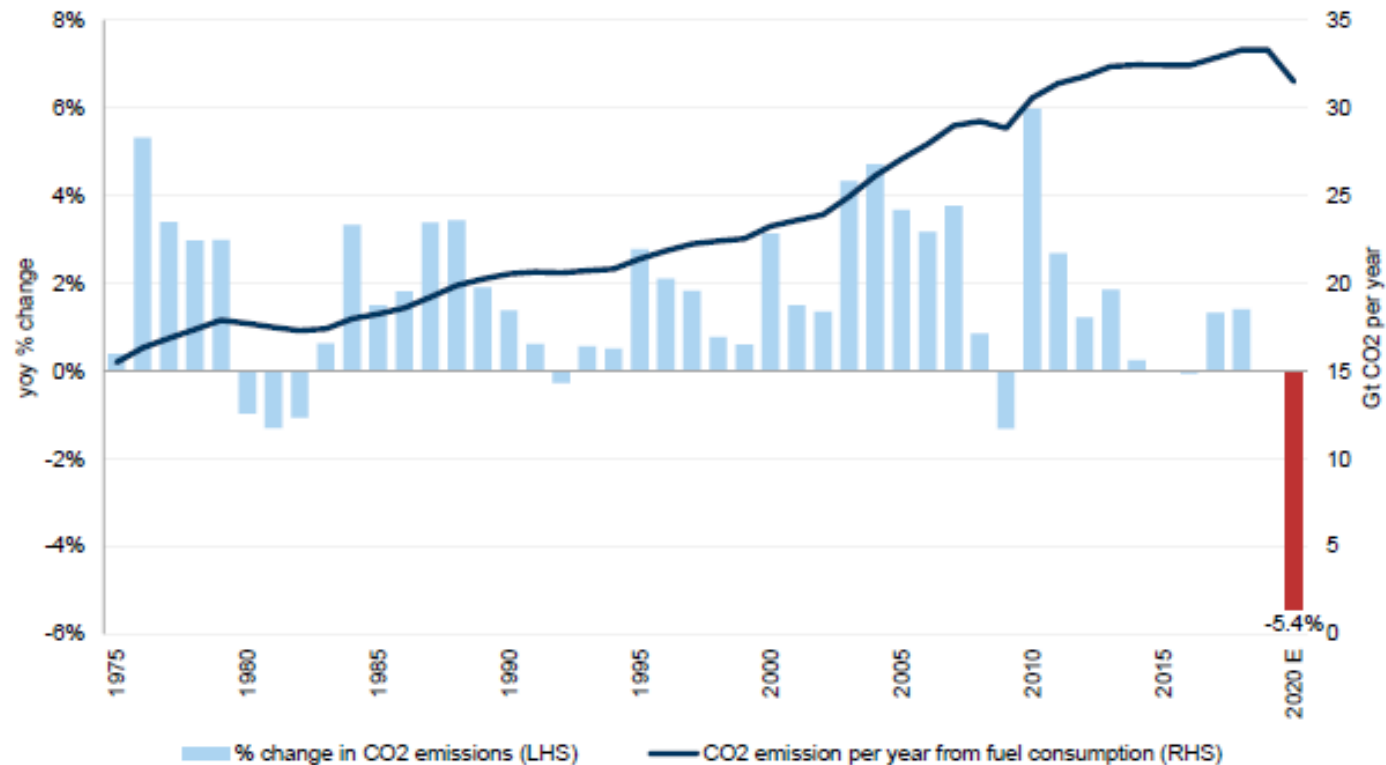
Covid-19 & ESG Themes



Estimating the Climate impact

Exhibit 1: The current crisis will likely lead to the largest decline of CO2 emissions on record

Absolute CO2 emissions from consumable fuels (RHS), CO2 emissions growth yoy (LHS), 1975-2020E



Source: IEA, Goldman Sachs Global Investment Research

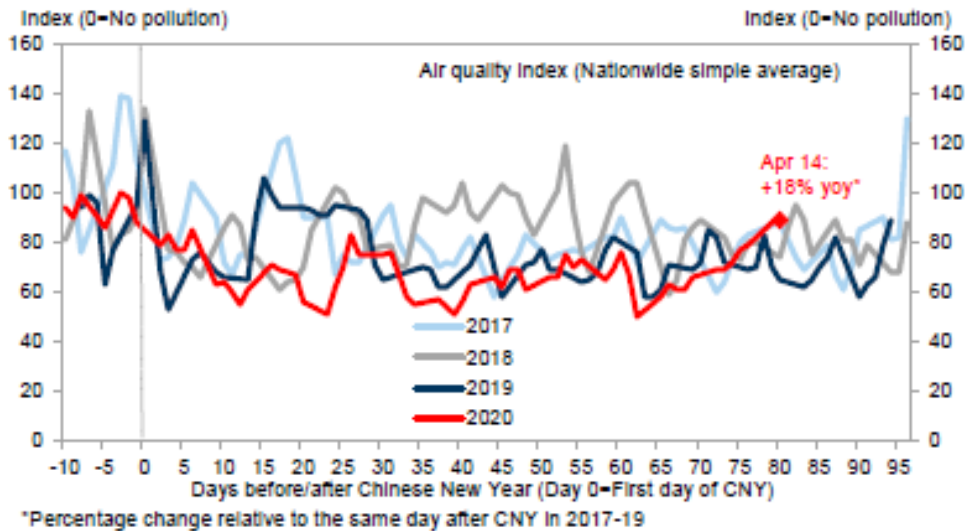
Source: Goldman Sachs Equity Research - COVID-19 - Shifting the climate change debate Report, 2020.

Covid-19 & ESG Themes



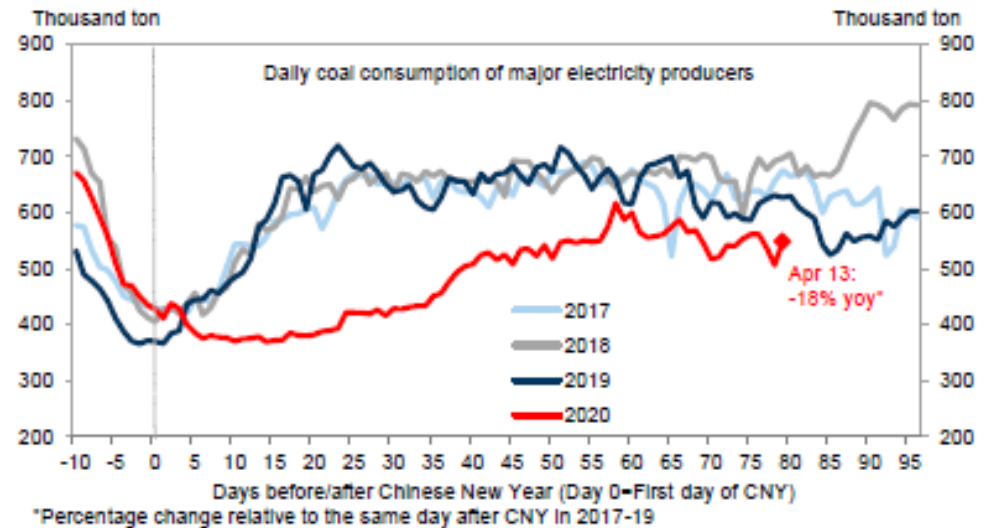
Air pollution and coal consumption

Exhibit 8: Air pollution is now close to normalised levels



Source: Haver Analytics, Goldman Sachs Global Investment Research

Exhibit 9: Daily coal consumption of major electricity producers remained below normal levels



Our macro team adjusted the chart for a 2-day delay in reports of coal consumption (i.e., data on Mar 25th likely reflects the actual demand on Mar 23rd)

Source: Goldman Sachs Equity Research - COVID-19 - Shifting the climate change debate Report, 2020.

White Papers



LATAM



Portfolio manager – Valor Econômico

25/07/2018 às 09:00

Nova fronteira dos investimentos responsáveis

Por Renato Eid Tucci e Alexandre Gazzotti

Na indústria de investimentos, poucos temas despertam tanto interesse de jovens investidores quanto aqueles ligados à sustentabilidade e ao impacto socioambiental. É o chamado investimento responsável.

A integração de temas ambientais, sociais e de governança corporativa (ESG, em inglês) no processo de investimento está na vanguarda dessa tendência. Nos países desenvolvidos, a demanda por fundos e produtos de investimento que considerem esses aspectos cresce em ritmo acelerado. Mas o quanto tais conceitos estão integrados no processo de investimento em âmbito global? E quais são os padrões existentes para inclusão dos temas ESG na avaliação e gestão de investimentos?

De acordo com as informações mais recentes disponíveis, US\$ 1 de cada US\$ 4 geridos profissionalmente no mundo já levam em consideração estratégias de investimento responsável. Isso representa US\$ 22 trilhões, cerca de 26% de todos os

22/08/2018 às 09:00

Como o seu dinheiro pode ajudar a melhorar o mundo

Por Renato Eid Tucci e Alexandre Gazzotti

As Nações Unidas lançaram em 2015 os 17 objetivos para o desenvolvimento sustentável (ODS), uma agenda compartilhada entre governos, setor privado, sociedade civil e investidores para mobilizar esforços e promover melhores condições sociais e ambientais para a humanidade até 2030.

Os ODS foram inspirados no sucesso dos objetivos do milênio, e se traduzem em 169 metas que podem ser acompanhadas por meio de 230 indicadores sugeridos pela comissão estatística das Nações Unidas. A ONU acredita que os ODS serão adotados até 2030, para permitir uma abordagem planejada entre os diversos atores públicos e privados.

Mas qual o papel de investidores institucionais para os ODS? E qual o estágio do alinhamento entre investidores e a promoção de melhores práticas socioambientais

Case Study - PRI

CASE STUDY: ITAÚ ASSET MANAGEMENT

Alexandre Gazzotti, Head of ESG

Letícia Covatta, ESG Strategy Manager

Our strategy differs: based on the UN Investment Principles and the Sustainable Development Goals, we developed a model for assessing the impact of Brazilian investee companies.

For instance, there are two parameters: climate data on the carbon-intensive sector industry.

- Companies are, subject to the higher need for consideration of climate change, temperature rise data is more robust or better weather events associated with climate change.
- Regulatory risk, related to the development of new legislation regarding greenhouse gas emissions data and the opportunity for carbon credit markets in new financial markets.

To identify risks and opportunities, we use the discount rate that the funds generate to understand investor value as a percentage of company market cap (in the short term) and the value added (in the long term) to the company.

Typically, we consider this, we use the present value of the expected cost of managing physical assets and investments. The discount rate that the funds generate is used to calculate the present value of the expected cost of managing physical assets.

IDENTITY INVESTMENT OPPORTUNITIES

Climate-related risks that represent a clear opportunity associated with climate change. Of the 50 opportunities in the financial investment portfolio, 2 are related to the fact that they need to be better managed and to green buildings. A further opportunity is related to the fact that the investment is in a sector that is more resilient than the investment management.

Climate risk represents "in short-term and not investment management" impact on the value of the portfolio, which is related to the fact that the investment is in a sector that is more resilient than the investment management.

Figure 04: Financial investment assets

Category	Assets Covered	Investment Managers
Climate	100%	100%
Water	100%	100%
Waste	100%	100%
Energy	100%	100%
Other	100%	100%

Wall Street Journal

JOURNAL REPORT | INVESTING IN FUNDS & ETFS

Sustainable Investing

Water: The New Screen for Investment Risk

Focus on potential water shortages or disruptions is part of investors' interest in 'sustainable' strategies

BY ALEX HENDERSON

INVESTORS ARE BEING FORCED TO RECONSIDER WATER AS A CRITICAL PART OF THEIR INVESTMENT STRATEGIES. AS A RESULT, MANY MANAGERS ARE PUTTING MORE WEIGHT ON THE POTENTIAL OF WATER SHORTAGES AS A RISK FACTOR IN INVESTMENT DECISIONS.

That trend is being reinforced by the fact that water is a critical resource for many industries, and the fact that water shortages are becoming more frequent and severe in many parts of the world.

Mr. Henderson says that the fact that water is becoming a more prominent risk factor in investment decisions is a sign of a more holistic approach to investing, one that takes into account not just financial returns but also environmental and social factors.

Some funds have started to incorporate water risk into their investment screening processes, and some are even offering dedicated water-themed investment products.

Mr. Henderson says that the fact that water is becoming a more prominent risk factor in investment decisions is a sign of a more holistic approach to investing, one that takes into account not just financial returns but also environmental and social factors.

This material has been prepared by Itaú Unibanco S.A., (“Itaú”), a financial institution validly existent under the laws of Brazil and a member of the Itaú Unibanco Group. Itaú Asset Management is an internal division of Itaú (“Itaú Asset Management”) and does not constitute a separate legal entity.

Past profitability is not a guarantee of future performance. The published profitability is not net of taxes. Investment funds are not guaranteed by the administrator, manager, or any other insurance mechanism, or the Credit Guarantee Fund (FGC). Read the prospectus and regulation before investing. Itaú Asset Management is the Itaú Unibanco segment specialized in asset management. Itaú Group does not accept any liability whatsoever for any direct or consequential loss arising from any use of this presentation or its content.

The financial instruments discussed in this material may not be suitable for all investors. The material does not take into account the investment objectives, financial situation or particular needs of any particular investor. Investors should obtain independent financial advice based on their own particular circumstances before making an investment decision on the basis of the information contained herein and it is strongly recommended that investors read carefully the disclosure document of any funds presented herein, specially the Fund's investment objectives, risks, fees and other charges, before making any investment decision. This material is provided for informational purposes only and does not constitute or should not be construed as an offer to buy or sell or solicitation of an offer to buy or sell any financial instrument or to participate in any particular trading strategy in any jurisdiction.

The information provided in this material is confidential and has been prepared solely for use in connection with the activities of Itaú Asset Management. By entering, opening or accessing this material, the reader confirms that is aware of the laws in his own jurisdiction relating to the provision and sale of financial services products. Any prices and availability of financial instruments are indicative only and subject to change without notice. The information contained in this material is subject to the parties entering into contract which will include but will not be limited to terms such as sales and service, pricing and rebate arrangements.

Opinions, estimates, and projections expressed herein constitute the current judgment of the analyst responsible for the substance of this presentation as of the date in which it was issued and are therefore subject to change without notice. Prices and availability of financial instruments are indicative only and subject to change without notice.

This presentation may not be made available, published, displayed, reproduced or redistributed to any other person, in whole or in part, for any purpose, without the prior written consent of Itaú. Additional information relative to the financial products discussed in this presentation is available upon request .

Itaú Asset Management is the segment specialized in managing investors' investment funds at Itaú Unibanco.

Please read the prospectus, complementary information form, fact sheet and rules before investing.

Please address questions, complaints and suggestions to SAC Itaú (0800-722-1722), 24 hours a day), or contact us (www.itaú.com.br) or the Itaú Corporate Ombudsman (0800-570-0011), weekdays from 9 am to 6 pm, PO Box 67600, ZIP Code (03162-971). Hearing or speech-impaired persons can contact us 24 hours a day at 0800-722-1722.

