

ENVIRONMENTAL AND SOCIAL RISK - CREDIT

Date of publication: [01.02.2018]

RESUMO

This document establishes environmental and social guidelines for credit risk operations for Itaú Unibanco's Clients.

1 PURPOSE

To formalize the environmental and social guidelines that are adopted by Itaú Unibanco for credit risk operations for its clients.

This document is a public version of the existing internal policy whose procedures are described in other policies or internal manuals.

This Policy criteria are applied in our analysis of clients, recognition of real estate guarantees and specific assessment of E&S risk associated with credit risk transactions, which include project finance.

2 RULES

2.1 Prohibited Activities

The activities listed below are contrary to Itaú Unibanco's principles and values. Therefore, the Institution will not grant new credit to Clients (including Natural Person) that develop activities in the conditions described in said list. If Clients, after the assignment of the credit, start to develop activities in the conditions established in the List of Prohibited Activities, Itaú Unibanco will take measures to enforce compliance with the Policy.

1. Companies associated with activities that encourage and/or exploit prostitution, including child prostitution.
2. Companies that, in their activities, use child labor in disagreement with legislation.
3. Companies that, in their activities, use slave-like labor.

Clients included in the List of Prohibited Activities are identified based on procedures established by the Environmental and Social Risk Management and the Superintendency of Regulators Relations and Compliance.

2.2 Environmental and Social Risk Analysis of Credit Risk Operations of Corporate Clients and Rural Clients

2.2.1 Client Analysis

The departments involved in processes associated with credit risk operations must observe if the Corporate or Rural Client falls into any of the client analysis criteria, including the activities deemed restricted.

The analysis of environmental and social risk for clients is applicable to small (retail) and middle-market companies (middle market), including the Corporate segment, in addition to clients from sectors deemed as included in the List of Restricted Activities (described below in a specific item).

For client analysis, we use specific tools and categorize the client according to the environmental and social impact of its activities. This categorization is based on the sector that the client operates and includes sustainability criteria, such as energy and water consumption, emission and generation of liquid effluents, solid waste disposal, air emissions, and occupational health and safety risks. Companies are categorized into A, B and C, for high, medium and low environmental and social risk, respectively.

Environmental and social risk can be categorized into:

A: High Risk;

B: Medium Risk;

C: Low Risk.

As High Risk (categorization A) we can highlight the activities of Mining, Metallurgy, Oil and Gas, Petrochemicals, among others.

For Medium Risk (categorization B) we can highlight the activities Textiles, Construction, Smoke, Beverages, among others.

2.2.1.1 List of Restricted Activities

Inspired by good international practices, Itaú Unibanco follows specific procedures for granting credit to Corporate Clients whose activities are included in the sectors below:

1. Manufacturing and sale of military hardware, firearms and ammunition.
2. Extraction of wood from native forests.
3. Fishing activities.
4. Extraction and industrialization of asbestos.
5. Beef packaging plants and cattle slaughterhouses.

For these sectors, the Environmental and Social Risk Management conducts surveys aimed at each sector and demands the commercial department to request companies to fill out specific questionnaires and submit applicable documentation.

The Internal Environmental and Social Risk Manual specifies the criteria for analysis of Clients, as well as the related Sector Guidelines.

2.2.2 Analysis for concession of structured operations with credit risk

In addition to the Client Analysis requirements, the commercial area should observe the criteria for analysis of structured transactions, described below. Loans and financing must contain, in a minimum, contractual clauses with environmental and social aspects.

Regarding financial transactions, to identify those subject to environmental and social risk analysis, only operations in which Itaú has the capacity to identify previously and expressly the purpose of the use of the resources by the borrower, in addition to those operations that, by legal requirement, the funding provider or voluntary agreements signed by the institution, require environmental and social risk analysis ("Financial Operations"). Operations subject to environmental and social analysis are described in internal policies and manuals.

Project Financing

The Environmental and Social assessment applies to all Project Financing, including bridge loans. The areas should involve the Environmental and Social Risk Management so that a specific E&S checklist is drawn up, inspired by international criteria. As a conclusion of the environmental and social analysis, a monitoring plan may be drawn up, to be inserted in a contract and periodically monitored by the Environmental and Social Risk Management, throughout the term of the Financing agreement.

If the transaction meets the criteria established by the Equator Principles, it will be required to comply with the International Finance Corporation (IFC) Performance Standards and the World Bank's Environmental Guidelines, as well as contracting environmental and social specialist, when applicable. In this case, as a conclusion of the Environmental and Social Analysis, a action plan will be drawn up, to be entered into a contract and monitored periodically by the Environmental and Social Risk Management or independent consultant, when applicable, throughout the term of the Financing Agreement.

2.3 Recognition of Real Estate Guarantees

Based on relevance and proportionality principles, the acceptance of mortgage or trust receipt on real estate properties as guarantee in credit transactions with companies is preceded by an analysis of a specific questionnaire as described in the internal policies.

If the existence of contamination or forest liabilities is confirmed, the Environmental and Social Risk Management should carry out a risk assessment and/or request further information, which may include an additional investigative report.

In addition, environmental and social clauses must be included in the contractual instruments of the guarantee.

3 RESPONSIBILITIES

3.1 Areas

Departments impacted by the guidelines of this Policy within the scope of their respective activities.

To implement and respect the principles and rules of this Policy and its attachments.

To develop specific procedures for the application of the principles and rules set forth herein.

3.2 Internal Control and Compliance Executive Office - Superintendency of Regulator Relations and Compliance

To manage the inclusion and exclusion of an environmental and social impediment of Clients associated with the Prohibited Activities.

3.3 Credit Risk and Modeling Office - Environmental and Social Risk Management

To disseminate the content of this Policy to Itaú Unibanco's employees involved in its application. To establish the environmental and social criteria and documents required for the Environmental and Social Risk analysis of Credit Risk Operations.

To issue socio-environmental opinion, in case of risk identification, in accordance with internal processes

Based on relevance and proportionality principles, to establish criteria for monitoring Clients and/or operations subject to the environmental and social analysis, in accordance with this Policy.

3.4 Environmental and Social Legal Department

To support the Business Legal Department in the adjustment and update of contractual clauses whenever needed and/or requested. To issue a technical report for rating risk and establishing authority levels.

Provide legal support in discussions on the socio-environmental issue

4 RELATED DOCUMENTS

4.1 Related Internal Policies

This policy is applied by Itaú Unibanco and must be read together with the following documents:

Sustainability and Environmental and Social Responsibility Policy of Itaú Unibanco Holding S.A.

Itaú Unibanco's Code of Ethics

Restrictive Reference File Notification System – BX System

5 GLOSSARY

Client: Companies, current account holders in Brazil.

Natural Person: Individuals, current account holders in Brazil.

Rural Client: Clients, Individuals or Companies, of the Agribusiness Office – Farmers – Companies and Individuals, headquartered in Brazil.

Legal Entities/Companies: Companies operating in Brazil, carrying out activities within the Brazilian territory.

Areas: Business or supporting departments, as set out in the attachments to this policy.