



ITAÚ UNIBANCO HOLDING S.A.

Annual Report 2012



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1 Itaú Unibanco

As leaders in Brazil and specialists in Latin America,
we anticipate trends and refine our businesses to
keep pace with an ever-changing market

ABOUT THIS REPORT

Engagement and integration in our reporting

This year's annual report has been dramatically redesigned. These changes are the result of a new governance process for collecting and disclosing information, and a first attempt to produce a document, which is integrated with our financial statements. This initiative seeks to bring our operating areas even closer together, with a view to better aligning this report with our other disclosures, such as the Brazilian Securities and Exchange Commission (CVM) Reference Form (CVM Instruction 480), and the Form 20-F, which is filed with the United States Securities and Exchange Commission (SEC). [GRI Profile 3.5](#)

The Report is divided into the following sections: [GRI Profile 3.5](#)
Itaú Unibanco – information on the bank's profile and business activities.

Governance and management – a detailed look at our governance structure and the tools we use to manage our business activities.

Sustainability: strategic focus areas – presentation of our strategic focus for sustainability management, its objectives and means of operation.

Sustainable performance – content on the management mechanisms, practices and initiatives we employ in the relationships with all our stakeholders; presentation of our financial performance and the overall objectives for 2013 as presented at our 2012 results conference call.

GRI content – publication of supplementary information, responses to the Global Reporting Initiative (GRI) indicators and audit opinions.

The pursuit of integration and improved executive governance in this Report, in tandem with dedicated involvement from different areas of the bank, demonstrates our continuous evolution of sustainability management and desire for dialogue with our stakeholders. Our goal is to make our reporting even clearer and without favoring any specific group. [GRI Profile 4.17 and 3.5](#)

The information presented complies with Statement 13 of the Steering Committee for Market Disclosure (CODIM).

The Report uses data collected from January 1 to December 31, 2012, and covers our financial, social and environmental management approaches, whose challenges for 2013 were included in and aligned with our results conference call and interviews with bank executives. The Report also describes how our efforts adhere to the ten principles of the Global Compact, an initiative of the United Nations (UN). [GRI Profile 3.1](#)

The Report covers all organizations subject to the control or significant influence of Itaú Unibanco Holding S.A. Possible changes in figures relating to operations, resulting from the purchase or sale of assets or other significant changes to the business, are denoted. [GRI Profile 3.6 and 3.8](#)

The analysis of material topics demonstrates that the evolution of our practices is consistent with our sustainability strategy. In 2012 we also adopted the guidelines of the New York Stock Exchange's Dow Jones Sustainability Index (DJSI), which is one of the leading metrics for assessing sustainability management in the capital markets. In 2013 we will also include the BM&FBovespa Corporate Sustainability Index in this analysis. The growth of this strategy is described in the section which looks at our strategic focus areas. [GRI Profile 3.5](#)

The assurance of our socio-environmental disclosure and audit of the financial statements in BR GAAP (Brazilian Generally Accepted Accounting Principles) was conducted by PricewaterhouseCoopers (PwC). The assurance process was conducted by BSD Consulting based on AccountAbility's AA1000 standards. Your comments and suggestions on the Report are important to us, and should be sent to comunicacao.corporativa@itau-unibanco.com.br. [GRI Profile 3.4 and 3.13](#)
[Learn more about this report.](#)

MESSAGES FROM THE CHAIRMAN AND THE PRESIDENT GRI Profile 1.1



MESSAGE FROM THE CHAIRMAN OF THE BOARD

The growth of the Brazilian economy in the coming years – in the midst of a crisis in Europe, underperforming markets in the United States and a slowdown in China – will depend primarily on initiatives related to productivity. This aspect is critical for us to achieve our vision of leadership in sustainable performance and customer satisfaction, particularly if we take into account the significant changes underway in the Brazilian market, which can significantly impact the way we do business.

For Brazil, 2012 was a period of transition, where our economic model moved closer to the types we see in more developed nations. Interest rates fell substantially, as did spreads and financial margins. However, infrastructure costs and taxes remain very high. These conditions are leading to a structural change in banking, with impacts not only on borrowers but on investors as well. Accordingly, a new range of products and services will be a key part of our strategy, though most importantly we must refine our long-term vision as the way to achieve results through lasting, transparent relationships with our customers.

Despite these challenges, we enter 2013 with a clear understanding of how to act. We have assessed the long-term trends and prepared ourselves for Brazil's return to growth, which should occur in tandem with new investments in infrastructure, increased government tax incentives, lower and more stable interest rates, and a reduced debt load. These are the conditions we expect for the coming months, and we plan to take full advantage of them, thanks to our preparation efforts over the past few years.

As part of our readiness procedures for these new market demands, we made significant progress on strengthening and broadening the bank's corporate governance structures and policies. We introduced a Related Party Transactions Policy, and changed the composition of our Board of Directors, which had been planned since the merger of Itaú and Unibanco, back in 2008. Together, these advances ensure that issues material to our management are reviewed with diligence and transparency, which help us make decisions in keeping with the best interests of the bank and its shareholders.

**WE ENTER 2013 WITH A
CLEAR UNDERSTANDING
OF HOW TO ACT. WE HAVE
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RETURN TO GROWTH**

We also took major strides with our vision of sustainability, ever mindful of the challenges in monitoring the changes and demands of society. Our efforts to spread knowledge about financial education and the assessment of socio-environmental criteria have been recognized as models in Brazil and abroad, demonstrated by the many awards we have received and the bank's presence in key sustainability indices overseas (Dow Jones Sustainability World Index) and in Brazil (Bovespa Corporate Sustainability Index). As leaders, our role is to influence the market towards adopting best practices and leading international standards.

Finally, we have proven that we can be a more efficient and competitive organization. Itaú Unibanco teams worked hard to ensure that our expenses grew less than inflation during the year, giving us an undeniable competitive advantage. This type of performance is the result of a strong corporate culture, a company-wide respect for the principles of Our Way of Making it Happen, and a belief in meritocracy as our primary tool for creating value within the bank.

This annual report is not only a snapshot of what we have already accomplished, but it also portrays the challenges that lie ahead. We will continue to expand the bank in Brazil and abroad. Internationally, we took important steps to expand our operations in Latin America and Europe. This process will require more staff training and, above all, tremendous dedication from our leaders. In Brazil the goal is to consolidate ourselves into the major processes of change that are underway. I have full confidence that Itaú Unibanco is prepared to make 2013 a memorable year in terms of quality and performance.

Pedro Moreira Salles

Chairman of the Board of Directors
Itaú Unibanco Holding S.A.

MESSAGE FROM THE PRESIDENT

Over the past few years Brazil has changed in many ways. The country has undergone major social developments and much of the population has formally entered the consumer market. Loans to these new consumers have grown by necessity, and we have played an important role in helping families realize their dreams and projects. But in 2012, as a consequence of the difficulties felt everywhere after the global financial crisis of 2008, the Brazilian economy grew less than expected for the second consecutive year. This sluggish growth has accentuated the previous year's trend of higher default rates, lower interest rates and shrinking margins in the Brazilian financial market, and definitely forced us to rethink how we run the bank.

We sought to offset the negative effects of this economic climate by reining in our expenses, repositioning our risk appetite in line with these new market conditions, and increasing revenues from services and insurance. Although initially our performance was below expectations, by the fourth quarter we began seeing the results of the strategies we had put in place. By year-end our expenses had risen just 1.8%, while our efficiency ratio had improved by 1.9%. Default rates ended the year lower than they were twelve months earlier, while revenues from services and insurance showed substantial growth.

Within this changing market we introduced several new investment products (including a real estate fund, debentures and private credit), new credit products (such as Itaúcard 2.0), new services (current account transactions via cellphone) and new insurance policies (with borrower protection). We also reorganized certain structures to gain operational efficiency (cards and branches) and successfully conducted the largest public offering of shares in the history of Brazil's capital market (R\$11.7 billion) to acquire the 49.98% of Redecard that we did not already own. This acquisition will allow us to further integrate the bank with Redecard's retailer network and develop new means of payment solutions, in addition to maintaining our strategy of increasing our revenues from services.

We also formed an Association with Banco BMG to offer payroll deduction loans through correspondent banks. Combined with our traditional branch operations,

OUR ACHIEVEMENTS AND GOOD PERFORMANCE PLACED US, HOWEVER, IN AN EVEN HIGHER LEVEL OF DEMAND

this partnership should make us the leader in payroll loans well before the end of 2013. In fact, these loans are a key feature of our consumer credit portfolio, surpassing auto financing (a sector we lead) and trailing only mortgage lending (a sector we also lead, among privately-controlled banks). Payroll deduction loans are low risk as they are secured by a borrower's salary, and our growth in this market is in keeping with our risk appetite within this prevailing climate of lower interest rates and narrower margins.

We also began allocating R\$10.4 billion to the development of a technology platform that will equip the bank to meet these new demands. In 2014 we will open the first phase of our new data center in the city of Mogi Mirim, in the state of São Paulo. The modernized features of this new facility will give us greater flexibility and security to serve our customers. We will also be able to better analyze the profiles of the people with whom we interact, and continue to offer more products and services best suited to each client type and situation.

It would be quite remiss not to mention the commitment of everyone at Itaú Unibanco to improving the quality of our services and reducing the number of complaints received by us and by consumer protection groups. Customer satisfaction is a key element of our vision and we carry out various initiatives to improve our communication with customers, become increasingly transparent, and understand individual needs. These efforts are fundamental so that we no longer have the highest numbers of complaints made to Procon consumer protection agencies and the Central Bank. We have

invested heavily in this goal, in addition to expanding our branch network, so that we may offer customers more flexible service channels like the internet, smart phones, tablets and correspondent banking.

Internationally we posted good growth in our existing operations and gained market share in Latin America, which is our priority growth area. We opened a bank in Colombia to serve large local commercial clients, and the results are already ahead of expectations thanks to the quality of the contacts and client portfolio we have assembled. But we are in no rush to generate new business, as we expect the best opportunities should appear when the Brazilian economy improves.

Our achievements and performance place even

greater demands on us. We have done well to maintain our leadership in Brazil's banking sector, where competition will continue to increase, and to meet the needs of our customers by providing faster service and better products. Our brand is the most valuable in Brazil and we are recognized for our sustainability management. The challenges ahead will require plenty of effort and dedication, but I am confident that we are ready to be a new bank with steady, sustainable and lasting growth.

Roberto Setubal

President and Chief Executive Officer
Itaú Unibanco Holding S.A.

WATCH THE VIDEOS



Pedro Moreira Salles

Chairman of the Board of Directors

Macroeconomic Conditions
Corporate Governance
Efficiency
Our Way of Making It Happen
Investments in Technology
Internationalization
Sustainable Performance
Outlook for 2013



Roberto Setubal

President and CEO

Macroeconomic Conditions
A Changing Financial Picture
Efficiency
Risk Management
Investments in Technology
Performance and Customer Satisfaction
Redecard Aquisition
Association with Banco BMG
Internationalization
Cards
Real Estate
Investments
Distribution Channels
Recognition, Challenges, Sustainability
Outlook for 2013

One year to recover growth



The year 2012 held some surprises. Globally, low growth was expected, and fears arose over a breakup of the Euro, a major slowdown in China, falling commodity prices and the fiscal situation in the United States. While the global economy only grew at about 3%, these risks failed to materialize. The European Central Bank announced a new bond purchase plan, which significantly reduced the chances of a Euro zone breakup. The United States managed to avoid the “fiscal cliff”, and the Chinese economy began to show signs of recovery by year-end. Latin America, Chile, Peru and Mexico all performed well and should maintain their current pace. These conditions offer a more optimistic outlook for 2013 and 2014. The global economy is beginning to stabilize, the risks related to the Euro have decreased considerably and governments are making the necessary adjustments.

In Brazil, GDP growth was weaker than expected, with a fall in investment and industrial production. Despite weak activity, the labor market remained strong. Unemployment fell to 4.6% in December, its lowest amount ever. Hiring continued apace and wages continued to rise. The number of people in the workforce rose by 2.2% in 2012, while real wages grew 4.1% during the year.

The recovery of the economy is still in its early stages and thereby uncertain, but it may gain momentum throughout the coming year as a result of improving global conditions, the continuation of current fiscal and monetary incentives, and a good labor market. Accordingly, we expect the Brazilian economy to grow around 3% in 2013.

The outlook for commodities in 2013 appears healthy, and prices of base metals have begun to rise along with the recovery of China’s growth. In regard to agricultural production, weather conditions remained favorable, and we expect the summer soybean harvest to easily exceed that of last year.

Long and short-term interest rates fell sharply in 2012, reflecting not only cyclical conditions but also the possibility of a lasting low interest regime. The Selic rate, which began the year at 10.5%, reached 7.25%, a new record low. Long-term rates accompanied this movement, suggesting a more permanent shift in the domestic economy. Faced with short-term inflationary pressure, the Central Bank of Brazil indicated it would maintain the Selic rate at current levels for the foreseeable future.

Falling interest rates reflect a need for smaller primary surpluses to maintain current levels of public debt. In this context, the government has implemented a series of tax breaks which have resulted in reduced revenues. Altogether, there will be an additional R\$18 billion in tax exemptions in 2013, bringing the yearly total close to R\$50 billion, or 1% of GDP. However, room for further exemptions may be nearing the limit. From now on, additional tax reductions should be accompanied by decreased spending or lower fiscal targets, such as increased Growth Acceleration Program (PAC) deductions.

Growth in bank lending was moderate. Consumer loans rose 2.1% over 2011, while business borrowing was up 1.6%. Credit as a proportion of GDP increased from 49% in December 2011 to 53.5% in December 2012. The delinquency rate (loans more than 90 days in arrears) for

businesses remained high but relatively stable throughout the year, while in personal borrowing the rate rose during the first half but remained stable for the rest of the year. The late payment rate (between 15 and 90 days late) has dropped steadily, however, signaling the prospect of a better delinquency rate in 2013.

The IPCA inflation rate fell from 6.5% in 2011 to 5.8% in 2012, but remained above the central target. Economic stimulus packages and a falling exchange rate pushed inflation during the year, but tax breaks managed to keep rising prices in check.

In March 2012 the government began intensifying its intervention measures, as it sought a weaker, less volatile real. The exchange rate fell by 11.8% between December 2011 and December 2012, while the US dollar traded mostly in the R\$2 to R\$2.10 range.



Source: Itaú Unibanco Latam Macro Monthly Report – January 2013

PROFILE

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A leader in Brazil and a specialist on Latin America

HIGHLIGHTS

The origin of our bank dates from 1924, when Unibanco was founded by the Moreira Salles family. Itaú bank was created in 1944 by the Egydio de Souza Aranha family, with the company changing its name to Banco Itaú S.A. in 1973. In 2008 the two institutions merged to become Itaú Unibanco Holding S.A.

- 96,977 employees, including 90,323 in Brazil and 6,654 abroad.
- 4,121 full service branches in Brazil and overseas.
- 906 Banking Services Outlets (PABs).
- 27,960 Automated Teller Machines (ATMs).
- R\$426.595 billion in loans, including endorsements and sureties.
- R\$8.281 billion in income from credit cards. *GRI Profile 2.8*

Note: at December 31, 2012.

Shares traded

BM&FBovespa (São Paulo Stock Exchange) – ITUB3

(common) and ITUB4 (preferred)

NYSE (New York Stock Exchange) – ADR: ITUB (preferred)

BCBA (Buenos Aires Stock Exchange) – CEDEAR: ITUB4 (preferred)

Accounting standards

BR GAAP – required by the Central Bank of Brazil (Bacen)

IFRS – International Financial Reporting Standards, required by the CVM)

Business areas *GRI Profile 2.2 and 2.3*

Commercial Banking

- Retail banking
- Companies
- Real estate
- Third-party asset management
- Capital markets solutions
- Brokerage
- Insurance, pensions and capitalization

Consumer lending

- Credit cards
- Vehicle finance
- Microcredit

Accreditation and acquiring

Itaú BBA

- Commercial banking for large companies
- Investment bank
- Itaú BBA International

Market and Corporation

- Management of excess capital
- Subordinated debt issues



ITAÚ UNIBANCO IN NUMBERS

Total Assets (in R\$ billions)

2012		1,014.4
2011		851.3
2010		751.4

Provision for Doubtful Debts (in R\$ billions)

2012		27.7
2011		25.8
2010		22.0

Own, Raised and Managed Assets (in R\$ billions)

2012		1,449.2
2011		1,190.3
2010		1,099.6

Net Profit (in R\$ billions)

2012		13.6
2011		14.6
2010		13.3

Efficiency Ratio¹ (%)

2012		45.4
2011		47.3
2010		48.8

Share Value (in R\$ millions)

2012		16.4
2011		15.8
2010		13.4

Loans, including Endorsements and Sureties (in R\$ billions)

2012		426.6
2011		397.0
2010		333.4

Net Equity (in R\$ billions)

2012		74.2
2011		71.3
2010		60.9

Financial Margin (in R\$ billions)

2012		52.0
2011		49.6
2010		44.1

Solvency (Basel) Ratio (%)

2012		16.7
2011		16.4
2010		15.4

Return on Equity² (%)

2012		19.4
2011		22.3
2010		23.5

Earnings per Share³ (R\$)

2012		3.11
2011		3.23
2010		2.87

1. [(Non-recurring interest expenses + Cost of insurance sales) / (Banking Product - ISS, PIS, COFINS and other tax expenses)].
2. Recurring income on net equity (annualized). See methodology in the Executive Summary.
3. Calculated based on the weighted average number of shares outstanding during the period.

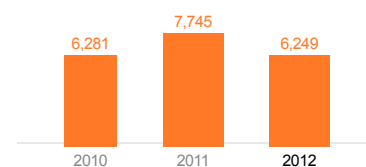
COMPOSITION OF RECURRING NET INCOME *GRI Profile 2.3*

Commercial banking

Covers insurance, pension plans and capitalization products, credit cards, asset management and various products and credit services for consumers and small and medium-sized enterprises.

44.5% (in 2012)

(in R\$ millions)

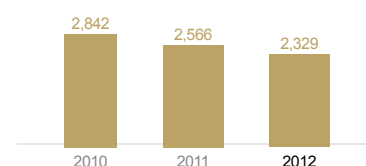


Itaú BBA

Serves large companies and investment banking.

16.6% (in 2012)

(in R\$ millions)

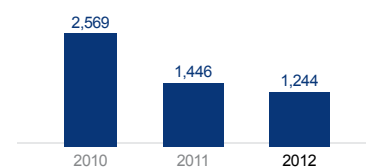


Consumer lending

Financial products and services for non-account holders.

8.9% (in 2012)

(in R\$ millions)

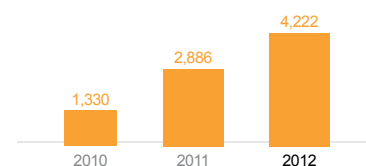
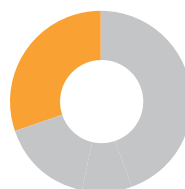


Market and corporation

Transactions from customers, cash management and institutional positions.

30.1% (in 2012)

(in R\$ millions)

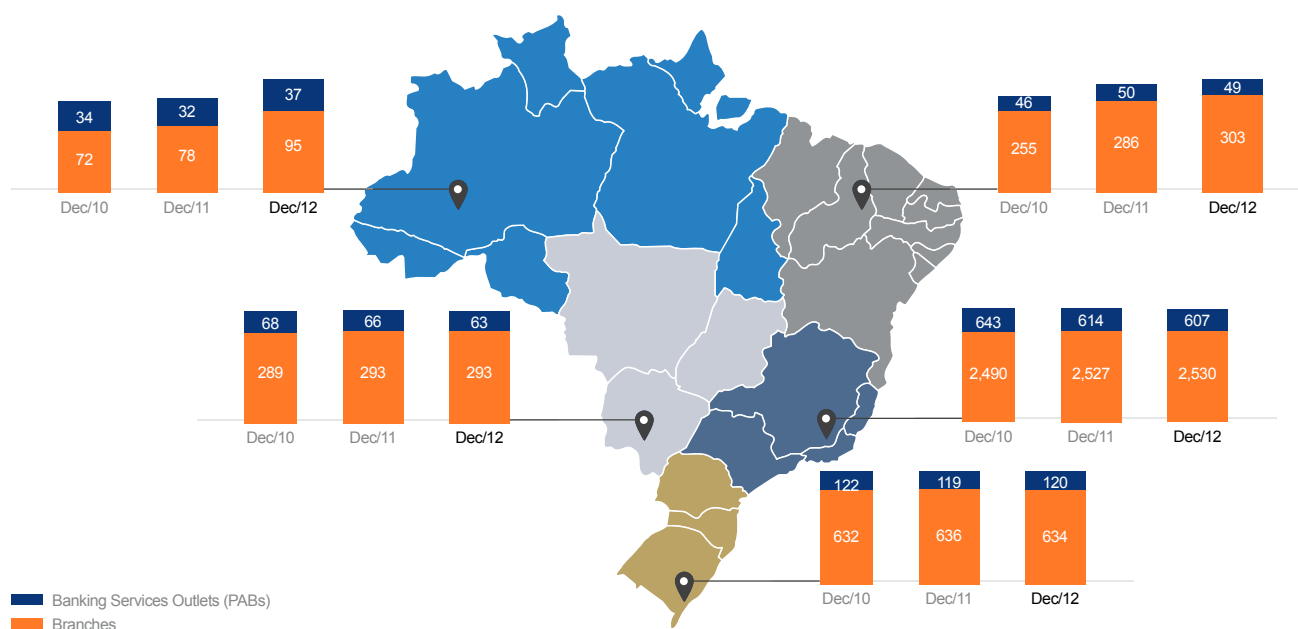


OPERATIONS IN BRAZIL AND ABROAD *GRI Profile 2.3, 2.5 and 2.7*

Our operations in the Brazilian market cover all regions of the country, with 5,027 branches and Banking Services Outlets (PABs).

We operate in 19 countries abroad, including seven in Latin America, in order to meet the needs of local and Brazilian customers who need banking products and services outside of Brazil.

Operations in Brazil

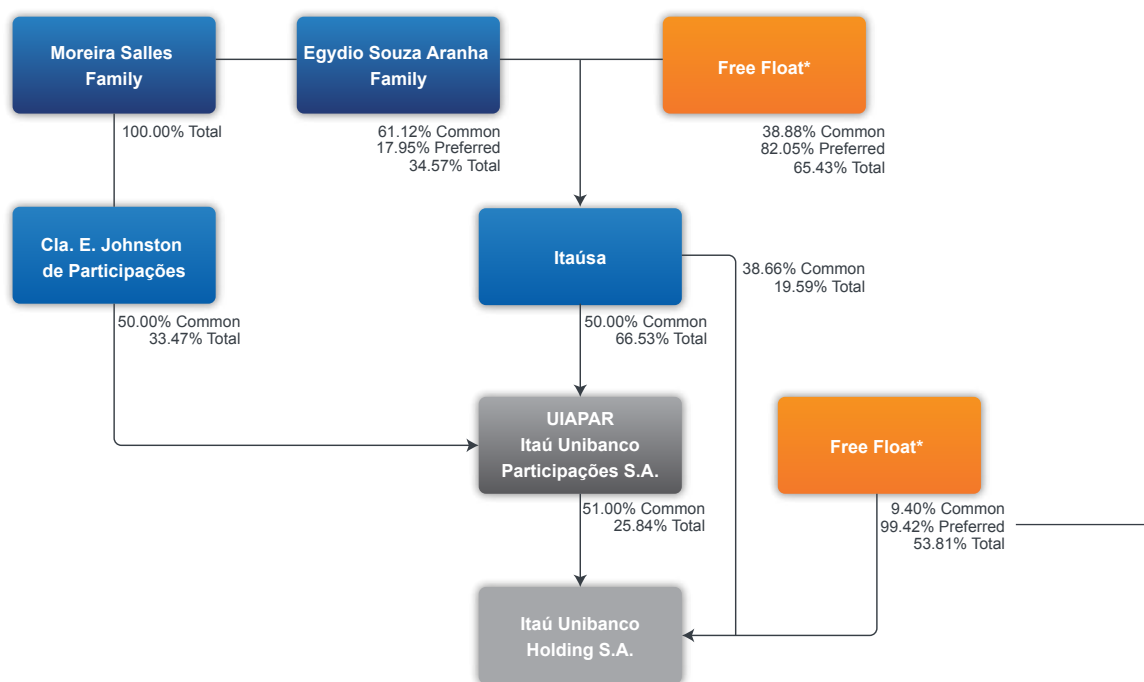


International Presence by Operating Segment



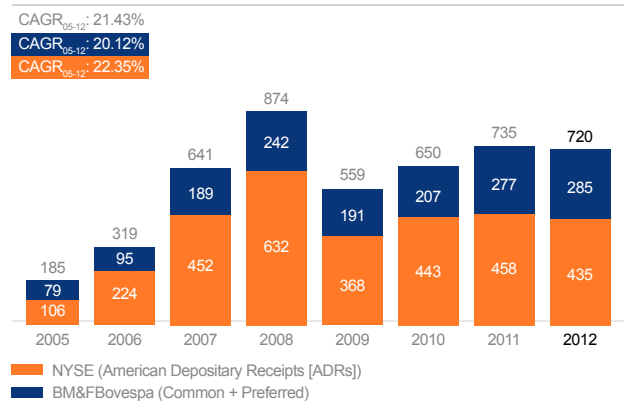
* Credit card company focused on non-account holders.

SHAREHOLDING STRUCTURE *GRI Profile 2.3*



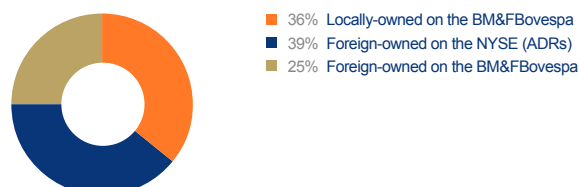
Average daily trading values (BM&FBovespa + NYSE)

(in R\$ millions)



Source: Management Discussion and Analysis (4Q12)

Preferred shares issued and outstanding as at 12/31/2012



2012 HIGHLIGHTS *GRI Profile 1.2*

Investments in technology – in late September we announced a R\$10.4 billion investment in technology, innovation and customer service, to be undertaken from 2012 to 2015, and which will be one of the largest private contributions towards the growth of the Brazilian economy. Of this figure, R\$2.3 billion will be allocated to the construction of our new data center in Mogi Mirim, in the state of São Paulo. Our goals with this initiative are:

- Increased efficiency; and
- Continuous increase in customer satisfaction and quality of services provided.

Tender offer for Redecard – in one of 2012's largest transactions on the São Paulo Stock Exchange, we acquired 100% of the equity of Redecard and took the company private. This operation, which involved an investment of R\$11.75 billion, was conducted transparently and in accordance with good corporate governance practices. It will enable the delivery of integrated products and services to customers and expand our business in cities throughout Brazil. *GRI Profile 2.9*

Association with Banco BMG – in July 2012 we signed an agreement with Banco BMG to offer, distribute and market payroll deduction loans in Brazil. This transaction will help us expand our business activities in this segment through Banco Itaú BMG Consignado S.A., whose operation will be aligned with our values and principles of transparency, in addition to best management practices. *GRI Profile 2.9*

Itaucard 2.0 – in a pioneering move in Brazil, in August we introduced the Itaucard 2.0 credit card, which carries a maximum rate on revolving credit of 3.99% to 5.99%. By the end of 2012 we had already issued over 500,000 of these cards.

Brazil's most valuable brand – valued at R\$22.2 billion, the Itaú brand was named Brazil's most valuable brand in 2012, after a study by consulting firm Interbrand. This marks the ninth consecutive year we have led this ranking.

Young persons' dream company – in a survey conducted by consulting firm Companhia de Talentos, Itaú Unibanco was named as one of the most desired companies to work for among Brazil's young people. We placed fourth in the ranking, and were the only financial institution among the ten companies chosen.

Sustainable Bank of the Year in the Americas – British publication Financial Times and the International Finance Corporation (IFC), the private sector financing arm of the World Bank, named us Sustainable Bank of the Year in the Americas. This marks the fourth consecutive year we have been recognized by this award.

Social media – our Facebook page reached over four million fans in 2012, and now has the world's largest number of followers in the financial sector, based on a study undertaken by Socialbakers. On Twitter, we also answer questions and provide information to clients and the general public.

Mobile banking – we provide multiple interaction and services channels to our customers, in keeping with emerging worldwide trends in accessibility. Our mobile banking application, a tool that gives customers access to their accounts and banking transactions using smartphones and tablets, has already reached 6.7 million downloads and updates.

Longer hours – we extended our opening hours at 450 branches around the country. This innovation, which began in 2011 with a pilot project at six branches in shopping malls in São Paulo, now covers 22 states and approximately 100 cities. Our new hours were publicized using ATM alerts and the internet, as well as through materials at the branches themselves.

Dow Jones Sustainability World Index (DJSI World) – for the 13th consecutive time we were chosen to be part of the DJSI World, the world's leading sustainability index. We are the only Latin American bank to have been part of the DJSI World since this metric was created.

Corporate Sustainability Index (ISE) – for the eighth consecutive year we were chosen to be part of the BM&FBovespa Corporate Sustainability Index, which is currently composed of 51 shares from 37 companies.

AWARDS AND RECOGNITION *GRI Profile 2.10*

The awards and recognition we received in 2012 reaffirm our commitment to finding and implementing best business management practices and helping to strengthen our reputation. Our major achievements include:

[See the full list of awards and recognition in the *Management Report and Investor Relations Site*.](#)

Global Finance – we were winners in a number of categories, including: Best Trade Finance Bank in Brazil, Best Investment Bank and Best Emerging Market Banks in Latin America, awarded by *Global Finance* magazine, one of the world's most prestigious economics and finance publications.

Best Managed Companies in Latin America – for the sixth consecutive time we received the *Euromoney* magazine award for Best Managed Companies in Latin America. This ranking is based on a survey of market analysts from Latin America's leading financial institutions.

Valor Econômico Top Manager – Itaú Asset Management was named Best Equity Fund Manager, based on research conducted by Standard & Poor's.

efinance Award – presented by *Executivos Financeiros* magazine, this award is for the most innovative IT and telecoms applications, solutions and implementations in financial institutions. Itaú Unibanco was awarded in the Internet Banking, e-commerce, Social Networking, Mobile Security and Company categories, while Itaú BBA was a winner in the Workflow Tools for Risk Analysis and Product Redesign categories.

Exame magazine biggest and best – first place among the 50 largest Brazilian banks by net worth in 2012.

The Banker – Financial Times – first place among Latin American financial institutions in the Top 1,000 World Banks 2012.

Best Places to Work – we were recognized as one of the Best Companies to Work For (Great Place to Work Institute, in partnership with *Época* magazine), Young Persons' Dream Company (Cia. de Talentos) and The Best Companies to Work With (*Guia Você S/A* magazine), among 150 competing companies.

Exame Sustainability Guide – we were among the 20 companies whose activities are a model in sustainability and corporate social responsibility.

Top of Mind Internet – Datafolha/UOL – first place since 2007 in the Banks category, based on research which rewards professionals and brands for their focus on online media.

Domestic fixed income issues – Itaú BBA was first in the ANBIMA (Brazilian Association of Financial and Capital Markets Entities) ranking for distribution and participation in debentures.

Mergers and acquisitions – we topped the Thomson Reuters ranking in a number of deals, as we were financial adviser in 50 transactions conducted by Itaú BBA.

[Read more about this subject.](#)

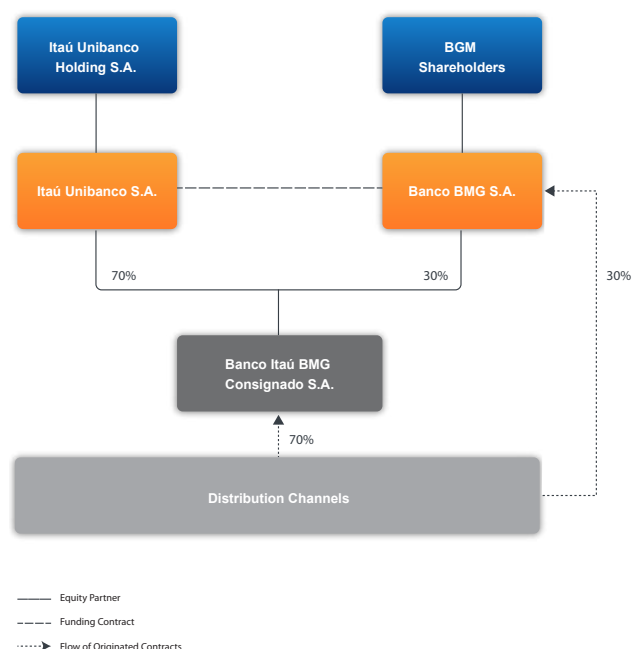
INVESTMENTS AND DIVESTMENTS

Redecard

In one of the year's biggest transactions on the São Paulo Stock Exchange, through a share purchase offer we acquired 49.98% of the equity of Redecard SA that we did not already own, and subsequently delisted the company. Redecard is one of the main participants in Brazil's acquirer market, being active in accreditation, capture, transmission, processing and settlement of transactions with credit and debit cards. This operation, which was conducted in accordance with good corporate governance practices, will enable us to deliver integrated products and services to customers and expand our business in cities throughout Brazil.

Banco Itaú BMG Consignado S.A.

In July 2012 we signed an Association agreement with Banco BMG S.A. to expand our operations in payroll loans. As a result of this agreement we control Banco Itaú BMG Consignado S.A., as we own 70% of the equity and voting rights. We have the right to appoint the majority of members of the Board of Directors and the majority of executive directors, including the CEO, while BMG has the right to appoint the directors of Sales, Operations and Collections, subject to approval by Itaú Unibanco. In December 2012, Banco Itaú BMG Consignado S.A. went into operation.



Orbitall

In May 2012 we completed the sale of card processor Orbitall to the Stefanini Group. The sale was first announced to the market in December 2011.

Banco BPI in Portugal

We sold an 18.87% stake in Banco BPI S.A. to Grupo La Caixa, for which we received approximately €93 million.

Banco Carrefour

On May 31, 2012 we completed the acquisition of a 49% stake in Banco CSF SA (Banco Carrefour), which is the exclusive supplier and distributor of financial products and services, insurance and private pensions through the distribution channels operated under the Carrefour name in Brazil.

Serasa

We sold our remaining 16.14% equity in Serasa to Experian, which paid R\$1.7 billion in cash for 601,403 shares in the company. As a result of this sale, we booked R\$1.5 billion in income before taxes in the fourth quarter of 2012.

Lojas Americanas S.A.

We terminated our partnership with retailer Lojas Americanas S.A. (LASA), begun in 2005 for the supply, distribution and marketing of various financial products and services. LASA sold its share to us for approximately R\$83 million, and paid about R\$112 million for the exclusive rights to distribute financial services through its units.

Kinea

Kinea has established itself as one of the largest independent fund managers in Brazil, with \$4.3 billion in assets. It operates multimarket funds, real estate funds and equity funds.



VISION, CULTURE AND BRAND

Our brand is the
most valuable
in Brazil



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VISION

Be the leading bank in sustainable performance and customer satisfaction. *GRI Profile 4.8*

CULTURE

Our corporate culture is manifested in Our Way of Making it Happen, a set of ten principles that direct how our teams conduct their business and act to consolidate our vision. It is reinforced with our staff members through a number of internal programs, such as campaigns in our communication channels, events like the Leaders Meeting, and as part of the employee evaluation process. *GRI Profile 4.8*

BRAND

Our brand increasingly consolidates the transformation of the lives of individuals, society and the country we want to promote. This role is reflected in our products, services and attitudes.

Our financial education initiatives encourage people to have a more balanced relationship with money, choose the best type of credit and plan their investments.

A good example of this strategy is applied to products like Itaucard 2.0, a card with more competitive interest rates. It was launched with a series of communication materials that showed consumers how best to use the product, which demonstrates the close alignment of our brand with our sustainability management strategy.

Projects like Bike Rio and Bike Sampa help in thinking about alternatives to improve urban mobility. Our shared bikes, known as "little oranges", have been used by millions of people and can be seen throughout the city of Rio de Janeiro and the city of São Paulo.

With a lighthearted approach, we encourage changing habits to minimize environmental impacts.

OUR WAY OF MAKING IT HAPPEN *GRI Profile 4.8*

- Everyone for the customer
- A passion to perform
- Stars who play for the team
- Focus on innovation and innovation in focus
- Processes serving people
- Agile and uncomplicated
- Always play by the rules
- A shine in your eyes
- Dream big
- Ethical and responsible leadership

The advertising campaign starring baby Micah crossed over from the digital media to television. As a result, the commercial had the highest viewer recall, according to newspaper Meio e Mensagem. It had over 20 million views on YouTube and led to over 625,000 clients to change their printed bank statements to digital ones.

We are always trying to broaden the dialogue with our stakeholders. Through social networks people can give their opinions and suggestions and learn more about our products, services and initiatives. With over four million fans, we are the world's largest bank on Facebook and among the ten most engaged brands in the country.

These are just some of the examples that show our strategy goes far beyond advertising and how it's being recognized by the market. For the ninth consecutive time our brand has been named the most valuable in Brazil, with an estimated value of R\$22.2 billion, according to consulting firm Interbrand. Its analysis is based on the ability of the brand to generate financial results, influence the selection process of customers, and ensure long-term demand.

[Lean more about our Value, Conduct Code and Principles.](#)

OUR BUSINESSES

**More innovation
and less risk in
our products and services**



We offer a wide range of banking products and services to meet the needs of a diverse consumer and commercial customer base, through the following integrated business units:

- Commercial banking
- Itaú BBA (large companies, investment banking and treasury)
- Consumer lending
- Market and corporation activities
- Accreditation and acquiring

The reinvention of the banking business in a new macroeconomic environment, with increased competition and narrower margins, is an opportunity to improve our products, businesses and operations in order to meet current and future challenges. This reinvention and preparation permeate the strategies and performance of our business activities, as we ready for the challenge of operating under these new conditions.

We conduct our business with a focus on customer satisfaction, always seeking quality and guided by ethical values and transparency. We strive for service excellence and are highly tuned to market trends, allowing us to quickly identify new opportunities and solutions.

Additionally, we continually look for the fastest and most intelligent solutions to improve our efficiency, reduce costs and generate more revenue. Several of our business areas, for example, have adopted a continuous improvement methodology to optimize our synergy and find innovative solutions to meet our internal demands. The results of this strategy will generate benefits for the bank and its shareholders, as well as our customers and society. *GRI FG Economic*

Our sustainability management, which sets parameters and goals related to business performance, is also a competitive differential in the financial sector. With the continuous evolution of our corporate governance practices and the analysis of our socio-environmental impacts, we have succeeded in developing initiatives that add value to our products and services. These include incorporation of environmental criteria into lending and project finance, expansion of microcredit and financial education, which are initiatives that have been recognized by the market. *GRI FG Economic*

The following is a breakdown of our commercial and consumer lending portfolios:

Credit Portfolio, by Product *GRI Profile 2.8*

(in R\$ millions)

	12/30/12	12/31/11	Change
			Dec/12 – Dec/11
Consumer Clients	160,234	155,151	3.3%
Vehicles	51,220	60,093	-14.8%
Credit Cards	40,614	38,961	4.2%
Personal Loans	26,798	25,960	3.2%
Itaú and BMG Payroll Loans	12,929	9,992	29.4%
Mortgage Lending ¹	18,047	13,450	34.2%
Farming Loans	266	287	-7.3%
Argentina/Chile/Uruguay/Paraguay	10,361	6,408	61.7%
Commercial Lending	206,051	190,332	8.3%
Working Capital ²	106,268	101,196	5.0%
BNDES/Onlending	40,951	38,023	7.7%
Import/Export Financing	21,258	18,318	16.1%
Vehicles	6,031	8,077	-25.3%
BMG Payroll Loans	621	115	441.4%
Mortgage Lending	7,790	6,100	27.7%
Farming Loans	6,349	5,651	12.3%
Argentina/Chile/Uruguay/Paraguay	16,782	12,852	30.6%
Total, net of Endorsements and Sureties	366,285	345,483	6.0%
Endorsements and Sureties	60,310	51,530	17.0%
Total, including Endorsements and Sureties	426,595	397,012	7.5%
Private Securities ³	22,652	15,220	48.8%
Risk-Adjusted Total	449,247	412,232	9.0%

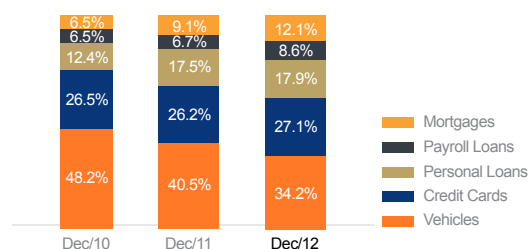
¹ Not including R\$389.5 million in terminated co-obligation mortgages in 4Q11.

² Also includes overdraft, receivables, hot money and leasing, among others.

³ Includes debentures, Real Estate Receivables Certificates (CRI) and commercial paper.

The evolution of our consumer credit mix features growth in the mortgage lending and payroll loans portfolios. The decreased share of vehicle loans in our mix is due to a slight drop in the value of this portfolio. *GRI Profile 2.7*

Credit Mix – Consumer Lending – Brazil



COMMERCIAL BANKING

GRI FG Product Responsibility

We offer a wide range of banking products and services for our diverse base of consumer and commercial clients. Our product portfolio meets customer needs by offering credit and investments, as well as services such as insurance, foreign exchange and brokerage.

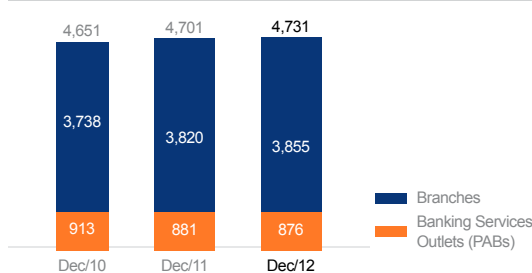
Although this past year was very challenging for our businesses, we managed to increase our customer satisfaction levels, thanks to fewer complaints in our service delivery channels, fewer cases with consumer protection agencies, and increased sales of our products and services. We also simplified our bank statements and credit card bills, which resulted in greater transparency and ease of understanding among customers.

We have invested in the expansion of our service network and other relationship channels – such as the internet and mobile applications – to simplify our processes and enable our teams to provide “the right product and the right channel to the right customer at the right price”. [GRI FG Sectoral](#)

We completed the installation of biometric readers at every branch during the year, and in 2013 this equipment will be incorporated into all our ATMs. This service provides more convenience and safety to our customers, who can now make withdrawals simply by placing their finger on an automated reader, which eliminates the need for a card in various transactions.

At year-end our retail service network in Brazil consisted of 4,731 branches and banking services outlets. Customers can also get information and use our products and services through online and telephone service channels, chat rooms and ATMs.

Growth of our Retail Service Network in Brazil*



* Not including branches and PABs abroad

[See the geographic distribution of our service points.](#)

Retail Banking

Our retail banking operation offers a dedicated service structure to consumer clients throughout Brazil.

We have expanded our product range to find better opportunities for customers to generate returns in an environment of lower interest rates. In 2012 our credit products represented 63.3% of our consolidated income from commercial banks, while fee-based products and services accounted for 23.7%. [GRI FG Sectoral](#)

Our customer service structure is targeted to offer the best solutions for each customer profile. Account holders with monthly incomes of up to R\$4,000 or R\$5,000 (depending on their region in the country) are serviced by our retail network. Customers with monthly incomes of up to R\$7,000 can access our Itaú Uniclass service, while those whose incomes exceed this amount are serviced by the Itaú Personalité network. This allows us to be closer to our customers, understand their needs and offer the most suitable products to meet their demands.

Our retail network serves over 15 million account holders and is focused on building lasting, transparent relationships with our customers. To improve customer satisfaction we have innovated in service delivery and product choices. Examples of this strategy include longer opening hours at certain branches located in shopping malls, and lower interest on loans to account holders who receive their salary through the bank. We also simplified bank statements and credit card bills to improve understanding and transparency for customers.

[Read more about this initiative.](#)

We have developed mechanisms that give us a clearer picture of the level of indebtedness of each client. In 2012, for example, our branches held events allowing customers to renegotiate their loans, which helps in their financial planning and strengthens our long-term relationships with these clients.

Our Itaú Uniclass services are now available at every branch, which is an innovation for Brazil's banking sector. With five unique services and a large team of dedicated managers, we served 2.6 million clients during the year.

[Learn more about Itaú Uniclass.](#)

In the Itaú Personalité segment, the service network has expanded each year, while maintaining service quality. In 2012 we opened 30 new branches, which offer a complete portfolio of credit products as well as investment advice. Within this segment we are leaders in customer satisfaction rankings and have gained a consistent and sustained market share.

[Learn more about Itaú Personalité.](#)

ADDITIONAL INFORMATION

GRI FS7 and FS14

We focus on providing products and services tailored to each borrower profile, and offer loans up to a maximum of R\$1,000 at reduced rates for lower income customers. The loan's term is 24 months, while the period for the first installment is 15 to 45 days, at a 2% interest rate. To be eligible for this loan a customer cannot hold more than R\$3,000 in bank funds.

As an example of our continuous development to guarantee accessibility to our services, we seek alternative ways to serve our more than 6,000 visually-impaired customers. Given the considerable exposure this group has received in the media and in the bank, its numbers have nearly doubled in the past year. Whether these customers are current account or credit card holders, we offer them the following options:

- Braille receipts: 551 people
- Oversized type: 290 people
- Balance statement: 3,439 people

Approximately 2,000 people in this group still do not use any of these services.

[Learn more about Retail Banking.](#)

Payroll loans

One of our main focus areas in consumer lending in 2012 was payroll loans. We now have a R\$12.9 billion portfolio among existing clients, which is in keeping with our strategy to invest in lower risk/return segments in light of Brazil's prevailing economic conditions.

To expand this business area and complement our strategy, on July 9, 2012 we signed an association agreement with Banco BMG to offer, distribute and market payroll loans associated with that institution.

At December 31, 2012 our total payroll loans portfolio (Itaú Unibanco + BMG) was R\$13.6 billion, a 34.1% increase from 2011.

Public sector

Our activities to serve the public sector cover federal, state and local levels (Executive, Legislative and Judicial branches). At December 31, 2012 we had 3,833 public agencies as customers. To serve them we use platforms separate from those at our retail bank branches, with teams of specially trained managers who offer personalized solutions in tax collection, foreign exchange services, asset management for government agencies,

payments to suppliers, payroll for civil servants and military personnel, plus retirees. Through these platforms we conduct a significant amount of business with our public sector clients.

Itaú Private Bank

Itaú Private Bank provides asset management, financial advice and investments to Brazilians and customers in other Latin American countries. Qualified clients must hold at least R\$3 million in assets with us. These customers enjoy an extensive portfolio of products suited to their specific individual profile.

Itaú is the largest private bank in Latin America and a market leader in Brazil. According to data from ANBIMA, it currently has more than a 25% market share.

In Brazil, the performance of the Private Bank, in synergy with Itaú Unibanco's other areas, has enhanced our ability to generate business. In 2012 it added over R\$10 billion in fresh assets, and now has over R\$175 billion under management. In response to falling interest rates and a changing investment profile among customers, we expanded our offering of alternative investments and structured products, including assets with exposure to credit risk, real estate funds and private equity.

Abroad, Itaú Private Bank International offers customers a complete portfolio of solutions and investment banking services through its operations in Miami (Banco Itaú Europa International) and Zurich (Banco Itaú Suisse S.A.). In Chile we have positioned ourselves among the leaders of the domestic market through an association with Munita, Cruzat & Claro (MCC), a local asset manager recognized for its expertise in managing global fixed income. In this segment we also operate in Uruguay and Paraguay.

Itaú Private Bank International also has offices in Nassau (Itaú Bank & Trust Bahamas Ltd.) and Georgetown (Itaú Bank & Trust Cayman Ltd.). They are incorporated under robust legal systems based on common law, which enable us to offer services to offshore companies and trusts.

With a permanent focus on the client, Itaú Private Bank made investments in physical and technological structures during the year. We expanded our reach by opening new offices in Belo Horizonte and Recife. In technology, we updated our service platform by focusing on the client interface through virtual channels (internet and mobile) as an extension of the services offered by our commercial team.

In 2012 we received several awards for performance excellence. Among the segment's leading publications, we were recognized by Euromoney magazine, Private Banker International, The Banker and PWM (of which the latter two belong to the Financial Times group).

[Learn more about Itaú Private Bank.](#)



Companies

Micro, small and medium-sized enterprises have been given a prominent role in the Brazilian economy and represent a major opportunity for financial growth and income generation for the country. Accordingly, we serve our corporate clients with an exclusive network of branches and an advanced technology infrastructure.

Small and medium-sized companies are served by a Relationship Manager, who acts as a financial consultant, in addition to experts in assets, cash management, trade, insurance, investments and derivatives.

The teams that serve (directly or indirectly) our small and medium-sized corporate clients are certified through the Itaú Business Certification program (Ciemp). Developed in partnership with Fundação Getulio Vargas, it is designed to certify the product knowledge of our teams in relation to businesses and cross-cutting aspects such as sustainability and ethics. In 2012 approximately 1,400 employees from the Companies area were certified. Additionally, all managers possess an ANBIMA certification.

[GRI FS16](#)

We also have an important role in spreading financial education to these companies, as they need to know the type of loan best suited to each of their requirements. In addition to conducting actions and communication campaigns, our teams are trained to explain the differences between products and point out the most suitable option for each type of customer. [GRI FS16](#)

One example is our Extreme Makeover Project, conducted in partnership with Itaútec, Claro Empresas and Editora Globo, with support from Alterdata and Endeavor Brazil. The project offers free technical, financial and socio-environmental consulting to a select group of companies to help them make good use of technology and finance to modernize, improve management and increase efficiency. In 2012 we held the seventh edition of the project, and the challenge for the coming years is to expand its ability to serve a larger number of companies. [GRI FS5](#)

We also contributed to the spread of useful information to entrepreneurs through events and initiatives structured and aligned with our business strategies. As a sponsor of the 2014 FIFA World Cup, we conducted a series of seminars in the 12 cities that will host the event, addressing the opportunities it will bring to local businesses. We addressed topics such as "Infrastructure Impacts", "Credit lines for the World Cup" and "World Cup Legacies". The seminars offered over 18 hours of discussions featuring Brazil's biggest names in economics and the sports industry, such as Ricardo Amorim, Marcelo Giannubilo and Caio Megale, and were attended by approximately 3,500 people. [GRI FS5](#)

Another initiative is a project we conducted in partnership with the O Estado de São Paulo (OESP) newspaper group, in which we focus on business people from small and medium-sized companies, using three

pillars: information, management training and digital inclusion. For its part, OESP has created the Estadão SME monthly notebook, plus a weekly column on its internet portal and a radio program, in addition to holding discussions to promote the exchange of experiences between business people. Itaú invites its customers to learn about the initiative and participate in the Estadão SME Management Training course. [GRI FS5](#)

We also support small and medium-sized companies through the Vision of Success project, which is conducted in partnership with Endeavor Brazil and with a grant from the Inter-American Development Bank (IDB), to promote business development with a focus on low-income earners. In 2012 the first class of entrepreneurs with a direct influence on the lowest income group undertook six months of training in business management. In the second phase, beginning in 2013, this class will participate in workshops on sustainability, credit products and electronic solutions offered by the bank. Also planned for 2013 is the formation of two more groups of young entrepreneurs.

[GRI FS5](#)

[Read more about our Corporate area.](#)

[Read more about our Corporate area's interactions, programs and policies.](#)

ADDITIONAL INFORMATION

[GRI FS1, FS2, FS7 and FS8](#)

Our [Socio-environmental Sector Risk Policy](#) places conditions on companies listed on the Restricted List or the Prohibited List. Risk analysis is conducted through surveys and document reviews, site visits and sector checklists. Companies classified as having medium to high risk potential (A, B and C) are subjected to this process. In 2012 the process was recertified under ISO 9001, an international quality standard.

After the analysis, environmental opinions are issued to approve or deny the loan, or to request certain changes in business practices. In 2012 we provided 6,527 opinions, with approximately 98% of the requests approved.

With socio-environmental loans we also offer lending through the Agro line from BNDES, Brazil's development bank, to finance projects that reduce greenhouse gas emissions. We also work with the Socio-Environmental Financing line from the Inter-American Investment Corporation (IIC), which is designed for small and medium-sized enterprises that display best practices and comply with Itaú Unibanco and IIC socio-environmental criteria.

Mortgage lending

Among privately-controlled banks in Brazil we are the leader in real estate financing. At December 2012 we had a portfolio of R\$25.8 billion in mortgages, even after paying R\$389.5 million of our portfolio into FGTS, Brazil's compulsory unemployment benefits fund. With mortgage lending we are dedicated to:

- Being aligned with our strategy to invest in businesses with fewer risks.
- Contributing to the social and financial development of our customers.
- Creating loyalty, as the relationships established in this segment are typically long-term.

The following is our mortgage lending breakdown:

Mortgages

(in R\$ millions)

	2012	2011	2010
Borrowers	7,480	7,742	4,427
Business people	5,531	9,752	6,917
Total	13,010	17,495	11,343

To serve these customers we offer several commercial channels, in addition to the branch network. For example, we have created partnerships with some of Brazil's largest realtors, such as Lopes Coelho da Fonseca, which originate mortgages exclusively in various cities around the country.

During the year we implemented more robust systems platforms to streamline our customer service. We also created convenient services such as unemployment insurance and partnerships with real estate firms to assist in the lending process. Our credit review and approval process also became even faster and more efficient, and is now ISO 9001 certified.

In addition to these initiatives we implemented a new process for sending scanned documents to make our services even less time consuming. For 2013 we have a project in which customers can send loan documents electronically to apply for mortgage loans online. This process already exists for companies that are bank customers, and will be extended to consumer clients.

[Learn more about our mortgage lending products.](#)

[Read more about our mortgage lending portfolio.](#)

CONSUMER CLIENTS

The consumer client portfolio totaled R\$18.437 billion at the end of 2012, a 31.8% increase from a year earlier. In 2012 we provided financing to over 26,000 customers.

COMMERCIAL CLIENTS

We provide real estate financing to consumer clients through the Empresário Plan, which is a credit line available to construction companies or syndicates involved with building commercial or residential projects. Our portfolio in this segment closed the year at R\$7.79 billion. In 2012 we provided financing to 119 firms.

ADDITIONAL INFORMATION

GRI FS1, FS2 and FS3

Through a corporate plan we seek to mitigate potential risks of environmental liabilities or of non-compliance with laws related to the environmental aspects of a company's operations. We send out three questionnaires that address environmental aspects about the company, the project and the property. If a financial, environmental or image risk is identified, the proposal is analyzed by involved areas. In cases of contamination or lack of environmental permits, our socio-environmental team contributes to the final opinion.

The loan agreements include clauses that enforce Brazil's National Environmental Policy and provisions of the Federal Constitution, whose elements include: child labor, traditional communities, indigenous peoples and quilombolas (descendants of escaped slaves), impacts on biodiversity and impacts on water sources. We also require that borrowers adhere to labor standards related to health and safety. We do not lend to any company that fails to comply with applicable legal requirements or that is listed in the national registry of employers that keep workers in slave-like conditions.

[Learn more about Real Estate Financing.](#)



GRI

GRI

Third-party asset management [GRI FS2, FS4 and FS16](#)

Itaú Asset Management specializes in managing client assets in investment funds. We are the leader among private banks in Brazil, with a 14.6% market share (based on ANBIMA figures at December 2012), and we specialize in the Latin America segment. At the end of 2012 we had total net assets under management of R\$329.7 billion.

We also perform a comprehensive risk control analysis through a specialized team that supports our asset managers, and adopt different investment strategies to ensure performance and suitability for the profile of each investor client.

The introduction and implementation of sustainable practices are responsible for generating good relationship practices and contributing to sustainable performance, which is why we developed a proprietary methodology to integrate environmental, social and governance (ESG) factors into the assessment of portfolio companies in order to price the risks and opportunities that may impact their market value. [GRI FS1](#)

It Now – Itaú Unibanco's Exchange Traded Funds

Exchange Traded Funds (ETFs) are investment funds traded on a stock exchange. Our ETF products are offered under the It Now brand.

Highlights in 2012:

- Launching of It Now IMAT – MATB11, which tracks the BM&FBovespa basic materials index.
- Launching of It Now IDIV – DIVO11, which follows the BM&FBovespa dividend index (composed of companies which pay the best dividends to shareholders).
- Redesign of PIBB11, the first ETF in the Brazilian market, which has now been renamed It Now PIBB IBrX-50. This change meets investor demand and aligns the product with leading operational and management practices.

Since 2011 we have also managed the following two socially responsible ETFs, which invest in BM&FBovespa-listed companies recognized for good socio-environmental and corporate governance practices:

- It Now ISE – ISUS11 (Corporate Sustainability Index)
- It Now IGTC – GOVE11 (Corporate Governance Index)

The growth of this portfolio through these two products helps promote the market for funds that assess the socio-environmental performance of their portfolio companies.

[Learn more about Itaú Asset Management.](#)

ADDITIONAL INFORMATION

[GRI FS1, FS2, FS5 and FS12](#)

We adopt our own methodology to identify socio-environmental and corporate governance risks and opportunities, and set the market value of investee companies. Actively managed equity funds now integrate this mechanism into their investment evaluation processes.

We also have a Proxy Voting Policy (available at www.itaub.com.br), which provides corporate governance parameters to be considered by managers responsible for proxy voting. It is aligned with the ANBIMA Code of Regulations and Best Practices for Investment Funds, and underlines our commitment to having a positive influence on companies' management. The managers vote only after considering the policies of the funds and their own fiduciary duty.

Additionally, as PRI signatories, in 2012 we sponsored the annual meeting of the United Nations PRI signatories, which featured presidents, directors and executives of the world's largest institutional investors and asset managers.

Socially responsible investment funds

Another major effort focused on sustainable development is the offering of socio-environmental funds in the portfolio. These funds invest in companies with good environmental, social and corporate governance practices, and some of them direct part of Itaú Asset Management's earnings to education and environmental preservation-related projects.

[Learn more about socially responsible investment funds.](#)

OUR SOCIO-ENVIRONMENTAL FUNDS ARE:

- Itaú Social Excellence (FIES)
- Itaú Eco-change
- Itaú Futura DI

[Learn more about our socio-environmental funds.](#)

GRI

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GRI

Capital markets solutions

Our Solutions for Capital Markets area has four lines of business, and its main clients are pension funds, asset managers, international investors and public and private companies, totaling 1,600 customers in 21 countries. At December 2012 it had R\$3.2 trillion in assets under administration.

Its main business lines are:

- **Local custodian and trustee services** – we offer custody and controller solutions for portfolios, investment funds and fund management, as well as assessing and hiring service providers. At December 2012 we had R\$725.3 billion in assets under custody, a 23% increase from 2011.
- **International custodian services** – we offer custody and representation services to non-resident investors, custody for American Depositary Receipt (ADR) programs, and act as a depository for Brazilian Depositary Receipt (BDR) programs. At December 2012 we had R\$214.4 billion in assets under custody, down 7% from a year earlier.
- **Solutions for companies** – we offer a number of solutions for the capital markets, such as book-entry shares and debentures, plus settlement and custody of promissory notes and other fixed income assets. We are currently responsible for the registration of 229 companies listed on the BM&FBovespa, representing 62.9% of the total number. By year-end we had registered the book entry of 307 debentures issued in the market, representing 47.4% of the industry total. We also act as an escrow agent, which broadens our experience with capital markets products.

In 2012 the Solutions for Capital Markets area received several major awards. Global Custodian magazine named us Best Custodian in Brazil for local clients (fifth consecutive year) and international clients (fourth consecutive year), and we were recognized for the second consecutive year as Best Regional Custodian (America and the Caribbean) for international clients. We were also named by Global Finance magazine as Best Custodian in Brazil for international customers. Our management model was evaluated by the Paulista Management Excellence Institute, which awarded us with the Paulista Management Quality Award gold medal.

Brokerage

Itaú Corretora de Valores S.A. (Itaú Corretora), the bank's securities brokerage arm, has been operating on the BM&FBovespa since 1965. It offers services to domestic and international clients through its offices in New York, Hong Kong and Dubai.

In 2012 Itaú Corretora placed fifth on the BM&FBovespa in total value traded, and fourth in the number of commodities and derivatives contracts.

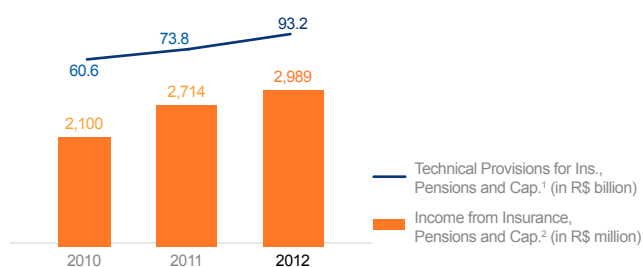
[Learn more about Itaú Corretora.](#)

Insurance, pensions and capitalization

Our area responsible for offering insurance, pensions and capitalization plans displayed superior performance during the year, simplifying processes, increasing efficiency, reducing operating costs and offering the best solutions to customers. Earned premiums rose 13% to R\$5.4 billion, while technical reserves reached R\$93.2 billion, up 26.3% over 2011.

Recurring net income in the insurance, pension plan and capitalization segment totaled R\$1.9 billion for the year.

Income from Insurance, Pensions and Capitalization



1. Technical Provisions for Insurance, Pensions and Capitalization at each year-end.
2. Income from Insurance, Pensions and Capitalization (-) Claims Expenses (-) Cost of Sales of Insurance, Pensions and Capitalization.

Insurance

Including our involvement with Porto Seguro, we are one of the largest groups in Brazil's insurance sector, with 13.3% of the market, according to the Superintendence of Private Insurance (Susep). Our main operating segments are life and personal accident insurance, extended warranty and damage. Home and vehicle policies are sold by Porto Seguro, an insurer in which we hold a 30.3% stake. For large commercial customers our Corporate Solutions area offers differentiated service and specific products for ventures such as construction projects, chemical and petrochemical plants, power generation, infrastructure, transportation and aviation.

During 2012 one of the area's main challenges was to restructure its processes to ensure that products offered to customers were easier to understand and more appropriate to their needs, which helps us reduce the number of policy cancellations and increase customer satisfaction. For individuals and small businesses, we have simplified our portfolio and adopted online policies for faster service. *GRI FG Sectoral*

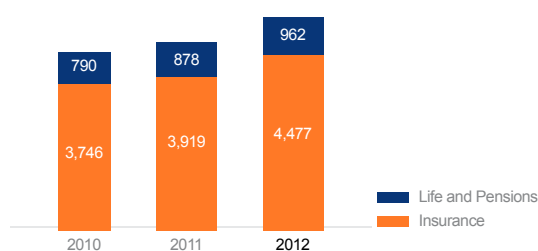
The challenges for 2013 involve increasing our growth and market share by offering portfolio products through new distribution channels while maintaining a transparent relationship with our customers, and of course reducing the number of cancelled policies. One of our initiatives is to educate the market (customers, public and other agents) about the value of having borrower protection, which guarantees settlement of debt in the event of the death or disability of the policy holder. *GRI FG Sectoral*

We also conducted an extensive study that developed guidelines for the new identity of our business, based on process management and communication with customers. This new identity was presented to more than 1,500 employees, and in coming years will help change society's relationship with the Brazilian insurance market, allowing us to become a benchmark in the sector.

In 2012, premiums earned rose 14.2% to reach R\$4.5 billion. The underwriting margin on earned premiums was 39.0% at year-end, compared to 42.7% in December 2011.

Growth in Premiums Earned

(in R\$ millions)



We also continued to adopt sustainability measures which set us apart in the market. As an example, we were one of the first companies in Brazil to adhere to the Principles for Sustainable Insurance (PSI).

[Learn more about PSI.](#)

ADDITIONAL INFORMATION

GRI FS1, FS2 and FS3

In December 2012 we released our Socio-environmental Risk Policy, which was adapted to the specifics of our business and includes social and environmental guidelines applicable to insurance for corporate clients.

We frequently monitor the environmental aspects of the four business lines we offer (Warranty, Civil Liability, Assets and Transport) through our Environmental Liability Insurance area.

With the implementation of the policy in 2013 we will start to apply compliance procedures, regardless of the insurance. The focus of our risk assessment will be on issues involving the use of forced labor, slave-like working conditions, child labor and prostitution practices. Accordingly, we will conduct periodic monitoring of adjustments to practices at customer facilities, whenever necessary.

The following products are aligned with our strategic focus on sustainability:

CIVIL LIABILITY ENVIRONMENTAL INSURANCE

In 2012 we refined our civil liability environmental insurance products. These policies are designed for industrial operations, service providers and contractors, and cover major activities in Brazil's development. We conduct training sessions with customers and brokers, which address legal concepts, technical aspects related to environmental damage and the operating rules of the insurance. In 2013 we will create a structure to deliver new products and help publicize this new type of insurance. *GRI FS8*

ITAUVIDA WOMAN

Part of the earnings from life insurance sold to women is directed to the Brazilian Institute for Cancer Control (IBCC) in São Paulo, a leading oncology facility. This action underlines to the commitment of Itaú Seguros to the best sustainability practices by supporting IBCC's important work in the awareness, research, prevention, early diagnosis and treatment of cancer. *GRI FS7*

[Learn more about our insurance products.](#)

[Read more about our products aligned with the Sustainable strategy of Itaú Unibanco.](#)

ITAÚ MICROCREDIT PROTECTION

Created and implemented in 2012, microcredit borrower protection guarantees payment of the outstanding balance in the event of a borrower's accidental death or disability. In addition to the main types of coverage, this insurance guarantees four food hamper vouchers of R\$100 each plus full funeral assistance. The information materials are simplified, while filing a claim can be done online, which shortens the analysis time and helps save paper. *GRI FS7*

ITAÚ TRAVEL INSURANCE

This product was the market leader in 2012, and is now sold in self-service channels, primarily through internet banking and our Itaú Mobile application. It can also be purchased through commercial accounts of small and medium-sized companies, ensuring that owners, partners and family members have access to this protection. Policies for large companies are offered through agents, brokers and Itaú BBA.

ITAÚ CARD PROTECTION INSURANCE

We simplified our protection for credit, debit or multiple cards. We improved our post-sale materials, using a more modern style which is simple and easy to understand, as well as more attractive to customers. This helped us reduce the amount of printed matter and materials used, leading to lower production costs.

Pensions

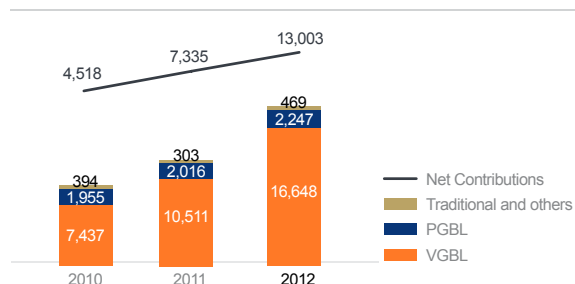
Product innovation has been important for the sustainable growth of our pension plan operations. At November 2012, according to Susep, we had a 25% market share in reserves, based on all product types, reflecting growth which exceeded the market average.

The quality of our portfolio is seen in the financial results. Due to prevailing lower interest rates, a diverse product range ensures that clients can find the right product that delivers better returns than traditional fixed income plans. In 2012 we launched a new family of dividend plans, a product in which 45% of the portfolio is in a fund that passively tracks the BM&FBovespa Dividend Index, while 55% is in a fixed income fund which seeks to outperform the BM&FBovespa Ex-C General Index.

In 2012 our pension plans brought in R\$19.4 billion in contributions, an increase of 50.9% over the previous year.

Pension plan contributions - Total and Net

(in R\$ millions)



For company pension plans we offer expert advice and develop custom solutions for each organization. We have established long-term partnerships with our corporate clients, maintaining close relationships with their Human Resources areas and adopting a communication strategy focused on the financial education of their employees.

We also undertook two major communication campaigns aimed at raising awareness among our customers. The first campaign focused on plans for minors, and featured simulators through the [Invista portal](#) designed to show the benefits of monthly contributions to accumulate future assets. The campaign also included print media and the internet, and resulted in more than 67,000 new plans. The second campaign, which began in December, focused on the benefits of our PGBL product, which allows tax deductible contributions.

[Learn more about our pension products.](#)

Capitalization

Capitalization products are an investment vehicle unique to the Brazilian market, combining the features of an annuity with a bonus component. With our PIC, clients participate in periodic sweepstake draws for the term of the investment, after which they can redeem their principal plus interest at Brazil's TR Reference Rate. The PIC can be purchased in a one-time payment or in monthly installments, depending on customer profile and needs.

Consistent with our strategy to build a more transparent relationship with our customers, we redesigned the PIC to have shorter terms, more draws, and larger cash prizes. In 2012, 4,177 clients were drawn, who received a total of R\$36.6 million in prize money. For commercial clients we introduced PIC Companies.

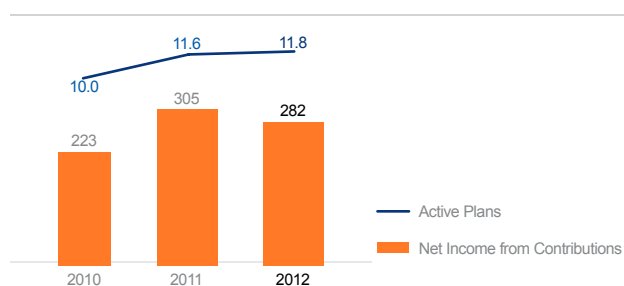
Net income from capitalization was R\$282 million in 2012, while the number of active plans rose to 11.8 million.

We also donated a percentage of the proceeds to the Disabled Children's Assistance Association (AACD), which during the year received a total of R\$2.2 million from our capitalization sales. Our partnership with AACD terminated in June.

[Learn more about our capitalization products.](#)

Capitalization – Growth in Net Income

(in R\$ millions)



Note: Income figures net of prize draw expenses

International operations

We are present in 19 countries outside of Brazil, seven of which are in Latin America. In Argentina, Chile, Paraguay and Uruguay we provide retail banking, commercial, corporate and treasury services, with a primary focus on commercial banking activities. In Mexico we operate in the credit cards segment. We also have an Itaú BBA representative office in Peru, and in April 2012 we obtained permission to incorporate Itaú BBA SA Colombia – Corporación Financiera.

The creation of this new unit came in June with an initial capital injection of approximately US\$100 million. The operating license was issued in October by the Superintendencia Financiera de Colombia, after an additional capitalization of approximately US\$100 million. The unit will gradually increase its operations throughout 2013.

Latin America is growing faster than the global average, and the region is also a priority in our international expansion plans due to the geographical and cultural proximity its countries share with Brazil. We want to be recognized as “the Latin American bank”, and the region's leading bank for every type of financial service to individuals and companies.

After broadening our business sustainably in the region in recent years, we are now focusing on gaining scale while maintaining strong ties to the local retail market and strengthening our relationship with local businesses. The increasing expansion of Brazilian companies in the region supports our strategy to build a customer base for starting or expanding our operations.

In Chile, where we concentrate on the high-income market, our acquisition strategy over the years has generated considerable results. In 2012 we completed the purchase of 50% of MCC, a local leader in wealth management. For 2013, in order to keep pace with growth in the retail segment, we plan to open ten new branches, followed by ten more in 2014.

In Paraguay our work has been recognized by the market and we enjoy good levels of customer satisfaction. We were the most recalled brand name in the Banks category in a survey conducted by consultancy AnEmp in January and February 2012. We received the Beyond Banking award from the IDB for our “Learning Economics and Finance in 60 Seconds” series, while in the second quarter we received a World Best Bank award from Global Finance magazine.

In Uruguay, where we are the second largest private bank by deposits, we received the World's Best Sub-Custodian Banks 2012 award, also from Global Finance. OCA, the largest Uruguayan card company, continued expanding into the country's interior, opening 15 new service points in partnership with the Ta-Ta supermarket chain.

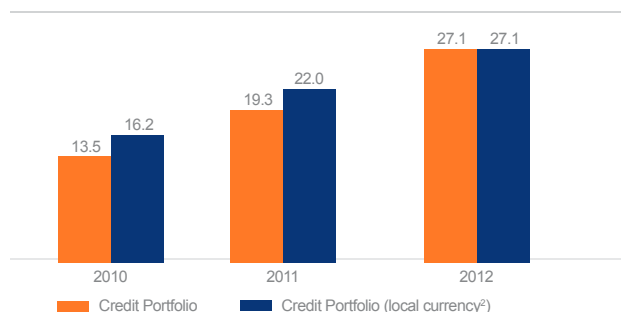
In Argentina we are on the list of top 100 brands in the Banks and Cards (Opening) category.

Our principal operations in Latin America generated a total of R\$529 million in recurring net income, up R\$145 from a year earlier, while the financial margin was R\$1.6 billion.

During the year our credit portfolio rose 40.9% (or 23.2% in local currency terms) compared to 2011, reaching R\$27.1 billion.

In 2013 we will begin a new phase of our business strategy and expansion in Latin America. Building on the achievements of this past year, we will continue to invest in the communication and dissemination of our brand in countries where we already operate, to expand our portfolio of products and services and related risk analysis, provide financial education initiatives for customers and consolidate our corporate culture with employees.

Credit Portfolio Abroad¹ (in R\$ billions)



¹ For our largest operations in Latin America (Argentina, Chile, Paraguay and Uruguay)
² Currency at December 31, 2012.

Note: Elimination of the exchange rate effect was obtained by applying the exchange rate at December 31, 2012 to the periods analyzed.

ITAÚ BBA

Itaú BBA is our wholesale and investment bank, and handles our treasury activities. Its multidisciplinary team performs our commercial banking and capital markets operations such as mergers and acquisitions, and offers comprehensive service to more than 3,000 of the largest business groups in Brazil, Argentina, Chile, Colombia and Peru. It also serves approximately 700 institutional investors and international clients through its locations in Europe, the United States and China.

One of the most important fronts for Itaú BBA is the set of initiatives linked to improving efficiency in our operations. These continuous actions, which will continue to grow in the coming years, are designed to increase revenues, improve processes and reduce costs.

In a year of increased competition and lower banking margins, the financial margin totaled R\$5.334 billion in 2012, up 9.2% year-on-year, while income from services and fees reached R\$2.261 billion, a 6.5% increase over the previous period. We also maintained our leadership in key rankings such as volume and quality.

Socio-environmental risks and opportunities *GRI Profile 1.2*

Through Itaú BBA we are Latin America's sole bank representative on the Equator Principles Steering Committee. The Equator Principles are a set of socio-environmental criteria and guidelines based on best market practices for assessing environmental risk in project finance.

The differential of our operating model is a focus on contributing to value creation for customers by conducting a complete analysis of the project from the ground up, instead of just creating prohibitive lending barriers. Helping our clients identify risks in the preliminary stages and offering mitigation solutions based on best market practices is designed to give their projects cash flow continuity, and ensure the financial and reputational sustainability of our institution.

We also act as advisers to our clients by adopting a proactive stance. Anticipating the needs of our customers to manage socio-environmental risk in their projects adds more value to our activities and enables clients to handle crucial risk issues before a project reaches an advanced stage.

To make sure that socio-environmental risk management practices permeate our organization, we seek to educate our employees through proper training which stresses the importance of this variable in environmental decision-making. Given our position in the financial system, we are sought out by other banks, including international institutions, to share our practices.

We are also providing internal training on industry trends to adapt and mitigate the effects of climate change on their activities. In 2012 we offered training to professionals in the products, legal and project finance fields to enhance our ability to offer new products based on the carbon credit market. [GRI EC2](#)

Our efforts to train professionals on socio-environmental risk also crossed borders during the year. We went to Chile to train professionals in Itaú BBA Chile's commercial, products, credit and legal areas on the Equator Principles and their implications. Together with the managers of these areas, we put together procedures for using Equator Principles criteria to evaluate project finance deals. [GRI FS2 and FS4](#)

ADDITIONAL INFORMATION

[GRI FS1, FS2 and FS3](#)

Our socio-environmental risk policy is applied to lending in Brazil and to Itaú BBA's Brazil-based clients, having guidelines to mitigate potential legal or credit risks that can arise in the lending process. We do not lend to companies that appear on the Prohibited List, namely, companies that directly or indirectly support prostitution, are associated with the harmful or exploitative use of child labor, or appear in the national registry of employers that have kept workers in slave-like conditions. For companies whose activities have the highest socio-environmental risk potential, such as manufacturing or trading in firearms, ammunition and explosives, logging and production of lumber, wood fuel and charcoal from native forests, fishing activities and the mining and production of asbestos/amiandus, we analyze the client's suitability using the applicable sector guidelines and issue an opinion to support the decision of the Credit Committee. For long-term project finance equal to or greater than US\$10 million we also look at compliance with the Equator Principles. Companies are evaluated prior to receiving the loan, and are monitored throughout the financing period an action plan which forms part of the lending agreement.

Commercial banking for large companies

Itaú BBA's wholesale bank operating strategy is to offer efficient, differentiated service which meets all the demands of its customers. We create and offer the best products and services for every business need, and conduct a segmentation based on each client profile. [GRI FG Sectoral](#)

Our loan portfolio (including endorsements and sureties) grew by 15.5% in 2012, reaching R\$158.5 billion. With derivatives, we continued as the Cetip leader in structured over-the-counter operations. The number of transactions executed during the year was 36.7% higher than in 2011.

In project finance, in which we assist our clients in their development programs, we ended the year with participation in 72 projects whose total value exceeded R\$103 billion. We were contracted to work in structuring and as advisers in sectors such as infrastructure, energy and oil and gas.

We also provide our corporate clients with advisory services in cash management, import-export and property lending.

For the fifth consecutive year, Itaú BBA was chosen by Euromoney magazine as the Best Cash Management Bank in Brazil, and was among the top three in the Best Regional Cash Management Latam category. To choose the leaders in this segment, the magazine assesses quality of service, technical support, knowledge in the field, commitment and innovation, as reported by client companies.

Investment banking

Our investment bank helps companies raise capital through fixed income and equity instruments in public and private capital markets, and provides advisory services in mergers and acquisitions. The success of this strategy is tied to our steady, organic internationalization process, which allows us to be recognized by European and United States-based companies as specialists in the Latin American market.

In addition, our ability to integrate our Latin American operations means we are recognized as an efficient, major player in the region.

In 2012 Itaú BBA was chosen for the third time as the Most Innovative Investment Bank in Latin America by The Banker magazine, which is part of the Financial Times group.



Itaú BBA abroad

Itaú BBA is a leader in its segment in the Brazilian market, and accelerated its internationalization strategy during 2012. In Latin America, with a capital investment of US\$200 million, the bank started its operations in Colombia, a country that offers good growth opportunities, conditions, policies and a stable economy. Our goal in Colombia is to gradually develop operations which are similar to those in Brazil.

In Europe we began transferring the headquarters of our international bank from Portugal to London – the continent's main financial center – which will enable better monitoring of Latin American companies that do business in Europe, and meet the needs of European multinational companies in Latin America. After we transfer Itaú BBA International to London in 2013 we

intend to strengthen the positioning of the unit as an international platform of Itaú Unibanco, expanding the customer base and generating the best returns in the interbank and capital markets.

Our banking activities under the Banco Itaú BBA S.A. International structure are developed in Portugal, the UK, Switzerland and Luxembourg. Outside of Europe we are located in Miami, the Cayman Islands and the Bahamas, with a focus primarily on international corporate and investment banking operations, capital markets and private banking, and we work closely with our institutions and areas in Brazil to coordinate these activities. We also provide services to our customers in Asia, particularly in China, through an Itaú BBA representative office in Shanghai.

[Learn more about Itaú BBA's socio-environmental activities.](#)

CONSUMER LENDING

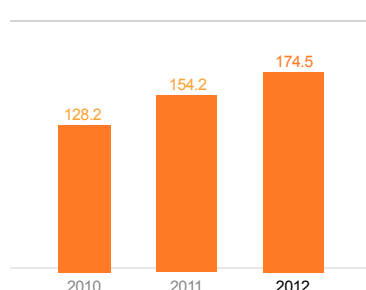
Credit cards

With 33 million account and non-account holder clients, we are leaders in the credit cards segment in Brazil through Itaucard and Hipercard, plus partnerships and joint ventures with major Brazilian retailers. This segment includes credit card operations and financial services offered through retailer partnerships. Our segmentation organizes the distribution channels into dedicated operations through the branch network, direct channels and partners.

Card transactions in 2012 totaled R\$174.5 billion, an increase of 13.2% over the previous year, while the number of active cards reached 33.3 million in the same period.

Credit Card Transactions

(in R\$ billions)



Note: Not including Personal Loans or Consumer Direct Credit. For presentation purposes, values include account holders, although they are segmented in the Pro Forma Income Statement under "Commercial Bank".

With a focus on improving efficiency, we further restructured the consumer credit area. Different platforms were consolidated and we revised various processes related to sales. This project included the creation of indicators to assess costs and expenses, which helped us to improve our efficiency ratio, as well as a focus on reducing the number of claims and improving our ability to provide faster solutions to meet customer demands.

We also continued investing in refining our portfolio by concentrating on businesses with a larger, high-quality customer base. We completed the acquisition of 49% of Banco Carrefour, which is the exclusive supplier and distributor of financial products and services, insurance and private pensions through the distribution channels operated under the Carrefour name in Brazil. Following the shift of the bank to focus on companies that are aligned with our business purposes, we sold our stake in Orbitall, a cards processor. With the goal of improving customer satisfaction, we started an initiative to establish policies and procedures for using the highest standards in the market for troubleshooting and handling errors.

We also continued our Zero Error Program, which is designed to refine our processes and eliminate errors. The major advantage of this program is a continuous improvement process developed by employees, which is fully aligned with Our Way of Making it Happen.

[Learn more about cards.](#)

ADDITIONAL INFORMATION

GRI F55 and F58

Through the [Transparency 100% Program](#) we offer increasingly accessible products and services to our customers so they can use them securely and with a clear and comprehensive understanding of the product or service they receive.

The program offers, for example, information and statements using simpler wording, and it works with conscientious credit to help customers from going deep into debt.

To help create environmental benefits we developed the Ipiranga Carbon Zero Itau credit card, in which part of the revenue from Ipiranga gas stations is reinvested in reforestation.

Itaucard 2.0 [GRI F57](#)

Itaú Unibanco, as part of its philosophy to guide people on the conscientious use of credit, has consistently worked to provide credit alternatives through credit cards whose rates are lower than those historically charged by the market.

In August 2012 we launched Itaucard 2.0, an innovative product whose means of calculating interest is more aligned with international practices. Its monthly interest rates are lower than prevailing market rates, and carries a nominal maximum of 5.99%. Another significant difference is that interest is calculated from the purchase date, which is more advantageous to customers in most situations when the full or minimum payment is late.

This change in the way interest is calculated was the result of an 18 month-long project that involved extensive research in the areas of products and technology advances to enable us to develop and test the product, and time its launch with the country's changing economic conditions, as during the year the market experienced a downward movement in interest rates charged on credit card products.

The release of Itaucard 2.0 was also preceded by discussions with consumer protection regulator that made suggested improvements, an initiative that demonstrates our transparency and willingness to dialogue. In the relationship with customers, we invested in a simplified statement, and the terms of the contract were made simpler and more objective. We created communication channels to explain in detail how the new product works, and we trained our sales and customer service staff on answering all questions from customers. We launched a hot site with simulations showing the benefits of using the card, explanatory videos and sections with answers to frequently asked questions. As an initiative to further increase the level of transparency of the product, customers have 90 days to test Itaucard 2.0, and if they don't like it they can go back to using their traditional card.

Bill statements advise card holders not to use the revolving credit before opting for another form of less expensive and more convenient financing.

[Read more about Itaucard 2.0.](#)

[Read more about products with social benefits.](#)

Vehicle finance

We are leaders in the financing of light vehicles, motorcycles and trucks in Brazil, with a total portfolio of R\$57.3 billion, making this our third largest loan segment. We finance one fifth of all cars sold in Brazil through leasing and Consumer Direct Credit (CDC), giving us a market share of approximately 17%.

In 2012 the average down payment was 36%, with an average term of 42 months.

However, the performance of the automotive market in 2012 fell below manufacturers' projections due to low growth of the Brazilian economy and rising household debt. Defaults also rose, which brought new challenges to overcome. In a bid to boost vehicle sales and financing, the Brazilian government resorted to macroeconomic measures such as reducing the financial operations (IOF) tax rate, the BNDES (Brazilian Development Bank) rates on machinery and equipment financing (Finame), and the industrialized products (IPI) tax.

Using our own technologies in tandem with analyses we conducted on economic and market trends, early in 2012 we identified a weakening in the vehicle leasing and financing market. Accordingly, we adjusted our decision-making processes and made changes in our lending policies to adapt to these conditions and minimize risks.

Vehicle finance, in addition to being an important driver of the domestic economy, is a segment that demands constant improvement in strategies and policies. With higher collateral requirements and more suitable products and services, our operations have now returned to risk and cost levels in line with best market practices.

Our lending readjustment efforts in this segment included initiatives that had an impact on our customer profile and business opportunities analyses.

[Read more about our Vehicles area.](#)

Online transactions – iCars

The iCars portal is a strategic tool for our vehicle finance operations. In addition to being a profitable way to buy and sell cars, motorcycles and trucks, the site is an online management support center for the bank and retailers, providing reliable and updated information on prices and available deals.

In early 2012 the portal began offering a full range of information and services, including ads, classifieds and technical specifications, plus photos and stories about the sector. Our investments in technology allowed us to develop mobile applications and allowed users to handle purchase proposals using a cell phone.

These investments, along with the reliability of the Itaú brand, have made iCars the market leader in less than five years. The portal ended the year with an average of 12 million visits per month, plus a base of about 4,500 dealers and 120,000 registered vehicles.

[Visit the iCars portal.](#)

[Learn more about our vehicle financing portfolio.](#)

ADDITIONAL INFORMATION

GRI FS1, FS2 and FS3

We have a policy to evaluate the socio-environmental risks of companies seeking vehicle financing. We created tools for this policy to analyze credit, support sustainable development programs, provide guidelines for staff training and help clients improve their practices.

We access the websites of regulatory agencies to help determine the environmental risk of each borrower. One example is the blacklist of Labor Ministry, which investigates reports of companies linked to issues such as the use of forced, slave-like, degrading or child labor, contaminated areas and environmental crimes.

We do not lend to companies on the Prohibited List, which are those that directly or indirectly support prostitution, harmful or exploitative use of child labor, or that appear in the national registry of employers that have kept workers in slave-like conditions.



35



Microcredit

The bank's microcredit operations are important for consolidating our strategy of being agents of transformation in society, as well as helping low-income entrepreneurs to have the chance to expand and develop their own businesses in their communities. A major benefit provided by this initiative is that micro-entrepreneurs can enter the formal market. Microcredit is also important because it reinforces our vision of sustainability and increases our ability to spread our knowledge of financial education. As a result, we have won World Business and Development awards and Ethical Corporation awards for these achievements.

Business Call to Action (BCtA), a global platform of inclusive businesses supported by the United Nations Development Programme (UNDP), the Global Compact and seven other international partners, has accepted the medium and long-term commitments we have taken on for the Microcredit area. Launched in 2008, BCtA has a portfolio of 50 companies committed to inclusive businesses that combine profitability and development.

Our microcredit activities are split into two levels:

- **Level 1** – loans for a mixture of working capital, upgrades and fixed assets provided to formal and informal business people engaged in small business activities.
- **Level 2** – loans to micro-entrepreneurs through civil society organizations registered with the National Productive Microcredit Program (PNMO).

The methodology for our Level 1 lending calls for direct relationships between field workers and small business owners, most of whom have limited access to traditional service channels. Relying heavily on technology to send and analyze the required documentation and sign the contracts, we offer loans ranging from R\$400 to R\$14,200, with interest rates set by the PNMO. Since beginning our microcredit operations in 2003 we have made over 41,000 loans, totaling more than R\$131 million.

In 2012 we started expanding our Level 1 loans, which resulted in a 21% increase in the credit portfolio, ending the year at more than R\$24.4 million. In the period May to October alone it jumped 60%. This growth was driven by a revised credit analysis model and better training of field agents and analysts. One of our biggest challenges was related to the systems platform we use, which had impacts on the management system and the implementation of some projects, such as supporting field workers to use more advanced mobile devices.

When looking at recent market trends we found a growing number of small businesses that were entering the formal economy. Accordingly, we began giving extra support to these companies by providing formal documentation through our microcredit channels and increasing the synergy with our businesses areas to improve the lending process.

With Level 2 lending we completed an analysis of partner institutions and conducted institutional actions such as working with our Marketing and Insurance areas to provide microinsurance prospecting materials for interested institutions.

In partnership with the IDB we also began a project designed to help 1,500 female entrepreneurs. The main goal of this partnership is to develop a model based on the credit growth potential of these business women.

[Learn more about microcredit.](#)

ADDITIONAL INFORMATION

GRI FS1, FS2 and FS3

Microfinance governance plays a significant role in creating a sustainable development agenda for the country by following market trends, responding to customer and societal demands, and promoting the financial inclusion of informal entrepreneurs. In support of this, Itaú Microcredit participates in forums and national and international events to stay ahead of the major issues related to lending to micro-entrepreneurs.

We offer credit to very small businesses with sustainable practices and a positive impact on community development. Prior to lending, the microcredit agent makes a comprehensive assessment of the business, based on five factors: type, ability to pay, capital, conditions and collateral. To assess compliance with our loan agreements, agents visit the borrowers and monitor how the funds are being used. If there is any deviation, the agents will advise the clients. In addition, we conduct physical and analytical monthly monitoring, using data compiled from the systems and documents of these business.

ACCREDITATION AND ACQUIRING

Our accreditation and acquiring business includes the capture of transactions made using credit cards, debit cards, vouchers and private label cards through memberships, management and relationships with commercial establishments and the Hipercard and Redecard brands. We also offer prepayment of receivables, terminals, check verification, purchases and withdrawals, non-financial services and electronic statements.

In 2012, credit card transactions totaled R\$183.5 billion. This amount represents 66.8% of the total business generated by accreditation. As a result of these increased transactions, income from credit card services grew R\$97.2 million during the year.

Captured debit card transactions reached R\$94.2 billion, representing 33.2% of total transactions in 2012, an increase of 18.8% over 2011. Income from debit cards rose 18.2% to R\$105.0 million during the year, also due to the higher number of overall transactions.

In 2012 our installed equipment base and assets totaled 1,429 units, up 13.2% from 2011.

Tender Offer for Redecard

In 2012 we made a tender offer for shares of Redecard, consistent with our aim to provide more integrated services and solutions to our customers. This acquisition will allow us to expand our operations everywhere in Brazil and have greater business integration in a more competitive environment.

The offer closed on September 24, with most shareholders agreeing to the sale price of R\$35 per share, for a total value of R\$10.46 billion. On October 18 the CVM approved the delisting of Redecard.

Additionally, shareholders who held on to their shares were able to sell them to the bank at a price fixed by the Selic rate until the December 14, 2012 redemption date. The value at the end of this period was R\$11.75 billion, demonstrating the success of this deal.

MARKET AND CORPORATION

The Institutional Treasury area provides services to all of Itaú Unibanco, supporting customer transactions as well as cash management and institutional positions. It is responsible for ensuring liquidity, setting base prices for the commercial, wholesale, retail and capital market areas, generating income through active management of market risks and structuring and executing the Itaú Unibanco group's own capital funding.

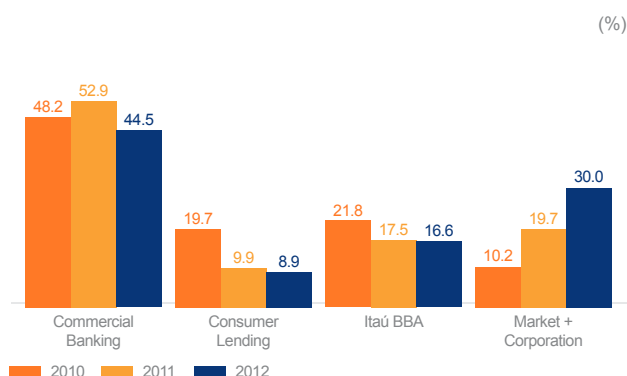
In 2012, Institutional Treasury's financial margin on market transactions totaled R\$3.801 billion, a R\$16 million increase from 2011.

In 2012 we conducted Tier 2 subordinated debt issues, which added significantly to our capital base. In the local market we issued a total of R\$13.7 billion in subordinated notes, which represented 44% of total issues conducted in Brazil. Abroad, we raised US\$5.05 billion through four issues, including an operation performed in November that represented, among Tier 2 subordinated transactions issued in foreign currency by Latin American banks in 2012, the largest amount raised at the lowest yield to investors. These represented approximately 31% of total dollar-denominated issues abroad by Brazilian financial institutions during the year, and as a result we became the leader in subordinated debt issues in the local market and abroad in the period.

RESULTS

In 2012 Commercial Banking ranked first among all Itaú Unibanco segments, generating 44.5% of our net income, a figure 8.4% lower than the previous year's. The highlight of 2012 came from the Market and Corporation Activities segment, whose net income grew 10.4%.

Results from our main areas are shown below:



p.39	Governance
p.44	Remuneration
p.45	Risk and capital management
p.49	Efficiency

2 Governance and management

Ethics, transparency and a focus on efficiency ensure the value of our bank and the creation of value for shareholders and society

GOVERNANCE

Ethics and transparency in our business management



39

Good corporate governance practices help add value to Itaú Unibanco, facilitate our access to capital and ensure the sustainable growth of the company, which is why we are constantly refining our mechanisms and management policies.

One of these initiatives is voluntary compliance with the ABRASCA (Brazilian Association of Public Companies) Self-Regulating Code for Best Practices in Public Companies, which establishes principles, rules and recommendations for best corporate governance practices.

Our main goal is to achieve excellence in the relationships the company has with, the Board of Directors and its related committees, our shareholders and the market. This allows us to create and strengthen the best conditions to grow the bank and its subsidiaries.

[See our Corporate Governance Policy.](#)



ADDITIONAL INFORMATION

GRI Profile 4.6

Under the rules of the Board, directors must act impartially and abide by the following rules:

- Board members may not participate in discussions on matters in which their interests conflict with those of the organization. Each member must notify the Board of any conflict of interest as soon as the matter is included on the agenda or proposed by the Chairman, and in any event before the start of any discussion on the subject.
- At their first meeting following their election, each Board member must inform the other members of: (a) their principal activities outside the organization; (b) their participation on boards of other companies; and (c) any business relationship with companies in the Itaú Unibanco conglomerate, including as a service provider. Such information shall be provided annually and/or whenever there is a new event that requires such

information to be disclosed. Directors may only serve on a maximum of four boards of companies that do not belong to the same group. This limit does not include being a director of charities, clubs or associations, and may only be exceeded upon approval of the Appointment and Corporate Governance Committee.

- If the Board member or company controlled or managed by the Board member does business with any company in the Itaú Unibanco conglomerate, the following rules must be observed: (a) the operation must be performed under market conditions; (b) if it does not involve daily operations or provision of services, then opinions must be issued by authoritative sources attesting that the operation was performed under market conditions; (c) the operation must be reported to the Appointment and Corporate Governance Committee; and (d) it must be conducted through normally responsible channels in the Itaú Unibanco conglomerate's hierarchy.

GRI

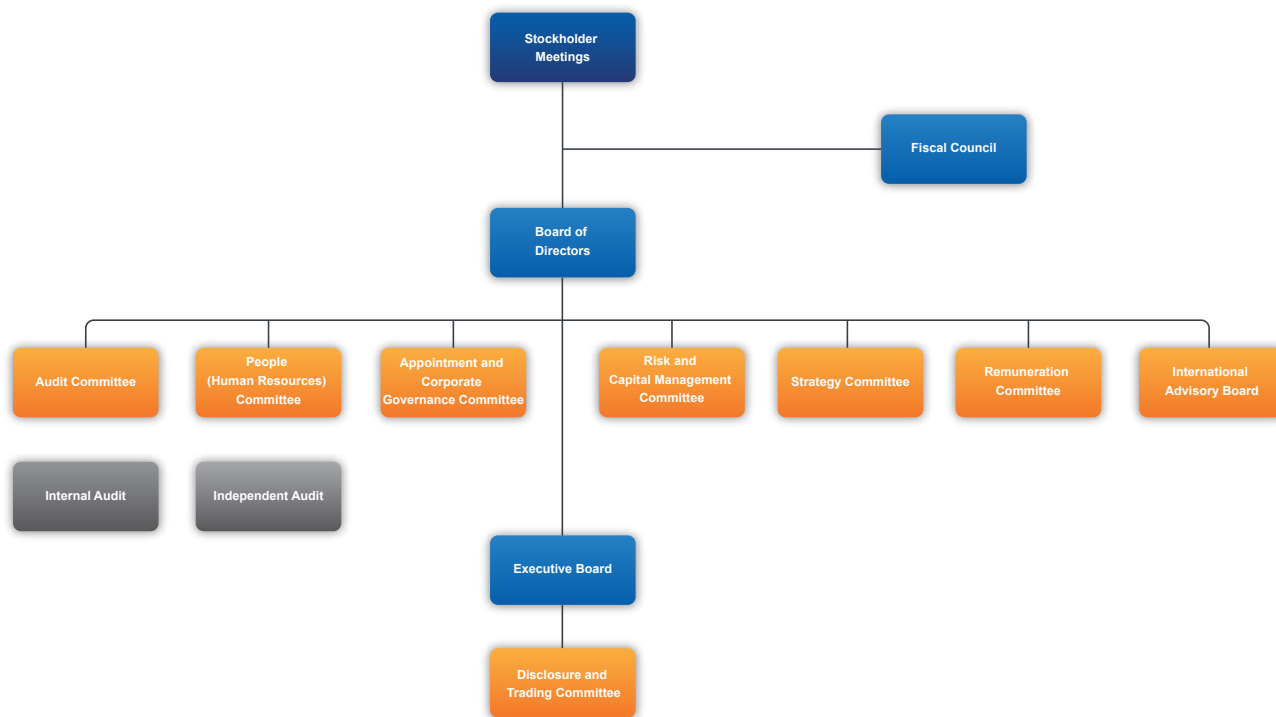
GOVERNANCE STRUCTURES

Itaú Unibanco's governance structures begin at the top with Stockholder Meetings, which are typically held in the first four months of each year. In 2012 we began offering online attendance so stockholders could vote

from anywhere at Annual and Extraordinary General Meetings.

Our other senior management bodies appear below:

GRI Profile 4.1



Board of Directors

The Board of Directors meets monthly and is elected at Stockholder Meetings. It is responsible for establishing the strategy of Itaú Unibanco and its subsidiaries. In 2012 the Board had 12 members, four of whom (33%) are independent. Under the Articles of Incorporation, the Chairman of the Board may not also serve as President or Chief Executive Officer. *GRI Profile 4.1, 4.2 and 4.13*

The Board of Directors is evaluated each year to ensure its members are aligned with the organization's

values and are collectively furthering the interests of shareholders, managers and employees, as well as complying with the legal and ethical aspects of key issues related to socio-environmental responsibility.

GRI Profile 4.9 and 4.10

The Appointment and Corporate Governance Committee offers methodological and procedural support for this evaluation.

[Learn more about our Board members.](#)

[Learn more about the diversity of the Board of Directors.](#)

Committees

Our administration currently has six committees, which report directly to the Board of Directors, and a seventh, the Related Parties Committee, which will be formed in 2013. Each committee has from three to ten members, except the Audit Committee, which has a

maximum of seven. All committee members serve a minimum one-year term, and possess proven expertise in their field and technical training consistent with their responsibilities. *GRI Profile 4.7*

The following is the composition of each committee: *GRI Profile 4.2 and 4.3*

Members	Board of Directors	Committee						
		1. Audit	2. Strategy	3. Risk and Capital Management	4. Appointment and Corporate Governance	5. People	6. Remuneration	7. Related Parties ¹
Pedro Moreira Salles	P		P		P	P	P	
Roberto Egydio Setubal								
Alfredo Egydio Arruda Villela Filho								
Gustavo Jorge Laboissiere Loyola	I	I P						
Henri Penchas								
Ricardo Villela Marino								
Alfredo Egydio Setubal								
Candido Botelho Bracher								
Israel Vainboim	I							
Pedro Luiz Bodin de Moraes	I			I P				
Nildemar Secches	I							
Demosthenes Madureira de Pinho Neto								
José Castro Araújo Rudge ²								
Eduardo Augusto de Almeida Guimarães		I						
Guy Almeida de Andrade		I						
Alkimar Ribeiro Moura		I						
Luiz Alberto Fiore		I						

1. To be formed in 2013, and consisting of three members (two independents from the Board of Directors and one member from the Audit Committee).

2. Non-executive member of Itaú Unibanco Holding S.A.

3. Consistent with our Corporate Governance Policy, an independent Board member is one who has no relationship of any kind with the organization or any of its subsidiaries, or with a controlling shareholder or member of the Board of Directors. A Board member shall not be considered independent, for example, if that person: (i) holds a direct or indirect equity stake in the share capital of the company or any company controlled by it, or where it has a minority stake of 5% or greater; (ii) forms part of a shareholders' agreement or is directly or indirectly part of the control block (whether through a company or family—spouses, blood relatives or first-degree relatives); (iii) is or was in the past three years an employee or officer of the company or a company under its control, or whose relative is or was an officer of the company or a company under its control; and (iv) is or was (or whose relative is or was), in the past three years, a technical manager, partner, director, manager, or supervisor or had any other management function with the team involved in conducting an independent audit of the company or company under its control. The independence of the Board member must be attested to by the Appointment and Corporate Governance Committee, whose analysis will not necessarily be restricted to the limits or relationships described above. The Board of Directors classifies a non-executive director as any individual who is not an independent director and who has no employment relationship with the company.

I Independent Member³
P Chairman

Audit Committee

Created in 2004, the Audit Committee reports to the Board of Directors and is composed of five members (one classified as a financial specialist) elected by the Board for a one-year term. Under Brazil's National Monetary Council (CMN) regulations, all financial institutions that meet any of the following criteria must possess an internal audit committee: regulatory capital equal to or greater than R\$1 billion, management of at least R\$1 billion in third-party funds, or at least R\$5 billion in deposits and third-party funds.

This committee supervises:

- Processes for internal controls and managing risk.
- Internal Audits.
- Independent Audits.
- Recommendations to the Board of Directors for the selection and termination of independent auditors.

Strategy Committee

Created in 2009, its responsibilities include:

- Assist the Board of Directors in discussions with the Executive on strategic guidelines for business matters; issue opinions and recommendations.
- With the Board of Directors, lead discussions on high impact material matters.
- Review investment opportunities presented by the Executive and which have a high impact on the business, in addition to issuing opinions and recommendations.
- Discuss budget guidelines with the Executive Board and propose these to the Board of Directors.
- Advise and support the CEO in monitoring the corporate strategy of the budget.

Risk and Capital Management Committee

Founded in 2009, it supports the Board of Directors in carrying out responsibilities related to risk and capital management and submits reports and recommendations on these issues.

Appointment and Corporate Governance Committee

Active since 2009, it organizes and promotes discussions, in tandem with the Board of Directors, on issues related Itaú Unibanco's corporate governance.

People (Human Resources) Committee

Created in 2009, it establishes the main guidelines for our People (Human Resources) Policies.

Remuneration Committee

Established in February 2011, the Remuneration Committee became a statutory body at the April 2012 Annual General Meeting. It oversees our compensation policies and is responsible for weighting our risk management practices.

Related Parties Committee

To be created in the first quarter of 2013, it will consist of three members: two independent members of the Board of Directors and one member of the Audit Committee. The Related Parties Committee will be responsible for analyzing transactions between related parties under certain circumstances, and in accordance with the provisions of the Related Party Transactions Policy. It will also ensure equality and transparency in order to assure shareholders, investors and other stakeholders that Itaú Unibanco complies with best corporate governance practices.

[See our committee members.](#)

[See the responsibilities of each committee.](#)

Fiscal Council

The Audit Committee is an independent body responsible for supervising the activities of management and the independent auditors. It is composed of three to five members elected by the shareholders. Holders of preferred shares are entitled to elect one member and an alternate.

The Fiscal Council's responsibilities include the development of technical opinions on the quarterly and annual reports submitted for shareholder approval. Although not a statutory body, it has been continuously in place since 1997.

[Learn more about our Fiscal Council.](#)

Executive Committee

The Executive Committee is responsible for administering and implementing the guidelines established by the Board of Directors. Its members are elected by the Board and serve for one year. In 2012 the Board had 15 members.

[See our Executive Committee Members.](#)

Disclosure and Trading Committee

The Disclosure and Trading Committee was created in 2002 to manage the Disclosure Policy and Trading Policy. Among publicly traded companies in Brazil we are pioneers in operating a committee of this type.

The role of the Committee includes internal actions that seek to improve the flow of information and ensure the ethical conduct of managers and employees, ensuring transparency, quality, equality and security of information provided to shareholders, investors and other capital markets participants.

Meetings are held quarterly, and are called by the Director of Investor Relations, who is a permanent member. The other two to ten members are chosen annually and must be members of the Board of Directors, or our Executive Committee or that of a subsidiary, and be professionals with proven expertise in the capital markets area.

[Learn more about our Trading Policy.](#)

Itaú BBA

Itaú BBA's most senior body is its Board of Directors, elected every three years at a Stockholders Meeting and linked directly to Itaú Unibanco Holding (see organizational chart at right).

The Itaú Executive Committee consists of the President of the bank and the Vice President Directors of the Business and Support areas (Investment Banking, Wholesale Banking and International Treasury).

[See the members of the Itaú BBA Board of Directors.](#)

Our practices (policies and compliance)

GRI FG Financial

Our corporate governance practices are aligned with the best initiatives of the domestic and international markets and are designed to achieve sustained growth of the bank. We were selected for the 13th consecutive year for the New York Stock Exchange's Dow Jones Sustainability World Index, and for the eighth year as part of the BM&FBovespa Corporate Sustainability Index.

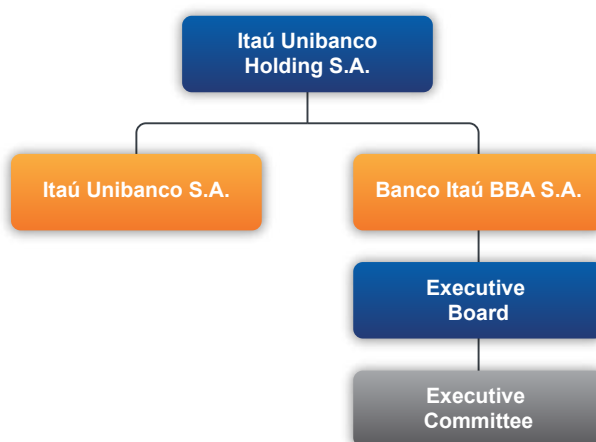
We have adopted several practices to maintain transparent management and avoid conflicts of interest. In 2001 we were one of the first companies to voluntarily join the Corporate Governance Level 1 on the São Paulo Stock Exchange. In 2002 we approved the adoption of tag-along rights for preferred shareholders. In the United States our ADRs are listed on Level 2 of the NYSE, making us subject to NYSE and SEC requirements, in addition to CVM and Central Bank of Brazil regulations.

In 2012, due to changing economic, social and organizational conditions, we began updating our Corporate Code of Ethics and its associated policies. The introduction of its third version is planned for the first half of 2013. Our Code of Ethics is widely disseminated and published on the company's Investor Relations website. It is a document that guides the actions of the bank through principles that sustain an organizational culture geared to valuing people, in addition to strict compliance with rules and regulations and a permanent focus on development.

This past year we launched our [Related Party Transactions Policy](#), which establishes the rules and procedures that must be observed to ensure equality and transparency in these situations. Our [Donations to Political Parties Policy](#), is another example of our commitment to transparency.

[Learn more about our corporate governance practices.](#)

[Learn more about our company policies.](#)



REMUNERATION

Recognition and rewards based on our results



REMUNERATION POLICY

On January 1, 2012 CMN Resolution No. 3.921/2010 came into effect, stipulating the rules for variable pay for directors and members of the board of directors of financial institutions.

Under CMN Resolution No. 3.921/2010, at least 50% of variable pay to directors shall be in the form of shares or share-based instruments, and at least 40% must be deferred for future payment in at least three years. With particular respect to deferred and unpaid installments, if an institution posts a loss, then a clawback is applied, in which the payment of installments is not made in order to minimize the loss to the institution and its shareholders.

In keeping with this regulation we created a Remuneration Committee, which reports to the Board of Directors and whose duties are to oversee discussions of the matters relating to the remuneration of directors of Itaú Unibanco group companies, as well as the preparation of a Remuneration Policy and maintenance of clear and transparent communications with the Central Bank of Brazil.

The Remuneration Policy consolidates our principles and practices whereby compensation is structured to attract, retain and reward, on a meritocratic basis, the work done by directors, as well as encourage the adoption of prudent levels of risk exposure for short, medium and long-term strategies in the conduct of their business.

Accordingly, this policy ensures that director pay is aligned with Bacen regulations, and is based on developing sustainable practices to achieve greater alignment of the interests of managers, Itaú Unibanco and its shareholders.

[See the Remuneration Committee Bylaws.](#)



RISK AND CAPITAL MANAGEMENT

GRI Profile 1.2

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Efficient management to ensure the longevity of our business

GRI FG Financial

Risk management at Itaú Unibanco is an essential tool for optimizing the use of our resources and selecting the best business opportunities to create maximum value for shareholders. We identify risks by mapping the internal and external events that can affect the strategies of the business units and by supporting and meeting objectives that can impact on the bank's earnings, capital, liquidity and reputation. Accordingly, we apply the precautionary principle to the mapping of these events. *GRI Profile 4.11*

To complement the risk management process we completed the implementation of a capital management framework that supports the institution through the following continuous actions:

- Monitoring the need for capital held by Itaú Unibanco under normal and stress situations, consistent with regulatory requirements and Board of Directors policies;
- Planning goals and capital needs based on Itaú Unibanco's strategic objectives; and
- Adopting foresight in relation to capital management.

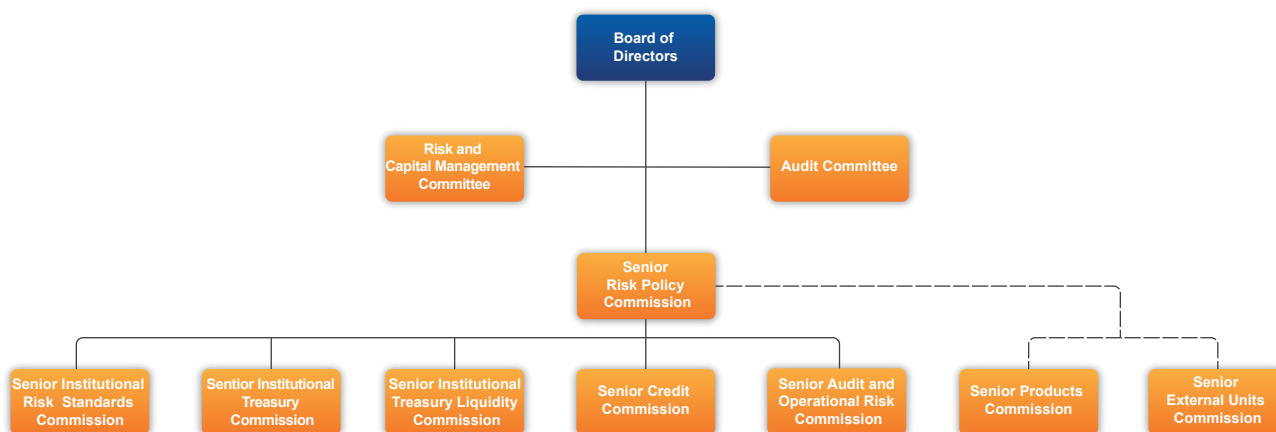
We have established a committee structure that is responsible for risk and capital management. These committees report directly to the Board of Directors, which elects or appoints their members.

[Learn more about the risks related to climate changes.](#)

ADDITIONAL INFORMATION

GRI EC2

Our risk management views the issue of climate change as a strategic issue to help ensure the longevity of our business. For corporate lending it forms part of our risk analysis through the three categories of socio-environmental risk that appear in the questionnaire, and under the guidelines of each specific sector. Additionally, in 2012 we refined our project finance management, following IFC Performance Standards: we now request an annual quantification of GHG emissions of the projects being financed. The development of low-emission projects represents further segmentation of this type of lending. For example, in 2012 the bank participated in providing R\$412 million of loans and guarantees to wind power projects. We work with over R\$2.3 billion in investments in this sector, and our role as an enabler of a cleaner economy continues to grow.



In addition to this linked structure we have an independent, centralized unit that is responsible for controlling credit, market, liquidity, operational and underwriting risks. This unit is also responsible for centralizing our capital management. Its goal is to provide the Board and the executives with an overview of Itaú Unibanco's exposure and risks, as well as assess future capital adequacy needs in order to maximize and streamline company decisions.

CREDIT RISK

Credit risk is the probability of losses associated with: the failure by a borrower, issuer or counterparty to meet the agreed commitments of their debt; the impairment of a loan due to deterioration in the borrower's risk rating; lower earnings or remuneration; advantages ceded in renegotiation; and recovery costs.

Our credit risk management is designed to create shareholder value by analyzing the risk-adjusted return, with a focus on maintaining the quality of the loan portfolio at levels commensurate with each market segment in which we operate.

Companies with good environmental management practices pose less risk to society. This is why we developed a Corporate Socio-environmental Risk Policy, which formalizes environmental criteria to be adopted by Itaú Unibanco in commercial lending. This policy complies with voluntary commitments such as the Green Protocol, the Equator Principles, the National Pact for the Eradication of Slave Labor and the Carbon Disclosure Project (CDP), all of which helps us contribute to society and improve our own risk profile.

[GRI Profile 4.12](#)

[See our Corporate Socio-environmental Risk Policy.](#)

Additionally, we use a unique method to calculate maximum acceptable loan amounts based on the income of our clients, which, aligned with conscientious use of credit initiatives, has improved the quality of our lending.

[See our Risk Report – Bacen Circular No. 3.477.](#)

MARKET RISK

Market risk is the probability of losses resulting from fluctuations in the market values of positions held by the institution, including risks on transactions subject to foreign exchange, interest rates, stock prices and commodity prices.

Market risk management is the process by which we monitor and control the risk of fluctuations in the market prices of financial instruments. Employing suitable limits, models and management tools allows us to optimize our risk-return tradeoff.

Our market risk activities are conducted independently of the business areas. They control the daily measurement, assessment and monitoring of stress tests, limits, alerts and analyses, plus risk reporting, and follow the actions necessary to readjust positions and/or risk levels and the viability of launching new products.

[See our Risk Report – Bacen Circular No. 3.477.](#)

LIQUIDITY RISK

Liquidity risk is the probability of imbalances between negotiable assets and payable liabilities – or mismatches between expenses and income – that may affect our payment capacity, considering the different currencies and settlement terms of the rights and obligations.

Liquidity risk management seeks to ensure sufficient liquidity to support potential capital outflows in situations of market stress, as well as compatibility between funding and asset maturity and liquidity.

Our structure is dedicated to monitoring, controlling and analyzing liquidity risk by modeling projections of the variables that affect cash flows and reserves levels in local or foreign currency.

[See our Risk Report – Bacen Circular No. 3.477.](#)

ADDITIONAL INFORMATION

GRI FS15

In order to mitigate potential risks we adopt policies and procedures related to environmental responsibility in our products and services. An example is our Corporate Ethics and Anti-Corruption and Bribery Policy, which can be accessed at www.itau.com.br/ir and on our staff intranet. This policy provides supplementary guidance to the Itaú Unibanco Code of Ethics on the following issues:

- Anti-corruption and bribery
- Personal gain and kickbacks
- Gifts and contributions
- Outside activities
- Equity in companies
- Participation in recognized activities and publications
- Relationships with clients and suppliers
- Communication of unethical behavior
- Protection of officers and employees who have questions, suspicions or allegations of misconduct

The business and support areas are responsible for implementing the guidelines defined in the policy. These areas are backed by guidelines set by the Senior Ethics Commission and by the governance structure, which is composed of the Ombudsman, company ethics committees and the Inspection office.

Sustainability Policy

A governance structure comprising the Sustainability Supervisory Committee, the Executive Sustainability Committee and the Sustainability Committee is responsible for the implementation of the sustainability policy's guidelines.

Corporate Policy to Evaluate Products/Operations/Processes

This policy is available to staff members and is designed to achieve superior financial and sales results through a constant focus on risk management. It establishes a governance standard for evaluating products and processes to ensure that plans, decisions and objectives are consistent with business, managerial and ethical policies, and comply with bank regulations and senior management directives. The process requires the integration of the Products areas and evaluators from the Legal, Anti-Money Laundering, Information Security, Tax, Accounting and Sustainability areas. Together, this group generates competitive advantages and adds value to customers. The Sustainability area evaluates financial education, transparency, sustainability, environmental risk and reputational risk arising from the evaluators.

OPERATIONAL RISK

Operational risk is the probability of losses resulting from failed, deficient or inadequate internal processes, people and systems, or from external events. This category also includes legal risks associated with inadequate or incomplete contracts signed by the organization, as well as sanctions due to non-compliance with legal provisions and compensation for damages to third parties arising from our activities.

We manage potential operational risk events such as internal and external fraud, labor claims, inadequate workplace safety, improper practices relating to customers, products and services; damage to physical assets, interruption of bank activities, failures in IT systems and failures by the bank to meet its obligations or properly manage its affairs.

The Board of Directors is the highest governance body that oversees operational risk. Below this level we have an area dedicated to internal controls and compliance, which is responsible for setting methods to identify, assess, monitor, control and mitigate operational risk. We also have a dedicated risk management area which monitors and measures operational risk, including Basel II and Bacen capital allocation requirements.

[See our Risk Report – Bacen Circular No. 3.477.](#)

UNDERWRITING RISK

Underwriting risk is the probability of losses arising from insurance, pensions and capitalization that are contrary to the expectations of the organization and associated, directly or indirectly, with actuarial and technical bases used for calculating premiums, contributions and reserves.

Underwriting risk management comprises the bank's activities and control of insurance, pensions and capitalization and seeks to create shareholder value through the analysis and monitoring of risk in relation to return. The focus is on maintaining our portfolio's risk profile, based on the organization's strategies.

Our underwriting risk management process is supported by various roles and responsibilities among the business and risk control areas, which are designed to reinforce the separation between management and control activities and thereby ensure the independence of each area. We also have a governance structure that ensures an independent assessment of the products in question, along with compliance with internal and regulatory requirements.

[See our Risk Report – Bacen Circular No. 3.477.](#)

In 2012, during the Rio+20 Conference, we voluntarily adhered to the Principles for Sustainable Insurance, a UN initiative to integrate the environmental, social and governance activities of the insurance industry. This initiative adds value to our operations and contributes to the sustainable development of the market.

[Learn more about the Principles for Sustainable Insurance.](#)

BASEL III

The adoption of the final regulations for Basel III is being discussed nationally and internationally. Ahead of the release of the new accord we have implemented internal procedures to evaluate the impacts of the changes, while those aspects of Basel III released to-date have been incorporated into our forward-looking analyses of capital and liquidity. The process of adjusting our operations to these new regulations is already at an advanced stage.

We intend not only to meet the new [Basel III](#) minimum capital adequacy level, but to continually exceed it.



EFFICIENCY GRI Profile 1.2

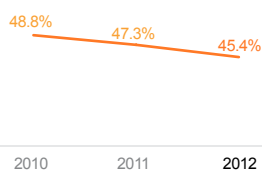
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Reduce costs and and invest in the best opportunities

A continuous increase in the efficiency of our operations is a key strategy for achieving the sustainable performance and customer satisfaction we desire. Being efficient means having the ability to evaluate our operations and identify opportunities to reduce costs, managing investments to gain agility, and seeing business opportunities and processes that can ensure higher revenues. *GRI FG Financial*

Thanks to an efficiency agenda that permeates all areas of the bank, we ended 2012 with an Efficiency Ratio (ER) of 45.4%, an improvement from the 47.3% we reached in 2011. This lower ratio, which is defined as expenses as a percentage of revenue, means we are better prepared to compete in an environment of falling interest rates, as we saw in 2012. *GRI Profile 1.2*

Efficiency Ratio (ER) Performance *GRI Profile 1.2*



Source: Itaú Unibanco
ER = Expenses divided by Revenue

The principles of the Efficiency Project include a detailed analysis of expenses for setting parameters and indicators, the dissemination of good practices and a systematic control of our results. The project's success depends primarily on the commitment of the teams to act in accordance with the values expressed in Our Way of Making It Happen.

This past year was marked by improvement initiatives in resource use, operational process review and realignment of teams. We reviewed all expense types (from the smallest to the most complex), policies and models, and identified synergies to find sustainable results for the bank and our customers. *GRI Profile 1.2*

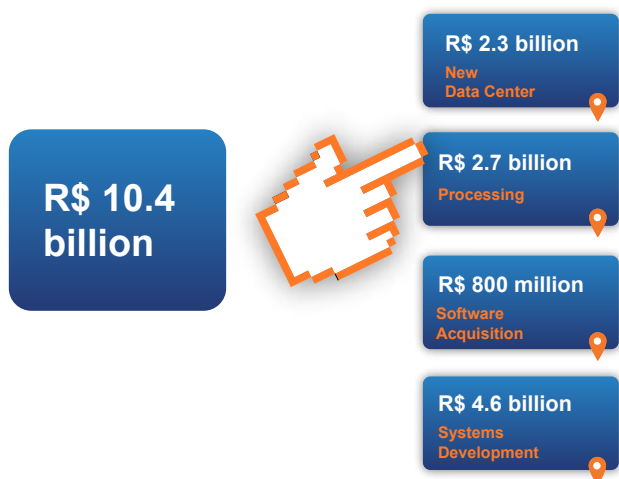
One of these gains in efficiency occurred in credit cards, where different processing platforms (each with its own structure) were integrated into a single database, resulting in more standardized operations and reduced costs.

Steps of the Process



INVESTMENTS IN IT

One of the biggest investments we began in 2012 was in technology, because this is the only way we can ensure the efficiency of our operations, satisfy our customers and build the necessary foundation for sustained growth in the coming years. By 2015 we will have invested R\$10.4 billion in building a new data center, creating a multi-channel customer service architecture, streamlining processes and platforms and improving the quality and analysis of the information available in our databases. [GRI FG Financial](#)



Our new data center will be the largest in Brazil, built on an area of 815,000 square meters (or more than 120 soccer fields) in the city of Mogi Mirim, in the state of São Paulo. The first phase of the project, which will have an investment of R\$2.3 billion, is planned to start in 2015. The structure has been designed to be expanded in two subsequent phases, which will ensure its operation until 2050. With a processing capacity 16 times greater than our current facility's and a new telecommunications infrastructure, the data center – which will receive a LEED (Leadership in Energy and Environmental Design) environmental certification – will still allow us to reduce our energy consumption by over 40%, and thereby reduce our operating costs. [GRI EN26](#)



Site of our new data center in Mogi Mirim.

We are also preparing to meet the new demands of our customers, whose relationship with the bank has evolved due to technological innovations and new communication tools. The internet is now one of the main channels they use to perform banking transactions, while our mobile platform, thanks to smartphones and tablets, has shown exponential growth. The simplification of processes and platforms is another initiative that will result in efficiency gains and cost reductions. More efficient systems means more streamlined product development, shorter response times for customers, and more and better information to our business areas for continuous improvement of product quality and service. One of our key innovations in 2012 was the installation of biometric readers in ATMs, which lets customers perform all their banking simply through fingerprint identification. With no need for a card, this makes the ATM channel even safer.

[GRI FG Environmental, FG Financial and PR1](#)

Another area of investment is what we call Data Management Transformation, a process that will improve the quality of our databases and enable innovation in the business areas. By integrating the information available to our customers we can meet their needs, increase our fraud and risk control and offer the best products and solutions in each instance.

[GRI PR1](#)

All this evolution is an ongoing process, influenced by changes in the relationship between people and the bank. In the coming years our challenge will be to identify and anticipate trends, as we did with using mobile phone technology for making payments, and continue this pioneering work while also focusing on security and convenience for our customers. [GRI PR1](#)

ECO-EFFICIENCY

We are constantly focused on the management and proper use of natural resources because it allows us to reduce environmental impacts and increase the efficiency of our operations, both of which bring economic benefits. Because of the heavy use of technological equipment in our branch network and administrative buildings we consume considerable amounts of water and electricity, which is why reducing and optimizing their use has been one of our primary goals.

Every improvement initiative that we develop is based on four pillars: implementation costs, availability in the market, technical performance of the system and eco-efficiency gains. *GRI FG Environmental*

WATER AND ENERGY *GRI EN5 and EN8*

One of our major advances has been the monthly monitoring of water and electricity consumption and proper waste disposal. We also set targets for reducing water and energy use. At our administrative centers we managed to cut energy and water consumption in 2012 by approximately 1% and 8%, respectively, compared with the previous year.

We have implemented the most efficient and economical devices, such as sun protection film on the windows, which helps reduce the temperature of interior surfaces; the use of energy from clean sources (wind, solar, small hydro and biomass) in our higher-consumption administrative centers; and the reuse of rainwater for cooling towers, settling tanks, toilets, lakes and watering of gardens. *GRI EN26*

ADDITIONAL INFORMATION

GRI EN8

Water Consumption

Water Consumption (m ³ /yr)	Administrative Buildings			Branches			Total		
	2010	2011	2012	2010	2011	2012	2010	2011	2012
Public Supply	710,381	713,148	590,208,6	1,281,160	1,202,732	1,197,768	1,991,541	1,915,881	1,789,378
Artesian Wells	89,803	98,290	106,673	0	0	0	89,803	98,290	105,272
Total Water Withdrawn* (EN8)	800,184	811,439	696,882	1,281,160	1,202,732	1,197,768	2,081,344	2,014,171	1,894,650

* Itaú does not use surface water (rivers, lakes), or collect rainwater or water from other organizations.

ADDITIONAL INFORMATION

GRI EN4

		2010	2011	2012	Unit
EN4	Indirect Electricity Consumption	2,152,018	2,208,433.00	2,229,230.12	Gigajoules

All electricity purchased by the bank comes from outside providers, and in Brazil there is no law that requires distributors to disclose their electricity sources.

Itaú Unibanco has established goals to reduce indirect electricity consumption:

2012	2013	2014	2015
-	1%	3%	4%

Transport and emissions [GRI EN29](#)

During the year we invested in improving the ways we use transportation. Through educational campaigns and communications we encouraged employees who travel between the administrative centers to use vans instead of taxis, which are less economical. This gave us a 54% reduction in transport costs compared to 2011.

Waste and effluent creation [GRI EN26](#)

Our focus on eco-efficiency has brought faster results at our newer facilities, such as the Tatuapé Technology Center (CAT 2) and the new data center in Mogi Mirim. Both buildings, scheduled for completion in 2014, will receive a LEED certification, awarded to buildings that follow good construction practices and have high energy and environmental performance. Our older facilities were built without today's modern techniques, and upgrading them to achieve eco-efficiency requires more planning plus a risk assessment and impact analysis of the costs involved.

Over the past two years the main administrative buildings have undergone renovations to reduce resource consumption and the environmental impact of our operations. Whether our projects are the construction of new buildings or the refurbishment of older structures, we control the creation of waste and its proper disposal.

Our current Tatuapé Technology Center (CAT) facility has maintained its ISO 14001 certification, which is a standard developed to create financial stability and reduce environmental impacts through an Environmental Management System. An example of this action was the implementation of the Effluent Treatment Station (ETS), which allows us to reuse water to supply the air conditioning cooling towers. In its first five months of operation in 2012, the ETS generated 7,192 cubic meters of water for reuse.

We also have water treatment and reuse systems for our buildings in the Jabaquara Business Center, the da Moca Technology Center and the Tatuapé and Raposo Tavares Highway administrative centers. In 2012 we used 62,925 cubic meters of reused water, an increase close to 50% compared to 2011.

Green IT

Created in 2008, our Green IT Committee aims to identify, map and measure opportunities that take into account the economic, social and environmental areas of IT. With the purchase of more efficient appliances, sustainable and proper disposal of electronic waste and increased use of telepresence and videoconferencing technology, we are systematically reducing our energy consumption and the emission of greenhouse gases.

We are also active in the proper disposal of electronic waste by avoiding contamination of the soil and enabling the recycling of materials. In 2012 alone we collected and disposed of 5.360,45 metric tons of electronic waste (computers, printers, monitors and other equipment) coming from our administrative center, data centers, branches and warehouse facilities. [GRI EN22](#)

Paperless Itaú

The Paperless Itaú project is an initiative designed to encourage customers to stop receiving paper statements and get them online instead. Using the slogan "Change. Use paper only when it's worth it", which appeared in advertising campaigns carried by various media outlets, we tried to make our customers aware that they could help reduce the environmental impact of our operations.

Corporate customers are also encouraged to participate in initiatives that reduce the amount of printing in bank operations. About 35% of statement requests last year were sent out online, allowing us to save over 4 million sheets of paper.

[Learn more about the Paperless Itaú project.](#)

ADDITIONAL INFORMATION

[GRI EN1 and EN22](#)

Total paper consumption decreased by 9% in 2011 compared to 2012, while the disposal of non-hazardous waste has also been dropping since 2010. Nearly 50% of all non-hazardous waste generated by the bank, including waste paper, plastic, metal, glass, wood, batteries and other materials, is sent for recycling.

ADDITIONAL INFORMATION

[GRI EN5, EN16, EN17, EN18 and EN26](#)

To consolidate our commitment to eco-efficiency, we took the following actions in 2012:

- Installing 5 new telepresence rooms, giving us a total of 19. Their use during the year prevented the emission of 2,523 metric tons of CO2 into the atmosphere.
- Retrofitting air conditioning systems (which now run on natural gas, allowing the reduction of air pollution) and installing timers for staff restaurant lighting.
- Itaú Microcredit: we stopped printing socio-economic evaluation forms and bank statements, as well as making copies of identification cards (CPF and RG) and proof of residence. The digitalization of documents allowed us to save approximately 128,000 sheets of paper normally used for copying, printing and filing.
- Sustainability Counter: for each currency exchange contract signed online through Itaú 30 Horas, we calculate the number of sheets of paper saved, along with the GHG emissions avoided in the production

of those sheets. The counter lets customers know the sum of unused sheets and the CO2 equivalent. By December 2012 we had avoided using about 9.1 million sheets of paper, and emitting more than 36.2 tons of CO2 into the atmosphere.

As a result of these actions, in 2012 we reduced electricity consumption in our administrative buildings by an estimated 12,816 gigajoules (GJ) (1 kilowatt hour (kWh) = 0.0036 GJ). Our goal is to reduce 2% of consumption by 2015.

Technology area projects underway:

- Modernization of data center infrastructure
- Implementation of a power management system for desktop and notebook computers
- Virtualization and consolidation of storage and servers
- Expansion of exchange of cathode ray tube (CRT) and liquid crystal display (LCD) monitors
- Increase of the number of virtual desktops (VDs)
- Capturing and transmission of checks and digital documents images

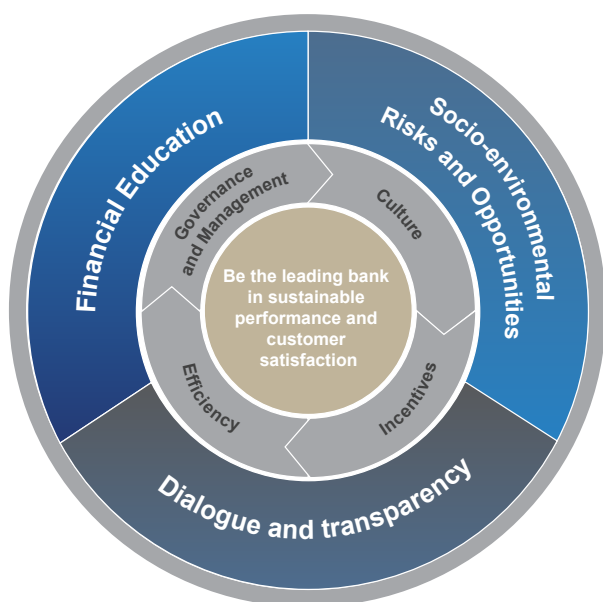
- p. 56** Financial education
- p. 57** Dialogue and transparency
- p. 58** Socio-environmental risks and opportunities
- p. 60** Enabling fronts

3 Sustainability: strategic focus areas

The strategies and initiatives we take to
continuously improve our performance
and increase customer satisfaction *GRI Profile 1.2*

The three strategic focus areas that drive our sustainability management are financial education, socio-environmental risks and opportunities, and dialogue and transparency. These were the result of a thorough analysis of our vision and Our Way of Making It Happen (which expresses our corporate culture), our corporate policies, and voluntary commitments and agreements to which we are signatories. We also conducted surveys and meetings with our stakeholders to learn their demands, and heard from senior management on their expectations for the performance of the bank. From this analysis we put together the Sustainability Roadmap, which features three strategic focus areas and four enabling fronts.

Sustainability Roadmap *GRI Profile 4.17*



The Sustainability Roadmap acts as a strategic compass, guiding our various operational and business areas to incorporate sustainability issues into their decision-making. More than just creating new products, we work to adjust our operations, mitigate risks, find competitive advantages and generate revenue within the context of increased demand for the management of socio-environmental impacts. In short, it is our means to achieve effective, long-term results.

This vision of sustainability has evolved and been incorporated into our different business areas through systematic analysis of indicators and evaluation of results. In 2012 one of our biggest breakthroughs was the creation of the Sustainability Management Dashboard, a tool that allows detailed tracking by the Executive Committee of the various initiatives undertaken by the bank.

GRI Profile 4.5 and 4.17

The Management Dashboard is based on the three strategic focus areas. Additionally, it incorporates DJSI regulations as a mechanism to assess the areas in which we are advancing, and those that still require improvement actions. In 2013 we will work on its systemization so that it covers the scope of the BM&FBovespa ISE and contributes to the advancement of our agendas in each area.

Sustainability Strategy *GRI Profile 4.16 and 4.17*

2009

Essence of Sustainability – starting point: publication of the Essence of Sustainability: eight themes that defined the bank's sustainability strategy.

Stakeholder Panels – public dialogue: evaluation of the Essence of Sustainability in public dialogues with multi-stakeholders, and with specialists and employees. *GRI Profile 4.16*

2010

A new bank, a new corporate identity – leaders' meeting: the new bank's vision and corporate culture are presented, after a process involving over 16,000 staff members.

Definition of the brand – "Imagine" campaign: this campaign defined Itaú as the brand that would represent the company.

Integration of Unibanco branches ends – the "1+1>2" campaign marked the end of the process to integrate the Unibanco branches with the Itaú branches.

Brand purpose – agent of transformation: we introduced the brand purpose: to be an agent of transformation. We see change as an intelligent means to grow, and to promote the development of the groups with which we interact.

2011

New positioning of the bank – "As the world changes, Itaú changes with you" campaign: this campaign marked a change in the bank's institutional discourse, with lecturing giving way to conversing.

Second leaders' meeting – meritocracy and efficiency: this meeting was attended by 12,000 managers from Brazil and our international units, which were presented with the bank's two new focus areas: Meritocracy and Efficiency.

Collaborative process to build the new strategy – workshop and interviews: process of internal and external consultation plus alignment with senior management, which led to the definition of sustainable performance and the Sustainability Roadmap.

Transparency 100% Program – focus on the client: a program designed for the bank to communicate with its customers in a simple, innovative way, based always on financial education.

Specialists Panel – new sustainability strategy: in December 2011 we hosted a panel with experts from various areas to hear suggestions and approve the components of our new Sustainability Roadmap.

Approval by the Executive Committee – sustainability strategy integrated with the business: the Executive Committee approved the definition of sustainable performance, as well as the map that integrates sustainability within the bank's business agenda.

Sustainability Roadmap – strategic focus areas and enabling fronts: the Sustainability Roadmap has three strategic focus areas, supported by four enabling fronts.

2012

Management tool – Sustainability Management Dashboard: creation and validation of the Sustainability Management Dashboard, conducted in alignment with our strategic focus areas and DJSI regulations.

Active Governance – discussion on all fronts: integration of sustainability into the Service Excellence Committee, the Processes and Products Evaluation Committee, and the Socio-environmental Risk Committee.

FINANCIAL EDUCATION

GRI FS16

56

**We help
people and companies have
a good relationship with money**



One way of contributing to the development of society is to understand the needs of people by providing knowledge and suitable financial solutions, which helps companies and individuals develop a healthy relationship with money. *GRI FG Society*

This is an important factor in our strategy because a financially balanced society benefits citizens and businesses. In this sense, our knowledge in this area should be made available to contribute to the country's development and create an environment of shared value creation in which all parties win.

Our goal is to guide our employees, customers and other stakeholders to have a healthy relationship with money and make good use of financial products and services. We promote communication and education campaigns and provide tools, videos, tips and simulators in various communication channels to help people use their money wisely.

In this context, the Conscientious Use of Money program is an important initiative. It seeks to help individuals and businesses make choices aligned with their goals. The program consists of several components, including the new Conscientious Use of Money website.

Launched in August 2012, with a friendly, interactive approach, the site offers practical tips on financial planning in different formats: video, tests, simulators, audio and articles. In addition, seven printed guides are distributed free of charge in the branches.

[See our Conscientious Use of Money website.](#)

Related initiatives:

- [Conscientious Use of Credit Campaign](#)
- [Financial Education for Investors](#) (Wealth Management & Services)
- [Conscientious Use of Money program for employees](#)
- [Financial Education program for client companies](#)
- Presentations on Financial Education at public events – [Expo Money and roadshows](#)
- Financial Education tools for young people and university students through social media – [Granabook](#)
- [Actions Manual for Personal Investing](#)

CHALLENGES FOR 2013

- Encourage our staff members to better manage their finances and bring this knowledge to their daily business activities.
- Promote the insertion of financial education elements into our business, products and services strategies.
- Provide innovative financial education content and tools to staff members, clients and non-clients.

DIALOGUE AND TRANSPARENCY

Improving our practices by hearing and understanding our clients' needs

We want to build lasting relationships of trust with our stakeholders to improve our business and create shared value. Our initiatives are based on valuing ethics and transparency in providing information to sell products and services and in explaining our contracts and collection processes. *GRI FG Society*

We always look for opportunities to improve our business activities and inspire positive change in society. We can also better understand the needs of our customers and come up with the best solutions to quickly resolve problems and complaints, which increase the levels of satisfaction for our products and services and make our operations even stronger.

This means that we are always open to dialogue. Taking part in discussions and debates on issues that impact on the financial sector helps us identify trends and anticipate changes in the market and society.

GRI Profile 4.16

Related initiatives:

- [Transparency 100% Program](#)
- [Customers Forum](#)
- [Efficiency and improvements to the Ombudsman and Customer Support \(SAC\)](#)
- [Speak Frankly Survey](#)
- [Ombudsman Service for bank employees](#)
- [Open Doors Program](#) for bank executives
- [Sustainable Ideas Database](#)
- [Evaluation and Audit Matrix for suppliers](#)
- [Dialogue with the public sector and consumer defence agencies](#)
- [Participation in Apimec meetings](#)
- [Facebook page and Twitter profile for investors](#)
- [Itaú Sustainable Finances Award](#) *GRI PR5*

CHALLENGES FOR 2013

- Evolution of the integrated report agenda.
- Development of a platform of engagement with sustainability opinion makers.

SOCIO-ENVIRONMENTAL RISKS AND OPPORTUNITIES

**We can influence
positive change
in society**



Banks are connected with all productive sectors of the economy, and to act as financial agents they have enormous potential to influence positive change in society. With our focus on socio-environmental risks and opportunities, we seek to manage risks and uncover business opportunities based on market trends, regulations and demands of customers and stakeholders.

The challenge is to incorporate socio-environmental criteria into our lending processes, investment analyses and insurance. To strengthen this approach we have adopted specific policies and we comply with voluntary commitments that guide the practices of our business areas.

GRI FG Environmental and FG Sectoral

[Read more about this subject.](#)

IN CREDIT

We have a committee and a corporate socio-environmental risk policy that formalize the adoption of socio-environmental criteria for the bank's commercial lending process. During the analysis and release of funds, in addition to conventional aspects such as finance, management and governance, we look at the practices of companies in relation to human rights, the environment and biodiversity, for example. [GRI FS1](#)

Itaú BBA's practices for identifying and assessing risks, plus opportunities to mitigate and monitor impacts to ensure sustainable cash flows, have become the benchmark in the market and been provided to other entities through programs and partnerships with international customers and organizations such as the International Finance Corporation (IFC). [GRI FS2](#)

Itaú BBA organized a public presentation and discussion in Brazil of the latest version of the Equator Principles, in concert with events held in London, Vienna and Toronto. In addition to showing our customers the major changes proposed by Equator Principles III, a number of consultants, other banks, law firms and NGOs took part, which helped us to learn their impressions and get their feedback on the proposed document. Due to the impact of these initiatives and our pioneering efforts in the market, we were invited to participate in forums and discussions in Turkey, China and Germany to present how our socio-environmental risk management practices are responding to the most pressing macroeconomic and financial challenges for the years ahead.

[Learn more about Itaú BBA's practices to evaluate socio-environmental risks and opportunities.](#)



IN INSURANCE

Consistent with our strategy of seeking sustainable performance across all our business lines, we were one of the first companies to adhere to PSI. In addition to having actively participated in developing the principles themselves, we have been continuously publicizing them to the Brazilian market. Launched at Rio+20 by the United Nations, PSI is primarily designed to establish guidelines for the insurance industry to assess socio-environmental and governance issues in managing its business, in the decision-making process, and in relationships with stakeholders.

[Learn more about Insurance, Pensions and Capitalization Principles for Responsible Insurance.](#)

IN INVESTMENTS

Through Itaú Asset Management we have developed action strategies aligned with the Principles for Responsible Investment (PRI), to which we have been a signatory since 2008. PRI has over one thousand signatories among pension funds and asset managers. In 2012 we took an important step in the consolidation of its methodology for mapping environmental and governance issues that may impact the market value of the companies in which we invest, and consequently the performance of assets under management.

To help develop projects of non-profit organizations that promote the transformation of society through a focus on education, the environment and culture, the socio-environmental funds managed by Itaú Asset Management use part of their management fees to support these initiatives. By 2012 we had transferred over R\$21 million from Fundo Itaú Ecomudança, Fundo Itaú de Excelência Social (FIES) and Fundo Social Itaú Personalité Futura DI. *GRI FS1*

[Learn more about our Third-Party Asset Management](#)

Additionally, we are investor signatories to the Carbon Disclosure Project (CDP). Along with its 550 other signatories, we respond to the CDP letter requesting an analysis of risks and opportunities presented by climate change. *GRI 4.12*

In addition to these strategic actions we seek to develop sustainability-related initiatives in our products and services. Examples of these include environmental services linked to home insurance, which provide customers with access to information on eco-efficient practices for residences, the removal and proper disposal of electronic equipment, furniture and others, as well as expert advice on undertaking eco-efficient construction and renovation projects. Additional examples are the Environmental Maxiconta for businesses, and iConta for individuals who contribute to the reduction of paper consumption by promoting the use of digital channels.

[Learn more about our voluntary commitments.](#)

CHALLENGES FOR 2013

- Facilitate knowledge and skill transfer between our business areas to improve the integration of socio-environmental and governance aspects in their operations.
- Mitigate environmental risks and promote business opportunities by incorporating socio-environmental variables into the bank's operating activities.

Actions that support our sustainability management

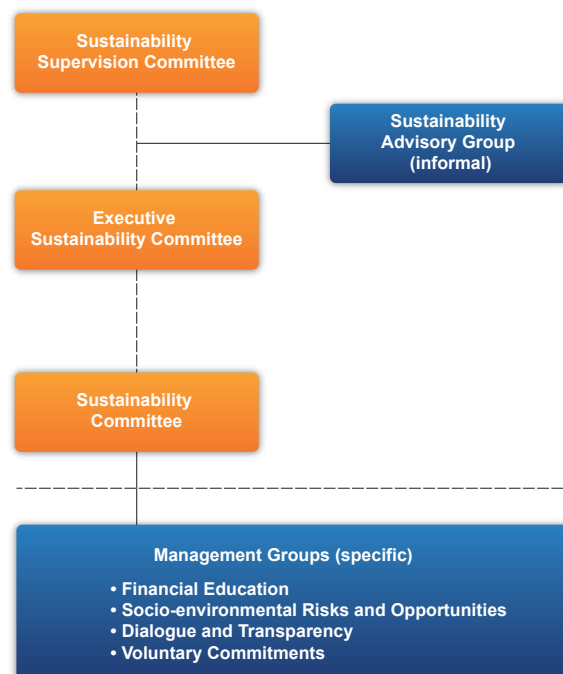
The enabling fronts in our Sustainability Roadmap are internal levers that support the various initiatives throughout the bank so that our focus is always linked to our business strategies.

GOVERNANCE AND MANAGEMENT GRI Profile 4.9

The success of our strategy to consolidate sustainability management depends on active governance that can insert this issue into all our operating areas. Accordingly, a new sustainability governance structure, with even greater oversight than before, was introduced in 2012.

The sustainability area is also represented on the Service Excellence Committee, the Socio-environmental Risk Committee, and the Processes and Products Assessment Committee, the latter of which evaluated over 200 projects in 2012, guided by our strategic focus on sustainability.

Sustainability Governance



Instances of Sustainability Governance are:

Sustainability Supervision Committee – composed of members of the Board, it meets annually and provides support for long-term strategies. It is also responsible for monitoring and guiding the sustainability policy, as well as approving Itaú Unibanco's long-term sustainability strategy. The first meeting, initially scheduled for the end of 2012, was held in January 2013.

Executive Sustainability Committee – responsible for the integration of business strategies and sustainability, along with the promotion of shared responsibility among various areas of the organization to incorporate sustainability into our management and corporate culture. Composed of members of the Executive Committee (Vice Presidents and Executive Directors), it meets every six months. In 2012 there were three meetings.

Sustainability Committee – implements the sustainability strategy and ensures its management, monitors the progress of action plans and the development of indicators and measurement of goals. It has a deliberative role and consists of directors and superintendents from areas involved in the implementation of sustainability strategy-related projects. It met eight times during the year, addressing specific and general issues to strengthen the objectives of each strategic focus.

Management groups – formed to manage ongoing projects, as well as to align and share knowledge. Their work focuses on financial education, socio-environmental risks and opportunities and dialogue and transparency. There is also a voluntary commitments work group, comprising the Compliance, Legal, Internal Controls, Government Relations and Sustainability areas, which manages the approval process for new commitments, evaluates Itaú Unibanco's adherence to them, and addresses action plans for any gaps and flaws.

INCENTIVES *GRI Profile 4.5 and FG Financial*

The analyses of performance and variable pay of executives are fundamental tools for our sustainable performance strategy.

Some examples for this analysis are important goals that include financial indicators, efficiency ratio, organizational climate and customer satisfaction that are designed to improve results to ensure the sustainable performance of our business.

EFFICIENCY *GRI FG Environmental and FG Financial*

Like all areas of the bank, the Efficiency Project has a constant focus on reducing costs and increasing revenues, as we are after a systematic evaluation of our expenses, waste reduction, resource optimization and better synergy between the various operational areas.

In 2012 we set eco-efficiency goals for the branches and administrative buildings to reduce their consumption of water, energy and paper, reduce their production of waste (and provide proper disposal), and increase our ability to use renewable energy.

With better use of the resources we consume, and more balanced, long-term relationships with our customers, suppliers and employees, we can make effective gains in generating value for shareholders and society.

CULTURE *GRI FG Labor*

Itaú Unibanco's corporate culture, expressed in the ten principles of Our Way of Making It Happen, is how we seek to realize our vision: "to be the leading bank in sustainable performance and customer satisfaction". That's why it's essential that all internal culture processes are aligned with our sustainability strategy. *GRI Profile 4.8*

In 2012 these sustainability guidelines started to be comprehensively applied to all our educational and staff training programs. Additionally, sustainable performance is now one of the permanent analysis criteria for awards and recognition, such as the Walter Moreira Salles Award, which recognizes projects, initiatives and employees of our institution in different categories (efficiency, quality, innovation and people management).



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p. 86 Financial performance
p. 100 Challenges for 2013

4 Sustainable Performance

As a transformation agent, we build lasting relationships with our clients, employees and other stakeholders

Our vision is to be the leading bank in sustainable performance and customer satisfaction. Everything starts with each employee, and that's why we seek the development of people and a pleasant working environment based on transparency and merit. The result is a team that is proud to belong to Itaú Unibanco.

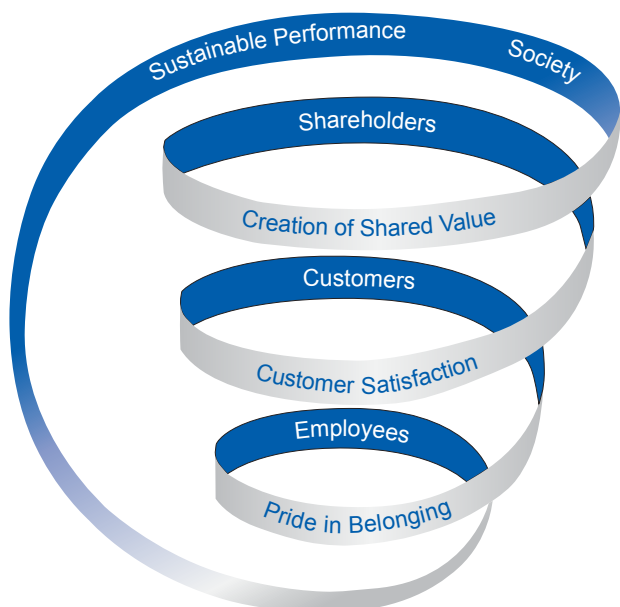
Thanks to employees who identify with our values and the role of the bank, we are on the way to serving our customers even better. By providing solutions that are tailored to individual needs, promoting financial education, ensuring transparency and building balanced, lasting relationships, we will have satisfied customers who think of us first when they make decisions.

Satisfied clients who engage with the bank throughout their lives generate financial results for shareholders. But for us, financial results are not enough. We also want to create shared value, which is the cornerstone of our actions affecting society.

We want to be partners in the development of individuals, society and the countries where we operate. This is how we do business, because only in this way will people continually choose to do business with us, which feeds the spiral of sustainable performance. [GRI Profile 4.15](#)

Sustainable Performance

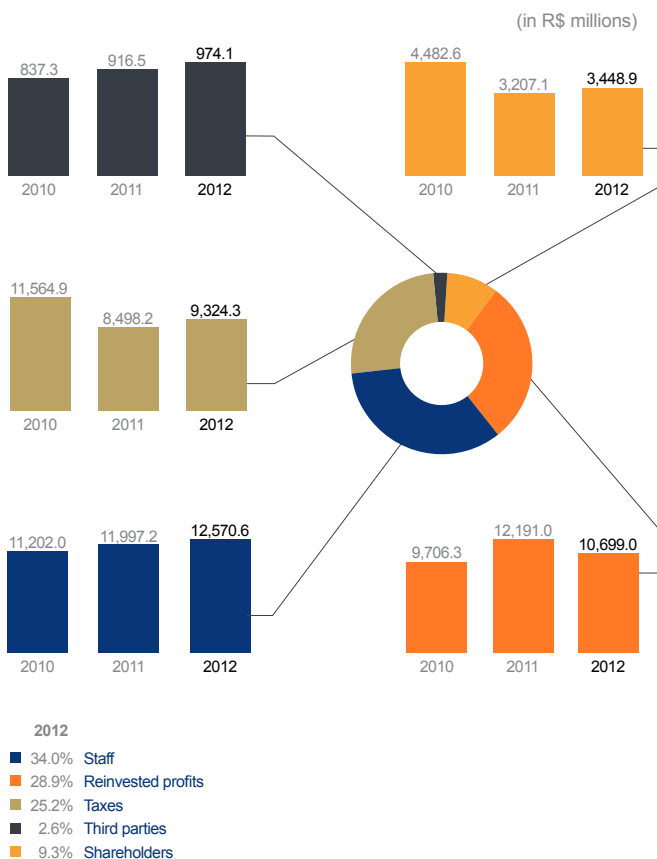
The creation of value shared by employees, clients, shareholders and society to ensure the longevity of the business. [GRI Profile 4.14 and 3.5](#)



DISTRIBUTION OF VALUE ADDED (DVA)

Distribution of Value Added is an accounting tool that allows us to see how the value the bank generates is distributed among its relationship groups. In 2012 a total of R\$37.0 billion was distributed. Below is our DVA diagram:

Value Added Statement (VAS)* [GRI EC1 and Profile 2.8](#)



* Direct economic value generated and distributed by Itaú Unibanco, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments.

[More details about our DVA appear in the Financial Statements at: GRI EC1](#)

ENGAGEMENT WITH STAKEHOLDERS

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transparency
to create
shared value



EMPLOYEES

We are a bank with 96,977 employees who work in an integrated manner to deliver the right products and services to our customers throughout Brazil and 19 other countries. With professional development, a strong corporate culture and a solid foundation of meritocracy, our teams are proud to belong to the bank and continually focused on leaving their customers satisfied. This is the first arm of our spiral to achieve sustainable performance. [GRI LA1 and FG Labor](#)

The performance of this entire group is guided by the solid values expressed in our [Code of Ethics](#), plus a strong corporate culture, consolidated in [Our Way of Making of Making It Happen](#) – which is a set of ten principles that we value and try to demonstrate in all our daily activities.

The relationship with our employees is based on merit, which means giving equal development opportunities to everyone. It also means recognizing those employees who demonstrate greater commitment to better serving their customers, find solutions to challenges and achieve expected results. For us to have a transparent, special relationship, we continually invest in training programs and the education of our teams through internal programs and by supporting educational development through

classroom and distance learning, as well as rewarding outstanding employees with scholarships. [GRI LA10](#)

Performance assessment is an important tool for recognizing the performance of our employees, as it helps contribute to the development of their careers. Through objective analysis and clear feedback on performance and behavior, our employees can identify the strengths in their work and which aspects need improving, thereby sustaining our meritocracy system. [GRI LA12](#)

Our compensation and incentives program is conducted in accordance with best market practices and evaluated periodically through the internal Speak Frankly workplace survey. We make major efforts to open permanent channels of dialogue between our employees and senior management, such as the [Ombudsman and the Open Doors program](#), through which suggestions for improvement in our processes are constantly analyzed. [GRI Profile 4.4](#)

Additionally, through our internal communication channels (Revista Itaú Unibanco magazine and the Itaú Unibanco Portal), we constantly reinforce the importance of adhering to our policies and regulations, seeking efficiency in our operations, and thoroughly focusing on paying the utmost attention to our customers and maximizing their satisfaction.

Consolidation of meritocracy

During the first half of 2012 we conducted meetings with bank leaders to raise the awareness of our employees about the practice of meritocracy and following our principles in their daily practices. We involved about 10% of the leadership of each area, covering all executives, partners and associates. In the second half, with the involvement of every employee, we ran a meritocracy campaign to reinforce the idea through interactive actions, reports, interviews and surveys.

[GRI LA12](#)

Staff profile [GRI LA1](#), [LA2](#) and [FG Labor](#)

The number of employees fell from 104,542 in 2011 to 97,087 in 2012. The turnover rate was about 17%, and our commitment is to get this rate to under 10%. The reduction in the staff size was due to a restructuring where we integrated various systems and processes into a single platform, allowing us to capture synergies between operational structures and revise the strategy of some of our business operations. Our sale of Orbitall also contributed to this reduction.

ADDITIONAL INFORMATION

[GRI LA1](#) and [LA2](#)

Approximately 58% of our employees are women. They also make up the majority of our hirings and dismissals.

Employment contracts have no fixed duration, although the majority of our full-time employees are between 30 and 50 years of age.

Diversity

Through education and communication campaigns, presentations and other activities, we try to make our teams value the diversity of our employees. Throughout the year we produced videos and print materials that showed the importance of including people with disabilities, the rise of women in leadership positions, combating sexual, racial and religious discrimination and the development of young people in the labor market.

[GRI HR4](#)

Our inclusion program for professionals with disabilities prepares our managers to interact with these employees in an appropriate way, without causing embarrassment and offering equal opportunities for professional growth. At year-end we had 4,348 employees with a disability, including seven intellectually disabled staff members who receive special monitoring. [GRI LA13](#)

ADDITIONAL INFORMATION

[GRI LA13](#), [HR4](#), [FG Labor](#) and [FG Human Rights](#)

At the heart of our business lies a concern for the diversity of our workforce. Almost 60% of our employees are women, who are concentrated primarily in the administrative and production areas, and among apprentices and trainees.

We have policies and practices to prevent discriminatory actions, prejudice and interpersonal conflict in the workplace. In 2012 we conducted communication campaigns designed to encourage people to contact the Ethics area and the Ombudsman for advice, to get answers to questions and help resolve interpersonal conflicts.

We always value staff diversity, but our customer practices and policies also focus on avoiding any incidences of discrimination. Any report we receive is handled internally and may lead to disciplinary action of the offender, transfer to a different department or even job termination.

Employees	2012*	
	Total	%
Afro-Brazilian	13,118	12.10
Disabled	4,348	4.01

* In relation to total number of employees: 97,080.

Employee performance appraisal and management of talent [GRI LA12](#)

We practice meritocracy in managing our employees, which means recognizing their outstanding performance. Our strategy to attract and retain talent is based on analyzing the performance of every staff member.

This analysis consists of separate appraisals: one that compares the results obtained with previously set goals (outcome assessment), and another that measures alignment with company values (behavioral assessment). Our appraisal model considers the goals set, the results and the way to achieve these results.

Individual performance analysis is consolidated into an evaluation that compares the performance of each employee with that of their peers. This exercise is called Strategic People Planning (SPP), and is used at all levels. In 2012, approximately 36,000 employees were eligible to be evaluated by SPP, or approximately 37% of all employees. The remaining employees were included in other specific assessments, which ensured that the employees of our staff members were covered under some form of performance appraisal.

To ensure the transparency of the appraisal process, the performance analysis ends with individual feedback, in which strengths and areas for improvement are pointed out to each employee, and their position compared to their team members.

One of the tools we use to recognize to the performance of professionals above the superintendent level is the Partners Program, which is designed to integrate our directors, Board members and high potential employees. Each year we select a group of staff members to receive stock options, which allows them to participate in the bank's results through their medium and long-term work and dedication. The program ensures the alignment of the interests of the employees with those of the bank and its shareholders, as they all share in decision-making, risks and gains.

The annual Everyone for the Customer Award is another instrument that recognizes those employees

whose initiatives are aligned with our vision, and which had a positive impact on serving and satisfying our customers. We also offer the Walther Moreira Salles Award, an event that showcases projects that show significant results, and managers who set the best examples for the organization. Its aim is to highlight creativity, efficiency, innovation, resilience, sustainable performance, agility, teamwork and excellence in people management.

In 2012 we innovated in our method of attracting and selecting employees. We broadened the channels of dialogue, changed the operating model for some areas, reviewed the structure for various selection processes and created a virtual game that checks how well candidates follow Our Way of Making It Happen. We also increased the number of partnerships we have with student organizations such as AIESEC (the world's largest youth-led organization) and Brasil Júnior through sponsorship of and participation in events focused on the development of young people, such as the Youth to Business Forum and the Junior Enterprise World Conference.

Our trainee and internship programs are designed to give attention to early career professionals who have an aptitude for our business and are aligned with our principles. After being hired, we encourage the technical and personal development of these new employees, offering them complete professional training, immersion in the bank's culture, advanced training and career guidance. In 2012 we implemented an internship program to prepare students for development within the branch network. We also created actions for additional trainee preparation, including visiting key areas of the bank, coaching and a new mentoring methodology.

ADDITIONAL INFORMATION

GRI LA12 and LA14

All our employees are included in performance assessment models: 54,000 are in the Performance Management Program, while other programs include AGIR (branch network and commercial areas) or structured performance reviews depending on the specifics of each business. The Skills Project maps the functions expected for each job level and allows our employees to build an Individual Development Plan (IDP), allowing them to develop skills for their current and desired position. This mapping is now complete or underway for 19,000 employees in 19 areas of the bank.

We also have a Leadership Readiness Assessment, in which an outside consultant evaluates employees in order to outline current strengths and improvements needed to be selected for an upcoming position. In 2012 approximately 520 employees went through this process: 42% were senior management, 36% were coordinators and level I specialists, 1.17% were managers and level II specialists, while 1% were level III specialists. To bring transparency to the succession process and strengthen the practice of meritocracy, during the year we formed 11 Director Succession Committees, whose role is to choose successors for strategic positions.

Continuing education

The development and training of our staff members is one of our core values. The continuing education of teams and leaders promotes discussion about our ethics, sustainability, meritocracy and efficiency.

Our Business School provides training sessions and e-learning distance courses, and continuing education in three areas:

- Administration (knowledge management relating to our different business areas)
- Leadership (knowledge management to develop leaders)
- Corporate skills (management and application of general knowledge and certification preparation programs) [GRILA10](#)

In addition to these initiatives, we run several other staff training and development programs, including international opportunities for continuing education and personnel recruitment – [MBA Recruiting, Master's Abroad Sponsorship Program, Job Swap and International Assignment](#).

We also seek to ensure the sustainable performance of our business through a leadership training strategy, with initiatives and tools to develop Coordinators, Managers, Directors and Superintendents. These actions involve setting and mapping desired skillsets as well as coaching processes.

[GRILA11](#)

[Learn more about the areas where our staff members can operate.](#)

ADDITIONAL INFORMATION

[GRILA10](#) and [LA11](#)

Staff management occurs at every professional stage: recruitment, training and development, performance and management skills assessments. We develop programs designed to attract and train high-potential talents, which are our major sources for meeting medium and long-term demand for leaders.

With the internship program we seek to develop young potential in order to develop high-

performance professionals and strengthen our talent pool. Through the trainee program we seek to bring young talents and graduates into the job market.

To find young talent, our MBA Recruiting Program attracts high-potential professionals who are finishing their MBA or Master's degrees in universities in the United States and Europe, while the Master's Abroad Sponsorship program prepares high-potential employees to assume leadership positions.

In 2012 we invested R\$106,277,290.00 in staff training at different levels.

Financial education [GRIFS16](#)

Our employees also need to have sound financial knowledge and share this with their families, their communities and customer relationships. The Conscientious Use of Money program consists of various activities, particularly our classroom and distance education courses, which have trained more than 40,000 employees to-date. Our internal communications campaign on this issue has now had over 23,000 visits on the staff website. Offering the bank's knowledge of financial management, the program benefits 96,000 employees who learn to make better use of their own money. In 2012 we also started the program at our Latin America units in Paraguay, Argentina, Uruguay and Chile.

Corporate Security Awareness programs

[Greater Security Day](#) – a yearly security event at Itaú Unibanco, it's designed to educate bank employees about the discipline of corporate security, as well as mitigate the principal security risks. In 2012 the event was entirely digital. To reinforce the importance of the campaign, we gave a presentation in conjunction with IT staff firm Cisco, which reached more than 13,000 registered users. There were approximately 28,800 comments on our material, a 229.1% increase from the previous year.

[Fraud prevention training for the Uniclass Managers Training Program](#) – to prepare these managers to prevent possible attempts at fraud in the branch network, classroom training was given to over 590 employees.

[Welcome to Itaú Unibanco](#) – security presentation on corporate security for employees hired in 2012, totaling over 1,500 participants.

ADDITIONAL INFORMATION

GRI SO3

Upon being hired, every employee is trained in the ethical principles of Itaú Unibanco, which address a number of elements, including anti-corruption. In 2013 we seek to develop mandatory training based on anti-corruption policies.

Benefits

Our compensation and benefits policy, in addition to meeting the requirements of collective bargaining and other agreements, is aligned with market standards, and is measured periodically through surveys conducted by specialized consultants, through participation in surveys conducted by other banks, and through participation in specific forums on the subject.

Fixed pay recognizes the complexity and maturity of our employees in relation to their function, and is altered according to our promotion and meritocracy policy, while variable pay recognizes the level of delivery, the result achieved and its sustainability in the short, medium and long-term.

Our remuneration governance model comprises committees of senior managers. It sets principles and guidelines and is aligned with best market practices and regulations. In 2012 our remuneration policy for senior management was altered to adapt to Bacen Resolution

No. 3921, which discourages behavior that increases risk exposure above prudent levels for short, medium and long-term strategies.

For more details, see the Governance and Management chapter.

Benefits provided to bank employees, in addition to those covered in our labor agreements, include medical and dental assistance, private pensions, group life insurance, psychosocial assistance and preferential service when using bank products and services. In 2012 Fundação Saúde Itaú and Porto Seguro entered into an agreement to manage the operation of our staff health plan, with the goal of better quality service delivery and greater bargaining power with the provider network. Employees also benefit from improved authorization procedures, exclusive assistance channels, a broader provider network, and access to Porto Seguro's own network of medical facilities.

Pension plans

We offer our employees 20 pension plans administered by eight companies: seven of the plans are closed-end pension funds and one is an open-ended pension fund. The main objective of the plans is to provide a supplement to social security benefits.

Our pension plans are managed in accordance with our corporate governance principles and applicable regulations, which seek to ensure the maintenance of benefits. As required by regulatory agencies in Brazil, actuarial valuations are performed each year.

ADDITIONAL INFORMATION

GRI LA15

	Total Employees in Maternity/Paternity Leave	With Right to Leave ¹	Took Leave	Returned to Work after Leave Ended ²	Returned to Work after Leave Ended and Remained Employed 12 Months after Returning	Returned to Work Before Leave Ended	Retention Rate of Employees that Returned to Work after Leave Ended (%)
Women	2011	2,718	2,718	2,715	2,576	-	99.89
	2012	2,580	2,580	2,580	2,453	0	100
Men	2011	966	966	894	872	-	92.55
	2012	956	956	956	908	0	100

1. Includes leave for maternity, adoption and abortion.

2. Not including employees terminated just one or two days after returning to work.

The assets of these plans are invested in specific funds that are independent of Itaú Unibanco Holding, as shown below:

Entity	Benefit Plan
Fundação Itaú Unibanco – Complementary Pension	Complementary Retirement Plan – CRP ¹
	Franprev Benefit Plan – FBP ¹
	Benefit Plan 002 – PB002 ¹
	Itaulam Basic Plan – OBP ¹
	Itaulam Supplementary Plan – ISP ²
	Itaubanco Plan CD ³
	Itaubank Retirement Plan ³
	Itaú BD Plan ¹
	Itaú CD Plan ²
Fundação Bemgeprev	Unibanco Pension Plan ³
Funbep Multi-Sponsor Pension Fund	Móvel Vitalícia Complementary Retirement Plan – MVCRR ¹
Caixa de Previdência dos Funcionários do Banco Beg – Prebeg	Funbep Benefits Plan I ¹
	Funbep Benefits Plan II ²
Múltipla – Multi-companies Complementary Pension	Prebeg Benefits Plan ¹
	Redecard Basic Retirement Plan ¹
	Redecard Supplementary Retirement Plan ²
UBB PREV – Complementary Pension	Redecard Pension Plan ³
Banorte Fundação Manoel Baptista da Silva de Seguridade Social	UBB PREV Defined Benefits Plan ¹
Itaú Vida e Previdência S.A.	Benefits Plan II ¹
	Flexprev Itaú PGBL Employee ³

1. Defined benefit plan.

2. Variable contribution plan.

3. Defined contribution plan.

[See Note 19 in the Financial Statements.](#)

Health and safety *GRI LA8 and FG Labor*

Our administrative centers have an Internal Commission for Accident Prevention (CIPA), which covers 34% of our employees. The commission meets monthly to discuss issues related to safety in the workplace and to suggest preventive measures.

Our health education actions and programs are focused on disease prevention and providing advice on incorporating a healthier and more balanced lifestyle. They are primarily designed for our employees and their families, but where possible they also involve the communities that are located close to our administrative centers.

The main programs include:

- Health Time – publicized in staff magazines, on CDs (for the visually impaired) and on bulletin boards in the branches and at banking services outlets.
- Stay OK – provides assistance and professional guidance to handle personal or career-related problems. The 0800 telephone line offers employees and their families with free and confidential assistance from psychologists, social workers and other specialists. The program also provides house calls from social assistants and psychologists.
- Women's Health – addresses key issues and promotes preventive health actions, as well as behavioral and reproductive health.
- I Want to Quit Smoking – helps employees who want to

quit smoking.

- Guidance and vaccination against Sexually Transmitted Diseases (STDs).
- Baby on Board – offers information and advice for pregnant staff members.

ADDITIONAL INFORMATION

GRI LA7 and LA8

Our health and safety indicators rose during the year. This was likely due to a legal provision used by Social Security, which now considers many non-occupational illnesses (chronic degenerative or specific to a particular age group) as occupational or accident-related.

To avoid further increases in these rates and promote the welfare of our employees, we provide a series of health programs such as Workplace Workout, the Nutrition Program and the Continuing Care Program, which helps with chronic illnesses.

Communication channels

We have structured channels to disseminate information materials about the company, publish articles of general interest and receive suggestions and complaints from employees. Our main means of communication with the teams are *Revista Itaú Unibanco* magazine, which is published monthly, and the Itaú Unibanco Staff Portal.

In addition to these mechanisms, during the year we promoted meetings, presentations and workshops to address topics relevant to the management and development of our business strategies. One of the most significant of these is the Leaders Meeting, whose third edition was held in 2012. At that event, participants discussed meritocracy, efficiency, the need to fight bureaucracy and streamline processes, the need for more synergy between the business areas, cost reduction, customer satisfaction and the importance of reducing failures and resolving complaints quickly.

The Open Doors program, which began in 2010, promotes meetings for staff members, presidents and vice-presidents to discuss issues relevant to the business areas, in addition to being a vehicle for spreading our culture, values and principles. In 2012, six meetings were held with the participation of 81 employees from different areas and levels of the organization. *GRI Profile 4.4*

The Speak Frankly workplace survey, which is held annually with all our employees, lets us assess the bank's organizational climate, measure the adherence of our corporate culture to our processes, and identify points where we can improve the management of our teams. In 2012, 90% of our employees took part in the survey.

The Ombudsman channel is set up to receive complaints and suggestions and is an important tool to ensure quality relationships with our employees. In 2012 we received approximately 2,100 contacts, classified as queries, advice and reports. We instructed on 27 ethical topics in all areas, dealing with ethical issues in our strategies and operations, and held a workplace ethics survey that highlighted the strengths and areas for improvement in the Corporate Ethics Program.

Sustainable Ideas Database

The Sustainable Ideas Database (SID) is an internal engagement platform designed to encourage our employees to think about sustainability in their daily activities so that the issue is incorporated into the bank's business and vision, which is to be the leader in sustainable performance.

In 2012 sustainable performance was the inspiration for new ideas, based on elements such as transparency, efficiency and financial education, all of which strengthen the creation of shared value for employees, customers, shareholders and society.

From October 2012, SID entries have been accepted at any time, and 150 ideas were received by year-end. The application process remains open to receive ideas that will be selected and awarded during 2013.

Labor relations

Our relationship with staff labor unions is structured, direct and transparent, ensuring freedom of association, protecting the right to organize and prioritizing collective bargaining over matters of common interest.

We allow unions to run unionization campaigns in all our units, and recognize and respect the rights of those employees who are union leaders by treating them equally, regardless of their political views or union affiliation.

All our employees are protected by collective bargaining agreements that guarantee rights that are additional or complementary to current labor laws and are applied by the company as a minimum level of rights.

Adherence to these principles strengthens our commitment to always seek a balance in this relationship and resolve conflicts involving the interests of employees and the unions that represent them, without losing sight of our business results and adding value to shareholders.

CLIENTS *GRI PR5*

To be the leading bank in customer satisfaction we work on different fronts to continuously improve our processes, and transparently and ethically offer the best products and services to quickly meet demands and resolve complaints. To ensure long-lasting relationships with our customers we offer personal and attentive service, a willingness to listen to their needs and expectations, and the establishment of effective, clear and objective communication. We want to participate in the lives of our clients and support them in their life plans by providing personalized attention and helping them solve their problems efficiently. We focus on offering products and services tailored to the profile and needs of each client.

In this context, the Transparency 100% program is one of the key initiatives of our strategy. Based on analysis of our business practices, we continuously evaluate how we provide information on contracts and bills so we can improve our service delivery channels and invest in technology to make our services even simpler and more accessible.



Through initiatives linked to financial education, we also seek to help our customers have a healthier financial life and avoid going deep into debt. One of the highlights of this in 2012 was the launch of Itaú Tailored Credit, a product that enables customers to consolidate all their contracts with the bank in a single renegotiation, with installments consistent with their budget.

How our sustainable performance translates into customer satisfaction is shown by the way our employees work in their different areas. Our Way of Making It Happen, which embodies our corporate culture, in addition to the skills training actions we develop, are essential to ensure we meet our goals. The Everyone for the Customer program, for example, is an approach that challenges our teams to put themselves in the customers' shoes, and develop services, products and solutions targeted to their needs and provide quality service.

We undertake a number of actions to spread this culture throughout the organization, including the Everyone for the Customer award. Created to encourage a commitment to satisfaction, the award recognizes employees who often go beyond their regular duties to adopt unique ways of achieving customer satisfaction. Employees may nominate a colleague or enter themselves. For the branch network we created the "Teams" category in order to value actions that have been jointly developed. Award winners receive study bursaries or bank shares. In 2012 there were over 3,300 registered examples of outstanding conduct, a 20% increase from 2011.

To increase interaction between the business areas and allow managers to better understand their customers' needs, we developed the Executives in Action program. Its goal is to provide our executives with the opportunity to share the customer experience by personally monitoring the telephone service we provide at our support centers, and participate in resolving problems. In 2012, 92% of our executives took part, including over 1,200 vice presidents, directors, superintendents, managers and coordinators.

In addition to developing suitable products and services, we are focused on problem solving. We work closely with consumer protection groups by listening to their demands and seeking to adapt our ways of doing business, which has proven to be an effective means of minimizing risk and increasing customer satisfaction. Throughout 2012 we strengthened our operating strategy with these groups and achieved satisfactory results, demonstrated by fewer complaints received by Procon agencies and the Central Bank.

Service channels *GRI PR5*

We make continual investments so that the use of ATMs, the internet and mobile services, in addition to the branches and other service points, are efficient and meet the availability demands of our customers.

One of our main innovations has been in mobile banking applications, which allow customers to access their accounts and make banking transactions using smartphones or tablets. There have already been over 6.7 million downloads and updates of these tools. We also provide phone service and have over 27,000 ATMs nationwide.

We also created a special Twitter profile to answer questions and troubleshoot problems for Itaúcard customers. The @itaucard service is monitored by a dedicated team and operates Monday to Friday, during business hours.

During the year we also launched the Itaú Concept Branch, located in the Villa Lobos shopping mall in São Paulo. This branch offers a more informal environment and uses advanced technology to bring us closer to customers and improve our customer service. It also stays open longer, operating from noon to 8pm, Monday to Friday.

Physically, one of our main initiatives was to extend our closing times at 450 branches around the country. This project, which began in 2011 with six branches at shopping malls in São Paulo, now covers approximately 100 cities in 22 states. Our advertising for these new closing times was done through ATM alerts and the internet, as well as materials at the branches themselves.

[See which branches offer later closing times.](#)

Customer Satisfaction [GRI PR5](#)

To measure customer satisfaction we use internal research mechanisms that show how we compare with our competitors and identify opportunities for improvement. Satisfaction surveys are an important part of the performance goals for all executives and staff members in Sales and Operations, as they help us deliver our Everything for the Customer approach.

Six years ago we implemented System Competitiveness, a tool for measuring customer satisfaction in every segment we serve. It is designed to identify the attributes of the banking relationship with every business area, measure the satisfaction levels of each and compare these with those of our competitors. This is conducted via an anonymous telephone survey of active clients from our bank and the competition.

We also measured the level of satisfaction with our points of sale, whereby every branch receives a score and each team is impacted through their variable pay. Each month about 330,000 account holders assess their satisfaction with the overall services provided by the branch, the manager and tellers. To evaluate the satisfaction of customers after they have used a contracted service or after their contact with our relationship channels, we conduct research involving the evaluation of call centers, branches, Contact Us, extended warranty insurance, account opening and internet channels. In 2012 our customer satisfaction score was 8.24, which is weighted according to the size of each operating segment's portfolio.

The Customer Forum is a key initiative which we use to bring the views of the client into the bank and provide continuous improvement of our products, services and service delivery. Up to four meetings per year are held with our main executives. Since 2009 they have been available for Itaú Personnalité clients and also cover the Retail and Credit Card areas.

Complaints [GRI PR5 and Profile 1.2](#)

Customer complaints require fast and effective resolution. They form a matrix that allows us to identify the main opportunities for improvement. We conduct qualitative and quantitative studies of these complaints so we can support the business areas to develop and improve their processes, products and services.

Our Ombudsman service, which is dedicated to handling customer complaints made through the SAC Customer Service channel, is constantly being improved to shorten response times.

On this front, our dialogue with consumer protection groups is also very important. We have begun implementing a new scope of work to focus on discussions with these groups regarding the use of our channels and alternative service delivery. For example, we provide Procon agencies throughout Brazil with Procon Phone, an exclusive line to expedite resolution of customer complaints. To increase efficiency in problem solving, in 2012 this channel started handling complaints related to Garantec, which sells extended warranty insurance.

Since 2009 we have reduced the number of complaints to Procon by 61%, and we did not appear in the National Consumer Secretary (Senacon) ranking of the "50 companies that least resolve customer problems". Our problem solving ratio was 85%, one of the highest among all companies in Brazil, and the leader among domestic banks.

Our cards manager received the "Best Company" award from "Complain Here", a consumer protection website. We were ranked first in the Banks, Institutions and Services segment, in the Customer Service Quality category.

Our work is also guided by clarification actions with these groups. Before launching Itaúcard 2.0, for example, we evaluated the communication vehicles that would be used, the language of the contract and conditions of use. This openness to dialogue allowed us to adapt certain rules for the product, which helped improve the level of understanding by the public and let us set a standard for transparency in the financial markets.

Another source of productive dialogue is the Consumer Rights Debates Forum, a pioneering initiative in the financial sector. Throughout the year we promoted this Forum to enhance our relationships with the heads of the leading consumer protection groups. In 2012 we held ten meetings that brought together officials from the Central Bank, the Judiciary, the Federal Attorney General, public defenders, state and municipal Procons and other public and private consumer protection groups, plus executives from all our business areas.

Based on evaluations and the topics discussed at the Forum, we promote continuous improvement actions in conjunction with our business areas. The benefits brought by these consumer protection groups allow product managers to reevaluate their processes and mechanisms for evaluating results, which results in more efficient service delivery and satisfaction of the end user.

Financial education [*GRI FS16*](#)

One of our strategic focus areas is to help our customers have a healthy relationship with money, which is why we continuously invest in knowledge development and financial solutions to help individuals and businesses make choices aligned with their goals and life plans. One important initiative is the [*Conscientious Use of Money*](#), program, which introduced a new site in August 2012, and is one of the most innovative financial education tools. With a unique, modern approach, this portal offers over 200 items, including simulators, tests, articles, tutorials, videos and podcasts.

In 2012 we also launched seven new Conscientious Use of Money guides, which help customers make better decisions and learn how to use financial products and services to accomplish their goals.

[*Learn about the 2nd edition of the Conscientious Use of Credit campaign.*](#)

[*Learn more about the Invista campaign and see the Community section.*](#)

We need to act strongly to help small and medium-sized businesses learn to make better use of available credit lines and expand their operations. Our financial education actions are also geared to entrepreneurs so they can incorporate these key concepts into their routines and choose the best products for their needs.

For business customers we further developed the Financial Education Program, which begins with the intensive training of PAB managers to become multipliers of the conscientious use of money. After their training, we pursue partnerships with client companies to implement a financial education agenda for their employees. By sharing our financial knowledge, we generate value for people who end up managing their personal finances better, and in turn create more value for the bank, which leads to a healthier long-term credit portfolio.

[*Learn more about financial education.*](#)

Security [*GRI PR1 and FG Product Responsibility*](#)

The increasing use of new technologies by our customers has required continuous investments by us to ensure security in all transactions and banking operations. Our goal is to satisfy the users of our products and services and implement controls and technologies that protect our customers at the branches and through remote banking. We also participate heavily in awareness actions with our employees, customers and society. We always try to provide the public with information of general interest that may help reduce fraud in the financial system.

Biometrics Project – by adopting fingerprint reading technology to authorize certain bank transactions we have reached a new level of innovation in the domestic and international financial markets. This technology is already used by American institutions such as the Federal Bureau of Investigation (FBI) and National Institute of Standards and Technology (NIST), as well as government agencies in Brazil and elsewhere, although its use by financial institutions is still limited. The introduction of a new form of authentication to replace the use of passwords and magnetic stripe cards has changed the way our branches operate and streamlined operational processes. All branches have been set up to use the readers, as have some of our ATMs, allowing greater security and convenience for us and our customers. One example of this convenience is the ability to make limited withdrawals simply by using the fingerprint reader.



Greater Security Program – designed to reduce fraud and illegal acts and spread knowledge and awareness about security. Actions taken include awareness programs on international sites, executive areas, presentations to the Itaú Living More association, Greater Security Day, training for Uniclass managers and presentations to new employees.

Greater Security Companies – to help commercial clients use our internet banking service in safety, we conducted a campaign to make these customers more aware of online security by addressing the role of business people and how they can protect their company online. These actions included: expanding the website to include Greater Security tips and guidelines for businesses; inserting banners into industry publications such as Época Negócios, Pequenas Empresas & Grandes Negócios and Exame; posting an educational video on YouTube about the precautions that business people should take with online security; and publishing a booklet with key tips that companies can consult to avoid online fraud. These and other efforts helped decrease the incidence of fraud in this segment by 38%.

Greater Security Itaú – with more than three million visits, the Greater Security Itaú site provides content that covers the importance of security in everyday life and teaches customers and the general public to take steps that can make their daily activities safer. It also provides information and precautions that people should take with their own safety, whether for their own assets or with other people.

Safe Use of the Internet – the internet has brought major changes, including new ways of relating to people and handling privacy. We are all being asked to reveal more and more about ourselves, which increases the risk of providing confidential and personal information that could fall into the wrong hands.

The Safe Use of the Internet workshop, an initiative between Fundação Itaú Social and our Corporate Security area, educates adolescents at public schools on the responsible use of the internet and shows them how to be less vulnerable. The workshops are conducted by volunteer employees who undergo training and preparation to address the issue. These sessions are informal and use a jury simulation.

In 2012 the Safe Use of the Internet workshop prepared 86 employees, 60 of whom worked on the project. This workshop was also taken to Buenos Aires, where employees were trained to replicate it for public school teachers in Argentina, who are action multipliers for their students.

ISO 27001 Certification – Itaú Unibanco maintained its ISO 27001 certification, which is an international standard for information security. The audit was conducted by Fundação Vanzolini and was granted after a review of the rules and procedures which ensure information privacy on the www.itaubanco.com.br website.

This certification underscores the bank's commitment to the safety and privacy of all clients and non-clients who use the Itaú site.

[Learn more about our investments in IT.](#)



ADDITIONAL INFORMATION

[GRI PR1 and PR2](#)

We have developed several initiatives that focus on the health and safety of our products and services. We conducted classroom training for more than 500 Uniclass service managers, and provided an awareness program for units abroad, such as those in Portugal and England. Domestically we ran the same program for the Finance and Controller executive areas.

As a result, we achieved a 64% yearly reduction in cases of non-compliance, while the number of alarm system activations also fell.

SHAREHOLDERS

The creation of shareholder value is a basis of the sustainable performance we seek. In our relationship with shareholders we make use of various instruments and policies designed to strengthen this dialogue and achieve transparent disclosure.

Our dividend payment policy seeks to reward shareholders through monthly and complementary payments. Our corporate governance policies and practices comply with leading market standards and reflect a commitment to create value and contribute to the sustainability of the bank. We held 22 Apimec meetings around the country in 2012, more than any other Brazilian public company. We also participated in roadshows at

home and abroad to disclose our results and strategies with clarity and balance.

Shares

We are a publicly-traded company whose shares trade on stock exchanges in Brazil, the United States and Argentina. On the BM&FBovespa our trading symbol is ITUB (ITUB3 – Common, and ITUB4 – Preferred); on the NYSE and the Buenos Aires Stock Exchange (BCBA) our shares trade through deposit receipts (ADRs on the NYSE and CEDEARs on the BCBA).

The table below shows important information about our shares. See Explanatory Note 16(a) and (b) in the Financial Statements for further information. *GRI Profile 2.6*

Shareholder base	Share	Amount	Rights	Dividends + JCP*
Individuals 83,939	ITUB3	2,289,286,400	<ul style="list-style-type: none"> • Minimum of 25% of distribution of adjusted profit via dividends and/or Interest on Net Equity (JCP). • Right to vote at Stockholder Meetings. • Tag along of 80% of the amount paid to controlling shareholders in the case of ceding of control. 	Dividends R\$0.1740 /JCP per share R\$0.9718 per share
Companies 12,126				
Institutional Investors 2,170	ITUB4	2,281,649,700	<ul style="list-style-type: none"> • Minimum of 25% of the distribution of adjusted profit via dividends and/or JCP. • Priority in receiving minimum annual dividend of R\$0.022 per share, non-cumulative. • Tag along of 80% of the value paid per common share in the event of ceding of control. 	

* Nominal dividends/JCP in 2012.

Participation of our shares on the Brazilian market's leading indices

National Indices	Participation (%)*
IFNC (Financial Index)	20.00
ICO2 (Carbon Efficient Index)	12.83
ITAG (Special Tag-Along Stock Index)	11.01
IGC (Differentiated Corporate Governance Index)	6.36
IBrX-50	9.22
IBrA (Brazil Broad-based Index)	7.57
IBrX (Brazil Index)	7.37
Ibovespa (Bovespa Index)	4.41
ISE (Corporate Sustainability Index)	5.21

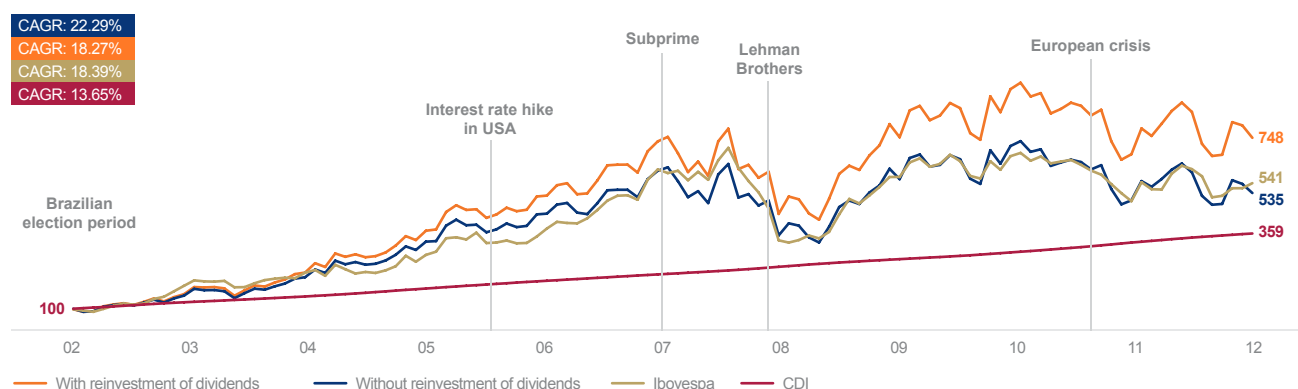
* Combined participation of ITUB4 + ITUB3 in the hypothetical portfolios of indices used for the four months ended April 2013. Source: BM&FBovespa.

The graph below shows the performance of R\$100 invested at December 31, 2002 until December 31, 2012, compared to that of Itaú Unibanco dividends (with and

without reinvestment), the Ibovespa Index and Brazil's interbank deposit rate (CDI).

Compound Annual Growth Rates (CAGR)

(R\$)



Shareholder remuneration

Our Shareholder Remuneration Policy establishes guidelines and procedures for the payment of dividends or interest on capital to common or preferred shareholders. Its goal is to ensure transparency and equality to all participants who share in our earnings. We have adopted a Dividends Distribution and Interest on Shareholders' Equity Policy designed to remunerate shareholders through monthly and complementary payments.

Itaú Unibanco shareholders also have a Dividend Reinvestment Program (DRP), which allows the automatic reinvestment of dividends to purchase shares. The program is optional and does not have any effect on payments to non-participants.

In 2012 we distributed and provisioned R\$4,518 million in dividends and interest on shareholders' equity, net of income taxes, representing 33.2% of net income. A significant change, with an impact on remuneration to shareholders, was a 25% year-on-year increase in monthly payments.

[See our Shareholder Remuneration Policy.](#)

Transparency

Disclosure Policy

Our Disclosure Policy defines the procedures and guidelines to be followed for reporting a material act or fact and for maintaining confidentiality of information not yet disclosed. Through this policy we ensure equality and transparency, free of favoritism, in our relationship with the market. The main channels for disclosing material acts or facts are our Investor Relations website, e-mail, teleconferencing, public meetings and press releases to newspapers and broadcast media.

[See our Disclosure Policy.](#)

Investor Relations

Our Investor Relations area is responsible for disclosing, in a transparent, timely and accessible fashion, information about the bank that supports investment in its shares. One of its main communication channels is the Investor Relations website, which presents all information material to our performance, and establishes direct contact between shareholders, the market and the company.

Public meetings with investment analysts, shareholders and other stakeholders are other important elements of our relationship and transparency strategy. In 2012 the Investor Relations area held 22 public meetings

in partnership with Apimec, totaling 5,017 participants, a 33% increase from the previous year. We also held 26 roadshows in Brazil and 21 in other countries, for a total of 1,654 people.

[See our 2013 Calendar, which shows all upcoming public meetings.](#)

One of the innovations in our relationship with shareholders was holding Apimec meetings at Money Expo fairs held in major cities across the country. This lets us reach an even wider audience, and promote our financial education initiatives through short presentations. Last year we conducted 13 meetings in tandem with Money Expo. We were also recognized by the market with the awards for Best Apimec Meeting in the Northeast and in the Federal District.

We also conduct periodic teleconferences, transmitted via telephone and internet, for presentation of quarterly results to analysts or when there is a material corporate event such as a merger, acquisition or joint venture announcement. Our disclosure is done in three languages (Portuguese, English and Spanish), making it even more accessible to investors and stakeholders.

Another means of transparency with shareholders is the Itaú Shares in Focus newsletter, with a circulation of 80,000. Shareholders receive this quarterly publication containing the performance of our business and our share price, as well as key happenings in the bank. We also began using the Stockholder Meeting Online tool, which allows shareholders to vote electronically. It also increases the transparency and accessibility of our elections.

Financial education *GRI ES16*

For investors and others who are interested in the capital markets, we also offer our Actions for Personal Investors, a manual which provides useful tips on how to invest in securities, the rules to be followed and any fees and taxes to be paid.

[See our Actions for Personal Investors manual.](#)

Investfone

To make investment decisions easier, we have channels offering guidance and information about investment options and the use of finances.

Investfone is an exclusive channel for retail, Uniclass and Personnalité customers, as well as small and medium-sized companies. This channel explains, informs, guides and offers financial advice on investment products. The representatives who deliver the service are trained to meet customer demands,

provide clarification and guidance, and offer the best solutions according to each investor profile.

Investfone service can be accessed through chat rooms on the internet and by phone. In addition to serving our own account holders, the channel can be used by investors who have positions in stock held in custody with Itaú Unibanco.

Social media

Two other communication channels we employ are Twitter and Facebook, which provide information of interest to shareholders, investors, analysts and others involved in the market. Both tools are regularly updated with photos of events and information about our means of providing financial education to the general public, which makes our dialogue with stakeholders more transparent.

[Follow our Investor Relations page at:](#)

www.facebook.com/itaunibancori.

[Follow our Investor Relations on Twitter at:](#)

[@itaunibanco_rj](#).

SOCIETY *GRI FG Society*

As market leaders in the financial sector, we have developed a performance model that goes beyond our borders to reach different segments of society and create shared value. Our strategic focus and initiatives related to social development, such as financial education, are extended to the communities in which we operate, as well as to the press, opinion makers and various organizations of social interest.

With Brazilian society now enjoying greater access to education and culture, our operating conditions are more conducive to business development and creation of long-term value. We also work with governments to form partnerships that meet the demands of society and strengthen public policy models that can be replicated around the country.

Our causes

We want to be an agent of transformation and achieve sustainable performance. These goals guide our business performance and determine the investments the bank makes in actions for the development of society. A continuous improvement in public education, the appreciation and spreading of Brazilian art and support of sport in ways that reflect our cultural identity are opportunities for us to apply the technologies and skills that develop naturally in one of the country's largest financial institutions. These are the causes in which we believe. *[GRI SO1](#) and [EC9](#)*

Our social and cultural investments are managed primarily by Fundação Itaú Social, Instituto Unibanco and Instituto Itaú Cultural. These institutions are independent and operate with their own funding and staffing, but they develop ongoing programs and projects that complement other. Together they constitute a macro strategy of partnering with governments and key non-governmental organizations to promote public policies that go beyond specific programs, as they focus on long-term benefits.

In 2012 the bank's social and cultural investments reached R\$197.5 million. The Education and Culture areas were allocated R\$71.3 million between them. Another R\$15.9 million was invested in 11 Brazilian states through the Rouanet Law for Cultural Support, and an additional R\$4.5 million was used under the Sports Incentive Law.

[GRI EC4](#) and [EC8](#)

Education *GRI SO1*

Quality education is fundamental for the social development of Brazil, and is a key focus of our social investments. Fundação Itaú Social and Instituto Unibanco work in this area by developing technologies to improve education in partnership with federal, state and local government, plus other business and social organizations. *[GRI SO5](#)*

Fundação Itaú Social

Fundação Itaú Social (the "Foundation") has identified four main areas of activity: Comprehensive Education, Education Administration, Economic Evaluation of Social Projects and Social Mobilization, all of which come under the Guarantee of Child and Adolescent Rights and Volunteering. This is the context in which our projects are developed.

In Comprehensive Education we advise on the implementation of comprehensive education policies in public school networks. We also promote the Itaú-UNICEF (United Nations Children's Fund) Award, which encourages the work of NGOs that contribute to the comprehensive education of children, adolescents and young people in vulnerable conditions, and support the Urban Youth Program, which offers training to young people who live on the outskirts of Brazil's big cities to expand their socio-cultural horizons.

In the area of Education Administration, the Foundation works on social training for managers, technicians and educators to help improve the structures of departments and agencies responsible for education administration. Programs we have helped develop include Improving Public Schooling, which advises educational leaders on the development and management of public policies. Another program in this area is Excellence in Education Administration, which promotes strategies in schools to monitor and support classroom teachers, and parental involvement in efforts to improve learning.



The Portuguese Language Olympics - Writing the Future program seeks to overcome literacy problems in Brazilian public schools by focusing on teacher training. It was adopted as a policy by the federal government in 2008, in partnership with the Ministry of Education (MEC). A total of 99% of Brazilian municipalities have been involved in the program, and more than 60,000 public schools, 239,000 teachers and seven million students have since taken part.

The Economic Evaluation of Social Projects is an important Itaú Unibanco contribution to measure the return and impact of social projects on the bank's business areas. The measurement technology, created in partnership with our Financial Risk and Controls area, is applied to projects developed by the organization and has been replicated for government agencies and nonprofit organizations, who spread the culture of evaluation. More than 1,500 public officials and social organizations have attended our economic evaluation courses.

Itaú Child is a program that mobilizes employees, customers, partners and the community to uphold the Guarantee of Child and Adolescent Rights. It features three fronts that include actions and partnerships to publicize the Child and Adolescent Statute (ECA), to strengthen the Councils for Child and Adolescent Rights and to encourage reading. In 2012 we helped run the "Read to a Child" national campaign, which featured the availability of over 7 million books to support reading actions.

The [Itaú Unibanco Volunteer Program](#) serves those employees wishing to engage in social actions by offering them numerous opportunities for volunteering. Interested staff members can help with actions developed by Fundação Itaú Social and Instituto Unibanco in the areas of Education and the Guarantee of Child and Adolescent Rights. These actions have business applications, such as spreading the culture of the Conscientious Use of Money and Safe Use of the Internet, and can also be supported in the development of independent volunteer actions. Volunteering helps our employees develop skills such as cooperative work and leadership, as well as becoming aware of social issues.

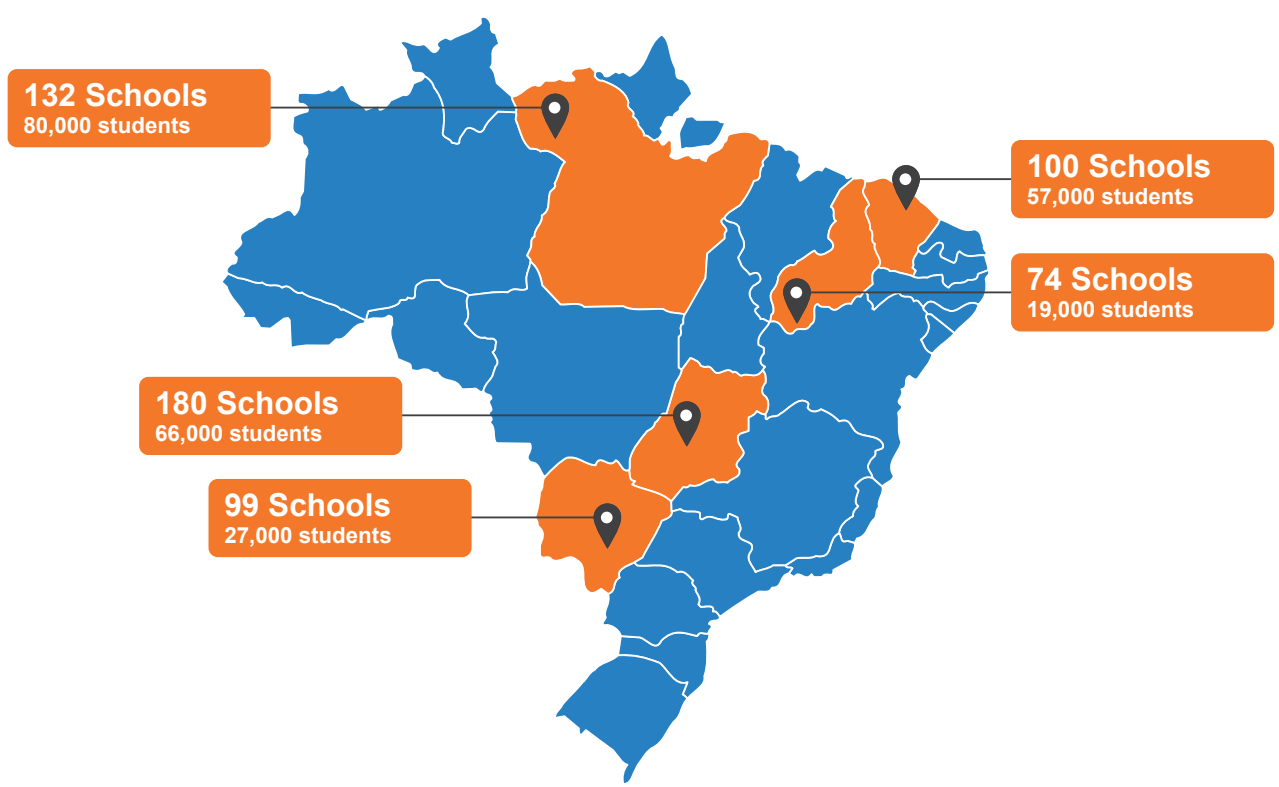
For 2013 Fundação Itaú Social is taking on challenges such as spreading the use of economic evaluation in public policy development and social projects, and to systematize, publish and transfer educational methodologies in the areas of Education Administration and Comprehensive Education.

[See all the programs developed by Fundação Itaú Social.](#)

Instituto Unibanco

Instituto Unibanco directs its focus to improving teaching levels in public high schools. It operates through the development of educational technologies and methodologies that increase the effectiveness of public policies in these schools, in partnership with MEC and state secretariats of education. Instituto Unibanco also helps define the best positioning within society for private sector-linked organizations by sharing responsibilities with the government and the schools benefited.

Schools and students served in 2012



Its flagship program is Youth with a Future, which has been operating since 2007 as a set of actions for improving public school administration by focusing on results. In 2012, Youth with a Future was incorporated as a public policy by MEC and can now be implemented in five states: Ceará, Goiás, Mato Grosso do Sul, Pará and Piauí. Instituto Unibanco will transfer its technology for developing and implementing a management plan to school administrators, the results of which will be ongoing and long-term.

In 2012 the program benefited about 600 schools, while its goal is to reach approximately 2,700 public schools by 2018.

Instituto Unibanco also mobilizes Itaú Unibanco employees in two structured volunteer actions: Studying is Worth It and Youth Mentoring. The goals of these programs are to help reduce high school dropout rates and offer these students opportunities to rethink their life paths through interaction with Itaú Unibanco Volunteer Program members.

[See all the programs developed by Instituto Unibanco.](#)

Itaú Living More

Itaú Living More is a nonprofit association that offers cultural activities for people aged over 55. Launched in 2012, this new initiative is based on three pillars – Living, Interaction and Revival – and incorporates the programs developed since 2004 by the now-closed Club A.

[For more information, visit:
www.facebook.com/itauvivermais.](#)

Culture GRISO1

Art contributes to the transformation of society and the formation of citizens capable of thinking critically about their surroundings. Culture, like education, is an important element for creating more aware people, which is why we support numerous cultural events and festivals in Brazil. Instituto Itaú is our main institution for managing cultural investments, and works to publicize Brazil's heritage and ensure the sustainability and legacy of national artistic productions.

Instituto Itaú Cultural

In 2012 Instituto Itaú Cultural celebrated its 25th anniversary with a concert by singer and former Minister of Culture Gilberto Gil. The show took place at the Ibirapuera Auditorium, a public facility in São Paulo where we use our experience in management to develop and encourage art

programs with widespread public access. As part of our strategy of forming partnerships that encourage social development, we have a partnership with the City of São Paulo to manage the Auditorium until 2016. Over 169,000 people attended 185 presentations during 2012.

To preserve Brazil's cultural heritage and promote innovation in Brazilian art, Itaú Cultural has developed several ongoing projects that have become benchmarks for the sector over the past two decades. One of the most significant of these is the Directions Program, which began 15 years ago. In 2012 it welcomed applications for film, video and dance productions, as well as for research in fashion and design. The goal of Directions is to support local artists and newcomers to help give society the right to have an even bigger role in the creation of art.

Our aptitude for innovation and technological development is demonstrated by the investments made by Instituto Itaú Cultural to provide virtual encyclopedias featuring free information on Brazilian artists. In 2012 the encyclopedias had over 9 million visits.

Instituto Itaú Cultural also focuses on training managers who can oversee the development of art production in Brazil.

Other Instituto Itaú Cultural statistics:

- 273 national and international activities
- 3,876 visitors for the Walking with Art Project, at Espaço Memória, a visit conducted by educators to see works of art at the Business Center
- 190 partnerships with TV stations and 2,007 partnerships with radio stations on the Radioweb site.

[See all programs developed by Instituto Itaú Cultural.](#)

Itaú Space

Beginning in 1995 as Unibanco Space, Itaú Unibanco's movie theaters showcase quality independent films. With eight facilities in six cities, its 56 viewing rooms help provide access to culture in Brazil. In 2012 Itaú Space had 3.8 million moviegoers.

[Learn more about Itaú Space movie theatres.](#)

Instituto Moreira Salles

Founded in 1992, Instituto Moreira Salles holds exhibitions, lectures, concerts, film series and events at its cultural centers in the cities of Poços de Caldas, São Paulo and Rio de Janeiro.

Other actions:

- We provided funding for the construction of the new facilities of the Museum of Image and Sound in Rio de Janeiro.
- We supported Street Carnivals in Rio de Janeiro and Salvador.
- For the past five years Itaú Personnalité has sponsored concerts by the São Paulo State Symphony Orchestra (Osesp).
- We have sponsored the Curitiba Theatre Festival for 12 years, and the Joinville Dance Festival for five years.
- We have supported the Paraty International Literary Festival for the past nine years.
- In 2013 we return as a sponsor of Rock in Rio in Brazil, the world's largest music and entertainment festival.
- Since 2011 the Ibirapuera Auditorium has been under the management of Instituto Itaú Cultural and the Municipal Secretariat of Culture. In that time it has presented a diverse range of programming, featuring music, dance, theater and film. The facility also houses the Auditorium School, which is currently training up to 170 young musicians, mostly from public schools. The Ibirapuera Auditorium occupies 7,000 square meters of built area and can hold 800 visitors.

Sport [GRI SO1](#)

Sport strengthens the cultural identity of the Brazilian people and contributes to the transformation and development of society. Accordingly, we encourage initiatives that bring people together, promote social inclusion and support the development of young athletes.

Soccer

Itaú Unibanco was the first company to sign an official sponsorship contract for the FIFA 2014 Soccer World Cup, which will be held in Brazil. We support all categories of Brazilian soccer by sponsoring the Olympic, under-23, under-20, under-17, under-15 and women's national teams.

Tennis Institute

Our actions in sports sponsorship also include supporting the Itaú Training Center/Tennis Institute, which trains athletes aged 12 to 18. We also support the Itaú Women's Tennis Circuit and the Itaú Cup for Students.

Community [GRI SO1](#)

Community work

To be an agent of transformation of society we must act strongly to effect change in the communities where we operate, using a larger, more dedicated structure. We initiated a program for identifying local needs and opportunities in the regions where we have large operational centers, which allowed us to map out how we can act together with civil society leaders and public authorities.

We took part in forums for the communities adjacent to our Business Center in São Paulo's Jabaquara district, and our Technical Operations Center in the Mooca district. In 2012 we held an open doors event for the Business Center, which was attended by about 30 people, including local authorities and members of the Jabaquara Social Network, which is the neighborhood organization that represents the interests of civil society.

We also promoted a presentation on Itaú Microcredit for the Jabaquara Social Network, with the participation of 20 local social entrepreneurs, and we sponsored a sporting event run by the Jabaquara Local Development Network as part of our strategy to publicize our sponsorship of the 2014 Soccer World Cup.

Itaú Unibanco is also responsible for maintaining Lina and Paulo Raia Park, located near our head offices, and the Green Overpass in the Pinheiros district, which is used by about 5,000 pedestrians every day. This is the first project of its kind in São Paulo. The maintenance of the overpass is supported by a partnership between the city and the bank – which was recently renewed for another three-year period – and involved a sustainable revitalization such as the use of green roofing, recycled rubber flooring to help the visually impaired, and elevators for those with limited mobility. [GRI EC8](#)

ADDITIONAL INFORMATION

[GRI SO1](#)

We identify the local needs and opportunities of regions where our largest administrative centers are located. This allows us to map out the best ways of working together with civil society leaders and public authorities. After identifying key demands, projects are gradually implemented and supported through meetings and forums with public agencies and the local community.

In 2012 we continued monitoring our actions in Mogi Mirim in conjunction with government agencies and the State Prosecutor's office. We also strengthened our relationship with the community of Jabaquara by participating in the Local Development Network and district meetings. Additionally, we began mapping and developing the diagnostic for Vila Prudente, where the Technology Center is located. We are active participants in the Social Network, and in 2013 we intend to work with very small businesses in the local community.

Financial education [GRI FS16](#)

The financial education of society is one of our main strategic focus areas. In addition to promoting various programs related to our business areas, we developed other actions designed to help people organize their finances and use their money wisely.

In June 2012, for example, we launched the children's book "The Tree of Dreams." As a fun way to bridge the dialogue between adults and children, the book presents concepts to children such as choices involving money and achieving dreams. The book was launched at a special event attended by journalists and their families.

We provided the second edition of our communication and education campaign on [credit awareness](#). We launched YouTube tutorials to guide people on how and when to use each credit product and the importance of making responsible choices. The tutorials had over five million hits during the year, taking the total to over 13 million if we add in those from the first version in 2011.

We also used YouTube in 2012 to launch the "[Investing is...](#)" campaign. This continued 2011's "Invest" campaign, which encourages investors to think about their financial life. The purpose is to make people understand the importance of building a financial reserve for possible emergencies, increasing their assets and ensuring enough income for retirement. The campaign was also publicized on television and radio, and in magazines and newspapers. On the internet the platform offers simulators, interactive video (which analyzes the financial lives of consumers) and tutorials to answer frequently asked questions.

We are also active participants in forums and events where we can help raise the awareness of society about financial education, such as [Expo Money](#) fairs held throughout Brazil. We participated in 13 of these events in 2012, giving presentations on issues related to family budgets and wasteful, unnecessary spending. An average of 180 people attended each discussion, while about 35 people attended each of our 34 shorter presentations. Another of our initiatives at these events was the release of the [Actions for Personal Investors manual](#).

We strengthened our digital platform for financial advice for college students, particularly with Granabook, a collaborative guide available through Facebook. Granabook increased visits to the page by 268%, measured by the number of users that are interacting, creating stories, enjoying and sharing our content. We also produced and provided radio spots with five quick tips on how to use your money wisely, which reached 20% of the cities in Brazil.

In 2012 we held 11 regional events around the country, featuring consumer protection advisors and officials from Procon and related groups. The objective was to enable participants to be multipliers for our Conscientious Use of Money workshops.

Security

In addition to a focus on the security of customers who use our branches or other channels to do their banking, we extended this work to raise the awareness of the general public by providing information that can help reduce fraud in the financial system.

[Learn more about our initiatives.](#)

Opinion makers

Our reputation is the result of public perception and how people relate to us in different situations and on various issues. Our mission is to continuously build this reputation, so we work to identify and manage risks and opportunities through internal and external partnerships, and look to engage people and generate sustainable value for the company and society.

All reputational work is carried out by the Communications area, which measures and monitors the reputation in Brazil of Itaú Unibanco and its main competitors through indicators such as the Quality of Media Exposure Index (QMEI) and RepTrak™ DeepDive studies.

RepTrak™ DeepDive is applied to an annual survey that measures our reputation with the general public. The survey has been conducted in partnership with the Reputation Institute since 2008, and helps us map, classify and direct the engagement of priority relationship groups with our business and institutional areas. [GRI PR5](#)

In 2012 we undertook research on our reputation with the following groups:

- Employees
- Clients
- Shareholders, investors and analysts
- Media [GRI PR5](#)

Our strategic efforts are linked to our business priorities and carried out in an ethical and transparent fashion in order to increase the confidence level of these groups. This allows us to optimize disclosure opportunities and minimize risks of negative exposure.

To improve our relationships with opinion makers we have also developed other actions to learn their demands and detail our operating strategy, examples of which include:



2012 Itaú Sustainable Finance Award – to encourage discussion and awareness of sustainable finance we created the Itaú Sustainable Finance program, through which we present the Itaú Sustainable Finance Award every two years. In April we launched the third edition of the program, with the goal of generating discussion, newspaper articles and academic papers on the subject. In 2012 our work related to the Rio+20 UN Conference on Sustainable Development received special recognition at that event.

Press Trip – for the sixth consecutive year we brought journalists from all over Latin America to Brazil in order to strengthen our relationship with the press in the region and enhance our reputation. Journalists from major outlets in Argentina, Chile, Paraguay and Uruguay participated in meetings with senior executives of the bank, in which topics such as macroeconomics, globalization, technology and sustainability were discussed.

Social Welfare Index – in 2010 the quality of life of Brazil's population recorded its highest level of the past 18 years, but indicators show that the economic and social conditions of the country's inhabitants have not kept pace with GDP growth during the same period. These are the findings of the 2012 Itaú Social Welfare Index, produced by our macroeconomics team. Conducted annually and designed along the lines of the Human Development Index (HDI), but with a broader methodology adapted to Brazilian conditions, the study is divided into historical series showing living conditions over the period 1992 to 2010, and seeks to discover if economic growth has been accompanied by improved standards of living. We released the study's findings in conjunction with a seminar that was attended by the Index's creators and other researchers.

Brazilian Corporate Communications Day – to unveil and discuss best practices of corporate communication in Brazil, the Brazilian Association for Corporate Communication (Aberje) held Brazilian Corporate Communications Day in several cities in Latin America and Europe. Our corporate communications team was present at conferences in Buenos Aires (Argentina), Santiago (Chile), London (UK) and Lisbon (Portugal). Subjects covered included the bank's sustainable performance image and building a permanent reputation with the public.

Discussion Panels at Flip – in the Forte Museum, in the historic city of Paraty (Rio de Janeiro state), we examined "Spaces of Brazilian Literature: Transformations" at the Paraty International Literary Festival (Flip). Led by Instituto Itaú Cultural, the event brought together journalists, writers, literary experts, and creators and producers of literary events around the country.

Meetings of our executives with journalists – in 2012 we took major steps to forge a closer relationship between bank leaders and journalists from all over Brazil. One of the highlights was the meetings that Itaú Unibanco CEO Roberto Setubal had with editors of key domestic and international publications. Other important meetings involved executives from our Asset Management, Legal, Consumer Credit, Itaú Latam, Companies, Ombudsman and Macroeconomics areas.

Workshops with journalists – an initiative to help provide a better understanding of our areas, products and services. In 2012 we conducted four workshops for journalists from various outlets and publications, including international correspondents in Brazil. Topics covered included an introduction to the stock market, pensions for young people, investment trends in Latin America and Brazil, and home insurance.

Macro on the Agenda – held quarterly, Macro on the Agenda meetings present Brazilian and global macroeconomic conditions, plus an outlook for regional economic activity in the country. Itaú Unibanco chief economist Ilan Goldfajn and economist Aurélio Bicalho discuss estimates for the Itaú Unibanco GDP, an index created by our economic research team. This metric looks at industrial production numbers, retail sales and formal employment figures. To provide additional information to the media and the general public, each day we issue reports produced by the Itaú Unibanco macroeconomics team. This material is updated daily and can be accessed on the [Itaú BBA website](#).

Public meetings – we take part in meetings with investors, analysts, journalists and other stakeholders in APIMECs and Expo Money fairs across the country, giving us yet another channel for transparent dialogue with our stakeholders.



Crisis and reputation management program

The Itaú Unibanco Business Continuity Program aims to protect employees, ensure continuity of critical functions of our business lines, safeguard revenues and sustain both the stability of the markets and the confidence of our customers and strategic partners.

Its structure is divided into two key elements:

- Crisis Management – centralized communication processes and response procedures under which we manage business interruption events and other threats to our image and reputation as seen by employees, customers, strategic partners and regulators.
- Business Continuity Plans (BCP) – consist of documentation of procedures and information available for any incidents, allowing the resumption of Itaú Unibanco's critical activities within suitable time limits and conditions. Putting these plans into action preserves the integrity of the bank's people, property, systems, information and consequently the reputation of the institution.

Suppliers *GRI FG Human Rights*

In our relationship with suppliers, we seek to hire those companies that are aligned with creating value for the bank and society, as well as ensuring the use of best socio-environmental practices throughout the supply chain. Through an integrated framework for selecting suppliers, we choose companies that focus on mitigating their socio-environmental impacts, comply with applicable legislation regarding labor and environmental issues, and display respect for human rights. We also look for technical expertise and superior efficiency in the market, and require suppliers to follow our Code of Ethics, which is available on our suppliers' portal. [GRI HR2](#)

We employ a socio-environmental risk matrix to classify our suppliers, based on their fields of activity and possible relevant environmental impacts, plus exposure of workers to risks and other critical factors in the value chain. We conduct an external audit on suppliers classified as high risk (by 2012 we had evaluated 43 companies), and we structure dialogue to address key sustainability issues and increase understanding of the subject. [GRI HR2](#)

This action becomes significant when we look at the responses to the questionnaire we send to our 300 largest suppliers, which requests details of their socio-environmental practices. The information we have received to-date tells us that sustainability management is still restricted to just a few companies. [GRI HR2](#)

In 2012 we developed several initiatives to achieve even greater efficiency, which showed results that were satisfactory and aligned with our strategy. With our project to build a new data center in Mogi Mirim, managing the entire hiring process of the work gave us a 14.5% reduction in the Guaranteed Maximum Price (GMP). With the revision of our telecommunications model, we achieved a 65% reduction in the cost of mobile telephony. Additionally, the migration of printing work for invoices, bills, statements and slips to specialized suppliers brought greater flexibility, standardization and technological innovation, and a 16% reduction in operating costs.

We also implemented a project to oversee outsourced employees, through which we map information about these service providers. This initiative contributes to the mitigation of labor risks, and incidents of child labor and slave labor, for example. We currently manage about 8,000 third-party suppliers who work through service providers at our administrative buildings in São Paulo. [GRI HR6 and HR7](#)

Our challenge for 2013 is to redouble our efforts to provide new opportunities for productivity gains and review processes in various bank operations by assessing our supply strategy. To achieve this goal we are investing in a new technology platform that will ensure the control and management of purchases and payments. We will also maintain joint planning of future demands in order to reduce costs and increase efficiency.

ADDITIONAL INFORMATION

[GRI EC6](#), [HR2](#), [HR6](#) and [HR7](#)

In 2012 our supplier approval process was recertified under ISO 9001. We approved over 5,000 suppliers, or 90% of our supplier payment base. Of this figure, 2,500 companies are the most active suppliers.

A total of 78% of Itaú Unibanco's purchases are from local suppliers. For Redecard this figure is 82%, as its Purchasing Policy stipulates local buying.

We provide regional and local suppliers with communication channels where they can make suggestions, ask questions and report human rights violations.

In 2012 there were no reported violations by Itaú Unibanco or its most active suppliers.

Government *GRI SO5*

For our sustainability management strategy to achieve its goals we must work closely with public organizations in the three branches of government (Executive, Legislative and Judicial), and form partnerships that can bring benefits to society. Our work is guided by ethics and transparency as we seek to help authorities better assess community demands.

At the federal level we are following the progress of 803 bills. In connection with this we conducted visits to 64 lawmakers who have significant activity in areas such as safety, consumer rights, electronic crime, money laundering and judicial escrow deposits. With the Executive Branch, we have formed partnerships with the ministries of Cities, Health, Sports, Science and Technology and Justice.

With the Ministry of Sports, for example, we have begun the joint mobilization of volunteers for the 2014 Soccer World Cup. We also comply with the national Pact for Life campaign, which was announced through our communication channels, and we have aligned our support platform to improve urban mobility, which are two initiatives of the Cities portfolio. We also support the Science Without Borders program, health campaigns and improvements to the management of Brazil's prison system.

At state and municipal levels we closely follow discussions on municipal elections, banking security and urban mobility.

We also act in conjunction with the city and the city council of Mogi Mirim to detail the construction of our new data center, as well as listen to the demands of government, the community and the Attorney General.

In São Paulo we signed a cooperation agreement with the city to undertake improvements to Carmo Egydio Olavo Setubal Park, including renovating the entrances, lavatories and the main house, an upgrading of drinking fountains and the installation of signage. We are also committed to managing the Ibirapuera Auditorium, with support from Instituto Itaú Cultural.

Urban mobility

The issue of urban mobility is one of the focus areas in our strategic relationship with governments. In addition to developing discussions on the subject, we use the strength of our brand to promote initiatives that can promote the bicycle as a transport model that improves mobility by helping to reduce traffic and emissions of greenhouse gases.

In Rio de Janeiro, for example, in partnership with the city and technology firm Serttel, the bank sponsors the Bike Rio program, which provides bicycles that can be used from 6am to 10pm, in one-hour blocks. Users must register and pay a monthly fee of R\$10, or R\$5 per day, and wait 15 minutes before starting a new rental period.

In São Paulo we sponsor the Bike Sampa program. This bicycle sharing system was launched in June 2012 through a partnership between the city, Itaú Unibanco, Serttel and Samba, which will run until 2014. The structure will be complete in three years, with a total of 300 stations and 3,000 bikes. The stations are being located in conjunction with programs and strategies related to the promotion of cycling in the city.

In 2012 over 58,000 users were registered and more than 57,000 trips were made, resulting in significant exposure for our brand in major media outlets and social networks.

See more details about [Bike Rio](#) and [Bike Sampa](#).



Political campaigns and donations

In 2012, the year when municipal elections were held in Brazil, we invested R\$10,231,650.00 in election campaigns for candidates. All donations were registered in accordance with rules and regulations of Brazilian law.

We are committed to transparency in building our relationships, so we concentrate our donations as a single corporate donor, which makes it easier for people to track our operations. [GRI SO6](#)

Itaú Unibanco's support for candidates is provided according to the principles and values of transparency and ethics on which the activities of the organization are based. To ensure this process is conducted properly we created the Political Assessment Committee, composed of Board members and bank executives, as well as a specific policy for donations to political campaigns.

In 2012 we published our [Corporate Policy for Electoral Campaign Donations](#), which establishes guidelines to be followed when donating to political candidates. This policy states that all funding is directed only to candidates. We do not donate to party committees, political parties or intermediaries. Amounts allocated for political campaign contributions strictly comply with the laws governing such donations.

Government tax incentives [GRI EC4](#)

In 2012 we received R\$128.4 million in tax incentives, donations and sponsorships for sports projects and the extension of maternity leave.

Details of these incentives appear below:

Tax Incentives Received, by Category

(R\$)

Category	2012	2011	2010
Donations to Fund for Child and Adolescent Rights	17,388,245.27	14,652,397.77	5,952,435.86
Worker Food Program	5,383,904.16	9,992,528.16	5,939,271.22
Rouanet Law for Cultural Support	84,067,753.76	76,370,461.78	84,067,753.76
Sports sponsorships	17,188,705.94	14,931,571.82	6,017,696.52
Extension of maternity leave	1,686,433.44	918,148.51	515,035.86
Audiovisual activities	2,700,000.00	-	2,700,000.00
Other*	-	-	18,581,056.58
Total	128,415,042.57	116,865,108.04	128,415,042.57

* Composed of investments in audiovisual activities (539,000) and other companies in the group, primarily Redecard.

FINANCIAL PERFORMANCE

A focus on generating income from services

MANAGEMENT DISCUSSION AND ANALYSIS

The year in review

Results

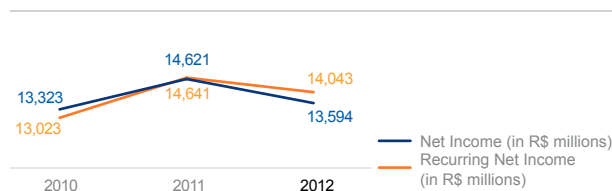
Recurring net income in 2012 amounted to R\$14,043 million, a 4.1% decrease from 2011. This result was primarily due to a 31.9% increase in credit losses and claims, which was offset by 4.9% growth in the managerial financial margin, 8.3% growth in revenue from services and banking fees, and by cost controls implemented by the bank, which led to growth in our non-interest expenses below inflation for the period.

Total assets at December 31, 2012 were \$1 trillion, up 19.2% year-on-year. Lending (without guarantees) rose 6% to R\$366.3 billion, short-term interbank investments climbed 56.8% over 2011 to reach R\$182 billion, while securities increased 47% to R\$276.2 billion.

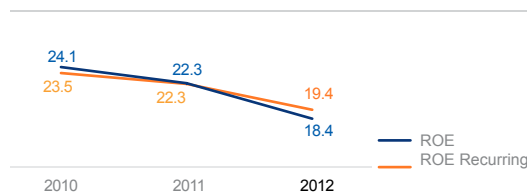
In liabilities, money market funding grew 53%, derivatives and other financial instruments were up 63.5%, technical provisions for insurance, pensions and capitalization rose 26.4%, while the foreign exchange portfolio was up 18.8%. Net equity increased 4% year-on-year, reaching R\$74.2 billion.

Total recurring return on net equity reached 19.4% on an annualized basis.

Net Income



Return on Equity (ROE) – Annualized (%)



Highlights

(in R\$ millions – except where indicated)

	2012	2011
Income Statement		
Recurring Net Income	14,043	14,641
Net Income	13,594	14,621
Operating Revenues ¹	79,550	74,808
Managerial Financial Margin	52,012	49,566
Shares (in R\$)		
Recurring Net Income per Share ²	3.11	3.23
Net Income per Share ²	3.01	3.23
Number of Outstanding Shares at end of period (in thousands)	4,518,380	4,513,640
Average Price of Non-voting Share on the Last Trading Day of the Period	33.33	33.85
Book Value per Share	16.43	15.81
Dividends/JCP net of taxes ³	4,518	4,394
Dividends/JCP Net of Taxes ³ per Share	1.00	0.97
Market Capitalization ⁴	150,598	152,787
Market Capitalization ⁴ (in US\$ millions)	73,696	81,451
Performance Ratios (%)		
Recurring Return on Average Equity – Annualized ⁵	19.4%	22.3%
Return on Average Equity – Annualized ⁵	18.4%	22.3%
Recurring Return on Average Assets – Annualized ⁶	1.5%	1.8%
Return on Average Assets – Annualized ⁶	1.5%	1.8%
Solvency Ratio (BIS Ratio) – Consolidated	16.7%	16.4%
Annualized Credit Margin	13.0%	13.0%
Annualized Net Interest Margin with Clients ⁷	10.5%	11.4%
Annualized Net Interest Margin with Credit after Provision for Credit Risk ⁷	7.2%	8.1%
Nonperforming Loans Index (NPL over 90 days)	4.8%	4.9%
Coverage Ratio (Provision for Loan and Lease Losses/NPL over 90 days)	158.0%	153.0%
Efficiency Ratio (ER)	45.4%	47.3%
Risk Adjusted Efficiency Ratio (RAER)	73.3%	69.7%
Balance Sheet		
	12/31/12	12/31/11
Total Assets	1,014,425	851,332
Total Loan Portfolio, including Sureties, Endorsements and Guarantees	426,595	397,012
Loan Operations (A)	366,285	345,483
Sureties, Endorsements and Guarantees	60,310	51,530
Deposits + Debentures + Securities + Borrowings and Onlending (B)	495,853	480,601
Loan Operations/Funding (A/B)	73.9%	71.9%
Shareholders' Equity	74,220	71,347
Statistics		
Assets under Administration	561,958	449,693
Employees (Individuals)	96,977	104,542
Employees in Brazil (Individuals)	90,323	98,258
Employees Abroad (Individuals)	6,654	6,284
Number of Service Points	32,987	33,753
Branches (Units)	4,121	4,072
Banking Services Outlets (PAB units)	906	912
ATMs (units) ⁸	27,960	28,769
	2012	2011
EMBI Brazil Risk	146	224
Interbank Rate (CDI) – for the Period (%)	8.4%	11.6%
Dollar Exchange Rate – Quotation in R\$	2.0435	1.8758
Dollar Exchange Rate – Variation for the Period (%)	8.9%	12.6%
Euro Exchange Rate – Quotation in R\$	2.6954	2.4342
Euro Exchange Rate – Variation for the Period (%)	10.7%	9.3%
IGP-M – in the Period (%)	7.8%	5.1%

1. Operating Revenues are the sum of Managerial Financial Margin, Banking Service Fees and Income from Banking Charges, Other Operating Income and Result from Insurance, Pension Plans and Capitalization Operations Before Retained Claims and Selling Expenses, Equity in Earnings of Affiliates and Non-Operating Income; 2. Based on the weighted average number of outstanding shares during the period; 3. JCP – Interest on Net Equity. Recognized and declared amounts paid/ accrued and declared; 4. Total number of outstanding shares (common and preferred) multiplied by the average price of the non-voting share on the last trading day in the period; 5. Annualized Return is calculated by dividing Net Income by the Average Shareholders' Equity. This figure is then multiplied by the number of periods in the year to attain the annualized rate. The calculation bases of the returns are adjusted by the amount of dividends which have not yet been approved in stockholder meetings or by the Board of Directors. For ROE in 3Q12 we have considered the acquisition of minority interests in Redecard as a capital transaction; 6. Annualized Return is calculated by dividing Net Income by Average Assets. The quotient of this division is multiplied by the number of periods in the year to derive the annualized rate; 7. Does not include Margin with the Market; 8. Includes PABs (banking services outlets) and service points in third-party establishments.

Managerial statement of income

This Management Discussion & Analysis is based on the Managerial Statement of Income, which is derived from reclassifications made in the audited income statement. The tax effects of hedges on investments abroad, which were originally recorded as PIS and COFINS tax expenses, and income tax and social contribution on net income, were reclassified to the financial margin. Non-recurring effects were also adjusted.

Our strategy for managing foreign exchange (forex) risk on capital invested abroad is intended to avoid impacts from foreign exchange variations on net income. For this purpose, the forex risk is neutralized and the investments are remunerated in Brazilian reais through the use of derivatives. Our strategy to hedge investments abroad also considers the impact of all related tax effects. In 2012 the Brazilian real depreciated 8.9% against the US dollar and 10.7% against the Euro, compared with a depreciation of 12.6% and 9.3%, respectively, in the previous year.

Reconciliation between the Accounting and Managerial Statements – 2012

(in R\$ millions)

	Itaú Unibanco			
	Accounting	Non-Recurring	Tax Effect of Hedge	Managerial
Operating Revenues	78,730	(622)	1,442	79,550
Managerial Financial Margin	50,496	74	1,442	52,012
Financial Margin with Clients	48,137	74	-	48,211
Financial Margin with the Market	2,359	-	1,442	3,801
Income from Services and Bank Fees	20,313	309	-	20,622
Income from Insurance, Pensions and Capitalization, before Retained Claims and Cost of Sales	6,066	-	-	6,066
Other Operating Income	278	-	-	278
Equity in Earnings of Affiliates and Other Investments	335	152	-	488
Non-operating Income	1,242	(1,157)	-	84
Loan and Retained Claim Losses, Net of Recovery	(21,397)	381	-	(21,016)
Provision for Doubtful Debts	(24,025)	381	-	(23,644)
Income from Recovery of Previously Written Off Loans	4,663	-	-	4,663
Retained Claims	(2,035)	-	-	(2,035)
Other Operating Income/(Expenses)	(39,802)	1,512	(148)	(38,439)
Non-interest Expenses	(34,681)	1,512	-	(33,169)
ISS, PIS, COFINS and Other Taxes	(4,081)	-	(148)	(4,230)
Cost of Sales – Insurance	(1,040)	-	-	(1,040)
Income Before Tax and Profit Sharing	17,531	1,271	1,294	20,095
Income Tax and Social Contribution	(3,224)	(822)	(1,294)	(5,340)
Profit Sharing	(159)	-	-	(159)
Minority Interests	(554)	-	-	(554)
Net Income	13,594	449	-	14,043

Reconciliation between the Accounting and Managerial Statements – 2011

(in R\$ millions)

	Itaú Unibanco			
	Accounting	Non-Recurring	Tax Effect of Hedge	Managerial
Operating Revenues	72,095	371	2,342	74,808
Managerial Financial Margin	47,224	-	2,342	49,566
Financial Margin with Clients	45,781	-	-	45,781
Financial Margin with the Market	1,443	-	2,342	3,785
Income from Services and Bank Fees	19,048	-	-	19,048
Income from Insurance, Pensions and Capitalization, before Retained Claims and Cost of Sales	5,215	-	-	5,215
Other Operating Income	378	-	-	378
Equity in Earnings of Affiliates and Other Investments	39	371	-	410
Non-operating Income	191	-	-	191
Loan and Retained Claim Losses, Net of Recovery	(15,936)	-	-	(15,936)
Provision for Doubtful Debts	(19,912)	-	-	(19,912)
Income from Recovery of Previously Written Off Loans	5,488	-	-	5,488
Retained Claims	(1,512)	-	-	(1,512)
Other Operating Income/(Expenses)	(37,714)	431	(118)	(37,400)
Non-interest Expenses	(33,003)	431	-	(32,572)
ISS, PIS, COFINS and Other Taxes	(3,722)	-	(118)	(3,839)
Cost of Sales – Insurance	(989)	-	-	(989)
Income Before Tax and Profit Sharing	18,445	802	2,224	21,472
Income Tax and Social Contribution	(2,855)	(782)	(2,224)	(5,861)
Profit Sharing	(192)	-	-	(192)
Minority Interests	(778)	-	-	(778)
Net Income	14,621	20	-	14,641

Income Statement

(in R\$ millions)

	2012	2011	Variation	
			2012 – 2011	
Operating Revenues	79,550	74,808	4,743	6.3%
Managerial Financial Margin	52,012	49,566	2,446	4.9%
Financial Margin with Clients	48,211	45,781	2,430	5.3%
Financial Margin with the Market	3,801	3,785	16	0.4%
Income from Services and Bank Fees	20,622	19,048	1,575	8.3%
Income from Insurance, Pensions and Capitalization, before Retained Claims and Cost of Sales	6,066	5,215	850	16.3%
Other Operating Income	278	378	(100)	-26.4%
Equity in Earnings of Affiliates and Other Investments	488	410	77	18.9%
Non-operating Income	84	191	(106)	0.0%
Loan and Retained Claim Losses, Net of Recovery	(21,016)	(15,936)	(5,080)	31.9%
Provision for Doubtful Debts	(23,644)	(19,912)	(3,732)	18.7%
Income from Recovery of Previously Written Off Loans	4,663	5,488	(825)	-15.0%
Retained Claims	(2,035)	(1,512)	(523)	34.6%
Operating Margin	58,534	58,872	(338)	-0.6%
Other Operating Income/(Expenses)	(38,439)	(37,400)	(1,039)	2.8%
Non-interest Expenses	(33,169)	(32,572)	(597)	1.8%
ISS, PIS, COFINS and Other Taxes	(4,230)	(3,839)	(390)	10.2%
Cost of Sales – Insurance	(1,040)	(989)	(52)	5.2%
Income Before Tax and Profit Sharing	20,095	21,472	(1,377)	-6.4%
Income Tax and Social Contribution	(5,340)	(5,861)	521	-8.9%
Profit Sharing	(159)	(192)	33	-17.1%
Minority Interests	(554)	(778)	224	-28.8%
Net Recurring Income	14,043	14,641	(598)	-4.1%
Non-recurring Events	(449)	(20)		
Realization of Assets (a)	836	-		
Increase in Social Contribution Rate (b)	351	-		
Federal Tax Settlement/Installment Program Law 11.941/09 (c)	-	509		
Provision for Contingencies (d)	(873)	(285)		
Tax and Retirement Plans (d)	(253)	-		
Civil Claims (d)	(145)	-		
Economic Plans (e)	(328)	(285)		
Labor Claims (d)	(105)	-		
Other (d)	(44)	-		
Reduction in Amounts Recoverable – BPI (f)	(305)	(245)		
Provision for Doubtful Debts (d)	(229)	-		
Rewards Program – Credit Cards (g)	(185)	-		
Other	(43)	-		
Net Income	13,594	14,621		

Note: the impacts of non-recurring events are net of tax effects.

* Since the beginning of 2012, discounts granted on the recovery of credits previously written off as losses are no longer deducted from the financial margin, and are now deducted from the income from the recovery of these credits. In 2011 these discounts amounted to R\$609 million. If this effect were considered in 2011, income from the recovery of credits previously written off as losses would have dropped 4.4% in 2012.

Non-recurring events in 2012 and 2011

(a) **Realization of Assets:** composed primarily of the sale of our total interest (601,403 shares) in Serasa to Experian, as disclosed to the market on October 23, 2012.

(b) **Increase in Social Contribution Rate:** the remaining balance of Social Contribution tax credits for periods prior to the increase of the rate from 9% to 15%. From 2013 on, Social Contribution expenses will reflect this rate increase.

(c) **Federal Tax Settlement/Installment Program – Law No. 11,941/09:** additional effects of the adherence of Itaú Unibanco Holding and its subsidiaries to the Program for the Settlement or Installment Payment of Federal Taxes. This program includes debts managed by Internal Revenue of Brazil and by the Attorney General's Office of the National Treasury.

(d) **Provisions for diverse risks and allowance for loan losses:** improvements were made to the criteria that determine the recognition of these provisions.

(e) **Provision for contingencies:** Economic Plans: provision for losses arising from federal economic plans in effect during the 1980s.

(f) **Reduction in Amounts Recoverable – BPI:** On April 20, 2012, Itaú Unibanco sold its 18.87% interest in Banco

Português de Investimento to the La Caixa group, for which it received approximately €93 million. This transaction negatively impacted our net income for 2Q12 by R\$205 million, net of taxes, while it positively impacted shareholder's equity by R\$106 million. This item also includes the effects of the adjustments to market value that took place in 2011 and 2012.

(g) **Rewards Program – Credit Cards:** reformulation of benefit.

Acquisition of Minority Shareholders' interest in Redecard

On September 24, 2012, in one of the year's biggest transactions on the São Paulo Stock Exchange (BM&FBovespa), through a public tender offer we acquired the 49.98% of the equity of Redecard that we did not already own, giving us 100% of the shares, and allowing us to take the company private. Accordingly, on October 18, 2012 the Brazilian Securities Commission (CVM) delisted Redecard as a public company.

We booked the acquisition of this minority stake as a capital transaction, because this change in our participation in Redecard did not result in a change of control. The difference between the value paid and the value of the minority stake was recognized under consolidated shareholders' equity as Retained Earnings in the amount of R\$11,150 million, or R\$7,360 million, net of tax effects.

[See Note 2.c in the Financial Statements.](#)

Balance Sheet | Assets

(in R\$ millions)

	12/31/12	12/31/11	Variation Dec/12 – Dec/11
Current and Long-term Assets	1,001,212	839,422	19.3%
Cash and Cash Equivalents	13,967	10,633	31.4%
Short-term Interbank Investments	182,034	116,082	56.8%
Securities and Derivatives	276,174	187,880	47.0%
Interbank and Interbranch Accounts	64,610	98,923	-34.7%
Loan, Lease and Other Lending Operations	366,285	345,483	6.0%
(Provision for Loan Losses)	(27,745)	(25,772)	7.7%
Other Assets	125,887	106,193	18.5%
Foreign Exchange Portfolio	30,960	26,450	17.1%
Other	94,928	79,743	19.0%
Permanent Assets	13,213	11,909	10.9%
Investments	2,956	2,717	8.8%
Fixed and Operating Lease Assets	5,566	5,287	5.3%
Intangible Assets and Goodwill	4,690	3,906	20.1%
Total Assets	1,014,425	851,332	19.2%

Total assets at December 31, 2012 were R\$1.0 trillion, up 19.2% year-on-year. Lending (without guarantees) rose 6% over 2011, reaching R\$366.3 billion. Short-term interbank investments were up 56.8% during the period, reaching R\$182.0 billion, while securities climbed 47.0% to close the year at R\$276.2 billion.



	12/31/12	12/31/11	Variation
			Dec/12 – Dec/11
Current and Long-term Liabilities	938,165	777,407	20.7%
Deposits	243,200	242,636	0.2%
Demand Deposits	34,916	28,933	20.7%
Savings Deposits	83,451	67,170	24.2%
Interbank Deposits	7,600	2,066	267.9%
Time Deposits	117,232	144,469	-18.9%
Deposits Received under Securities Repurchase Agreements	288,818	188,819	53.0%
Acceptances and Issue of Securities	55,108	51,557	6.9%
Interbank and Interbranch Accounts	4,979	4,048	23.0%
Borrowings and Onlendings	59,125	56,602	4.5%
Derivatives and other Financial Instruments	11,128	6,807	63.5%
Technical Provisions for Insurance, Pensions and Capitalization	93,210	73,754	26.4%
Other Liabilities	182,598	153,183	19.2%
Subordinated Debt	54,372	38,974	39.5%
Foreign Exchange Portfolio	31,104	26,182	18.8%
Other	97,121	88,027	10.3%
Deferred Income	1,137	836	36.0%
Minority Interest in Subsidiaries	903	1,741	-48.2%
Net Equity	74,220	71,347	4.0%
Total Liabilities	1,014,425	851,332	19.2%

In liabilities, money market funding grew 53%, derivatives and other financial instruments were up 63.5%, technical provisions for insurance, pensions and capitalization rose 26.4%, and the forex portfolio was up 18.8%. Net equity increased 4% year-on-year, reaching R\$74.2 billion.

Credit portfolio with endorsements and sureties

The credit portfolio, including endorsements and sureties, totaled R\$426,595 million at December 31, 2012, a 7.5% year-on-year increase. If we add in private securities the total becomes R\$449,248 million, or growth of 9.0%. Independent of vehicle financing, the credit portfolio grew 13% over 2011.

During the year the credit mix for individual borrowers posted growth in mortgage lending and payroll deduction loans of 34.2% and 29.4%, respectively. The reduced share of vehicle financing in the mix was due to

tighter lending practices in the second half of 2011, which resulted in a lower nominal balance for this portfolio.

On December 17, 2012 Itaú BMG Consignado began operations. This new company seeks a substantial share of the supply, distribution and marketing of the payroll loans market in Brazil, consistent with our strategy to operate more actively in segments which typically offer lower spreads and losses.

The mix for corporate clients saw lending to micro and small enterprises finish with a smaller share than large and medium-sized enterprises. The portfolio for large companies grew 15.5% during the year.

Endorsements and sureties totaled R\$60,310 million at December 31, 2012, up 17% for the period. This growth was due primarily to 16.2% more lending to large companies, and a 17.4% increase for very small, small and medium-sized enterprises, compared to December 31, 2011.

Credit Portfolio – with Endorsements and Sureties

(in R\$ millions)

	12/31/12	12/31/11	Dec/12 – Dec/11
Consumer Clients	149,809	148,723	0.7%
Credit Cards	40,614	38,961	4.2%
Personal Loans	39,928	36,219	10.2%
Vehicles	51,220	60,093	-14.8%
Mortgages ¹	18,047	13,450	34.2%
Commercial Clients	247,493	227,612	8.7%
Large Companies	158,534	137,234	15.5%
Very Small, Small and Medium-sized Companies ²	88,959	90,378	-1.6%
Argentina/Chile/Uruguay/Paraguay	29,293	20,678	41.7%
Total with Endorsements and Sureties	426,595	397,012	7.5%
Large Companies – Private Securities ³	22,652	15,220	48.8%
Total with Endorsements, Sureties and Private Securities	449,247	412,232	9.0%
Total with Endorsements, Sureties and Private Securities (ex-Vehicles)	398,027	352,139	13.0%
Endorsements and Sureties	60,310	51,530	17.0%
Consumer Clients	201	267	-24.4%
Commercial Clients	54,184	46,630	16.2%
Very Small, Small and Medium-sized Companies	3,774	3,214	17.4%
Argentina/Chile/Uruguay/Paraguay	2,151	1,419	51.6%

1. Does not include co-obligation in mortgage lending assignments of R\$389.5 million made in 4Q11.

2. Includes Rural Loans to Individuals.

3. Includes debentures, CRI and commercial paper.

Note: The payroll loan portfolio acquired from BMG was regarded as personal lending, and for comparison purposes prior periods were reclassified. The rest of the loan portfolio acquired from other banks was classified as corporate risk under Large Companies. Mortgage and Rural Lending portfolios from the commercial segment are allocated according to client size.

Credit portfolio, by currency

At December 31, 2012, R\$81.9 billion of our total credit assets were denominated in or indexed to foreign currencies. The weakening of the real against these currencies, and particularly against the US dollar, was a factor in the growth of the credit portfolio during the year.

Credit Portfolio Growth

(in R\$ billions)


Financial margin

Our managerial financial margin increased by 4.9% during the year, due to a 5.3% increase in the financial margin with clients, demonstrated by an increase in the credit portfolio and changes in the lending and financing mix. To provide a more detailed analysis of changes in the financial margin with clients, we have segregated their operations into two separate groups: financial margin on interest rate-sensitive operations, and financial margin on spread-sensitive operations.

The financial margin on interest rate-sensitive operations was R\$4,848 million in 2012, down 32.3% (R\$1,777 million) year-on-year, primarily due to a reduction in the average Selic interest rate for the period.

The financial margin on spread-sensitive operations with clients was R\$43,363 million, up 12.3% year-on-year, due primarily to increased lending and efforts by the bank to move its client mix into a portfolio with lower credit risk.

The financial margin with the market stems primarily from treasury operations, which include managing the Asset Liability Management (ALM) mismatch between assets and liabilities, and proprietary portfolio

management. The financial margin with the market rose R\$16.0 million to reach R\$3,801 million at year-end, thanks to better results from our proprietary positions.

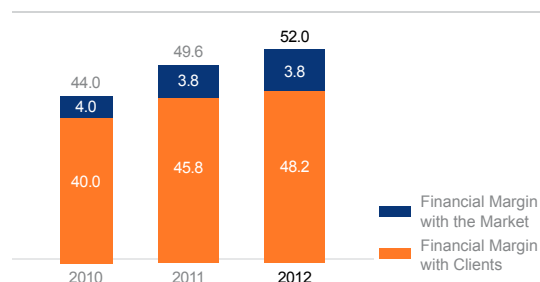
We also implemented changes in our product mix during the year by more heavily weighting products with lower risk, which negatively impacted our Net Interest Margin (NIM), but this also meant having to provision fewer reserves against doubtful debts.

Analysis of Managerial Financial Margin

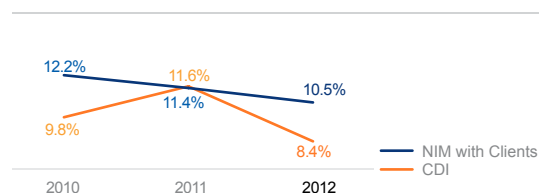
	2010			2011			2012		
	Average Balance	Financial Margin	Average Rate (p.a.)	Average Balance	Financial Margin	Average Rate (p.a.)	Average Balance	Financial Margin	Average Rate (p.a.)
Interest Rate-sensitive Operations with Clients (A)	58,194	5,485	9.4%	69,321	7,158	10.3%	68,706	4,848	7.1%
Spread-sensitive Operations (B)	268,671	34,535	12.9%	331,681	38,623	11.6%	327,440	43,363	11.1%
Net Interest Margin – Financial Margin with Clients (C = A+B)	326,865	40,020	12.2%	401,003	45,781	11.4%	460,131	48,211	10.5%
Financial Margin with the Market (Treasury) (D)		4,029			3,785			3,801	
Financial Margin (E = C+D)		44,050			49,566			52,012	

Financial Margin Growth

(in R\$ billions)



Net Interest Margin (NIM) with Clients x CDI



Income from services and banking fees

Income from services and banking fees totaled R\$20,622 million in 2012, up 8.3% from 2011. If we combine this with income from insurance, pensions and capitalization, revenues reached R\$23,612 million, for growth of 8.5% during the year.

Revenues from asset management rose 18.2% to R\$3,084 million, while assets under management reached R\$562 billion, a 25% increase compared to 2011, due to growth of these portfolios.

Income from current account services grew 31.9%, finishing the year at R\$3,311 million, driven mainly by higher revenues from bundled services and the sale of new rates packages that allow customers to use their monthly fees to top up their cell phone accounts.

Revenues from loans and guarantees fell 19.9% in 2012, impacted by the suspension of fees on

additional contracts and a slowdown in vehicle leasing during the year.

Income from collection services climbed 8% year-on-year, due to more effective collection processes.

Revenues from credit cards totaled R\$8,281 million at year-end, an increase of 10.5% compared to 2011, due in great part to higher income from interchange and annual fees. If we exclude revenues from credit card processing as a result of the Orbitall sale in 2Q12, revenues from credit cards would have grown 14.2%.

The Other Income line item increased by 3% during the year, mainly due to providing more investment banking services.

Thanks to an increase in earned premiums, income from insurance, pensions and capitalization totaled R\$2,990 million in 2012, an increase of 10.2% over the 2011 figure.

Income Table

(in R\$ millions)

	2012	2011	Variation	
			2012 – 2011	
Asset Management	3,084	2,608	476	18.2%
Current Account Services	3,311	2,510	800	31.9%
Lending and Providing Guarantees	2,607	3,255	(648)	-19.9%
Collections	1,440	1,333	107	8.0%
Credit Cards	8,281	7,497	784	10.5%
Orbitall Processing Services	198	418	(220)	-52.7%
Other Income	1,901	1,845	55	3.0%
Income from Services	20,622	19,048	1,575	8.3%
Insurance, Pensions and Capitalization*	2,990	2,714	276	10.2%
Total	23,612	21,762	1,850	8.5%

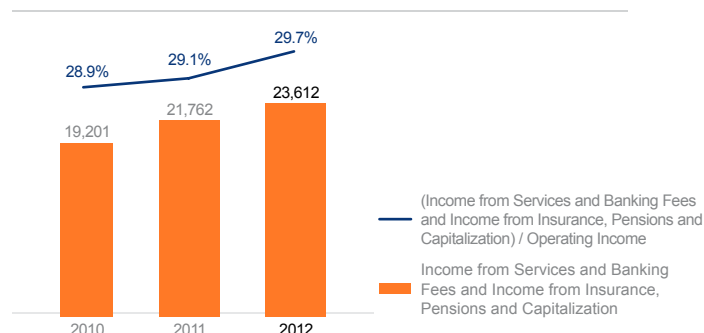
* Income from Insurance, Pensions and Capitalization (-) Expenses on Claims (-) Cost of Sales of Insurance, Pensions and Capitalization.

Growth in income from services, and income from insurance, pensions and capitalization

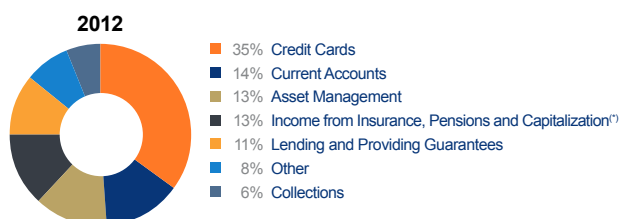
The ratio between income from services and banking fees and income from insurance, pensions and capitalization, divided by net operating income – which also includes the managerial financial margin and other operating income – reached 29.7%, an increase of 0.6 percentage points (p.p.) over 2011.

Growth in Income from Services and Income from Insurance, Pensions and Capitalization

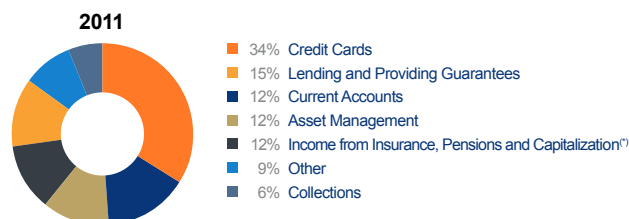
(in R\$ millions)



Composition of Income from Services and Banking Fees



* Income from Insurance, Pensions and Capitalization (-) Expenses on Claims (-) Cost of Sales of Insurance, Pensions and Capitalization.



* Income from Insurance, Pensions and Capitalization (-) Expenses on Claims (-) Cost of Sales of Insurance, Pensions and Capitalization.

Result from doubtful loan losses

The result for doubtful debts totaled R\$18,981 million in 2012. Expenses on provisions for doubtful debts (PDD) totaled R\$23,644 million for the year, an increase of R\$3,732 over 2011, due to rising defaults seen in the vehicles portfolio, along with increased personal lending (primarily installment and payroll loans).

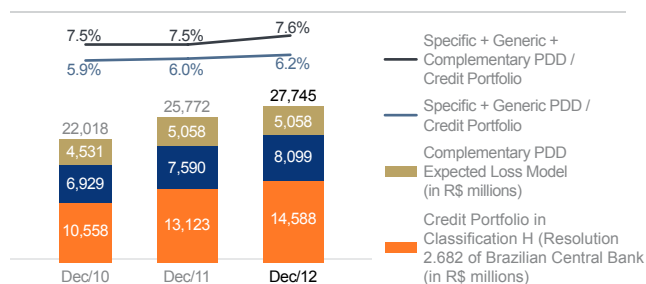
Revenues from the recovery of previously written off loans totaled R\$4,663 million. Since the beginning of 2012, discounts on the recovery of loans written off as losses are no longer deducted from the financial margin, and now income is deducted from the recovery of these credits. In 2011 these discounts totaled R\$609 million. If we apply this effect to 2011, revenues from the recovery of loans written off as losses would have dropped 4.4% in 2012.

(in R\$ millions)

	2012	2011	2012 – 2011	
Expenses for Provision for Loan Losses (R\$ million)	(23,644)	(19,912)	(3,732)	18.7%
Income from Recovery of Previously Written Off Loans	4,663	5,488	(825)	-15.0%
Result from Doubtful Loan Losses	(18,981)	(14,424)	(4,557)	31.6%

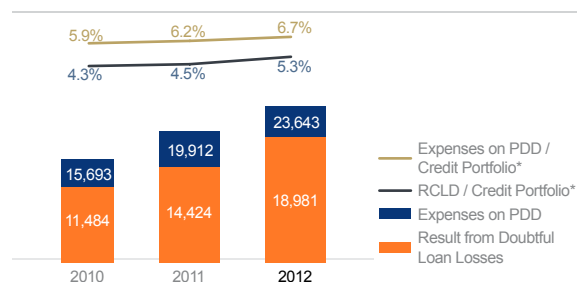
PDD and Credit Portfolio

(in R\$ millions)



Expenses on PDD

(in R\$ millions)

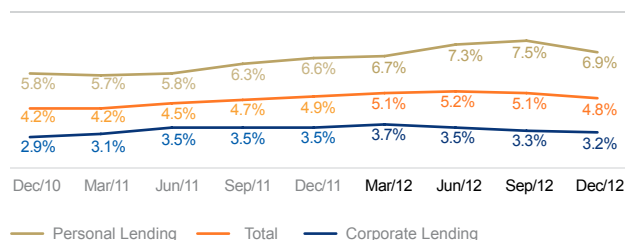


* Average balance of the credit portfolio for the two previous quarters

At December 2012 the balance of the credit portfolio, without endorsements and sureties, had grown R\$20,802 million year-on-year, reaching R\$366,285 million, while provisions for doubtful debts increased by R\$1,973 million to finish the year at R\$27,745 million.

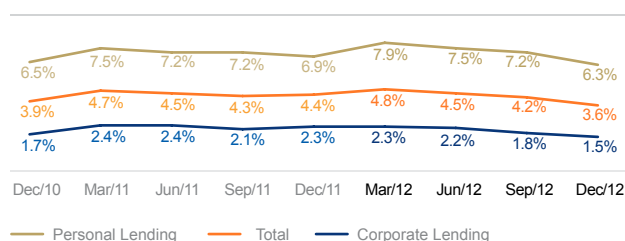
The ratio between PDD and the loan portfolio reached 6.7% in 2012, up 0.5 p.p. from a year earlier.

Delinquency Ratio (more than 90 days in arrears)



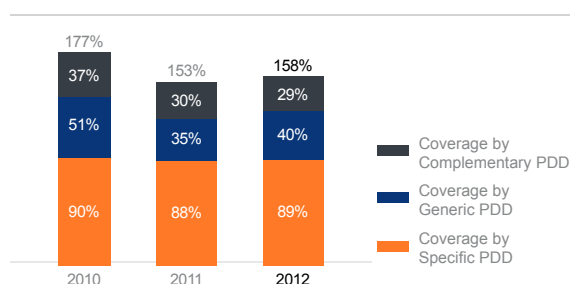
The above graph shows the changes in delinquency ratios (over 90 days in arrears) for the entire loan portfolio, including personal and corporate lending. At December 31, 2012 the delinquency rate for loans more than 90 days in arrears had decreased by 0.1 p.p., year-on-year, and 0.4 p.p. from the peak rate of June 2012.

Delinquency Ratio (15 to 90 days in arrears)



The short-term delinquency ratio in 2012 (loans 15 to 90 days in arrears) decreased by 0.8 percentage points year-on-year. In personal lending it dropped 0.6 p.p. points, and 0.8 p.p. in corporate lending.

Coverage Ratio (over 90 days in arrears)



The coverage ratio for loans over 90 days in arrears reached 158% in 2012, due primarily to a 5.2% increase in all credit over 90 days in arrears. PDD totaled R\$27,745 at year-end, up 7.7% from 2011.

Non-interest expenses

Non-interest expenses totaled R\$33,169 million in 2012, an increase of 1.8% compared to 2011, due mainly to a R\$310 million increase in staff expenses plus an additional R\$177 million in operating expenses.

Staff expenses increased 2.3% from 2011, impacted by rising costs from terminations and labor claims related to Itaú Unibanco's restructuring during the period. If we exclude the R\$718 million increase booked under expenses for terminations and labor claims, then staff expenses would have dropped 3% year-on-year.

Administrative expenses rose 0.5% in 2012, due to an increase in operations, inflation adjustments to contracts, and a R\$235 million increase in expenses on depreciation and amortization (by standardizing accounting criteria for depreciation between group companies).

Increased spending of R\$36 million on outsourced services also contributed to this increase, a result of restructuring the Consumer Credit area plus a R\$73 million increase in expenses on financial system services.

Operating expenses in 2012 were up R\$177 million, 3.7% higher than in 2011, due principally to increased provisions for contingencies due to the revaluation of value at risk (VaR) for the large number of civil claims, in addition to increased marketing expenses on credit cards due to higher spending on rewards programs.

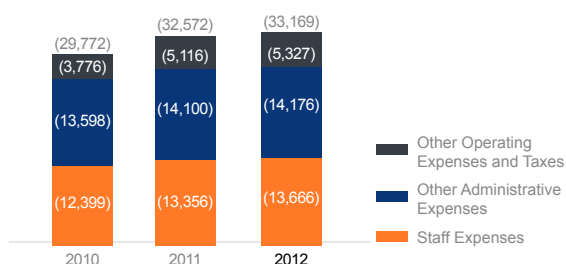
Tax expenses rose R\$34 million in 2012, 9.2% higher than in 2011, due to a higher incidence of IOF on forex and related exposure.

	2012	2011	2012 – 2011	
Staff	(13,666)	(13,356)	(310)	2.3%
Administrative	(14,176)	(14,100)	(76)	0.5%
Operating	(4,923)	(4,746)	(177)	3.7%
Other Taxes*	(404)	(370)	(34)	9.2%
Total	(33,169)	(32,572)	(597)	1.8%

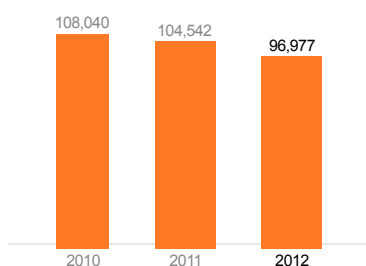
* Does not include ISS, PIS and COFINS.

Non-interest Expenses

(in R\$ millions)



Employees



The number of employees decreased from 104,542 in 2011 to 97,087 in 2012, primarily due to a restructuring of the Consumer Credit area, involving the integration of systems and processes into a single platform to bring synergies between operational structures, as well as a revision of the strategy of some businesses. The sale of Orbitall was also a factor in staff size reduction.

Note: For companies controlled by Itaú Unibanco, includes all employees.
For companies not controlled by Itaú Unibanco, no employees are included.

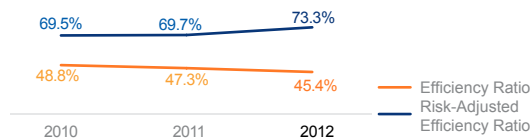
Efficiency ratio

In 2012 the full efficiency ratio (including all expenses), reached 45.4%, a 1.9 p.p. improvement from 2011. This achievement was due to a 6.3% year-on-year increase in operating income, comprising income from services and banking fees, a managerial financial margin and income from insurance, pensions and capitalization (before retained premiums and cost of sales).

Risk-adjusted efficiency ratio

The risk-adjusted efficiency ratio in 2012 reached 73.3%, a 3.6 p.p. improvement over 2011, influenced primarily by increased provisions for doubtful debts during the year.

Provision for Doubtful Accounts in the Period



Efficiency Ratio

	2012	2011	Variation	
			2012 – 2011	
Non-interest Expenses (A)	(33,169)	(32,572)	(597)	1.8%
Cost of Sales – Insurance (B)	(1,040)	(989)	(52)	5.2%
Managerial Financial Margin	52,012	49,566	2,446	4.9%
Income from Services and Banking Fees	20,622	19,048	1,575	8.3%
Income from Insurance, Pensions and Capitalization	6,066	5,215	850	16.3%
Other Operating Income	278	378	(100)	-26.4%
Equity in Earnings of Affiliates	488	410	77	18.9%
Non-Operating Income	84	191	(106)	0.0%
Net Operating Income (C)	79,550	74,808	4,743	6.3%
ISS, PIS, COFINS and other taxes (D)	(4,230)	(3,839)	(390)	10.2%
Efficiency Ratio [E = (A + B) / (C + D)]	45.4%	47.3%		-1.9 p.p.
Provisions for Doubtful Debts	(23,644)	(19,912)	(3,732)	18.7%
Income from Recovery of Previously Written Off Loans	4,663	5,488	(825)	-15.0%
Expenses on Insurance Claims	(2,035)	(1,512)	(523)	34.6%
Losses on Credits and Claims (F)	(21,016)	(15,936)	(5,080)	31.9%
Risk-Adjusted Efficiency Ratio [G = (A + B + F) / (C + D)]	73.3%	69.7%		3.6 p.p.

See our quarterly report containing the complete [Management Discussion and Analysis and Financial Statements](#) on our [website Investor Relations](#).



CHALLENGES FOR 2013

Outlook for 2013: Total Credit Portfolio Growth from 11% to 14%



The following are our expectations for 2013:

Total Credit Portfolio	Growth of 11% to 14%
Provisions for Doubtful Debts	Between R\$19 billion and R\$22 billion
Income from Services and Income from Insurance, Pensions and Capitalization*	Growth of 11% to 14%
Non-interest Expenses	Growth of 4% to 6%
Risk-Adjusted Efficiency Ratio	Improvement of between 2% and 4%

* Income from Services; (+) Income from Insurance, Pensions and Capitalization; (-) Expenses on Claims; (-) Cost of Sales of Insurance, Pensions and Capitalization.

Although the growth projections and forward looking statements presented above are based on management assumptions and information currently available to the market, they involve risks and uncertainties that are difficult to predict and thus may have outcomes or results different from those anticipated here. These statements are not guarantees of future performance. The use of these expectations should consider the risks and uncertainties that involve any activities that are outside our control, and which include, but are not limited to, our ability to realize the projected synergies and scale on a timely basis, political and economic changes, volatility in interest rates and exchange rates, technological changes, inflation, financial disintermediation, competitive pressures on product prices and changes in tax laws.

p. 102	GRI Cross Index
p. 112	Profile and governance items
p. 119	Economic performance
p. 128	Environmental performance
p. 136	Social performance – Labor practices
p. 152	Social performance – Human rights
p. 154	Social performance – Society
p. 159	Social performance – Product responsibility
p. 163	Sector indicators
p. 189	Statements and assurances

5 GRI contents

Ethics and transparency in reporting
our performance to stakeholders

GRI CROSS INDEX GRI Perfil 3.12

APPLICATION LEVEL

The Itaú Unibanco Annual Report meets GRI A+ application level requirements, consistent with the parameters in the following table:

		C	C+ B	B+ A	A+
Report content	Profile G3.1	1.1 2.1 – 2.10 3.1 – 3.8; 3.10 – 3.12 4.1 – 4.4; 4.14 – 4.15		All profile indicators: 1.1 – 4.17	All profile indicators: 1.1 – 4.17
	Management Approach G3.1	Not required	Report externally assured	Management Approach Disclosures for each Indicator Category	Report externally assured
	G3 Performance Indicators and Supplementary Sector Performance Indicators.	Report on a minimum of 10 Performance Indicators, including at least one from each of the following performance areas: Economic, Social and Environmental. If supplementary information is available it can be used to report up to seven sector indicators.	Report externally assured	Report on a minimum of 20 Performance Indicators, including at least one from each of: Financial, Environmental, Human Rights, Labor, Society and Product Responsibility. If supplementary information is available it can be used to report up to 14 sector indicators.	Report on each core G3 and Sector Supplement* Indicator with due regard to the Materiality Principle by either: (a) reporting on the indicator, or (b) explaining the reason for its omission. Mandatory reporting of sector indicators one year after the final release of the supplement.

* Mandatory reporting of sector indicators one year after the final release of the supplement.

Profile				
Strategy and Analysis				
Indicator	Description	Reported	Page/Chapter	Reason for omission
1.1	Statement from the most senior decision-maker of the organization	Complete	Page 5, 6, 7 and 8 – Messages from the Chairman and the President	
1.2	Description of key impacts, risks, and opportunities	Complete	Page 9 – Context Page 16 – 2012 Highlights Page 31 – Socio-environmental risks and opportunities Page 45 – Risk and Capital Management Page 49 – Efficiency Page 54 – Sustainability: strategic focus areas Page 72 – Complaints Page 116 – GRI Contents Page 119 – GRI Contents Page 121 – GRI Contents Page 128 – GRI Contents Page 134 – GRI Contents	
Organization Profile				
Indicator	Description	Reported	Page/Chapter	Reason for omission
2.1	Name of the organization	Complete	Page 112 – GRI Contents	
2.2	Primary brands, products, and/or services	Complete	Page 11 and 12 – Highlights (Business areas)	
2.3	Operational structure of the organization	Complete	Page 11 – Highlights (Business areas) Page 13 – Composition of recurring net income Page 14 – Operations in Brazil and abroad Page 15 – Shareholding structure	
2.4	Location of organization's headquarters	Complete	Page 112 – GRI Contents	
2.5	Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report	Complete	Page 14 – Operations in Brazil and abroad	
2.6	Nature of ownership and legal form	Complete	Page 75 – Engagement with our relationship groups (Shareholders)	
2.7	Markets served	Complete	Page 14 – Operations in Brazil and abroad Page 21 – Our businesses	
2.8	Scale of the reporting organization	Complete	Page 11 to 15 – Highlights Page 21 – Credit Portfolio, by Product Page 63 – Distribution of Value Added (DVA)	
2.9	Significant changes during the reporting period	Complete	Page 16 – 2012 Highlights	
2.10	Awards received in the reporting period	Complete	Page 17 – Awards and recognition	
Report Parameters				
Indicator	Description	Reported	Page/Chapter	Reason for omission
3.1	Reporting period for information provided	Complete	Page 4 – About this report Page 112 – GRI Contents	
3.2	Date of most recent previous report	Complete	Page 112 – GRI Contents	
3.3	Reporting cycle	Complete	Page 112 – GRI Contents	
3.4	Contact point for questions regarding the report or its contents	Complete	Page 4 – About this report	
3.5	Process for defining report content	Complete	Page 4 – About this report Page 63 – Sustainable performance Page 112 – GRI Contents	
3.6	Boundary of the report	Complete	Page 4 – About this report	
3.7	State any specific limitations on the scope or boundary of the report	Complete	Page 112 – GRI Contents	
3.8	Basis for reporting	Complete	Page 4 – About this report	
3.9	Data measurement techniques and the bases of calculations	Complete	Pages 112, 140 and 143 – GRI Contents	
3.10	Explanation of the effect of any re-statements of information provided in earlier reports	Complete	Pages 136 and 140 – GRI Contents	
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report	Complete	Pages 112, 128, 133, 136, 137, 138, 139 and 140 – GRI Contents	
3.12	Table identifying the location of the Standard Disclosures in the report	Complete	Page 102 – GRI Cross Index	
3.13	Policy and current practice with regard to seeking external assurance for the report	Complete	Page 4 – About this report	

Governance, Commitments, and Engagement Governance				
Indicator	Description	Reported	Page/Chapter	Reason for omission
4.1	Governance structure of the organization, including committees under the highest governance body	Complete	Page 40 to 43 – Governance structures Page 60 – Enabling fronts Page 113 – GRI Contents	
4.2	Indicate whether the Chair of the highest governance body is also an executive officer	Complete	Page 40 – Governance structures (Board of Directors) Page 41 – Governance structures (Committees)	
4.3	Members of the highest governance body that are independent and/or non-executive members	Complete	Page 41 – Governance structures (Committees) Page 113 – GRI Contents	
4.4	Mechanisms for shareholders and employees to provide recommendations	Complete	Page 64 – Engagement with stakeholders (Employees) Page 70 – Communication Channels Page 113 – GRI Contents	There is no information in the company
4.5	Linkage between compensation, and the organization's performance (including social and environmental performance)	Complete	Page 55 – Sustainability: strategic focus areas Page 61 – Enabling fronts (Incentives)	
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided	Complete	Page 39 – Governance Page 113 – GRI Contents	
4.7	Qualifications and expertise of the members of the highest governance body	Complete	Page 41 – Governance structures (Committees)	
4.8	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation	Complete	Page 19 – Vision, culture and brand Page 61 – Enabling fronts (Culture) Page 114 – GRI Contents	
4.9	Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental, and social performance	Complete	Page 40 – Governance structures (Board of Directors) Page 60 – Enabling fronts (Governance and management)	
4.10	Processes for evaluating the highest governance body's own performance	Complete	Page 40 – Governance structures (Board of Directors)	
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organization	Complete	Page 45 – Risk and capital management	
4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses	Complete	Page 46 – Risk and capital management (Credit risk) Page 59 – Socio-environmental risks and opportunities (In investments) Page 114 – GRI Contents	
4.13	Memberships in associations and/or national/international advocacy organizations	Complete	Page 40 – Governance structures (Board of Directors) Page 114 – GRI Contents	
4.14	List of stakeholder groups engaged by the organization	Complete	Page 63 – Sustainable performance	
Indicator	Description	Reported	Page/Chapter	Reason for omission
4.15	Basis for identification and selection of stakeholders with whom to engage	Complete	Page 63 – Sustainable performance Page 115 – GRI Contents	
4.16	Approaches to stakeholder engagement	Complete	Page 55 – Sustainability: strategic focus areas Page 57 – Sustainability: strategic focus areas (Dialogue and transparency) Page 115 – GRI Contents	
4.17	Key topics and concerns that have been raised through stakeholder engagement	Complete	Page 4 – About this report Page 55 – Sustainability: strategic focus areas	

Information about management approach		
Disclosure on Management	Aspects	Page/Answer
FS	Product Portfolio Audits Active Ownership	Page 22 – Commercial Banking and Retail banking Page 28 – Insurance Page 32 – Commercial banking for large companies Page 58 – Socio-environmental risks and opportunities
EC	Economic Performance Market presence Indirect economic impacts	Page 20 – Our businesses Page 43 – Our practices (policies and compliance) Page 45 – Risk and capital management Page 49 – Efficiency Page 50 – Efficiency (Investments in IT) Page 61 – Enabling fronts (Incentives and Efficiency)
EN	Materials Energy Water Emissions, effluents and waste Products and services Transport Overall	Page 50 – Efficiency (Investments in IT) Page 51 – Efficiency (Eco-efficiency) Page 58 – Socio-environmental risks and opportunities Page 61 – Enabling fronts (Efficiency)
LA	Employment Occupational health and safety Training and education Diversity and equal opportunity Equal pay for men and women	Page 61 – Sustainability: strategic focus areas (Culture) Page 64 – Employees Page 65 – Staff Profile Page 69 – Health and Safety
HR	Investment and procurement practices Non-discrimination Child labor Forced and compulsory labor Security practices	Page 65 – Diversity Page 83 – Engagement with our relationship groups (Suppliers) Page 152 – GRI Contents
SO	Community Corruption Public policy Anti-competitive behavior Compliance	Page 56 – Financial education Page 57 – Dialogue and transparency Page 77 – Engagement with our relationship groups (Society)
PR	Customer health and safety Product and service labelling Marketing communications Customer privacy Compliance	Page 22 – Our businesses (Commercial banking) Page 73 – Engagement with our relationship groups (Security)

Economic Performance Indicators					
Management					
Indicator	Description	Reported	Page/Chapter	Reason for omission	Global compact
Economic Performance					
EC1	Direct economic value generated and distributed	Complete	Page 63 – Sustainable performance (Distribution of Value Added (DVA)) Page 119 – GRI Contents Page 121 to 126 – GRI Contents		
EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change	Complete	Page 32 – Our businesses (Itaú BBA) Page 45 – Risk and capital management Page 119 to 121 – GRI Contents		7
EC3	Coverage of the organization's defined benefit plan obligations	Not reported		Non material	
EC4	Significant financial assistance received from government	Complete	Page 77 – Engagement with our relationship groups (Society) Page 85 – Government tax incentives Page 121 – GRI Contents		
Market Presence					
EC5	Range of ratios of standard entry level wage compared to local minimum wage at significant locations of operation	Not reported		Non material	
EC6	Policy, practices, and proportion of spending on locally-based suppliers	Complete	Page 83 – Suppliers Page 121 – GRI Contents		
Indirect Economic Impacts					
EC7	Procedures for local hiring	Not reported		Non material	6
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit	Complete	Page 77 – Engagement with our relationship groups (Society) Page 80 – Community Page 121 to 126 – GRI Contents		
EC9	Understanding and describing significant indirect economic impacts	Complete	Page 77 – Engagement with our relationship groups (Society) Page 126, 127, 154 and 155 – GRI Contents		

ENVIRONMENTAL MANAGEMENT					
Indicator	Description	Reported	Page/Chapter	Reason for omission	Global compact
Materials					
EN1	Materials used by weight or volume	Complete	Page 53 – Paperless Itaú Page 128 – GRI Contents		8
EN2	Percentage of materials used that are recycled input materials	Not reported		Non material	8 and 9
Energy					
EN3	Direct energy consumption by primary energy source	Not reported		Non material	8
EN4	Indirect energy consumption by primary source	Complete	Page 51 – Efficiency (Eco-efficiency)		8 and 9
EN5	Energy saved due to conservation and efficiency improvements	Complete	Page 51 – Efficiency (Water and energy) Page 53 – Efficiency Page 128 – GRI Contents		8
EN6	Initiatives to provide energy-efficient based products and services	Partial	Page 129 – GRI Contents	Non material	
EN7	Initiatives to reduce indirect energy consumption and reductions achieved	Not reported		Non material	
Water					
EN8	Total water withdrawal by source	Complete	Page 51 – Efficiency (Water and energy) Page 130 – GRI Contents		8 and 9
EN10	Percentage and total volume of water recycled and reused	Not reported		Non material	8
Biodiversity					
EN11	Location and size of land owned	Not reported		Non material	8
EN12	Description of significant impacts of activities, products, and services on biodiversity	Not reported		Non material	8
EN13	Habitats protected or restored	Not reported		Non material	
EN14	Strategies for managing impacts on biodiversity	Not reported		Non material	
EN15	Number of IUCN Red List species and national conservation list species	Not reported		Non material	
Emissions, Effluents, and Waste					
EN16	Total direct and indirect greenhouse gas emissions	Complete	Page 53 – Efficiency Page 131 – GRI Contents		8
EN17	Other relevant indirect greenhouse gas emissions	Complete	Page 53 – Efficiency Page 131 – GRI Contents		8
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved	Complete	Page 53 – Efficiency Page 131 – GRI Contents		7, 8 and 9
EN19	Emissions of ozone-depleting substances	Complete	Page 131 – GRI Contents		8
EN20	NO, SO, and other significant air emissions	Not reported		Non material	8
EN21	Total water discharge by quality and destination	Not reported		Non material	8
EN22	Total weight of waste by type and disposal method	Complete	Page 52 – Green IT Page 53 – Paperless Itaú Page 132 and 133 – GRI Contents		8
EN23	Total number and volume of significant spills	Not reported		Non material	8
EN24	Weight of transported, imported, exported, or treated waste deemed hazardous	Not reported		Non material	
EN25	Identity, size, protected status, and biodiversity value of water bodies and related habitats	Not reported		Non material	

Indicator	Description	Reported	Page/Chapter	Reason for omission	Global compact
Products and Services					
EN26	Initiatives to mitigate environmental impacts	Complete	Page 50 – Efficiency (Investments in IT) Page 51 – Efficiency (Water and energy) Page 52 – Waste and effluent creation Page 53 – Efficiency Page 129 – GRI Contents		7, 8 and 9
EN27	Percentage of products sold and their packaging materials that are reclaimed by category	Not reported		Non material	8 and 9
Transport					
EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance laws	Not reported		Non material	8
EN29	Significant environmental impacts of transporting products and members of the workforce	Complete	Page 52 – Transport and emissions Page 134 – GRI Contents	Non material	8
Overall					
EN30	Total environmental protection expenditures and investments	Complete	Page 135 – GRI Contents		7, 8 and 9
Indicator	Description	Reported	Page/Chapter	Reason for omission	Global compact
Employment					
LA1	Total workforce by employment type, employment contract, and region, broken down by gender	Complete	Page 64 – Engagement with stakeholders (Employees) Page 65 – Staff profile Page 136 to 138 – GRI Contents		
LA2	Total number and rate of new employee hires and employee turnover by age group, gender, and region	Complete	Page 65 – Staff profile Page 138 and 139 – GRI Contents		6
LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations	Complete	Page 139 – GRI Contents		
Labor/Management Relations					
LA4	Percentage of employees covered by collective bargaining agreements	Not reported		Non material	1, 2 and 3
LA5	Minimum notice period(s) regarding operational changes, including whether it is specified in collective agreements.	Not reported		Non material	
Occupational Health and Safety					
LA6	Percentage of total workforce represented in formal joint management – worker health and safety committees	Not reported		Non material	1, 2 and 3
LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of workrelated fatalities by region and by gender	Partial	Page 69 – Health and safety Page 139 and 140 – GRI Contents	Not available	1
LA8	Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases	Complete	Page 69 – Health and safety Page 141 – GRI Contents		
LA9	Health and safety topics covered in formal agreements with trade unions	Not reported		Non material	1
Training and Education					
LA10	Average hours of training per year per employee by gender, and by employee category	Complete	Page 64 – Engagement with stakeholders (Employees) Page 67 – Continuing education Page 143 – GRI Contents		6
LA11	Programs for skills management and lifelong learning	Complete	Page 67 – Continuing education Page 143 and 144 – GRI Contents		
LA12	Percentage of employees receiving regular performance and career development reviews, by gender	Complete	Page 64 – Engagement with stakeholders (Employees) Page 65 – Consolidation of meritocracy and Employee performance appraisal and management of talent Page 66 – Additional information Page 144 – GRI Contents		

Indicator	Description	Reported	Page/Chapter	Reason for omission	Global compact
Diversity and Equal Opportunity					
LA13	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity	Complete	Page 65 – Diversity Page 113 – GRI Contents Page 146 – GRI Contents		1 and 3
LA14	Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation	Complete	Page 66 – Additional information Page 151 – GRI Contents		1, 2 and 3
LA15	Return to work and retention rates after parental leave, by gender	Complete	Page 68 – Continuing education		
HUMAN RIGHTS					
Indicator	Description	Reported	Page/Chapter	Reason for omission	Global compact
Investment and Procurement Practices					
HR1	Percentage and total number of significant investment agreements and contracts that include clauses incorporating human rights concerns, or that have undergone human rights screening	Complete	Page 152 – GRI Contents		
HR2	Percentage of significant suppliers, contractors and other business partners that have undergone human rights screening, and actions taken	Complete	Page 83 – Suppliers Page 152 – GRI Contents		1, 2, 3 and 4
HR3	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained	Not reported		Non material	
Non-Discrimination					
HR4	Total number of incidents of discrimination and corrective actions taken	Complete	Page 65 – Diversity Page 152 – GRI Contents		
Freedom of Association					
HR5	Operations and significant suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and actions taken to support these rights	Not reported		Non material	1, 2 and 3
Child Labor					
HR6	Operations and significant suppliers identified as having significant risk for incidents of child labor, and measures taken to contribute to the effective abolition of child labor	Complete	Page 83 – Suppliers Page 152 and 153 – GRI Contents		1, 2, 3 and 5
Forced and Compulsory Labor					
HR7	Operations and significant suppliers identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of all forms of forced or compulsory labor	Complete	Page 83 – Suppliers Page 152 and 153 – GRI Contents		1, 2, 3 and 4
Security Practices					
HR8	Percentage of security personnel trained in procedures concerning aspects of human rights	Complete	Page 153 – GRI Contents		
Indigenous Rights					
HR9	Total number of incidents of violations involving rights of indigenous people and actions taken	Not reported		Non material	
HR10	Percentage and total number of operations that have been subject to human rights reviews and/or impact assessments	Complete	Page 153 – GRI Contents		
HR11	Number of grievances related to human rights filed, addressed and resolved through formal grievance mechanisms	Complete	Page 153 – GRI Contents		

SOCIETY					
Indicator	Description	Reported	Page/Chapter	Reason for omission	Global compact
Local Community					
SO1	Percentage of operations with implemented local community engagement, impact assessments, and development programs	Complete	Page 77 – Education Page 79 – Culture Page 80 – Sport and Community Page 154 – GRI Contents		
Corruption					
SO2	Total number of business units analyzed for risks related to corruption	Complete	Page 156 – GRI Contents		10
SO3	Percentage of employees trained in organization's anti-corruption policies and procedures	Complete	Page 68 – Corporate security awareness programs Page 156 – GRI Contents		10
SO4	Actions taken in response to incidents of corruption	Complete	Page 156 – GRI Contents		10
Public Policy					
SO5	Public policy positions	Complete	Page 77 – Education Page 84 – Government Page 156 – GRI Contents		10
SO6	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country	Complete	Page 85 – Political campaigns and donations Page 158 – GRI Contents		10
SO7	Total number of legal actions for anti-competitive behavior	Complete	Page 158 – GRI Contents		
Compliance					
SO8	Monetary value of significant fines and total number of non-monetary sanctions	Complete	Page 158 – GRI Contents		
SO9	Operations with significant potential or actual negative impacts on local communities	Complete	Page 158 – GRI Contents		
SO10	Prevention and mitigation measures implemented in operations with significant potential or actual negative impacts on local communities	Complete	Page 158 – GRI Contents		
PRODUCT RESPONSIBILITY					
Indicator	Description	Reported	Page/Chapter	Reason for omission	Global compact
Customer Health and Safety					
PR1	Life cycle stages in which health and safety impacts of products and services are assessed	Partial	Page 50 – Efficiency (Investments in IT) Page 73 – Security Page 74 – Additional information Page 159 and 160 – GRI Contents	Not available	1
PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services	Complete	Page 74 – Additional information Page 160 – GRI Contents		
PR3	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements	Not reported		Non material	8
PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service labeling	Not reported		Non material	
Product and Service Labeling					
PR5	Practices related to customer satisfaction, including results of surveys	Complete	Page 57 – Dialogue and transparency Page 70 – Engagement with stakeholders (Clients) Page 71 – Service channels Page 72 – Customer satisfaction Page 81 – Opinion makers Page 160 – GRI Contents		
Marketing Communications					
PR6	Programs for adherence to laws, standards, and voluntary codes	Complete	Page 161 – GRI Contents		
PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications	Complete	Page 162 – GRI Contents		
PR8	Total number of substantiated complaints regarding breaches of customer privacy	Partial	Page 162 – GRI Contents	Strategic information	
Compliance					
PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	Complete	Page 162 – GRI Contents		

Financial Services					
Indicator	Description	Reported	Page/Chapter	Reason for omission	Global compact
FS1	Policies with specific environmental and social components applied to business lines	Complete	Page 24 – Companies Page 25 – Mortgage lending Page 26 – Third-party asset management Page 28 – Insurance Page 32 – Our businesses (Itaú BBA) Page 35 – Vehicle finance Page 36 – Microcredit Page 163 – GRI Contents Page 168 – GRI Contents (Microcredit) Page 172 – GRI Contents (Companies) Page 173, 174, 176 and 177 – GRI Contents (Itaú BBA) Page 179 and 180 – GRI Contents (Vehicle finance) Page 181 – GRI Contents (Itaú Asset Management) Page 182 – GRI Contents (Property Loans) Page 183 and 184 – GRI Contents (Insurance)		
FS2	Procedures for assessing and screening environmental and social risks in business lines	Complete	Page 24 – Companies Page 25 – Mortgage lending Page 26 – Third-party asset management Page 28 – Insurance Page 32 – Our businesses (Itaú BBA) Page 35 – Vehicle finance Page 36 – Microcredit Page 58 – Socio-environmental risks and opportunities Page 168 and 169 – GRI Contents (Microcredit) Page 171 and 172 – GRI Contents (Companies) Page 173, 176 and 177 – GRI Contents (Itaú BBA) Page 180 – GRI Contents (Vehicle finance) Page 181 – GRI Contents (Itaú Asset Management) Page 182 – GRI Contents (Property Loans) Page 183 and 184 – GRI Contents (Insurance)		
FS3	Processes for monitoring clients' implementation of and compliance with environmental and social requirements included in agreements or transactions	Complete	Page 25 – Mortgage lending Page 28 – Insurance Page 32 – Our businesses (Itaú BBA) Page 35 – Vehicle finance Page 36 – Microcredit Page 168 – GRI Contents (Microcredit) Page 172 – GRI Contents (Companies) Page 176 – GRI Contents (Itaú BBA) Page 180 – GRI Contents (Vehicle finance) Page 183 – GRI Contents (Property Loans) Page 185 – GRI Contents (Insurance)		
FS4	Process(es) for improving staff competency to implement the environmental and social policies and procedures as applied to business lines	Complete	Page 26 – Third-party asset management Page 32 – Our businesses (Itaú BBA) Page 169 – GRI Contents (Microcredit) Page 172 – GRI Contents (Companies) Page 177 – GRI Contents (Itaú BBA) Page 180 – GRI Contents (Vehicle finance) Page 181 – GRI Contents (Itaú Asset Management) Page 185 – GRI Contents (Insurance)		
FS5	Interactions with clients/investees/business partners regarding environmental and social risks and opportunities	Complete	Page 24 – Companies Page 26 – Third-party asset management Page 34 – Credit cards Page 169 – GRI Contents (Microcredit) Page 170 – GRI Contents (Consumer lending) Page 171 – GRI Contents (Retail Bank) Page 172 – GRI Contents (Companies) Page 177 – GRI Contents (Itaú BBA) Page 182 – GRI Contents (Itaú Asset Management) Page 185 – GRI Contents (Insurance)		
FS6	Percentage of the portfolio for business lines by specific region, size (e.g. micro/SME/large) and by sector	Complete	Page 169 – GRI Contents (Microcredit) Page 178 – GRI Contents (Itaú BBA) Page 180 – GRI Contents (Vehicle finance) Page 183 – GRI Contents (Property Loans) Page 186 and 187 – GRI Contents (Insurance)		
FS7	Monetary value of products and services designed to deliver a specific social benefit for each business line broken down by purpose	Complete	Page 23 – Retail Banking Page 24 – Companies Page 29 – Insurance Page 34 – Itaúcard 2.0 Page 168, 169 and 170 – GRI Contents (Microcredit) Page 170 and 171 – GRI Contents (Consumer lending) Page 171 – GRI Contents (Retail Bank) Page 173 – GRI Contents (Companies) Page 179 – GRI Contents (Itaú BBA) Page 186 – GRI Contents (Insurance)		

Indicator	Description	Reported	Page/Chapter	Reason for omission	Global compact
FS8	Monetary value of products and services designed to deliver a specific environmental benefit for each business line broken down by purpose	Complete	Page 24 – Companies Page 29 – Insurance Page 34 – Consumer Lending Page 171 – GRI Contents (Consumer Lending) Page 173 – GRI Contents (Companies) Page 179 – GRI Contents (Itaú BBA) Page 182 – Itaú Asset Management Page 186 – GRI Contents (Insurance)		
FS9	Coverage and frequency of audits to assess implementation of environmental and social policies and risk assessment procedures	Complete	Page 163 – GRI Contents		
FS10	Percentage and number of companies held in the institution's portfolio with which the reporting organization has interacted on environmental or social issues	Complete	Page 179 – GRI Contents (Itaú BBA) Page 188 – GRI Contents (Insurance)		
FS11	Percentage of assets subject to positive and negative environmental or social screening	Partial	Page 26 – Third-party asset management Page 59 – Socio-environmental risks and opportunities (In investments) Page 182 – GRI Contents (Itaú Asset Management)	Strategic information	
FS12	Voting polic(ies) applied to environmental or social issues for shares over which the reporting organization holds the right to vote shares or advises on voting	Partial	Page 26 – Third-party asset management Page 182 – GRI Contents	Strategic information	
FS13	Access points in low-populated or economically disadvantaged areas by type	Complete	Page 170 – GRI Contents (Microcredit)		
FS14	Initiatives to improve access to financial services for disadvantaged people	Complete	Page 23 – Retail Banking Page 170 – GRI Contents (Microcredit) Page 171 – GRI Contents (Retail Banking)		
FS15	Policies for the fair design and sale of financial products and services	Complete	Page 47 – Risk and capital management		
FS16	Initiatives to enhance financial literacy by type of beneficiary	Complete	Page 24 – Companies Page 26 – Third-party asset management Page 56 – Financial education Page 67 – Employees Page 73 – Clients Page 76 – Investor relations Page 81 – Community Page 165, 166 and 167 – GRI Contents		

PROFILE AND GOVERNANCE ITEMS

**Our practices,
policies and values
are the basis for
sustainable growth**



ORGANIZATIONAL PROFILE

2.1: Name of reporting organization

Itaú Unibanco Holding S.A.

2.4: Location of organization headquarters

Praça Alfredo Egydio de Souza Aranha, nº 100, Torre Olavo Setubal – São Paulo (SP), Brazil.

REPORT PARAMETERS

3.1: Reporting Period

2012

3.2: Date of most recent previous report

The previous Report was released in the middle of 2012.

3.3: Reporting cycle

Annual

3.5: Process to determine the content covered by the report

In 2012 we conducted a new process for choosing the key indicators for the report. We cross-referenced elements from the Sustainability Asset Management (SAM) Yearbook (Dow Jones Sustainability Index) which apply to the sector, with our Sustainable Performance and Strategic

Focus areas, which led to a new filter for choosing those GRI indicators of greatest importance to us.

3.7: Specific limitations on the scope or boundary of the report

The exercise will be carried out within three years and will include all organizations subject to the control or significant influence of Itaú Unibanco Holding S.A.

3.9: Data measurement techniques and calculation bases

The measurement techniques, calculation bases and assumptions used in compiling the indicators and other information in the report primarily follow GRI guidelines for sustainability reports, unless otherwise indicated in the footnotes to the indicators.

3.11: Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report

We realized Redecard's takeover in 2012, and by year-end we had not yet integrated all of its operations with Itaú Unibanco. Accordingly, Redecard responds to the following indicators: EC1, EC6, EC9, LA1, HR4, SO3, SO7, PR6 and PR8.

GOVERNANCE, COMMITMENTS AND ENGAGEMENT

4.1: Governance structure of the organization, including committees under the Board of Directors responsible for specific tasks, such as setting strategy or organizational oversight

Our Board of Directors is composed of 12 members, all of whom are men. Half are between 50 and 59 years of age, one has a disability. There are no black or Asian members.

Members of the Board of Directors, by age group (%) *GRI LA13*

30-39	40-49	50-59	60-69
8.33%	8.33%	50%	33.33%

4.3: Number and gender of members of the Board that are independent and/or non-executive members

Consistent with our [Corporate Governance Policy](#) an independent Board member is one who has no relationship (commercial or of any kind) with the organization or any of its subsidiaries, or with a controlling shareholder or member of the Board of Directors.

A Board member shall not be considered independent, for example, if that person: (i) holds a direct or indirect equity stake in the share capital of the company or any company controlled by it, or where it has a minority stake of 5% or greater; (ii) forms part of a shareholders agreement or is directly or indirectly part of the control block (whether through a company or family – spouses, blood relatives or first-degree relatives); (iii) is or was in the past three years an employee or officer of the company or a company under its control, or whose relative is or was an officer of the company or a company under its control; and (iv) is or was (or whose relative is or was), in the past three years, a technical manager, partner, director, manager, or supervisor or had any other management function with the team involved in conducting an independent audit of the company or company under its control.

The independence of the Board member must be attested to by the Appointment and Corporate Governance Committee, whose analysis will not necessarily be restricted to the limits or relationships described above. The Board of Directors classifies a non-executive director as any individual that is not an independent director and who has no employment relationship with the company.

4.4: Mechanisms for shareholders and employees to provide recommendations or direction to the Board of Directors

Every shareholder, whether minority or not, can make recommendations and receive advice through Contact Us, a feature available on the Itaú Unibanco Investor Relations website.

Having independent members on the Board of Directors is designed to protect the interests of the organization and our minority shareholders. Minority shareholders jointly representing 10% or more of the voting shares are entitled to elect one member to the Board and an alternate to the Fiscal Council.

4.6: Processes in place for the Board to ensure conflicts of interest are avoided

Members of the Board of Directors, whether independent or not, must act impartially and abide by the following rules:

- board members may not participate in discussions on matters in which their interests conflict with those of the organization. Each member must notify the Board of any conflict of interest as soon as the matter is included on the agenda;
- at their first meeting following their election, each Board member must inform the other members of: (a) their principal activities outside the organization. Such information shall be provided annually and/or whenever there is a new event that requires such information to be disclosed. Directors may only serve on a maximum of four boards of companies that do not belong to the same business group. This limit does not apply to charities, clubs or associations, and may only be exceeded upon approval of the Appointment and Governance Committee; and
- if the Board member or company controlled or managed by the Board member does business with any company in the ItaúUnibanco conglomerate, the following rules must be observed: (a) the operation must be performed under market conditions; (b) if it does not involve daily operations or provision of services, then opinions must be issued by authoritative sources attesting that the operation was performed under market conditions; (c) the operation must be reported to the Appointment and Governance Committee; and (d) it must be conducted through normally responsible channels in the Itaú Unibanco conglomerate hierarchy.

4.8: Internally developed statements of mission or values, codes of conduct, and principles

We have a Code of Ethics, which addresses the principles, practices and conduct that should be adopted by the bank and by employees. The document is fully implemented and has been distributed to all members of the organization. In addition, a program of continuing education in ethics disseminates the directives of the code, while another program monitors our compliance with it. We also make the code available through our suppliers' portal.

Other regulations include:

- Shareholder Remuneration Policy
- Policies for Receiving and Handling Reports
- Corporate Policy to Prevent and Combat Illicit Acts
- Corporate Ethics and Anti-Corruption and Bribery Policy
- Corporate Business Continuity Policy
- Sustainability Policy
- Corporate Socio-environmental Risk Policy
- Sector socio-environmental risk policies (for the Middle Market, Itaú BBA, Itaúred Vehicles and Real Estate Finance areas)

For more information about Itaú Unibanco's regulations and policies, please visit: https://www13.itaubr.com.br/PortalRI/index.aspx?idioma=ing&url=https://www13.itaubr.com.br/PortalRI/HTML/ing/governanca/Reg_Politic.htm

Itaú Unibanco employs Our Way of Making It Happen, a set of ten principles that guide all our relationships. To increase our efforts to circulate and discuss the Our Way of Making It Happen principles, in late 2010 we began holding Our Way of Making It Happen workshops, which were designed strictly for senior executives to convey the ideas to their teams. In 2011 the workshops were replicated and conducted by area superintendents. We also carried out Our Way of Making It Happen Dynamics – activities designed to deepen the understanding of the principles – as well as workshops for leaders from our retail and central administration areas. In total we held over 100 meetings attended by more than 2,000 staff members.

After Our Way of Making it Happen was established and circulated in 2011, we began to appraise our employees based on meritocracy and efficiency. In 2012 we continued with this approach and in consolidating our corporate culture.

4.12: Externally developed economic, environmental and social charters, principles or other voluntary initiatives to which we subscribe or endorse

We are signatories to – and have adopted in our actions – internationally recognized guidelines such as the Global Compact, the Equator Principles, the Global Reporting Initiative, the United Nations Environment Programme (UNEP) Finance Initiative, Principles for Responsible Investment, the Carbon Disclosure Project, the Greenhouse Gas Protocol and AccountAbility's AA1000 standards. In Brazil we have adopted and participate in discussions on key initiatives for the sector, including the Pact for the Eradication of Slave Labor and the Green Protocol.

Our business practices are aligned with the criteria of the Dow Jones Sustainability World Index and the São Paulo Stock Exchange Corporate Sustainability Index.

In 2011 we instituted a work group from the Sustainability, Compliance, Legal and Government Relations departments to map the bank's adherence to these commitments and to suggest possibilities for improvement. This group reports to the Sustainability Committee.

4.13: Memberships in associations and/or national/international advocacy organizations

We are part of the governance of the following groups:

- United Nations Environment Programme – Finance Initiative (Unep-FI): Latin American Task Force
- Brazilian Business Council for Sustainable Development (CEBDS)
- Equator Principles: Steering Committee
- Brazilian Federation of Banks (Febraban)
- Brain
- National Association of Credit, Finance and Investment Institutions (Acrefi)
- Brazilian Federation of Credit Card and Services Companies (Abecs)
- National Confederation of Financial Institutions (CNF)
- Rio de Janeiro American Chamber of Commerce (Amcham RJ)
- Brazilian Association of Mortgage and Savings Companies (Abecip)
- Brazilian Association of Leasing Companies (Abel)
- Brazilian Capital Markets Institute (IBMEC)
- Brazilian Institute of Finance Executives (IBEF)
- Brazilian Association of Public Companies (Abrasca)
- Brazilian Association of Financial and Capital Markets Entities (ANBIMA)
- Brazilian Institute of Investor Relations (Ibri)
- Brazilian Institute of Corporate Governance (IBGC)

We conducted activities for, and participate in, the following committees:

- Rio+20: our goal in participating in Rio+20 was to share our experiences in promoting a sustainability agenda, learn from the experiences of other organizations, and contribute to the debate on the enabling conditions for a green economy. During Rio+20 we sponsored a parallel event for the private sector, called the Corporate Sustainability Forum (CSF), in which we participated in various discussions about financial institutions, and Itaú Seguros became a founding signatory at the launch of the Principles for Sustainable Insurance (PIS).
- Equator Principles: a voluntary credit risk management framework for determining, assessing and managing environmental and social risk in project finance transactions. We have been signatories since 2004 and a member of the Steering Committee since 2007. More recently we have actively participated in discussions on the revision of the guidelines and we held the only public consultation in an emerging economy for the new version of the Equator Principles.

- Principles for Responsible Investment (PRI): we have been a member since 2008, and work actively to spread these principles. We participated in the Brazilian Network of PRI signatories, and in 2012 we organized and hosted an event where the PRI network discussed the role of brokers in the integration of Environmental, Social and Governance (ESG) issues in the evaluation of companies. We also sponsored the annual PRI in Person conference.
- Principles for Sustainable Insurance (PSI): we are a signatory founder of the PSI (see Rio+20). Through our representation in the National Confederation of Insurance Companies (CNSeg), we contribute to the spread of PRI and help companies in the Brazilian insurance industry to comply with the principles.
- Companies for Climate (EPC): an initiative of Fundação Getulio Vargas (FGV), Climate Companies is a business platform designed to mobilize and promote industry leaders to work toward a low carbon economy, either through managing and/or reducing greenhouse gases, or managing climate risk and proposing public policies for climate change. Itaú Unibanco is a member and actively participates in EPC activities.
- Brazilian GHG Protocol Program: designed to encourage companies to develop and disclose their GHG emissions inventories. Itaú Unibanco is a founding member of and signatory to the Brazilian GHG Protocol Program, and has been producing its own GHG emissions inventories since 2008. Using our approach we maintain our standard of information and comparability of data with previous years.
- Brazilian Global Compact Committee: promotes the adoption and implementation of the Principles of the Global Compact in the management of companies that operate in Brazil.
- SustainAbility: we participate in the Engaging Stakeholders Network, a group of private companies organized by international institutions to share experiences that allow them to anticipate and exceed the expectations of their shareholders, employees, suppliers and customers.
- Sustainability 50: a network of sustainability executives which discusses emerging issues that affect their businesses.
- Fundação Dom Cabral: we participated in the Sustainability Reference Center, which promotes studies and discussions on sustainable development.
- Febraban: we are part of the Sustainability and Social Responsibility Commission under the Financial Education and Environmental Law and Environmental Licensing/Technology working groups.

We also participate as associates in the following institutions:

- Viva o Centro Association
- Paulista Viva Association
- Brazilian Center for International Relations (Cebri)
- Brazil-Portugal Chamber of Commerce
- Brazilian Association of Technical Standards (ABNT)
- Brazil-Holland Chamber of Commerce (DutchamBrasil)
- Brazilian Association of Direct Marketing (ABEMD)

- Brazilian Association of Marketing & Business (ABMN)
- Brazilian Association of Quality of Life (ABQV)

4.15: Basis for identification and selection of stakeholders with whom to engage

Based on the guidelines of AA1000 standards we conducted a mapping, classification and prioritization of stakeholders to determine the desired level of engagement with each.

4.16: Approach for engagement with stakeholders

The principal means of engagement adopted by us are information, consultation, negotiation, collaboration and involvement through actions such as: informational materials, presentations, surveys, panel discussions and multistakeholder forums for specific groups, dialogues, social media channels, negotiations focus groups, joint ventures, partnerships, workshops and collaborative processes. Examples of these initiatives appear throughout the report.

Initiatives underway

Clients

- Transparency 100% Program
- Customer Forum
- Relationship with Consumer Protection groups
- Executives in Action
- Business Community

Shareholders and Investors

- Apimec and road shows
- Annual Report

Financial Market

- Hosting events for securities dealers in partnership with the PRI in Brazil about integrating ESG factors into company evaluations

Employees

- Workplace survey
- Ombudsman
- Open Doors
- Sustainable Ideas Database

Suppliers

- Inclusion of socio-environmental criteria in the supplier risk matrix
- Positive agenda with the three branches of government

Society

- Rio+20
- Social Media (Facebook, Twitter, YouTube and Instagram)
- Itaú Sustainable Finance Program
- Working breakfasts with specialists
- Reputation and Crisis Management Program

CHALLENGES IN 2012

Results of the main challenges taken on in 2012 *GRI Profile 1.2*

Challenges	Results	Comments
Improve our Efficiency Ratio by 2 to 3 percentage points by the end of 2013.	Partially met	The timeframe runs until the end of 2013.
Have an Itaú Unibanco branch in every city in Brazil with over 40,000 inhabitants.	Partially met	Challenge partially met due to reduced expansion budget in 2012.
Promote the growth of the Itaú Uniclass portfolio from 2.1 million clients to 2.5 million at the end of 2012.	Met	At November 2012 the portfolio had already reached 2,675,950 clients.
Increase the scale of the Itaú Microcrédito operation through partnerships and by growing the client portfolio by 80%.	Partially met	<p>In 2012 we began expanding the operation. Compared with December 2011, our lending increased 61%. The second half of 2012 was particularly strong, with lending up 60% in May compared to October. Partnerships have been established which should show results in 2013. In 2012 Itaú began offering microcredit loans to owners of small bars interested in becoming AMBEV franchise beverage distributors.</p> <p>Adjustments to the system platform hindered the implementation of some projects. Completion of loan officer training was another key factor in why the growth target was not fully met.</p>
Lower the fees charged by the credit card segment, starting in the second half of 2012, to meet increased competitiveness in the market.	Met	At the end of 2012, all our cards had single-figure interest rates. In October 2012 we launched Itaucard 2.0, with unique features and maximum nominal rates of 5.99%.
Continue training Itaú BBA teams to work with climate change ¹ .	Met	Conducted a course in "Monetizing Carbon Credits" given by consulting firm MGM Innova in partnership with Itaú BBA's Socio-environmental area, for Projects, Credit, Products and Legal team members.
Develop, over the medium and long-term, mitigation and adaptation instruments and measures, including financing mechanisms associated with Climate Change ¹ .	Met ²	<p>(i) Conducted the Monetizing Carbon Credits course in August 2012, for the medium and long-term development of financing mechanisms for companies that generate carbon credits; and</p> <p>(ii) In 2012 we worked with Itaú BBA's Products and Legal areas to structure products linked to the trading of Carbon Credits.</p>
Identify business opportunities with socio-environmental elements by working more closely with the Commercial Banking area and its external clients ¹ .	Met ³	As a result of working more closely with Socio-environmental Risk Assessment, the Commercial Banking area and Itaú BBA's clients, we identified business opportunities related to the Carbon Credits market and in bidding on providing socio-environmental advisory services to the energy sector.
Strengthen the relationship with external clients to add value and reduce risks ⁴ .	Met ³	Actions taken in 2012: Initiative of Itaú BBA's Socio-environmental Risk Assessment area to bring to Brazil a public consultation of the Equator Principles III, attended by clients from the infrastructure sector. We also provided training on the Equator Principles and their criteria for teams in Planning, Environment, Sustainability and Project Finance as well as to a client in the renewable energy sector.

Challenges	Results	Comments
Finish the intranet portal that will unify all of the bank's portals. In 2011, of the bank's 200 existing intranet portals, 40 were merged into the bank's new single portal.	Met	The development of the Corporate Portal was completed in 2012 after expansion to the branch network and other executive areas. Video display tools were also included.
Complete the upgrade to modernize the old Avenida do Estado Data Processing Center. In 2012, 3,000 m ² will be renovated, resulting in a 43% reduction in the facility's electricity consumption.	Partially met	In 2012 we upgraded 1,790m ² of area at the Data Center.
Install biometric systems (fingerprint and facial recognition technology) at 4,121 branches.	Partially met	Fingerprint readers were installed at all 4,475 branches of our network. Facial recognition devices were studied and tested during the year.
Build the sustainability monitoring dashboard based on setting goals, action plans and indicators related to the three focus areas of our business sustainability strategy.	Met	The Management Dashboard was built based on the three strategic focus areas. Additionally, it incorporates DJSI aspects to help us assess where we have made advances and where we still require action plans.
Increase the number of telepresence and videoconferencing facilities in Brazil. The goal is to create five more telepresence rooms and ten more videoconferencing rooms by the end of 2012.	Met	Itaú Unibanco currently has four telepresence rooms in Brazil and one abroad. We installed ten new videoconferencing rooms: one in Private Banking in Belo Horizonte, seven in São Paulo and two in Recife.
Open the museum that will combine the Brasiliana collection and the Itaú Cultural numismatic collection.	Partially met	In 2012 the project continued and the museum should open in 2013.
Strengthen partnerships with the general public, focusing on educational management and the implementation of inter-sectoral policies for comprehensive education (school, family and community).	Met	We strengthened our comprehensive education partnerships with school boards in Goiás, Belo Horizonte, Rio de Janeiro and Maringá, and implemented continuing education strategies for education leaders through tutorials. All educational administration and comprehensive education programs showed growth.
Disseminate and support the methodology for the economic assessment of social programs and projects.	Met	18 groups of social programs managers were given courses. We also put on various discussion events to elevate the debate on the subject. The launch of the book on the topic was an important mile stone in publicizing the concept and practice on how to conduct the assessments and calculate impact and economic return.
Help increase the involvement of Itaú employees in volunteer activities	Met	Three thousand volunteers worked on our projects. We offered several opportunities to get involved, such as 'Studying Pays Off', which benefited 10,000 public school students from six states in Brazil, and 'Itaú Child', which trained 745 people and had 369 active participants in helping kids to read.
Install a new sustainability governance structure at Itaú Unibanco.	Met	A new sustainability governance structure took effect in 2012, with greater decision making ability. The Sustainability area now participates in other bank groups such as the Service Excellence Committee, the Socio-environmental Risk Committee and the Processes and Products Assessment Committee. As a result of participating in the latter group, in 2012 over 200 projects were based on our strategic focus areas for sustainability.
Conduct dialogues with experts and other key stakeholders to refine and validate our platforms.	Met	<u>Held three meetings with opinion makers.</u>

Challenges	Results	Comments
Maintain market share in the credit cards segment.	Met	In 2012 we continued the process of increasing revenue from our cards portfolio, and ending riskier and less profitable partnerships. Through these efforts, and a focus on profitability and credit management, we increased our market share.
Apply the Japanese Kaizen (zero error) model on all Consumer Credit area processes, which will be reviewed and redesigned.	Met	The implementation of the continuous improvement model in the review process of the cards area has been successful and is now generating results. Over the past 14 months several processes have been reviewed and we have implemented actions in all areas, such as improving the view point of customers and optimizing internal processes.
Participate in business and financial sector initiatives for Rio+20.	Met	Our goal in participating in Rio+20 was to share our methods to advance our sustainability agenda, learn from the experiences of other organizations and contribute to the debate on the enabling conditions for a green economy. The actions we took include sponsoring the Corporate Sustainability Forum, an official parallel event for the private sector, in which we participated in discussions on financial institutions, and where Itaú Seguros was a founding signatory to the launch of the Principles for Sustainable Insurance.
Introduce the new website and the Film, Music and Dance encyclopedias to commemorate the 25 th anniversary of Instituto Itaú Cultural.	Partially met	The website went on air in August 2012, while the new encyclopedias are slated for release in 2013.
Promote more than ten exhibits of Instituto Itaú Cultural collections in Brazil and Latin America.	Met	The collection was exhibited in eight locations, including São Paulo and other Brazilian cities, as well as in Paris, France.

1. These targets replace those which appeared in the previous report, regarding the launch of the sustainability index and new products related to Itaú BBA's socio-environmental area.
2. Medium and long-term goal.
3. This is an ongoing process.
4. This target replaces the one that appeared in the previous report, regarding adding value and reducing risk by strengthening the relationship with the socio-environmental areas of Itaú BBA's external customers.

[!\[\]\(99f58673407353e96a019fbca558fd72_img.jpg\) Learn more about challenges, impacts, risks and social-environmental opportunities.](#)

ECONOMIC PERFORMANCE

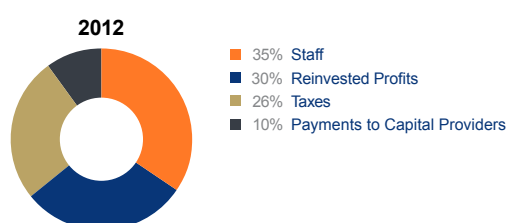
Our business seek maximum efficiency between income and expenses

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EC1: Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments GRI Profile 1.2

In 2012 we posted R\$79.6 billion in income from banking. Our operating expenses, consisting of non-interest expenses, ISS, PIS COFINS and other taxes, plus insurance sales costs, totaled R\$38.4 billion, while recurring net income was R\$14 billion.

Distribution of Value Added *



* The model used follows CVM regulations.

34% Staff (R\$12,570,570)
28.9% Reinvested Profits (R\$10,698,988)
25.2% Taxes (R\$9,324,337)
9.3% Payments to Capital Providers (R\$3,448,944)
Total Distributed in 2012: R\$37 billion

[Learn more about value added distribution.](#)

EC2: Financial implications and other risks and opportunities for the organization's activities due to climate change GRI Profile 1.2

Risks and opportunities related to climate change are approached via questionnaires to which we respond, such as the Carbon Disclosure Project (CDP), the sustainability indices in which we participate, through our own methodology to identify socio-environmental risks and opportunities, and our corporate governance that can impact the market value of the companies we invest in. These tools allow us to identify gaps which are forwarded to our sustainability governance.

With commercial lending the risks of climate change are assessed through a socio-environmental risk analysis, using tools such as socio-environmental risk categorization, a socio-environmental risk questionnaire and sector guidelines for specific areas. Clients are categorized as A (high risk potential) and B (medium risk potential), based on the social and environmental risks associated with their economic activity sectors. In both cases we assess sustainability criteria such as energy use, water use, effluent release, disposal of solid waste, air emissions and risks to health and safety in the workplace.

We also have four sector-specific guidelines for companies that develop activities in the following areas: the manufacture or trade of firearms, ammunition and explosives; logging and production of lumber, fuel wood and charcoal from native forests; fishing; and the mining and industrialization of asbestos/amanthius.

In 2012 we further improved our socio-environmental risk management in project finance by looking at better ways to calculate the effects of climate change. Following the new IFC Performance Standards, the projects we fund are requested to quantify their own GHG emissions and provide these figures to the bank each year.

The tool we use to categorize the socio-environmental risk of projects was recently revised to incorporate aspects of climate change. Although the tool is based on risk identification structures used by multilateral organizations, we have innovated it so we can examine the overall risk of an operation through a mathematical model based on social, environmental and market variables.

Due to the need to train staff members to identify how customers can adapt to and mitigate the effects of climate change, we organized classroom training on the carbon credit market. Participants came from the Environmental, Product, Legal and Project Finance departments, and learned how to develop financial products that can help our customers undertake these actions.

In 2012 the bank also participated in R\$412 million of loans and guarantees to wind power projects. We work with over R\$2.9 billion in investments in this sector, and our role as an enabler of a cleaner economy continues to grow.

We participated in the 2012 UN Conference on Climate Change (COP 18), which was attended by 17,000 people from 193 countries. The goal of COP 18 was to establish new commitments for significant reductions in GHG emissions.

We also sponsored the first edition of the Carbon Management Value Chain program, developed by the Energy and Climate Change Chamber (CTClima) of the Brazilian Sustainable Development Business Council (CEBDS). The goal was to support our suppliers conduct their first GHG emissions inventory and educate them on the need to adapt the management of their business to the possible impacts of climate change. In 2013 Itaú Unibanco and ten other organizations sponsored the second edition of this program.

DISCUSSION GROUPS

We are active participants in multi-sector groups to discuss the impacts and possible mitigative actions of climate change. These groups include Companies for Climate (EPC), the Brazilian GHG Protocol program and the Climate Technical Chamber, which is promoted by the Brazilian Sustainable Development Business Council.

In 2012 the bank renewed its role as an institutional member of the Brazilian Academy of Sciences (ABC). This partnership expands the ABC's funding sources, and is essential for the exchange of knowledge between the ABC and the private sector. In 2012 it focused on the interaction with the newly created Study Group on the Prevention and Risk Management of Natural Disasters. For 2013 it plans to hold a symposium in conjunction with the CNSeg Sustainability Commission to bring discussions of key issues to the market.

In 2012 we also participated in the ABC's Symposium on the Relationship Between the Oceans and Continents and its Role in Global Change, which seeks to help build a more solid scientific basis on large scale ocean processes.

Climate Change and ItaúSeguros

The relationship between the insurance industry and climate issues is one of the variables that most affect the core of this business. The mapping of the main climate risks by Itaú Seguros (the bank's insurance arm) is based on the Coding of Disasters, Risks and Threats as established by Brazil's Civil Defense Authority, and covers the following potential occurrences:

- Natural disasters (wind-related) – gales and storms;
- Natural disasters (temperature-related) – hail and frost;
- Natural disasters related to flash flooding in urban areas and coastal flooding; and
- Natural disasters related to geomorphology, weathering, erosion and soil events such as mudslides and landslides.

These events, in addition to causing significant financial losses, cause potential social, environmental and economic tragedies. Insurance policies, if properly employed, can help alleviate loss in critical situations through the payment of compensation to those affected.

Through acquiring knowledge on the subject, we can envision and develop new products, technologies and services that minimize socio-environmental and economic risks and educate clients about these benefits. Carbon credits, renewable energy, forest concession strategies through sustainable management, climate vulnerability of agricultural crops and urban planning are opportunities for Itaú Seguros to broaden and strengthen its operations.

The routines of our customers may also be impacted by regulations such as the National Policy on Climate Change, which sets targets for reducing GHG emissions. We use this metric to help clients invest in modernizing their facilities.

Accordingly, in 2013 we will put together internal and external engagement actions and structure our insurance underwriting by using the Principles for Sustainable Insurance to help us regulate claims and develop products.

[Learn more about our climate changes initiatives.](#)

EC4: Significant financial assistance received from government

Significant financial assistance received from government

Tax Incentives/Credits	2012
Maternity Leave	1,686,433.44
Audiovisual Activities	2,700,000.00
Staff Meal Program (PAT)	5,383,904.16
Sponsorships	17,188,705.94
Donations to the Child and Adolescent Fund	17,388,245.27
Rouanet Law for Cultural Support	84,067,753.76
Total	128,415,042.57

[Learn more about financial assistance.](#)

EC6: Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation

For a company to become one of our suppliers, Itaú Unibanco requires compliance with the code of ethics. It also establishes several criteria for selecting suppliers, such as financial health, social and environmental performance, technical expertise, costs and efficiency in the performance of activities. In 2012 the approval process, which checks compliance with the legal requirements and our own criteria, was simplified to group suppliers into categories deemed critical.

The "Know Your Supplier" procedure, introduced in 2011, registers suppliers to ensure their identity, activity and suitability, and the people that maintain business relations with the bank. In addition to assessments we have a communication channel with our suppliers to share the practices and policies we adopt in our business.

Companies operating in the same state where they deliver goods and services are classified as local. Regionalization of suppliers occurs when the local market enables companies to provide products and services, which adds efficiency to the operation. In 2012, purchasing with local suppliers represented 78% of total purchases.

Redecard's purchasing policy gives preference to local suppliers, or those that are located in the state of São Paulo, where the company's corporate headquarters are located. Service providers in the field (logistics operators, for example), are considered local suppliers who provide services in the state where they are headquartered. In 2012 the bank began tracking purchases from local suppliers, which accounted for 81.6% of the total. The goal for the coming years is to keep the use of local suppliers above 80% of total purchasing.

Redecard's Code of Ethics and Conduct for Suppliers is designed to introduce and share key business management regulations. The document explains the communication channels available to file reports or lodge complaints, and addresses issues related to ethics, information security and sustainability. It also encourages partners to adopt and replicate these guidelines. Compliance with the Code is mandatory for all partners hired and is available through the Redecard Purchasing Portal

Purchases from local suppliers, by region:

Itaú Unibanco		Redecard	
Region	Local Suppliers – %	Region	Local Suppliers – %
Midwest	89	Midwest	0
Northeast	94	Northeast	0
North	97	North	0
South	81	South	1,2
Southeast	78	Southeast	80
Total	78	Total	82

[Learn more about local suppliers.](#)

EC1: Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments

EC8: Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement

In 2012 our social and cultural investments totaled R\$197.5 million*. These are coordinated and managed by Fundação Itaú Social, Instituto Unibanco and Instituto Itaú Cultural, which are organizations that work to promote change and advancements in priority areas such as childhood education, the development of citizenship, and the appreciation of Brazilian art and history. The bank itself also invests in urban mobility and infrastructure. Below are the main cultural and social investments we made in 2012.

*Total social and cultural investments include the projects shown below.

Institution	Cultural Theme	Projects	Scope	Description and Impacts	Investment <i>GRI EC1</i>
Fundação Itaú Social	Partnerships and Support	Futura Channel	National – Annual	Financial support of this TV channel, whose mission is to help educate the population. In return, Futura Channel displays our logo.	R\$2.8 million
	Partnerships and Support	Unicef – Urban Centers Platform	Rio de Janeiro – Annual	Support for the program, which seeks to ensure that children living in Brazil's inner cities have all their rights as citizens.	R\$600,000
	Partnerships and Support	Fundação Victor Civita	São Paulo – Annual	We provide support to Fundação Victor Civita, which seeks to help improve the quality of schooling in Brazil by sponsoring development projects, distance courses, and research on intra-school performance inequalities.	R\$238,000
	Partnerships and Support	Literacy Solidarity Program	Minas Gerais – Annual	We support an adult literacy program.	Approximately R\$195,000
	Partnerships and Support	City Apprentice School	São Paulo – Annual	We support a program that seeks to develop and spread the Neighborhood School to create educational communities.	R\$84,000
	Comprehensive Education	Public Policy Advisory	Goiás, Belo Horizonte (MG), Rio de Janeiro (RJ) and Maringá (PR)	We advise on the structuring and implementation of comprehensive education policies in cities and states, plus the training of the professionals involved.	Approximately R\$1.7million
	Comprehensive Education	Itaú Unicef Award	National – Biennale (each edition runs for two years)	The program identifies and encourages the work of NGOs that contribute, in conjunction with public schools, to the comprehensive education of at-risk children and young people. In 2012, the final year of this award cycle, more than 3,200 managers of NGOs attended the classroom and distance classes in comprehensive education.	Approximately R\$3.2 million
	Comprehensive Education	Urban Youth	São Paulo (SP), Pouso Alegre (MG) and Serra (ES)	The program expands the sociocultural repertoire of young in vulnerability. It impacts 77% of the monthly income of participants, improves their chances of finding a job by 49%, and increases reading habits by 7.7 times. In 2012, 3,600 young people and 25 NGOs took part. The methodology was systematized and made available to partners wishing to replicate the program.	Approximately R\$5.3 million
	Education Administration	Improving Public Schooling	National	The program advises school leaders in smaller towns on the creation and administration of public educational policies. In 2012 the methodology was systematized and made available to public managers. The materials include a flow chart for the management of departments and schools.	Approximately R\$467,000
	Education Administration	Tutorials	Goiás, Rio de Janeiro and Espírito Santo	The project creates mechanisms for managing and supervising teachers, and provides teacher training for classroom skills. In 2012, 1,210 schools and 584,000 students took part.	Approximately R\$1 million

Institution	Cultural Theme	Projects	Scope	Description and Impacts	Investment
Fundação Itaú Social	Education Administration	School Family Approach	Goiás, Espírito Santo, Rio de Janeiro and São Paulo	The program develops strategies that help teachers and administrators increase parent participation to improve learning and support the parents coordinator in the schools. The technology has been given over to states and municipalities and will be implemented across the public network in the state of Goiás.	Approximately R\$375,000
	Education Administration	Assessment and Learning	Goiás, Ceará, Espírito Santo and São Paulo	The program seeks to increase the use of assessment as a tool for improving learning in basic education. In 2012, 100 department technicians were trained and 5,686 schools were benefited.	Approximately R\$830,000
	Education Administration	Portuguese Language Olympics – Writing the Future	National	The program is designed to improve the teaching and learning of reading and writing in public schools by training Portuguese teachers, and mobilizing students and the community. It became public policy in 2008 in partnership with MEC. In 2012, three million students, over 90,000 teachers and 40,000 schools participated in the Olympics, which has now reached 99% of all Brazilian municipalities.	Approximately R\$14 million
	Economic Assessment of Social Projects	Economic Assessment of Social Projects	National	Conducted in partnership with the bank's Financial and Risk Controls areas, the program seeks to spread the culture and practice of the economic assessment of social programs and public policies, and evaluate the impact and improve the management of programs developed by Fundação Itaú Social and its partners. More than 1,500 managers of NGOs and government agencies have participated in the courses offered. In 2012 we had 490 students in courses and 840 participants in seminars and meetings.	Approximately R\$5 million
	Social Mobilization	Itaú Unibanco Volunteers	National	The program seeks to promote participation in social actions through volunteering. More than 8,500 employees are registered in the Volunteers Portal. In 2012, 8,125 volunteer actions were undertaken.	Approximately R\$4.1 million
	Defense of Child and Adolescent Rights	Itaú Child	National	The program seeks to mobilize employees, customers, partners and the community for ways to ensure the rights of children and adolescents. It comprises three elements: publicizing and protecting the rights and principles defined in the Child and Adolescent Statute (ECA), training and supporting Councils for Child and Adolescent Rights (CDCAs), and promoting their rights through encouraging reading for small children. In 2012 the campaign to allocate monies to Funds for Child and Adolescent Rights, administered by the CDCAs, was supported by 10,000 employees, who allocated R\$1 million. During the year we also donated seven million books to 6,000 libraries.	Approximately R\$25.8 million

Institution	Cultural Theme	Projects	Scope	Description and Impacts	Investment
Fundação Itaú Social	Support of Education and Health-related Projects	Community, Present!	National	The program links the social aspects of our service network with the communities where we operate, and offers a structured process for service, assessment and forwarding of requests to support social projects. In 2012 we assisted 73 projects, which benefited 33,000 people.	Approximately R\$2.6 million
	Public Spaces	Green Overpass	Pinheiros, São Paulo	The maintenance of this overpass brought us closer to the local community, as we improved the infrastructure and security of the area.	R\$72,500
Itaú Unibanco	Public Spaces	Maintenance – Recreational Facilities	Jabaquara, São Paulo	Maintenance of Lina and Paulo Raia Park, which offers recreational opportunities to the surrounding community.	Approximately R\$572,000
	Health and Recreation	Donation of seniors' exercise equipment to the Jabaquara parks board.	Jabaquara, São Paulo	Donation of six sets of exercise equipment for seniors. Each set has four different units. Conservation and maintenance of this public park, giving the community a green recreation space.	Approximately R\$42,200
	Public Spaces	Restoration of a Bus Stop	Lapa, São Paulo Near the ITM Administrative Center	Maintenance of the bus stop near the ITM Administrative Center, which has brought us closer to the local community.	R\$80,000
	The Environment and Preservation of a Public Space	Victor Civita Plaza	São Paulo – ongoing <i>GRI Profile 1.2</i>	Built in a previously run-down area, today it offers the public a variety of free cultural, sports, recreational and environmental education events. We sponsored the park's construction in 2007 and continue to contribute to its maintenance.	R\$170,000
	The Environment and Preservation of a Public Space	Carmo Olavo Egydio Setubal Park	São Paulo – Partnership until 2013 <i>GRI Profile 1.2</i>	Revitalization of this public park in the East Zone of São Paulo. The work includes the installation of 17 new water fountains (adapted for disabled people and pets), modernization of gates and entryways, upgrades for six washrooms, making them accessible to people with disabilities, and improved signage.	R\$1.5 million (to be paid in 2012 and 2013)
	Urban Mobility and Preservation of Urban Mobility	Bike Rio	Rio de Janeiro – Partnership until 2013 <i>GRI Profile 1.2</i>	Partnership with the City of Rio de Janeiro and technology firm Serttel to lend bicycles to local users. Consists of 60 pick-up/drop-off points and 600 bikes located in the South and Central zones of the city.	R\$12 million (payable during the year in two installments of R\$6 million each)
	Urban Mobility and Preservation of Urban Mobility	Adoption of Medians and Bike Racks in Rio de Janeiro	Rio de Janeiro – Partnership until 2014 <i>GRI Profile 1.2</i>	Partnership with the City of Rio de Janeiro and technology firm Serttel for the adoption of bike racks and approximately 3,440 m ² of median on Avenida Vieira Souto and Avenida Delfim Moreira, in the districts of Ipanema and Leblon. The project is based on the preservation of green space, and the maintenance of 20 bike racks.	R\$6.8 million (payable in three installments)

Institution	Cultural Theme	Projects	Scope	Description and Impacts	Investment
Itaú Unibanco	Urban Mobility and Preservation of Urban Mobility	Bike Sampa	São Paulo – Partnership until 2015 <i>GRI Profile 1.2</i>	Partnership with the City of São Paulo and Serttel, Bike Sampa is installing 300 pick-up/drop-off points and providing 3,000 bicycles in the city by 2014. The rental station locations are being determined in conjunction with a variety of local groups, including the Secretary of Transport, the Traffic Engineering Company (CET), and the Brazilian Planning and Analysis Center (Cebrap). The goal is to improve the quality of life in the city of São Paulo through strategies for promoting bicycle use. In 2012 we delivered the first 100 rental stations plus 1,000 bikes, and had 31,000 rentals and more than 37,000 people registered. In 2013 another 100 pick-up/drop-off points will be installed in the central and eastern areas of the city.	R\$39 million (payable in three installments)
Instituto Unibanco	Education	Youth with a Future - Evaluation	São Paulo, Minas Gerais, Rio Grande do Sul, Rio de Janeiro, Federal District and Espírito Santo – ongoing <i>GRI Profile 1.2</i>	A program which increases the effectiveness of public policies and improves the quality of public high school education. Since the project began in 2007 there has been an increase of 25 points on the Basic Education Evaluation scale at participating schools in the states of Minas Gerais and Rio Grande do Sul. The second cycle of the project began in 2011, so we will make a new impact assessment at the end of 2013.	Approximately R\$24 million in 2012
	Education	High School Innovator Program (PROEMI) – Youth With a Future	São Paulo, Ceará, Pará, Piauí, Goiás and Mato Grosso do Sul – ongoing <i>GRI Profile 1.2</i>	School management action that offers technical and financial support to public high schools. The goal is to raise the performance of the schools in three years. Due to generating excellent results for its participants, in 2012 the program became a public policy, called PROEMI. The results achieved in Minas Gerais and Rio Grande do Sul demonstrate how this initiative has improved the academic performance of high school students. The project also contributes to the development of non-cognitive skills, such as spontaneity, perseverance, organization, self-esteem and creativity.	Approximately R\$16.9 million in 2012

Institution	Cultural Theme	Projects	Scope	Description and Impacts	Investment
Itaú Cultural	Broadening of Access to Brazilian Art and Culture	Ibirapuera Auditorium	São Paulo	We invest to maintain the programs at the Ibirapuera Auditorium, a public facility in the city of São Paulo, which since August 2011 has been managed by Instituto Itaú Cultural. In 2012, 169,659 people attended more than 185 presentations. All funds obtained through the sale of tickets and renting of space are used in the maintenance and improvement of the facilities. The building also houses a center for music education, and is home to musical groups Furiosa Auditório and the Brazilian Auditório Orchestra. The Auditorium offers free music courses to 170 children and adolescents, most of whom are students in local public schools and were chosen to join Furiosa Auditório.	Approximately R\$12.7 million in 2012
	Broadening of Access to Brazilian Art and Culture	Itaú Cultural Project	Brazil and abroad	The activities of Instituto Itaú Cultural are not-for-profit. Most of the investments made by Itaú Unibanco in Instituto Itaú Cultural come directly from the bank and do not use the benefits of the Rouanet Law for Cultural Support. The Itaú Unibanco group has long adopted this position in its association with Instituto Itaú Cultural.	Approximately R\$57.7 million in 2012, R\$35,504,188.76 of which was invested directly from Itaú Unibanco (without needing the benefits of the Rouanet Law).

[Learn more about our investments in infrastructure.](#)

EC9: Significant indirect economic impacts

In 2012 the Sustainability Commission and the Redecard Sustainability Committee approved the

Redecard and Instituto Redecard Direct and Indirect Economic Impacts Matrix¹.

The matrices map a variety of information, including:

Economic Impacts Matrix – Redecard

Economic Impact	Negative	Positive
Direct	<ul style="list-style-type: none"> - Fraud risk for retailer - Risk of network unavailability for retailer 	<ul style="list-style-type: none"> - Accreditation of establishments with legal activities - Disaccreditation of establishments involved in illegal activities - Advances on receivables to manage cash flow for small and large establishments - Security for the establishment - Better managerial/financial control for the establishment - Access and inclusion to the retailer through a co-brand platform, allowing the capture of regional, national and international brands - Decrease in defaults to the retailer (less use of checks) - Reduction of fraud through counterfeit currency

Economic Impact	Negative	Positive
Indirect	<ul style="list-style-type: none"> - Fraud risk for card holder - Risk of network unavailability for card holder 	<ul style="list-style-type: none"> - Formalization of the economy - Disincentive for illicit activities in the economy - Anti-fraud - Increased competitiveness among small and large establishments - Secure, easy use for card holders - Card holders have electronic payment access in different regions and countries - Business viability for the brands - Increased capacity of geographic coverage for regional brands - Acceptance of regional brands present in lower income communities - Financial inclusion for card holders - Indirect employment - Capacitate call center's third parties improving employability - Use of plastic means the Central Bank saves money by not having to issue paper currency and checks.

Economic Impacts Matrix – Instituto Redecard²

Instituto Redecard Fronts	Direct and Indirect Positive Economic Impact
Institutional strengthening of NGOs	<ul style="list-style-type: none"> - Better ability to raise funds from the third sector. - Kids Camps 2011: after 11 months of the program, 45% of the Kids Camps managers increased their local fund raising by 25%. - World Vision 2012: held in Fortaleza between August and October 2012, the program trained 20 leaders of organizations from the NGO World Vision network. In 2012, 20 NGOs were benefited.
Impact Accelerator – Artemisia	<ul style="list-style-type: none"> - Access to quality products and services for the low income population. - Attraction of investments and higher earnings for social businesses. - The second edition of the program had the participation of six social businesses, which increased their revenues by 357% during the program, increased their staff size by 47% and reached 52 times more people in the C-, D and E economic classes. Additionally, a total of R\$4.5 million in investments from third-parties was disbursed to accelerated businesses.
Sustainability in Small Businesses	Improved management, efficiency, competitiveness and sustainability for small business people. At December 2012, about 240 business people in nine cities (São Paulo, Salvador, Campinas, Belo Horizonte, Fortaleza, Manaus, São Luis, Natal and Recife) had participated in the program.

1. The information in this indicator includes Redecard data.
2. For more information, please visit www.institutoedecard.org.br.

Other responses to EC9 are found in indicator [SO1](#) and in [the chapter Engagement with our relationship groups \(Society\)](#).

ENVIRONMENTAL PERFORMANCE

**We act as agents
of transformation to assess
and minimize
environmental impacts**

EN1: Materials used, by weight and volume

Weight of materials, in metric tons

Use of Materials (mt)	2011	2012
Checks ¹	764.00	4,048.82
Mailings	4,513.00	
A4 Rolls – Branches	4,111.00	2,165.00
Other Types of Paper ³	2,264.00	5,488.5
Total Paper ²	11,652.00	11,702.32
IT Equipment ^{3, 4 and 5}	235.75	189.10 ⁷
Plastic (PVC) ⁶	254.00	186.00
Total Material Consumed	12,142.00	12,077.43

1. For the calculation we multiplied the average amount of printed sheets and checkbooks produced, by the average weight of a sheet of paper (6.584 g). We also factored in the weight of letter-size paper (4.8 g).
2. In 2012, consumption of materials for checks and mailings was not separated. *GRI Profile 3.11*
3. The paper consumed by Itaú Unibanco is used for credit, debit and multiple card bills, password letters, collection letters and other customer correspondence.
4. Materials from non-renewable sources.
5. The amount of IT equipment (monitors, desktop and notebook computers) was tabulated monthly, while materials were separated by type. The total value of material consumed was calculated by multiplying the average weight of each piece of equipment by type, by the amount tabulated.
6. Plastic is used to manufacture credit, debit and multiple cards. We multiply the number of cards issued during the year by the average weight of a card (five grams). The card body is made of polyvinyl chloride (PVC) and other elements are added, such as a magnetic stripe (iron oxide), a hologram and signature panel (polyester).
7. Includes total amount of IT equipment used by the institution.

[Learn more about our paper consumption.](#)

EN5: Energy saved due to conservation and efficiency improvements

OPERATIONAL AND TECHNICAL EFFICIENCY

Regarding the scope of the administration building, due to the implementation of technical and operational efficiency projects, we had an estimated reduction of 12,816 GJ¹ energy consumed in 2012, with estimated savings of about \$1.2 million.

When comparing the power consumption of the administrative buildings from 2011 to 2012, we achieved a reduction of 869.2 MWh.

Our target is a 2% reduction in energy consumption for the administrative buildings by the year 2015². *GRI Profile 1.2*

MODERNIZATION OF DATA CENTERS

The Data Centers Modernization Plan calls for a major retrofit of our current data center facilities, which will be replaced with the more efficient Next Generation Data Center (NGDC) model, which combines several features and best market practices with a focus on energy efficiency and operational excellence. Compared to traditional methods, the new model provides an estimated 43% reduction in energy consumption. We modernized 1,790m² of data center space in 2012. Data collection in kW reduction will begin in 2013.

1. The conversion factor used is 1 kWh=0.0036GJ.

2. Excluding the CPD buildings, the goal by 2015 is 4%.

In 2012 we also purchased and installed five* new telepresence rooms, giving us a total of 19 in the Itaú Unibanco network. Their use during the year for 4,094 meetings helped avoid 18,274,825 km of travel between buildings, and the emission of 2,523 tons of CO₂ into the atmosphere.

TECHNOLOGY AREA PROJECTS IN DEVELOPMENT OR UNDERWAY

- Modernization of the data center infrastructure
- Implementation of desktop and notebook power management systems
- Storage Virtualization and Server Consolidation
- Expansion of replacement of CRT (cathode ray tube) with LCD (liquid crystal display) monitors
- Incentive for using videoconferencing and telepresence facilities
- Increase the number of virtual desktops (VDs)
- Improvement of processes efficiency gains: documents and check imaging and virtual transmission

Learn more about our initiatives to reduce energy consumption.

EN6: Initiatives to provide energy-efficient or renewable energy-based products and services, and reductions in energy requirements as a result of these initiatives

EN26: Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation

We enhance our campaign to promote online statements to replace paper statements. In 2012 we also continued our efforts to reduce paper direct mail, replacing it by virtual direct communication such as Short Message Service (SMS) and thru our website. Thanks to this action, in 2012, more than 8.2 million printed invoices and statements were not sent out.

We continually invest in programs and initiatives that reduce the environmental impact of our operations. These projects include:

- Technical and operational efficiency improvements to reduce resource consumption: we installed more electricity-efficient devices, reducing by 32% the coolants use.
- Elevators: under construction in the new building at the Tatuapé Administrative Center, the elevators (which will be LEED and ISO 14001 certified) will use a regenerative drive system, providing substantial electricity savings.
- Renovation and retrofits: in the past two years the main administrative buildings have undergone a retrofit

focused on using more efficient materials that reduce resource consumption and the environmental impact of our operations. We are installing high performance, lower power consumption light fixtures, as well as solar protection film on the windows to reduce indoor temperatures and the thermal load.

- Clean energy: replace conventional energy sources by alternative sources, such as wind and solar, small hydro and biomass projects. The electricity from such sources is used only in our higher consumption administrative buildings.
- Technical and operational efficiency improvement project: designed to reduce electricity consumption. In 2012 we saved about R\$1.2 million and 3,560 MWh/year (estimated). Our actions were focused on retrofit and upgrades to the air conditioning system and the installation of lighting timers in the staff restaurant.
- Water consumption efficiency improvements: we saved an estimated of 65,000 m³ of water during the year, based on consumer/supplier information. Since the project began in 2012, there is still no comparative basis with previous years.
- Reuse of water for toilets, ponds and landscaping: we used water from the reflecting ponds at one of the administrative center towers to supply the reuse tank.
- Rainwater for cooling towers: we used harvested rainwater to supply the cooling tower.
- Rainwater for settlement tank: we used rainwater captured on one level to supply the settlement tank on another level.
- Replace aerators to reduce flow.
- Water reuse: in 2012 total water reuse was 62,925 m³, almost 50% more than in 2011. We employ reuse systems at three major administrative buildings.
- Air emissions: we reduced greenhouse gas emissions by using an air conditioning system that operates on natural gas, rather than on electricity. We also minimized emissions from generators by using gas scrubbers and equipments with low polluting emissions. Some administrative buildings already have this system, which reduces its generators emissions.
- Taxis: in 2011 we implemented a process to raise user awareness and better management of taxi use. In 2012, we used taxis for 54% fewer kilometers (about 6.2 million km) during the year.
- Use of telepresence facilities: In 2012 we also purchased and installed five* new telepresence rooms, giving us a total of 19 in the Itaú Unibanco buildings. By hosting 4,094 meetings during 2012, it was possible to avoid 18,274,825 km of travel between buildings, and the emission of 2,523 tons of CO₂ into the atmosphere.

*Information provided in 2011 about our telepresence facilities has subsequently been revised.

- Building Management System (BMS): an automation system that allows us to monitor the entire infrastructure, operation and security systems of a building. This building operations control method is being implemented in the main administrative buildings to reduce water and electricity consumption, and generator use. The BMS can be operated on-site or remotely and is being implemented at several locations.
- Sustainability Meter: for every foreign exchange transaction conducted online through Itaú 30 Horas, we calculate the number of sheets of paper saved, and the GHG emissions avoided in the production of those sheets. The meter lets customers know the sum of unused sheets and the CO₂ equivalent. At December 2012 we had avoided using about 9.1 million sheets of paper (an additional reduction of 2.9 million compared to 2011) and avoided emitting more than 36,200 kg of CO₂ into the atmosphere. *GRI EN6*
- Paperless Itaú Campaign: in 2012 we launched this campaign to reduce paper use in bank operations. Customers can choose to receive documents online in PDF format, and pay bills through authorized direct debit (DDA) system. At December 2012 about 35% of the requests were for online documents, in PDF, which, together with other actions, meant we avoided printing more than four million sheets of paper. *GRI EN6*
- New Account Opening (PAC): by using a new version for the account opening form we were able to reduce 75% of printed pages per account opened. From January to December 2012 we avoided printing more than 10.3 million sheets of paper. *GRI EN6*
- Paperless Report Project: in operation since 2010, this project has been designed to send online documents between our branches and offices, instead of couriering printed materials. It is also possible to unsubscribe from receiving reports that will not be used. Since the launch of the project, more than 52.5 million sheets of paper were saved, 10.4 million in 2012 alone. *GRI EN6*
- Microcredit: we stopped printing socio-economic evaluation forms and bank statements. We also stopped making copies of identity cards and proof of residency; the digitization of such documents allowed us to save approximately 128,000 sheets of paper normally used for copying, printing and filing. *GRI EN6*

ENVIRONMENTAL CERTIFICATIONS

The Leadership in Energy and Environmental Design (LEED) certificate a voluntary program for the design, construction and operation of high performance green buildings. LEED-certified buildings are intended to have high environmental and energy performance. The certification process is underway for the under construction Tatuapé Administrative buildings (scheduled for the second semester of 2013), and for the new Data Center in Mogi Mirim (scheduled for 2014). The new Tatuapé building will also comply with ISO 14001 environmental management standards.

[Learn more about our initiatives to reduce energy consumption.](#)

EN8: Total water withdrawal by source

In 2012 the volume of water withdrawn from water sources by our administrative centers and branch network was 1,894,650 m³, approximately 6% less than in 2011. Out of this total, 1,197,768 m³ were consumed in the branch network and provided by public facilities; while 696,882 m³ were consumed in the administrative buildings and provided by public facilities and artesian wells.

To reduce water consumption in the administrative buildings, in 2012 we installed an Effluent Treatment Station (ETS) in the Training Center (TC), and dual flow valves and restrictors on all faucets in the main buildings. We also use reused water on the reflecting pond at the Business Center.

The reduction in water consumption at the branches was not only due to the ongoing installation of water restrictors but also due to educational and awareness-raising programme and actions such as sending water leakage prevention plan to those branches that consume the most water, or whose with deviation consumption. In addition, our engineers conduct regular site visits to monitor, prevent, fix leaks, and answer to questions about excessive water consumption. For 2013 the goal for Building Management department is to keep consumption at 14 m³/employee per year.

[Learn more about our water consumption.](#)

* Information provided in 2011 about our telepresence facilities has subsequently been revised.

Water Consumption (m ³ /yr)	Administrative Buildings			Branches			Total		
	2010	2011	2012	2010	2011	2012	2010	2011	2012
Public Supply	710,381	713,148	590,209	1,281,160	1,202,732	1,197,768	1,991,541	1,915,881	1,787,977
Artesian Wells	89,803	98,290	106,673	0	0	0	89,803	98,290	106,673
Total Water Withdrawn* (EN8)	800,184	811,439	696,882	1,281,160	1,202,732	1,197,768	2,081,344	2,014,171	1,894,650

* Itaú does not use surface water (rivers, lakes).

EN16: Total direct and indirect greenhouse gas emissions by weight

EN17: Other relevant indirect greenhouse gas emissions by weight

EN18: Initiatives to reduce greenhouse gas emissions and reductions achieved

EN19: Emissions of ozone-depleting substances by weight

Emissions

Since 2008, Itaú Unibanco has published its greenhouse gas (GHG) emissions inventory, using the GHG Protocol methodology – an international accounting tool designed to quantify the GHG emissions of various organizations.

The table below shows an increase of approximately 50% in GHG emissions from 2011 to 2012, under Scope 1 and Scope 2. For Scope 3 there was an increase in GHG emissions, from 178,653.90 tCO₂e in 2011 to 180,723.6 tCO₂e in 2012.

Direct R22 gas emissions dropped from 6.7 in 2011 to 3.92 metric tons in 2012. R141b gas emissions rose slightly, from 0.53 mt in 2011 to 0.7 mt in 2012.

			2010	2011	2012	Unit
EN16 ¹	Total direct and indirect GHG emissions ² (based on default factors)	Scope 1 (direct emissions)	3,648.90	5,915.60	8,856.80	tCO ₂ e
		Scope 2 (indirect energy emissions)	30,546.70	24,729.80	48,890.50	tCO ₂ e
		Total	34,195.60	30,645.40	57,747.30	tCO ₂ e
EN17 ¹	Other significant indirect GHG emissions ²	Scope 3 (other indirect emissions)	69,216.70	178,653.90	180,723.60	tCO ₂ e
EN18	Initiatives to reduce GHG ² emissions and reductions achieved	See following paragraph.				
EN19	Ozone-depleting substances	R22	3.99	6.65	3.90	t
		R141b	0.66	0.53	0.70	tCFC-11 equivalent
		R22	0.22	0.37	0.21	
		R141b	0.07	0.06	0.08	

1. Visit the online public access platform "Public Emissions Registry" to see Itaú Unibanco's GHG emissions inventory since 2008.

2. GHG: Greenhouse Gases.

Ozone-depleting substances	ODP (CFC-11 equivalent)
R-22	0.055
R-141 b	0.1

Source: Montreal Protocol

To minimize our contribution to any increases in the greenhouse effect, we have implemented measures to reduce direct or indirect GHG emissions associated with our business. These measures include:

- Installation of five new telepresence rooms in 2012: Itaú Unibanco now has 19 such facilities. They were used for 4,094 meetings in 2012, avoiding 18,274,825 kilometers of travel between buildings and the emission of 2,523 metric tons of CO₂ into the atmosphere.
- Data Centers Modernization Plan: we will replace our current facilities with a more efficient models. Compared to traditional equipments, the new model provides an estimated 43% reduction in energy consumption. We modernized 1,790 m² of data center space in 2012.
- Renovation and retrofits: in the past two years the main administrative buildings have undergone a retrofit focused on using more efficient materials that reduce resource consumption, and on the environmental impact of our operations. We are installing high performance, lower power consumption light fixtures, as well as solar protection film on the windows to reduce indoor temperatures and the thermal load.
- Clean energy: replace conventional energy sources by alternative sources, such as wind and solar sources, small hydro and biomass projects. The electricity from such sources is used only in our higher consumption administrative buildings.
- Air emissions: we reduced greenhouse gases emissions by using an air conditioning system that operates on natural gas, rather than on electricity. We also minimized emissions from generators by using gas scrubbers and equipment with low polluting emissions. Some administrative buildings already have this system, which reduced its generators emissions.
- Taxis: in 2011 we implemented a process to raise user awareness and better management of the taxi use. In 2012 we used taxis for 54% fewer kilometers (about 6.2 million km) during the year.
- Building Management System (BMS): an automation system that allows us to monitor the entire infrastructure, operation and security systems of a building. This building operations control method is being implemented in the main administrative buildings to reduce water and electricity consumption, and generator use. The BMS can be operated on-site or remotely and is being implemented at several locations.

* Information on our telepresence facilities in 2011 has been revised.

- Sustainability Meter: for each foreign exchange transaction conducted online through Itaú 30 Horas, we calculate the number of sheets of paper saved, and the GHG emissions avoided in the production of those sheets. The meter lets customers know the sum of unused sheets and the CO₂ equivalent. At December 2012 we had avoided using about 9.1 million sheets of paper (an additional reduction of 2.9 million compared to 2011) and avoided emitting more than 36,200 kg of CO₂ into the atmosphere.

[Learn more about our mitigation initiatives and emissions.](#)

EN22: Total weight of waste by type and disposal method

ITAÚ SEGUROS

Due to the importance of residues to the Salvage Claims department, in May 2012 we created a waste disposal policy for this department, and hired a new company to recycle the residues using sustainably responsible methods.

The Salvage Claims department is responsible for managing the replaced parts of the total loss salvage or repaired goods. They also determine the sustainable collection, sale and disposal of these goods, and authorize their disposal by the insured and/or by technical specialists. Our accredited technical support specialists are responsible for maintaining the integrity of the salvaged goods in his possession that were replaced by the insurer, and to keep them available in an appropriate location for a specific time (30 days for domestic appliance and 60 days for others).

After this period it is the responsibility of the specialists to dispose of the products. Claims adjusters may inspect these goods and advise on fraud prevention, and also authorize Garantec to collect the waste or to disposal by the technical support specialists.

ELECTRONIC WASTE

Concern about the proper disposal of our electronic waste, in 2008 Itaú Unibanco began testing and homologating suppliers that could meet the demand for responsibly handling our electronic waste. In 2010 the bank defined that 100% of its obsolete IT equipment must be sustainably disposed of in partnership with one of the approved companies. The results of these actions can be seen increase of 164% in the recycled electronic good between 2010 and 2011.

In 2012 we expanded the process of disposing of electronic waste to the entire Central Administration, stock department and branch network. By this process we were able to responsibly dispose the electronic waste generated when converting Unibanco into Itaú branches.



Total Weight of Waste, by Type and Disposal Method

Total Waste (mt)	2010	2011	2012 ¹
Non-hazardous Waste	13,902	12,396.89	13,156.60
	239.57	2,487.75	146.41 ²
Hazardous Waste	15 TV Tubes	70,968 Light Bulbs 4,901 Cartridges	43,466 Light Bulbs
Non-specified Waste	-	6.7	-

1. The calculation methodology for IT department figures was modified in 2012. Due to the impossibility of changing the data from previous years (since the scope of the reference areas was expanded over the years), 2012 will be the new base year for indicator EN22. *GRI Profile 3.11*

2. The information on hazardous waste from the IT department area is for the period of January to October 2012. Data for November and December have not yet been compiled.

Waste by Destination (mt)	2010	2011	2012
Non-hazardous Waste	-	12,396.89	13,156.60
Composting	216.2	351.44	554.25 ¹
Recycling	7,836.7	10,282.09	9,558.54 ²
Landfill	2,045	1,549.06	3,043.81 ³
Industrial Landfill	76	214.30	-
Incineration	80	-	-
Auction	20,624 Units	-	-
Hazardous Waste	-	2,487.75	146.41 ⁴
Recycling	235.81	70,968 Light Bulbs 4,901 Cartridges 2,484.45	43,466 Light Bulbs 145.47 ⁵
Landfill	0.55	0	0
Heat Reduction	0.83	0.7	0.94
Industrial Landfill	2.4	2.6	-
Reuse	15 Units	-	-
Non-specified Waste	-	6.7	-
Non-specified Destination	-	6.7	-

1. Organic waste generated by Itaú Unibanco was sent for composting.

2. The following materials were sent for recycling: components replaced after repairs (such as TV tubes, monitors, wire, plastic parts, circuit boards, cables and electric motors), construction waste, paper, scrap paper, plastic, metal, glass, wood, batteries and other materials. Only branches in São Paulo, Minas Gerais, Rio de Janeiro, Espírito Santo and the southern region have their waste collected done by cooperatives that properly collect and dispose it.

3. Materials sent to landfills are from organic and construction waste.

4. Information on hazardous waste from the IT department is for the period January to October 2012. Data for November and December have not yet been compiled.

5. Hazardous waste sent for recycling includes: batteries, medical waste, electronic waste (all types of electronics, especially IT equipment - computers, servers, monitors, laptops, printers, peripherals, etc.), and equipment from branches, such as ATMs and batteries.

During 2012 Itaú Unibanco monitors the waste generated every month in its administrative buildings. The target by 2015 is to recycle 75% of all waste. *GRI Profile 1.2*

In 2012 Itaú did not send its waste to be reused, recovered, incinerated, underground injected nor stored it on its facilities.

[Learn more about our residues disposal and discard processes.](#)

EN29: Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce

Energy and emissions

In 2012 we improved our GHG inventory, which follows the GHG Protocol, a standard used worldwide by various organizations to calculate the amount of carbon generated in their processes. We adopted measures to reduce the direct and indirect GHG emissions associated with our business, such as:

- Selective waste collection in administrative units, which reduces methane generation through decomposing waste in landfills.
- Green IT initiatives to reduce power consumption by implementing energy efficiency measures such as replacing monitors by lower electricity consumption equipments, and server consolidation and virtualization, use of power system management for desktops and notebooks, and increasing the number of Virtual Desktops.
- Construction of telepresence rooms for videoconferencing, which reduce emissions associated with staff travel.

LEARN MORE ABOUT OUR TELEPRESENCE ROOMS

We invest in telepresence to improve communication and reduce the need for travel. The rooms are equipped with high resolution screens, cameras and audio equipment, allowing distance meetings inside and outside Brazil.

In 2012 we installed five new telepresence rooms, giving us a total of 19 in the Itaú Unibanco buildings. Those rooms were integrate to the 13 Itaú BBA and over 60 partners and clients rooms that support the BT system. One of our goals is to expand the number of telepresence rooms in the Mercosur region and increase their access to a greater number of employees in Brazil.

Source: Montreal Protocol

IMPACTS OF TRANSPORT

The transport of bank employees, cargo, waste, and materials generates atmospheric emissions. To mitigate these impacts, we reduced the number of trips based on the distance traveled along each route. We control and monitor the emissions from our electricity generators and mobile sources, whether they belong to us or to third-party service providers. To carry out this monitoring we use the Ringelmann chart, a graphic scale for colorimetric visual evaluation, which helps us identify emission levels from mobile or stationary sources. Actions taken in 2012 include:

- Availability of shuttle vans that circulate between the administrative centers and facilitating employee transport.
- Optimization of transport routes used by employees to travel between administrative buildings.
- Conducting a campaign to encourage employees to use of vans instead of taxis when travelling between the administrative centers.

Taxis

In 2012 we used taxis to travel 5,317,662 kilometers. The 54% reduction from 2011 is in part due to the use of electronic billing, which provides greater control over transport use. Additionally, the fuel used in taxis is 75% ethanol.

Vans and buses

In 2012 the shuttle vans and buses used to transport employees between administrative centers travelled 972,211 km.

These travel modalities avoid unnecessary use of taxis and consequently lower CO₂ emissions. It also optimize staff transport routes between administrative buildings, which helps improve efficiency.

We also conducted a campaign to encourage employees to use shuttle vans when travelling between the administrative centers.

Waste transportation

We control and monitor the activities of the companies that transport the waste from our administrative buildings. In 2012 these companies travelled 333,022 km as part of this service.

Transport cargo and materials

We control and monitor the activities of the companies that transport our cargo and materials. In 2012 they travelled 64,755,785 km (not including cash transport) as part of this service.

Generators

We control and monitor the air pollution emissions from our electricity generators (stationary sources which burn diesel). In 2012 we used 1,202,440 liters of diesel (composed of 5% biodiesel). It is important to highlight that these generators are used only during blackouts, in order to ensure that our buildings can be in constant use.

[Learn more about our initiatives to mitigate transport impact.](#)

EN30: Total environmental protection expenditures and investments by type

In 2012 we invested R\$299.7 million in environmental protection, a substantial increase the amount invest in 2011. We spent R\$12.3 million on waste disposal and emissions mitigation, and R\$287.4 million on prevention and environmental management. During 2012 there were no operations or incidents requiring remediation investments.

The increase in environmental protection was due to major projects undertaken by the bank, such as investments in the Data Center and CAT 2 Building, electricity and water consumption efficiency programs, and the implementation of the Building Management System (BMS).

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Investments in waste disposal, emissions treatment, environmental prevention and management (in R\$)	2010	2011	2012
Waste disposal and treatment of emissions			
Waste treatment and disposal	1,516,945.88	344,301.55	1,555,936.70 ¹
Treatment of emissions	1,379,373.71	6,032,093.00	10,737,175.86 ²
Expenses on obtaining and using Emissions Certificates	-	-	20,790.00 ³
Subtotal	2,896,319.59	6,376,394.55	12,313,902.56
environmental prevention and management			
Third-party environmental management services	47,500.00	208,596.48	-
Third-party certification of management systems	365,688.66	25,150.00	7,260.16 ⁴
Staff involved with general environmental management activities	-	20,000.00	20,000.00
Extra expenses to install cleaner technologies	1,130,700.00	756,747.80	286,338,666.97 ⁵
Other environmental management expenses			1,097,629.69 ⁶
Subtotal	1,543,888.66	1,010,494.28	287,463,556.82
Total	4,440,208.25	7,386,888.83	299,777,459.38

1. Includes investments in waste management and decommissioning of the floors.

2. Expenses on telepresence and Building Management System (BMS) in the main administrative buildings.

3. This was the first year we reported expenditures on obtaining and using emission certificates. In 2012 the expenses refers to the Carbon Free Seal (offsetting the Itaú Sustainable Finance Award with 8.01 metric tons of GHG through the planting of 51 native trees in Brazil's Atlantic Rainforest), and the offsetting of emissions from APIMEC meetings.

4. ISO 14001 recertification of the Tatuapé Administrative Center.

5. Expenditures refer to LEED certification for new buildings (the Data Center and CAT 2), and energy efficiency and water consumption projects.

6. LEED certification for new buildings (Data Center and CAT 2), endomarketing campaigns for the ISO14001 recertification, preparation and assurance of the bank's GHG inventory.

SOCIAL PERFORMANCE – LABOR PRACTICES

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Respect and meritocracy sustain the relationship with our employees

LA1: Total workforce by employment type, employment contract, and region

The table below¹ gives information on all Itaú Unibanco Holding employees in Brazil and abroad, those from the recently-acquired company Redecard, and third-party staff.

In December 2012, Itaú Unibanco Holding and Redecard had a total number of 136,722 employees and third-party staff members

Category	2010			2011			2012		
	Total	Brazil	Abroad	Total	Brazil	Abroad	Total		
Executive	190	159	17	176	129	6	135		
Management	15,853	14,799	839	15,638	13,578	1,062	14,640		
Administration ²	52,616	51,226	3,192	54,418	46,573	4,914	51,487		
Production	39,403	32,233	2,253	34,486	27,139	0	27,139		
Trainees	168	140	0	140	94	0	94		
Apprentices	2,014	2,094	0	2,094	1,759	0	1,759		
Interns	1,534	1,386	54	1,440	2,719	68	2,787		
Other									
Total (not including third-parties)	111,778	102,037	6,355	108,392	91,991	6,050	98,041		
Third-Parties ³	31,627	31,709	-	31,709	38,681	-	38,681		
Total Including Third-Parties	143,405	133,746	6,355	140,101	130,672	6,050	136,722		

1. In 2011 we did not include employees from the Itaú Unibanco operating subsidiaries, namely: Itaú BBA, Itaú Corretora, Redecard, Previtec and SFR. For 2012 we did not include Itaú BBA, Previtec and SFR. *GRI Profile 3.10 and 3.11*

2. Includes department head/coordination and technician/supervision positions at Redecard, which have been included as of 2012. *GRI Profile 3.10 and 3.11*

3. A third-party is any party that is not part of the regular staff of Itaú Unibanco. They may work in any area of the organization, but do not report to any hierarchical level within it. They report to their own employer (contracted company). Redecard has 5,790 workers, while Itaú Unibanco has 32,891.

The table below shows information on Itaú Unibanco Holding and Redecard employees that have open-ended employment contracts. Regarding the job types, the only category that includes part-time employees is production; all other are work full-time employees.

Year	Management			Administration		Production		Total		
		Women	Men	Women	Men	Women	Men	Women	Men	Total
2011	Brazil	6,447	8,352	29,602	21,624	21,103	11,130	57,152	41,106	98,258
	Abroad	236	603	1,530	1,662	1,326	927	3,092	3,192	6,284
		Women	Men	Women	Men	Women	Men	Women	Men	Total
2012	Brazil	6,214	7,364	27,062	19,511	17,971	9,168	51,247	36,043	87,290
	Abroad	376	686	2,616	2,298	-	-	2,992	2,984	5,976

Other Employment Contracts (LA1)

Executive												Trainees		Apprentices		Interns		Other	
Year		Women	Men	Women	Men	Women	Men	Women	Men	Women	Men								
2011	Brazil	12	147	45	95	1,483	611	720	666	1,527	3,740								
	Abroad	1	13	-	-	-	-	37	17	7	3								
2012	Brazil	19	110	29	65	1,255	504	1,604	1,115	-	-								
	Abroad	2	4	-	-	-	-	49	19	-	-								

Own and Third-Party Employees, by Region (LA1)

Region	2010		2011		2012	
	Own	Third-Party	Own	Third-Party	Own ¹	Third-Party ²
South	9,341	4,009	8,306	3,171	7,609	2,909
Southeast	81,269	24,026	74,981	24,606	70,291	24,785
Midwest	3,962	1,146	4,081	1,204	3,613	1,267
Northeast	6,530	2,149	5,637	2,354	4,634	3,584
North	1,214	297	1,235	374	1,181	346
Total	102,316	31,627	94,240	31,709	87,328	32,891

1. We only considered information from Itaú Unibanco companies managed by the corporate Human Resources department. Reporting companies are: Itaú Unibanco, Hipercard, Itauleasing, Itaú UBB Hold, Megabônus, Microinvest, Dibens Leasing, Provar Negócios, LuizaCred, Financeira Itaú, Finaustria Part, Fina Prom Servs, Banco Fiat S.A., Fic Promotora, Fai-Financeira, Itaú Seguros, Itaú Seg Saúde, Itaú Servs, Kinea, Banco Itaucard, Icarros Ltda., Pró-imóvel, Marcep, Itauprev, Trishop and Redecard. [GRI Profile 3.11](#)
2. We only considered information from Itaú Unibanco companies managed by the corporate Human Resources department. Reporting companies: Itaú Unibanco, Hipercard, Itauleasing, Itaú UBB Hold, Megabônus, Microinvest, Dibens Leasing, Provar Negócios, LuizaCred, Financeira Itaú, Finaustria Part, Fina Prom Servs, Banco Fiat S.A., Fic Promotora, Fai-Financeira, Itaú Seguros, Itaú Seg Saúde, Itaú Servs, Kinea, Banco Itaucard, Icarros Ltda., Pró-imóvel, Marcep, Itauprev and Trishop. Unfortunately, we have no information of Redecard third-parties broken down by region. The total number of third-party staff at Redecard is 5,790. [GRI Profile 3.11](#)

Own Employees, by age group¹ (LA1)

Region	Women			Men			Total
	Under 30	30-50	Over 50	Under 30	30-50	Over 50	
South	1,594	2,663	284	778	1,872	394	7,585
Southeast	14,854	23,931	1,872	9,565	16,644	2,531	69,397
North	364	337	8	255	204	12	1,180
Northeast	1,123	1,583	85	633	1,064	119	4,607
Midwest	925	1,141	66	518	803	152	3,605
Total	18,860	29,655	2,315	11,749	20,587	3,208	86,374²

1. We only considered information from Itaú Unibanco companies whose employees are managed by the corporate Human Resources department. Reporting companies: Itaú Unibanco, Hipercard, Itauleasing, Itaú UBB Hold, Megabônus, Microinvest, Dibens Leasing, Provar Negócios, LuizaCred, Financeira Itaú, Finaustria Part, Fina Prom Servs, Banco Fiat S.A., Fic Promotora, Fai-Financeira, Itaú Seguros, Itaúseg Saúde, Itaú Servs, Kinea, Banco Itaúcard, Icarros Ltda., Pró-imóvel, Marcep, Itauprev and Trishop. *GRI Profile 3.11*

2. Itaú Unibanco has a total of 86,374 (the figure used in indicators LA2 and LA7) employees managed by the corporate Human Resources department, including management, administrative and production. However, for indicator LA13, the figure is 97,080 employees since it included directors among the total number of employees of Itaú Unibanco Holding, including directors. The total number of employees reported in the Consolidated Financial Statements was 96,977, as this figure uses other criteria.

[Learn more about our own employees profile.](#)

LA2: Total number and rate of new employee hires and employee turnover by age group, gender, and region

Turnover ¹	Dismissals ²						
	Women			Men			
	Under 30	30-50	Over 50	Under 30	30-50	Over 50	Total
South	248	285	97	115	248	105	1,098
Southeast	1,964	2,537	533	1,138	1,825	521	8,519
North	49	36	-	50	33	5	173
Northeast	470	311	23	178	171	31	1,184
Midwest	163	147	20	91	129	25	575
Total	2,894	3,316	674	1,572	2,406	687	11,549

Turnover ¹	Turnover rate ³ – %					
	Women			Men		
	Under 30	30-50	Over 50	Under 30	30-50	Over 50
South	15.56	10.70	34.15	14.78	13.25	26.65
Southeast	13.22	10.60	28.47	11.90	10.96	20.58
North	13.46	10.68	0.00	19.61	16.18	41.67
Northeast	41.85	19.65	27.06	28.12	16.07	26.05
Midwest	17.62	12.88	30.30	17.57	16.06	16.45
Total	15.34	11.18	29.07	13.38	11.69	21.42

New Hirings ¹	Hirings						
	Women			Men			
	Under 30	30-50	Over 50	Under 30	30-50	Over 50	Total
South	309	47	-	187	40	-	583
Southeast	3,171	631	6	2,239	552	2	6,601
North	75	3	-	60	8	-	146
Northeast	135	26	-	79	18	-	258
Midwest	124	15	-	73	22	-	234
Total	3,814	722	6	2,638	640	2	7,822

New Hirings ¹	New Hirings Rate – %					
	Women			Men		
	Under 30	30 - 50	Over 50	Under 30	30 - 50	Over 50
South	7.77	10.64	-	12.83	17.50	-
Southeast	6.84	8.72	33.33	7.06	11.96	0.00
North	9.33	33.33	-	10.00	12.50	-
Northeast	5.19	3.85	-	11.39	11.11	-
Midwest	4.84	20.00	-	10.96	9.09	-
Total	6.84	9.00	33.33	7.77	12.19	0.00

1. Reporting companies: Itaú Unibanco, Hipercard, Itauleasing, Itaú UBB Hold, Megabônus, Microinvest, Dibens Leasing, Provar Negócios, LuizaCred, Financeira Itaú, Finaustria Part, Fina Prom Servs, Banco Fiat S.A., Fic Promotora, Fai-Financeira, Itaú Seguros, Itauseg Saúde, Itaú Servs, Kinea, Banco Itaucard, Icarros Ltda., Pró-imóvel, Marcep, Itauprev and Trishop. *GRI Profile 3.11*
2. Dismissals covers firings and layoffs, retirement and work-related fatalities.
3. 86,374 employees from Management, Administration and Production departments represent the total number of dismissals of employees managed the corporate Human Resources department by the end of 2012, which represents. In 2012, as in 2011, we did not include companies whose employees are not managed by the corporate Human Resources department, namely: Itaú BBA, Itaú Corretora, Redecard, Previtec and SFR.

Learn more about our own employees turnover.

LA3: Benefits provided to full-time employees that are not provided to temporary or part time employees

All benefits offered to full-time employees are also available to part-time employees, with the exception of check-ups and parking, which vary according to hierarchical level.

Benefits offered equally throughout Brazil include retirement fund, discount on some banking products rates, club for employees and their families, life insurance,

medical and dental care, health care, quality of life programs, personal support program, and partnerships with some companies to offer special discounts to employees, such as the Droga Raia drug store chain.

LA7: Rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities by region and by gender

In 2012 we did not have any work-related fatalities.

All Deaths During the Period	2011*		2012	
	Women	Men	Women	Men
Employees	2	1	0	0
Third-Parties	0	0	0	0
Total	2	1	0	0

* In 2011, one male and two female Itaú Unibanco employees were killed while commuting to/from work.

All accidents are investigated by the Workplace Safety and Medical departments, which characterize them for Social Pension purposes and take appropriate measures.

		Totals			Totals	
		2010	2011	2012 ²		
Health and Safety Rates ¹			Women	Men	Women	Men
Injury Rate ³	Employees		333	704	1.38	0.93
	Third-Parties ⁵		103,648,361	147,694,660	-	-
	Total	0.75	0.95	0.64	1.38	0.93
Days Lost Rate ⁴	Employees		103,919	267,429	458.92	280.94
	Third-Parties ⁵		103,648,361	147,694,660	-	-
	Total	279.78	362.14	200.52	458.92	280.94
Work-Related Illness Rate	Employees		296	624	1.28	0.77
	Third-Parties ⁵		103,648,361	147,694,660	-	-
	Total	0.7	0.84	0.57	1.28	0.77
Absenteeism Rate ⁶	Employees		62,720	137,230	0.0117	0.0070
	Third-Parties ⁵		8,935,766	12,246,492	-	-
	Total	0.9	1.12	0.7	0.0117	0.0070

1. All data are stored in Itaú Unibanco Human Resources internal systems (Ponto Eletrônico, SAP, SIGP and FPW), where they are retrieved for statistical use. There was no difference in the calculation of the indicator from 2010 to 2012. [GRI Profile 3.10](#)

Light injuries were not included in the figures.

2. Does not include minor injuries.

3. We consider information from Itaú Unibanco companies whose employees are managed by the corporate Human Resources department, which totaled 86,374 in 2012. Reporting companies: Itaú Unibanco, Hipercard, Itauleasing, Itaú UBB Hold, Megabônus, Microinvest, Dibens Leasing, Provar Negócios, LuizaCred, Financeira Itaú, Finaustria Part, Fina Prom Servs, Banco Fiat S.A., Fic Promotora, Fai-Financeira, Itaú Seguros, Itaúseg Saúde, Itaú Servs, Kinea, Banco Itaúcard, Icarros Ltda., Pró-imóvel, Marcep, Itauprev and Trishop. [GRI Profile 3.11](#)

4. Includes deaths during the period.

5. To calculate working days lost, the bank considered only scheduled business days, and the calculation begins the day following the accident/absence. Includes absences over 15 days due to work-related illness or workplace accident. [GRI Profile 3.9](#)

6. Third-party service providers related figures were not included, since they have not been calculated by the time the report was released. [GRI Profile 3.11](#)

The absenteeism rate was calculated based on a method specific to Itaú Unibanco. The formula used was number of days absent divided by total days worked.

		Totals				
		2012				
Employee Health and Safety Rates, by Region		South	Southeast	North	Northeast	Midwest
Injury Rate		1.63	1.02	0.64	2.55	0.58
Days Lost Rate		752.60	316.38	273.16	874.34	319.58
Occupational Illness Rate		1.57	0.94	0.64	2.44	0.56
Absenteeism Rate*		0.0065	0.0101	0.0065	0.0102	0.0090

* The absenteeism rate was calculated based on Itaú Unibanco's own method, which is the number of days absent divided by total days worked.

Employee health and safety rates at Itaú Unibanco have risen, mainly between 2011 and 2012. We believe this increase is related to the fact that Technical Epidemiology Nexus (NTEP) legal provision used by the Social Security, now considers many non-occupational illnesses (chronic degenerative diseases or specific aging-associated diseases) as occupational or accident-related.

In April 2007 the INSS (National Institute for Social Security) implemented the granting of benefits in its information, which resulted in an immediate increase of

approximately 148% in granting aid to accident-related illnesses. Brazilian social security data show that, for the past six years, the number of accident-related benefits has been rising, while welfare benefits (not accident-related) remained stable.

The increase of the rate is, therefore, a national level phenomenon since it is related to changes in the legislation combined to the changes of the population profile.

[Learn more about our health and safety rates.](#)



LA8: Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases

We provide counseling, education programs, risks and disease prevention programs to our employees and their families. These initiatives include:

Health Time Program: through three products we seek to promote education on biological, psychological and social and organizational health and show employees the latest scientific and behavioral information related to these topics.

Itaú Unibanco Magazine: the bank's monthly magazine is distributed to every employee, and in 2012 addressed topics such as: back to school, chronic pain, elderly care, traveler health, psychosomatic illnesses, food without fussing, rhinitis, physical activity, alcohol abuse, STDs (sexually transmitted diseases) and AIDS.

Magazine audio version: an audio version that makes the magazine's content accessible to the visually impaired. In 2012 we distributed 3,409 CDs, covering every employee with this condition.

Posters: In 2012 we placed 43,629 posters in the back offices at branches and banking services outlets (PABs), which give branch and PAB staff constant exposure to health-related materials.

Health Debates: the discussions took place in the auditorium of our Jabaquara office in São Paulo, and were broadcast live online to provide widespread access to our employees at other centers. In 2012 the discussions covered the following topics:

- The way we eat – with the participation of the nutritionist Marle Alvarenga, the event was attended by 82 employees and had 609 online views.
- Your Memory: do you exercise it? – professor and neuroscientist Susan Ercolano-Houzel and journalist Cadão Volpato led the meeting, which was attended by 124 employees and had 233 online views.

Stay OK Program: we offer the Stay OK program to help our employees, and in some cases their family members, to confront adversities in their personal, social and professional lives.

Presentations: to promote quality of life in the workplace, we provide presentations for managers and their teams. Conducted by psychologists, these talks addressed topics such as: "Anxiety, fear and depression: the ways to overcome it", "Stress: help or hindrance?", "Time management", "Living in groups: strengths and difficulties" and "How can I have a better quality of life?"

Quit Smoking Program: we provide free treatment to employees who want to quit smoking. A multidisciplinary team conducts meetings in São Paulo, and also offers any necessary medication. In 2012, 62 employees participated in two classes, and after three months of the program, 20 employees had stopped smoking.

STD/Aids Program: Itaú Unibanco Magazine regularly publishes content on these subjects. In 2012, for example, the article "Health does not go on vacation" encouraged employees to get tested for Aids, syphilis and hepatitis. Additionally, Itaú Unibanco participates in the National Business Council on HIV/Aids, which seeks to mobilize the business sector to confront the disease and strengthen social responsibility and sustainability in business programs.

Common Cold + H1N1 flu – Vaccination at the workstation: promoted in our branches and administrative buildings, vaccination against colds and flu help to prevent the discomfort they can bring. In 2012, of the 92,190 employees who received visits from vaccination personnel, 54,395 (60%) were vaccinated: 72% of at the administrative centers and 28% in the branches. Employees in more distant locations can go to a health clinic and get reimbursed.

Meningitis – Orientation and Monitoring: cases of meningitis among employees, their family members or in their immediate living area were monitored by the bank's occupational physician through an Epidemiological Surveillance of affected regions. Persons directly or indirectly involved were oriented on the procedures to be taken and given advice on the prevention of this disease and its medical treatments.

High Blood Pressure Campaign: conducted at our administrative buildings in São Paulo, Rio de Janeiro, Belo Horizonte and Curitiba, our High Blood Pressure Blitz is an educational activity that seeks to spread information on hypertension and measure the blood pressure of employees in the workplace. People whose pressure has changed are re-checked in our clinics or are helped to find medical attention. Of the 22,684 employees we checked, 1,606 (7% of our workforce in the administrative centers) had changes in blood pressure.

Chronic Illness – Continuing Care program: after the High Blood Pressure Blitz, employees found to have hypertension receive support from the Continuing Care program. This service is confidential and includes actions such as: tips and reminders of tests and controls, full-time telephone support (including weekends) to have questions answered and get lifestyle changes suggestions. This program also includes My Health portal, which employees can check the action plan prepared for them by the staff of the Fleury Medicina e Saúde, a provider of diagnostic medicine services. In 2012, 313 employees were involved in the program, 76% of which were men, and 75% were aged 41 or older.

Women's Health program: an initiative that covers the specific health linked to different stages of a woman's life, and provides information on the diseases that can be prevented or treated in the early-stages. Its actions include:

- **Cervical and Breast Cancer – Women's Clinic:** provides appointments and examinations for employees at seven administrative centers in São Paulo. The service is provided by women's health specialists who perform tests such as Pap (Papanicolaou) smears, colposcopies, vulvoscopies, biopsies and pathology testing. The initiative, which seeks to prevent breast cancer and cervical human papillomavirus (HPV) infection, examined 1,997 women in 2012. Of this total, 35 cases of HPV infection were diagnosed, 14 cases less than the 41 detected the previous year.
- **Cervical cancer and genital warts – HPV vaccination:** three vaccinations are offered every two years at our administrative centers or in partner clinics all over Brazil to employees and dependents aged up to 26 (without subsidies), as well as to trainees and apprentices. From a total of 10,515 female employees, 2,641 signed up, representing 21.3% of our female trainees and employees and 83% of our apprentices. Of this group, 64% of the employees and trainees, and 56% of our apprentices, received three vaccinations.
- **Problems during pregnancy and childbirth – Baby on Board Course:** held in São Paulo, Rio de Janeiro, Curitiba and Belo Horizonte, the course gives pregnant employees and/or partners information on early pregnancy, childbirth and postpartum care and psychosocial issues. In 2012, 1,591 expectant mothers and/or partners took the Baby on Board course. We also sent out 463 copies of the book *Secrets for a Beautiful Baby* to employees who requested it, and 463 copies of the *Pregnancy Manual*, which offers advice to fathers.

WMSDs – Workplace Gymnastics Program: promotes exercising and stretching at work to prevent work-related musculoskeletal discomfort/disorders (WMSDs) and/or relief of tension and stress. The program holds at least two classes a week, conducted by a physical trainer or a physiotherapist. The initiative is designed for call center employees at five administrative centers in São Paulo. In December alone we had 3,500 participants. On average, 30% of our target group took classes during 2012.

Healthy Eating/Healthy Lifestyle – Nutrition Program: through educational actions and medical clinic assistance, the program seeks to encourage healthy eating and lifestyle habits. The program offers:

- **Chronic diseases and pregnant women – Clinical Nutritional Care:** at six administrative centers of São Paulo we provide six months of medical assistance and nutritional advice for employees with chronic diseases (diabetes, hypertension and dyslipidemia) and for pregnant women. In 2012, 605 employees were treated primarily for high cholesterol and triglyceride levels, as well as for pregnancy-related conditions.
- **Healthy eating – light meal workshops:** workshops are held after working hours in the staff restaurants at our main administrative centers in São Paulo. Employees are divided into pairs to create 29 light meals. In 2012 there were 20 workshops and a total of 972 participants.
- **Healthy weight loss – Weight Watchers:** through a partnership with Weight Watchers, employees have access to a more affordable healthy weight loss program. In 2012 there were 178 participants in Brazil, 98 of whom were from an administrative center in São Paulo.
- **Educational lectures:** held annually, they bring information on healthy diets to employees in São Paulo. In 2012 nutritionist Elaine de Padua gave three talks on the topic "Eat right away from home" to a total of 213 participants.
- **Education via intranet:** we provide employees with information and materials on nutrition such as recipes, calculating Body Mass Index (BMI), content from educational events and event scheduling.
- **Chemical Dependency – It Depends on You program:** introduced in 2010, this intranet program provides information about chemical dependency (including alcoholism), internal and external treatment and support channels, e-learning geared to the development of each employee, and the It Depends on You booklet. The goal is to encourage employees to seek help, and enable managers to better handle these situations in the workplace.

[Learn more about our health programs.](#)



LA10: Average hours of training per year per employee, by gender, and by employee category

In 2012 we invested R\$106,277,290 in employees training¹.

	Hours of Training			Average Hours of Training per Employee ²		
	Women	Men	Total	Women	Men	Total
Management	161,273.50	203,450.19	364,723.69	24.61	25.44	25.06
Administration	781,598.00	616,413.37	1,398,011.37	26.63	28.74	27.52
Production	255,094.90	138,408.12	393,503.02	14.24	15.24	14.58
Trainees	3,684.26	994.35	4,678.61	131.58	16.85	53.78
Interns	49,594.69	35,348.86	84,943.55	30.02	31.20	30.50
Total	1,251,245.35	994,614.89	2,245,860.24	22.54	25.04	23.59

1. In 2012, as in 2011, we did not include the employees from the companies that are not managed by the corporate Human Resources department, namely: Itaú BBA, Itaú Corretora, Redecard, Previtec and SFR.

2. Calculation based on the total number of employees in the table, including management, administrative, production, trainees and interns. *GRI Profile 3.9*

Since there were few new hires at Itaú Unibanco in 2012 compared to 2011, fewer training to new hires were needed. Thus, there were fewer hours devoted to training.

Another major event that could explain the reduction of trainings is that the expansion of the Companies department occurred in 2011. That year Itaú Unibanco gave more than 300,000 hours of training to over 10,000 staff members, that were not needed to be repeated the following year.

Learn more about our training programs offered to our employees.

LA11: Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings

LA12: Percentage of employees receiving regular performance and career development reviews, by gender

The management of our employees occurs in an integrated manner at every professional stage: recruitment, training and development, performance appraisals and skills management. We design programs to attract, develop and retain high-potential talent, which are the ones responsible to meet the demand of leadership over the medium and long terms. These training programs may be domestic (interns and trainees program) or international (MBA Recruiting, Master's Abroad Sponsorship Program, International Assignment and Job Swap).

The internship program is designed to develop young potential talents into high performance professionals and thus strengthen our talent pool. This up to two year

program offers participants the opportunity to learn about our business areas and have their intern plan evaluated. The program also complement their professional education through training, participation in projects and presentations. In 2012 this program was extended to the branch trainees.

We also instituted a performance appraisal system for all bank trainees. This allows us to follow their performance development, assess their alignment to our culture and help us decide whether they should be hired or not.

As a result, in 2012 we evaluated over 1,500 interns, 700 of whom were hired.

Our trainee program seeks to place young graduates into the job market. This 12 months program has three steps:

- Integration – one month of deepening their knowledge of the business areas and the Itaú Unibanco vision.
- Generalist – six months of job rotation to obtain a broader knowledge of the areas where they will work through working on projects and strengthening the relationship network.
- Specialist – over a five-month period, trainees are involved in projects and challenging goals.

In 2012 we developed additional activities such as Trainees in Action, which promotes young talents to visit the bank's key areas (Ombudsman, branches and call centers). Additionally to the trainee training program, the program is complemented by the development of important tools such as customized coaching process, and the implementation of a new mentoring and assessment for creating Individual Development Plans for the trainees.

The MBA Recruiting program seeks to attract, for full-time and summer job positions, high-potential professionals who are completing their MBA or Master's at top universities in the United States and Europe. Some professionals are hired for full-time positions are invited to join the bank's leadership team, while other students are selected for our three-month summer jobs program to develop projects focused on certain areas of the bank. In 2012, bank executives visited 13 universities, where they gave talks about our different business areas and interviewed about 130 candidates.

The Master's Abroad Sponsorship Program seeks to prepare our high-potential employees to assume leadership positions. Participants are given an incentive to take a one or two-year academic MBA or executive MBA at top universities in the United States and Europe. In 2012, ten professionals were awarded this sponsorship.

In 2012 we also continued the Job Swap Program. In this program, some professional are invited to spend three to six months at one of our international units, performing similar activities. The participants receive cross-cultural training to help them adapt to and understand behavior in different environments. In 2012, 26 professionals were sent to units in Chile, Argentina, Paraguay, Uruguay, Switzerland, Portugal, the United States and the Bahamas. For 2013, four projects are scheduled.

We also have International Assignment, a long-term action plan to develop an international mobility profile to some employees. Successful candidates spend one to four years working at our international units as part of the local staff team; in 2012, 11 employees were in this program.

SKILLS DEVELOPMENT

We maintain various programs to develop employee skills, including:

- **Sabbatical leave:** any employee can request, for personal reasons, a temporary unpaid leave, since they are considered important by the area director.
- **Outplacement services and assistance in retirement planning:** sponsored by the bank, these are typically for managerial and executive level employees.
- **Retraining course:** reimbursement of up to R\$974 for banking area employees. All types of courses are permitted, including crafts and cooking.
- **Retraining program:** design for those wishing to continue working in the banking area.

TALENT MANAGEMENT

All our employees undergo some type of performance appraisal: 54,000 are part of the performance management program. The other employees have their performance measured through AGIR (branch network and commercial areas performance program), or in structured performance appraisals based on the specificities of each business model. *GRI LA12*

Agreed-upon goals method is applied to all employees performance appraisal. Based on the Balanced Scorecard, these goals are used by the directors and superintendents define their goals and evaluate the performance results of each individual.

In 2012 approximately 36,000 employees, including leaders and teams, were evaluated according to the program Strategic Planning for People criterias. This led to 14,052 merits and promotions.

Based on the principle of meritocracy, Itaú Unibanco seeks to develop its employees and leaders by working on three fronts: promptness, development and succession.

On the promptness front, in 2012 we developed programs that contribute to the development of our employees skills. The Functional Skills Project maps the qualities expected for each hierarchical level, creating job descriptions based on the area future strategy and its current challenges. By the end of 2012, 18 departments had their mapping completed or in progress.

We also employ a Leadership Promptness Assessment, a tool available to senior, coordinator and manager levels. In this program, consultants evaluate employees (senior executives, coordinators and managers) based on the expected responsibilities for the position, as well as the bank's corporate culture and values. The goals are to provide a mapping of skills and to support individual development plans and decisions regarding promotions. In 2012 approximately 520 employees were evaluated under this process: 46% were senior managers, 36% were coordinators and Level I specialists, 17% were managers and Level II specialists, while 1% were Level III specialists.

Also in 2012 we developed the Leadership Game in partnership with the Culture, Attraction and Selection areas to assess the promptness of our coordinators to move up to the senior level. This project is designed to meet large-scale demands in the organization. For 2013 the goal is to use it in selection and career direction processes.

To bring transparency to the succession process and strengthen the practice of meritocracy, during the year we formed 11 Director Succession Committees, whose role is to choose successors for strategic positions.

In 2012 approximately 150 managers went through these processes. During the year we also upgraded our executive coaching program to begin preparing our executives for retirement.

To support the development of specific aspects of the Itaú Unibanco dynamic, we continued with the Talents Program, but also applied it to managers and senior positions. In 2012, 240 employees joined the program (including mentors and those being mentored), and we trained more than 11 new mentors for a specific Wealth Management and Services (WMS) project.

STAFF TRAINING

During the year we expanded our distance learning channels and improved the Kirk methodology, which measures the results and performance of employees in training programs. Other initiatives created in 2012 include:

- **Knowledge Curriculum:** defines the knowledge needed to perform specific tasks. It comprises the Business, Functional, People and Personal Excellence modules. Over 80% of the areas have the knowledge curriculum defined.
- **Financial Education:** we provide e-learning courses such as “The Conscientious Use of Money – Getting out of the Red” and “Financial Math – Personal Finances”, which promote discussion on financial health and the importance of a disciplined approach to get out of debt.
- **Ethics:** consists of four e-learning courses providing employees with ideas on their own ethics, principles of excellence, interdependence, identity and good faith.
- **Sustainability:** we provided the latin american units with a training management platform (LMS) and the Conscientious Use of Money – Getting out of the Red course in Spanish. We also trained new employees about sustainability.
- **Collaboration:** we created 14 practices groups for various business segments such as Retail Banking, Companies, Vehicle Finance, Corporate and Itaú Asset Management, which enabled employees to access support materials for

classroom and online training.

- **Executives in Action:** a workshop for managers and coordinators designed to generate commitments, ideas and proposals to accelerate a process of change and discussion on a leader’s responsibility as a driving agent of customer satisfaction.
- **Innovation Grid:** we offer three courses to disseminate the culture of innovation throughout Itaú Unibanco, and to train employees in advanced methodologies.
- **Communities of practices:** designed to unite people, the communities of practice were established to share knowledge, practices, problem solving and creating ideas.
- **Leadership Discussion:** meetings with bank leaders in which managers from specific corporate areas (such as Innovation, Sustainable Performance and Culture) answer questions about these issues.
- **Franchise - Legal:** a project designed to adopt a new attitude and image for the bank in keeping with how the legal area wants the bank to be viewed by the judiciary. It consists of training for trial lawyers, legal staff and negotiators who represent Itaú Unibanco.
- **Improvements in Credit:** a program developed for the Companies segment to train relationship managers in the lending analysis and approval process.
- **Branch Network:** we implemented the Interns Training Program to prepare young people for work in the Commercial and Operational areas at the branches. We also consolidated the Itaú Branch Franchise model by implementing the Regional Branch Manager Training program and upgrading the Commercial General Manager Training program. Additionally, we developed a program for Superintendents, which trains these professionals for work of a more strategic nature.
- **Certifications:** to train and prepare our employees for certification exams required by regulators, we provide textbooks and simulations for self-study courses, classroom and e-learning, and an electronic tutorial to answer frequently asked questions.

[Learn more about our management skills assessments.](#)



LA13: Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity

Employees, by Category

	2010	%	2011	%	2012	%
Executive	190	0	176	0	107	0
Management	15,853	14	15,638	14	13,490	15
Administration	52,616	47	54,418	50	45,889	50
Production	39,403	35	34,486	32	26,995	30
Trainees	168	0	140	0	87	0
Apprentices	2,014	2	2,094	2	1,752	2
Interns	1,534	1	1,440	1	2,717	3
Total	111,778	100	108,392	100	91,037	100

Employees, by Gender

	2010	%	2011	%	2012	%
Women	64,978	58	62,544	58	50,830	59
Men	46,800	42	45,848	42	35,544	41
Total	111,778	100	108,392	100	86,347	100

Employees, by Gender and Job Level

	2010					
	Women	%	Men	%	Total	%
Executive	13	12	94	88	107	100
Management	6,178	46	7,312	54	13,490	100
Administration	26,739	58	19,150	42	45,889	100
Production	17,913	66	9,082	34	26,995	100
Trainees	28	32	59	68	87	100
Apprentices	1,252	71	500	29	1,752	100
Interns	1,603	59	1,114	41	2,717	100
Total	53,726	59	37,311	41	91,037	100

Employees, by Gender and Job Level – Separated by Hierarchical Level

2011						
	Women	%	Men	%	Total	%
Executive	15	9	161	91	176	100
Management	6,683	43	8,955	57	15,638	100
Administration	31,132	57	23,286	43	54,418	100
Production	22,429	65	12,057	35	34,486	100
Trainees	45	32	95	68	140	100
Apprentices	1,483	71	611	29	2,094	100
Interns	757	53	683	47	1,440	100
Total	62,544	58	45,848	42	108,392	100

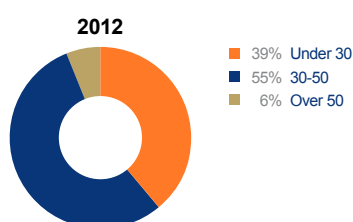
Employees, by Gender and Job Level – Separated by Hierarchical Level

2012						
	Women	%	Men	%	Total	%
Executive	13	12	94	88	107	100
Management	6,178	46	7,312	54	13,490	100
Administration	26,739	58	19,150	42	45,889	100
Production	17,913	66	9,082	34	26,995	100
Trainees	28	32	59	68	87	100
Apprentices	1,252	71	500	29	1,752	100
Interns	1,603	59	1,114	41	2,717	100
Total	53,727	59	37,311	41	91,037	100

All Employees, by Age Group

	2010	%	2011	%	2012	%
Under 30	45,823	41	42,751	40	30,609	39
30-50	58,232	52	57,834	53	50,242	55
Over 50	7,723	7	7,807	7	5,523	6
Total	111,778	100	108,392	100	86,374	100

Employees, by Age Group



Employees, by Age Group

2010								
	Under 30	%	30-50	%	Over 50	%	Total	%
Executive	0	0	112	59	78	41	107	100
Management	1,163	7	12,703	80	1,987	13	13,490	100
Administration	17,106	33	31,645	60	3,865	7	45,889	100
Production	23,841	61	13,769	35	1,793	5	26,995	100
Trainees	166	99	2	1	0	0	87	100
Apprentices	2,014	100	0	0	0	0	1,752	100
Interns	1,533	100	1	0	0	0	2,717	100
Total	45,823	41	58,232	52	7,723	7	91,037	100

Employees, by Age Group

2011								
	Under 30	%	30-50	%	Over 50	%	Total	%
Executive	0	0	126	72	50	28	176	100
Management	1,131	7	12,616	81	1,891	12	15,638	100
Administration	19,192	35	31,277	57	3,949	7	54,418	100
Production	18,758	54	13,811	40	1,917	6	34,486	100
Trainees	140	100	0	0	0	0	140	100
Apprentices	2,094	100	0	0	0	0	2,094	100
Interns	1,436	100	4	0	0	0	1,440	100
Total	42,751	39	57,834	53	7,807	7	108,392	100

Employees, by Age Group

2012								
	Under 30	%	30-50	%	Over 50	%	Total	%
Executive	0	0	74	69	33	33	107	100
Management	832	6	11,283	84	1,375	10	13,490	100
Administration	15,818	34	27,224	59	2,847	6	45,889	100
Production	13,959	52	11,735	43	1,301	5	26,995	100
Trainees	87	100	0	0	0	0	87	100
Apprentices	1,752	100	0	0	0	0	1,752	100
Interns	2,710	100	6	0	1	0	2,717	100
Total	35,158	39	50,322	55	5,557	6	91,031	100

Total Afro-Brazilian Employees*

	2010	%	2011	%	2012	%
Women	9,849	8.81	8,553	7.89	7,740	7.97
Men	6,162	5.51	5,863	5.41	5,378	5.54
Total	16,011	14.32	14,416	13.30	13,118	13.51

* As a proportion of all employees (97,080).

Afro-Brazilian Employees

2010						
	Women	%	Men	%	Total	%
Executive	0	0.00	0	0.00	0	0.00
Management	354	0.32	506	0.45	860	0.77
Administration	2,992	2.68	2,647	2.37	5,639	5.04
Production	6,241	5.58	2,889	2.58	9,130	8.17
Trainees	1	0.00	3	0.00	4	0.00
Apprentices	192	0.17	78	0.07	270	0.24
Interns	69	0.06	39	0.03	108	0.10
Total	9,849	8.81	6,162	5.51	16,011	14.32

Afro-Brazilian Employees

2011						
	Women	%	Men	%	Total	%
Executive	0	0.00	0	0.00	0	0.00
Management	386	0.36	527	0.49	913	0.84
Administration	3,318	3.06	2,831	2.61	6,149	5.67
Production	4,716	4.35	2,452	2.26	7,168	6.61
Trainees	1	0.00	1	0.00	2	0.00
Apprentices	105	0.10	41	0.04	146	0.13
Interns	27	0.02	11	0.01	38	0.04
Total	8,553	7.89	5,863	5.41	14,416	13.30

Afro-Brazilian Employees

2012						
	Women	%	Men	%	Total	%
Executive	0	0.00	0	0.00	0	0.00
Management	377	0.39	488	0.50	865	0.89
Administration	3,142	3.24	2,696	2.78	5,838	6.01
Production	3,761	3.87	1,976	2.04	5,737	5.91
Trainees	1	0.00	5	0.00	6	0.01
Apprentices	331	0.34	109	0.11	440	0.45
Interns	128	0.13	104	0.11	232	0.24
Total	7,740	7.97	5,378	5.54	13,118	13.51

Total Disabled Employees*

	2010	%	2011	%	2012	%
Women	2,020	1.81	2,332	2.47	2,155	1.99
Men	2,093	1.87	2,310	2.45	2,193	2.02
Total	4,113	3.68	4,642	4.93	4,348	4.01

* As a proportion of total employees (97,080).

In 2012, there was a decrease in the percentage of disabled employees due to the closing of FIC, FAI and PROVAR financial operations, which caused a reduction in

the overall number of employees. However, Itaú Unibanco, the largest company in the group, had an increase in the percentage of disabled employees.

Disabled Employees*

2010						
	Women	%	Men	%	Total	%
Executive	0	0.00	0	0.00	0	0.00
Management	8	0.01	29	0.03	37	0.03
Administration	607	0.54	661	0.59	1,268	1.13
Production	1,405	1.26	1,403	1.26	2,808	2.51
Trainees	0	0.00	0	0.00	0	0.00
Apprentices	0	0.00	0	0.00	0	0.00
Interns	0	0.00	0	0.00	0	0.00
Total	2,020	1.81	2,093	1.87	4,113	3.68

* Includes Brazil only. Units abroad have legal restrictions on this data.

Disabled Employees*

2011						
	Women	%	Men	%	Total	%
Executive		0.00		0.00	0	0.00
Management	32	0.03	18	0.02	50	0.05
Administration	908	0.84	885	0.82	1,793	1.65
Production	1,392	1.28	1,407	1.30	2,799	2.58
Trainees	0	0.00	0	0.00	0	0.00
Apprentices	0	0.00	0	0.00	0	0.00
Interns	0	0.00	0	0.00	0	0.00
Total	2,332	2.15	2,310	2.13	4,642	4.28

* Includes Brazil only. Units abroad have legal restrictions on this data.

Disabled Employees*

	2012					
	Woman	%	Men	%	Total	%
Executive		0.00		0.00	0	0.00
Management	21	0.02	37	0.03	58	0.00
Administration	916	0.85	999	0.92	1,915	0.00
Production	1,218	1.12	1,157	1.07	2,375	0.00
Trainees	0	0.00	0	0.00	0	0.00
Apprentices	0	0.00	0	0.00	0	0.00
Interns	0	0.00	0	0.00	0	0.00
Total	2,155	1.99	2,193	2.02	4,348	4.01

* Includes Brazil only. Units abroad have legal restrictions on this data.

[Learn more about our diversity initiatives.](#)

LA14: Ratio of basic salary and remuneration women to men by employee category, by significant locations of operation

Base Salary Women/Men*	2010	2011	2012
Executive	0.99	1.01	1
Management	0.94	0.94	0.94
Administration	0.97	0.94	0.94
Production	0.96	0.93	0.94
Trainees	1	1	1
Apprentices	1	1	1
Interns	1	1	1

*Proportion between the base salary for women and the base salary for men in each functional category.

The remuneration policy of Itaú Unibanco is different for each job level, and there is no specific cause for the differences found.

[Learn more about our remuneration policy for our employees.](#)

Total Employees in Maternity/Paternity Leave		With Right to Leave ¹	Took Leave	Returned to Work after Leave Ended ²	Returned to Work after Leave Ended and Remained Employed 12 Months after Returning	Returned to Work Before Leave Ended	Retention Rate of Employees that Returned to Work after Leave Ended – %
Women	2011	2,718	2,718	2,715	2,576	–	99.89
	2012	2,580	2,580	2,580	2,453	0	100
Men	2011	966	966	894	872	–	92.55
		956	956	956	908	0	100

1. Includes leave for maternity, paternity, adoption and abortion.

2. Not including employees terminated just one or two days after returning to work.

SOCIAL PERFORMANCE – HUMAN RIGHTS

Valuing people is one of our biggest focus areas

HR1: Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening

In July 2012 we entered into a Association agreement with Brazilian bank Banco BMG S.A. to market payroll discount loans in Brazil. We have a 70% equity stake in the resulting Banco Itaú SA BMG Consignado S.A., while the remaining 30% belongs to Banco BMG.

The supporting Association contracts and agreements do not have any human rights clauses, nor are they evaluated for human rights compliance. However, Itaú Unibanco is responsible for the administration of Banco Itaú BMG Consignado S.A., which follows the same human rights principles and guidelines established and enforced by Itaú Unibanco.

HR4: Total number of incidents of discrimination and actions taken to correct and mitigate new incidents

In 2012 Itaú Unibanco registered one case of discrimination, which was resolved internally.

The bank has policies and practices to prevent acts of discrimination, prejudice or interpersonal conflict in the workplace. During the year we ran communication campaigns to encourage people to contact the Ethics area or the Ombudsman for advice and answers, and to discuss interpersonal conflicts.

We also provide a hotline for handling specific cases. Every report or complaint triggers a series of steps to resolve the problem. Under the Itaú Unibanco Disciplinary Measures Enforcement Policy, which is available to all employees, in more complex situations the Ombudsperson area takes measures such as job

termination for the offender, transfer to a different department or disciplinary action.

The Redecard Ethics Committee plays a key role in cases of discrimination. Its responsibilities include evaluating possible breaches of conduct and establishing applicable operational or disciplinary actions.

[Learn more about our initiatives to prevent cases of discrimination.](#)

HR2: Percentage of significant third-parties, suppliers and other partners that have undergone screening on human rights and measures taken

HR6: Operations and key suppliers identified as having significant risk for incidents of child labor, and measures taken to contribute to the elimination of child labor

HR7: Operations and key suppliers identified as having significant risk for incidents of forced or compulsory labor, and measures taken to contribute to the elimination of all forms of forced or compulsory labor
[Visit: www.itaubr.com.br/fornecedores/](http://www.itaubr.com.br/fornecedores/)

Our Procurement Policy establishes the profile of suppliers with whom we want to work. In 2012 this process was re-certified ISO 9001.

The supplier approval process is periodically updated, and all companies that are interested in working with Itaú Unibanco must comply with our [Code of Ethics](#). Additionally, after evaluation, those suppliers which are considered critical are classified into risk matrices, which require more detailed financial analysis and consider criteria related to the identification of social risks.



Of the total number of companies that were suppliers to the bank in 2012, a total of 5,161 passed the approval process, representing approximately 90% of our purchases. Of this figure, 2,870 were considered significant suppliers, although all supplier contracts have human rights clauses, whether the company is classified as significant or not.

Suppliers considered significant are those that are labor intensive, such as cleaning, construction and renovations, furniture, equipment maintenance and call centers, as they are susceptible to the risk of child labor, forced or compulsory labor and violations of other human rights. They also have annual revenues in excess of R\$1 million.

In 2012 Itaú Unibanco and its significant suppliers had no reported cases of violations of human rights, child labor, young workers exposed to hazardous work, or forced or compulsory labor.

To evaluate and identify non-compliance with the code of ethics and to mitigate risks, we audited our service providers based on the approval process requirements and our corporate sustainability policy. We looked at elements such as compliance with labor laws, the existence of child labor, forced labor, adequate health and safety measures, policies and procedures adopted, and environmental management.

We also offer telephone, website and e-mail communication channels, through which any person may file complaints, suggestions and questions. If there are allegations that a supplier is infringing on human rights, an internal investigation is initiated. If the supplier is found to be in breach of the law, we take steps to help the company resolve the situation. If a resolution is not immediately forthcoming we may temporarily interrupt the service or terminate our relationship with the company in question.

[Learn more about our contractual clauses for human rights and suppliers.](#)

HR8: Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations GRI FG Human Rights

Our security personnel are composed of outsourced service providers. By law they must attend training courses plus refresher courses every two years. All these courses address human rights and human relations aspects to properly prepare these individuals for contact with the public.

We have also developed a booklet and training video to educate these professionals on our security policy. These materials include topics such as education, friendliness, respect, discrimination and helping disabled people.

HR10: Percentage and total number of operations that have been subject to human rights reviews and/or impact assessments

HR11: Number of grievances related to human rights filed, addressed, and resolved through formal grievance mechanisms

We have a formal Ombudsman channel which receives, registers, advises on and investigates interpersonal conflict complaints from employees, including cases regarding human rights violations. This channel can be accessed via telephone, e-mail, fax, intranet, mail and personal contact.

In 2012, Itaú Unibanco's 3,856 operating units reported a total of 26 events related to human rights violations. Of these, only four units registered a complaint, or approximately 1% of the total number of units. As a result there were three dismissals without just cause. The discrimination case only involved a process review.

The case evaluation process includes an analysis of the causes and impacts on human rights. To minimize these risks we provide counseling, educational campaigns (presentations plus classroom and distance training), and disciplinary measures where a violation has occurred.

Regarding complaints lodged by customers, in 2012 we received a report that an individual had been denied a mortgage due to being an HIV carrier. Our legal department is currently examining this case, consistent with São Paulo State Law 11.199/02.

SOCIAL PERFORMANCE – SOCIETY

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**We form strategic partnerships
to contribute to
social development**

SO1: Nature, scope, and effectiveness of any programs and practices that assess and manage the impacts of operations on communities, including entering, operating, and exiting

EC9: Understanding and describing significant indirect economic impacts, including the extent of impacts

IMPACT ASSESSMENT GRI EC9

With Microcredit, we use financial indicators (changes in income and increase in borrowing needs) to help support social impact assessments. To understand and map expectations and demands, in 2012 we interviewed 20 people (14 in São Paulo and six in Rio de Janeiro), which led to eight videos ([including one on Financial Education](#)) available online.

Several issues were raised, including:

- Customers with loan, insurance and advice packages have the opportunity to improve their social conditions (income generation, employment, formalization of the business and social mobility).
- Financial education and monitoring provided by the loan officer increases the skills of small entrepreneurs, who receive information about cash flow, economic cycles and separating personal expenses from business expenses.

During the year we used a geomarketing tool to identify individual micro-entrepreneurs working in areas which have microcredit opportunities. This tool helped

us direct the planning for strategic actions and for our microcredit agents' agenda.

In 2012 we also studied the use of indicators compatible with those employed by Mix Market (www.mixmarket.org), an international microfinance benchmarking organization. Operational indicators are presented weekly to team management, and monthly to the Executive. In 2014 we intend to start using a quantitative impact assessment indicator.

For 2013 the goal is to use qualitative research to learn our customers' perceptions about the Microcredit value proposition, the impact of microcredit and customer needs for products and services.

Microcredit customers have relationship channels such as Itaú Unibanco SAC Customer Support (0800-728-0728), the Itaú Microcredit Center (11-4004-1937) and the [portal](#), where they can offer suggestions, make complaints and have their questions answered.

RELATIONSHIP WITH THE COMMUNITY

We have a program to identify local needs and opportunities in the regions where our largest administrative centers are located. This allows us to map out how we can best work together with civil society leaders and public entities. Projects are implemented gradually based on identifying needs, meeting with government agencies and the community involved, and participating in forums.

In 2012, as part of this program, we continued monitoring our actions in Mogi Mirim along with government agencies and the State Prosecutor's office. We also strengthened our relationship with the community of Jabaquara by participating in the Local Development Network and district meetings. Also, we sponsored seminars focused on sports for Jabaquara neighbourhood – a project developed and executed by the local community.

In order to extend the comprehensiveness of the program, we began mapping and developing the diagnostic for Vila Prudente, where the Technology Center is located. We are active participants in the Social Network, and in 2013 we intend to work with micro-entrepreneurship in the local community.

FUNDAÇÃO ITAÚ SOCIAL

See www.fundacaoitausocial.org.br

Investment in education is one of the driving forces of social transformation and one of the basic pillars of a country's sustainable development. To contribute to the improvement of Brazil's public schooling policies, we work in partnership with all levels of government, the private sector and civil society organizations as a means to add skills and propose solutions to the demands of the country. It also ensures the continuity of large scale actions so they can reach and benefit more people over time.

In keeping with these goals, Fundação Itaú Social develops and implements projects in four main areas: Comprehensive Education, Education Administration, Economic Assessment of Social Projects and Social Mobilization (which covers the Guarantee of Child and Adolescent Rights and our Volunteering program).

With Comprehensive Education, Fundação Itaú Social helps implement politics for comprehensive education on public schools, and promotes the Itaú-Unicef Award, which supports the work of NGOs working in partnership with public schools to educate children and young people at risk. It also operates the Urban Youth Program, which helps broaden the socio-cultural horizons of young people living on the outskirts of Brazil's biggest cities.

In Education Administration, Fundação Itaú Social develops programs to train administrators, technicians and educators to improve the structure of school boards and its management agencies.

The Economic Assessment of Social Projects is designed to spread the culture and practice of evaluating social programs and policies to improve the management of social investments. We conduct courses and seminars

for managers, evaluate their own programs as well as partner and public policy programs, and analyze the impacts and returns on social investments.

The Social Mobilization area comprises three programs: Itaú Child, Itaú Unibanco Volunteers, and Community, Present! The Itaú Child program is an initiative to mobilize employees, customers, partners and the community to ensure the rights of children and adolescents. It operates on three fronts: actions and partnerships to disseminate the Child and Adolescent Statute (ECA); strengthening of the Councils for Child and Adolescent Rights; and encouragement of reading. In 2012 the latter front ran the national "Read to a Child" campaign, which provided more than seven million books to enable reading actions.

The Itaú Unibanco Volunteer program supports employees who want to participate in social activities by offering a variety of volunteering opportunities. The Community, Present! program brings together our branches and their surrounding communities to support social projects in education and public health run by local organizations. It has created a channel for branch managers to identify, forward and monitor the chosen projects. The organizations we support receive funds to purchase equipment and materials for current and expanded facilities.

INSTITUTO UNIBANCO GRI EC9

See www.unibanco.com.br

Instituto Unibanco is dedicated to improving Brazil's public high schools through projects that reduce absenteeism, improve public school administration, train teachers and develop new methods to evaluate and upgrade school facilities. These projects do not necessarily address the priorities of stakeholder groups, but, taken together, they help improve performance indicators and provide benchmarks that demonstrate the correlation between education and economic development.

We have not undertaken specific actions to identify the indirect economic impacts of Instituto Unibanco's projects, however, there are studies that correlate education with economic development. Between 2009 and 2011, in the regions where we operate certain impacts were identified, such as improvements in school management. Additionally, data compiled by Fundação Getúlio Vargas show that higher education levels mean better chances for people to be integrated into the labor market, and consequently better chances of employment and higher pay.

[Learn more about our initiatives for community.](#)

SO2: Percentage and total number of business units analyzed for risks related to corruption

Risks related to corruption are specified in the Corporate Ethics and Anti-Corruption and Bribery Policy, and are evaluated and monitored by the Internal Controls, Financial Controls and Risk Management areas. Reports of misconduct are made by employees, customers, suppliers, and others.

After identifying an occurrence, the area responsible examines the information and forwards the case to management so that disciplinary measures may be taken. For employees, proof of misconduct may result in criminal prosecution or dismissal, while suppliers may be reported to the government or have their contracts terminated.

Anti-corruption and bribery risk management is applied to every company in the Itaú Unibanco group.

SO3: Percentage of employees trained in organization's anti-corruption policies and procedures

Corruption is regulated by our Corporate Ethics Code and Anti-Corruption and Bribery Policy (HF-5). In 2012 we did not perform specific anti-corruption and bribery training. However, all new staff members are trained in the principles of the code of ethics when they are hired, and every employee is offered e-learning in ethics, which covers theory and case studies of corruption.

All Redecard employees also have e-learning in the code of ethics and conduct, which is available online and is mandatory for all recently-hired employees and/or have computer access. 100% of our managers and 98% of our non-management staff members have been trained.

In 2013 we will develop mandatory training based on our anti-corruption policy.

[Learn more about our anti-corruption initiatives and policies.](#)

SO4: Actions taken in response to incidents of corruption

All cases of personal conflict regarding employees are received and checked by the Itaú Unibanco Superintendent of Ethics and Ombudsman. Cases of violation of rules, fraud and other offenses are forwarded to our Inspectors office.

In 2012 this office reported two cases of bribe-taking by suppliers or service providers involving bank staff. Both were terminated for just cause.

At Redecard, when an occurrence is identified, the case is forwarded to one of our ethics bodies. It is then examined by the appropriate area and brought before the Ethics Commission for a decision. If there is evidence of wrongdoing then measures will be taken, such as dismissal, dismissal for just cause, or criminal proceedings for employees, while suppliers may be reported to the government or have their contracts terminated. In 2012, no lawsuits on corruption cases against Itaú Unibanco or its employees were terminated.

SO5: Public policy positions and participation in public policy development and lobbying

ITAÚ UNIBANCO

We monitor the performance of the legislative and executive branches at the federal, state and municipal levels and contribute to the discussion on bills that may have significant impacts on the sectors in which we operate.

Our focus is to promote the development of the financial sector, one of the most heavily regulated in Brazil, by contributing to the creation of public policies. We promote dialogue between the government and organizations that represent our sector, such as Febraban and the National Council of Financial Institutions (CNF).

INSTITUTO UNIBANCO

The ability to join the formal labor market, increase income and improve social development are factors that depend on the level of education reached by each individual as they grow up. When we invest in education we are also helping the economy of our country through the formation of citizens who are more aware of their role in society and better prepared to face the challenges of the job market.

Instituto Unibanco focuses its operations on improving Brazil's public high schools as a strategy for training our young people. Our initiatives, as well as the development of new technologies and educational methodologies, have been designed to achieve this goal, in keeping with Instituto Unibanco's strategic vision. Our objective is to be an agent of transformation by inspiring changes in attitudes and promoting the development of Brazilian youth. This action is directly related to the strategic interests of Itaú Unibanco: working in partnership with government and investing in the improvement of public policies.

Youth with a Future

Instituto Unibanco has partnered with the Ministry of Education (MEC), the Secretariat of Strategic Affairs of the Office of the President (SAE), and five Brazilian states to institutionalize the Youth With a Future program as federal and state public policy. The partnership is expected to benefit high school students in 2,523 schools in Brazil over the next five years.

In 2012 the program's technology was transferred to public school systems. This technology transfer is a result of the integration of the Innovator High School – a Ministry of Education project to promote changes in Brazil's public high school in the country – with the Youth With a Future program.

The Ministry transfers resources to the schools, while Instituto Unibanco provides training and technical support. The state school boards then implement the project in their schools. Between 2012 and 2018 (when the final cycle ends), we will have benefited about 2,030,000 young people at 2,523 schools in Brazil by extending the reach and performance of educational public policies in the participating states.

FUNDAÇÃO ITAÚ SOCIAL

Fundação Itaú Social's mission is to develop, implement and disseminate methodologies to improve public policies in education and the assessment of social projects. It works in partnership with federal, state and municipal governments.

In the area of Comprehensive Education, it advises on the implementation of comprehensive education policies in public school systems. It currently has a partnership with the Goiás Department of Education and the Municipal Secretaries of Education in Rio de Janeiro, Belo Horizonte and Maringá. It also promotes the Itaú-Unicef Award and the Urban Youth Program.

With Education Administration, Fundação Itaú Social trains managers, technicians and educators to help improve school boards' structure and its management agencies. We have developed programs such as Improving Public Schooling, which helps education leaders to develop and manage public policies, and Excellence in Education Administration, which promotes monitoring and support strategies for classroom teachers and parental involvement in an effort to improve learning.

The Portuguese Language Olympics – Writing the Future program is based on training teachers and overcoming problems in reading and writing in Brazil's public schools. This initiative became a federal government policy in 2008, in partnership with MEC. Virtually all (99%) of Brazil's cities and towns have been involved in the program, with the participation of more than 60,000 public schools, 239,000 teachers and 7 million students.

Itaú Unibanco originated the Economic Assessment of Social Projects to measure the return and impact on its business areas. Developed along with the Risk and Financial Controls area, the technology is applied to projects developed by the organization and has been replicated by government agencies and non-profit organizations. More than 1,500 public officials and social organizations have participated in our economic assessment courses.

INSTITUTO ITAÚ CULTURAL

Since its founding in 1987, Instituto Itaú Cultural has operated through its long-term actions and programs to help create and implement public policies in the cultural sector. Based on the objective of producing, supporting and broadening access to Brazilian art, it promotes events and publishes information and studies conducted through the following programs and activities:

- Itaú Cultural Directions Program: production and dissemination of artists and researchers' works and through public competitions. Over the past 15 years, the program has undertaken a wide variety of projects, reaching millions of people in Brazil and abroad. In 2012 the program launched competitions for Film and Video (which received 401 submissions) and Dance (549 submissions), plus a new event for Research in Fashion and Design (108 submissions).
- Itaú Cultural Observatory: systematizes data on culture and cultural policy, conducts studies and research, evaluates practices and promotes exchanges between researchers and professionals in Brazil and abroad. It also publishes books and a biannual magazine. In the field of education, the Observatory has two projects: a continuing education course in Cultural Management, held in partnership with the University of Girona and the UNESCO Chair in Cultural Policy, and which since 2009 has reached 170 students, and Management Week, held in partnership with state Departments of Culture and other public action institutions, such as Sebrae (which assists very small and small enterprises). Since its beginnings in 2008, Management Week has been held in 15 cities. Both projects are designed to enhance the skills of the various cultural managers involved.
- Free expositions and cultural activities are held in partnership with public and private cultural institutions all over the country and abroad. Altogether, 273 activities were held in 2012, including exhibits, scenic displays, concerts, audiovisual shows, seminars, literary presentations, lectures, courses and workshops for teachers. At our São Paulo headquarters alone we had over 250,000 visitors, a 28% increase over the previous year. Of these visitors, 27,000 accessed the Miateca media library, which has over 57,000 items (including videos, CDs, catalogues and books) that may be viewed free of charge. The Educational area received 44,430 visits from students, teachers, NGOs and others.
- Instituto Itaú Cultural manages the Itaú Unibanco art collection, which is one of the largest corporate art collections in Latin America and features about 12,000 pieces. The collection has been presented to the public through our own exhibits held in Brazil and abroad, without use of the Rouanet Law tax incentive. In the past two years, about 800,000 people have taken part in these events, whether through the travelling shows or at our headquarters.

In the virtual field, the Institute completed and launched its new website, which houses encyclopedias for the visual arts, theater, Brazilian art and literature, and technology. The site recorded 12.2 million visits during the year.

[Learn more about our public policies initiatives.](#)

SO6: Contributions to political parties, politicians, and related institutions by country

In 2012 we introduced our Policy for Donations to Political Campaigns, which is available to our staff and the general public. It sets the guidelines to be observed when donating to political candidates: all funds go to the candidates themselves. Our donation amounts strictly follow the laws governing donations to political campaigns and comply with Complementary Law 135 of June 4, 2010, popularly known as the Clean Record Act. To learn more about it, [click here](#). During the year we donated a total of approximately R\$10.2 million.

Donations to Political Parties in 2012 – %

PSDB	25.3
PT	21.7
PMDB	14
DEM	6.7
PSB	5.7
Other	26.5

More detailed information available at www.tse.gov.br/prestacaodecontas2012.

[Learn more about our financial contributions to political parties.](#)

SO7: Legal actions for anticompetitive behavior, trust and monopoly practices and their outcomes

In 2012 there were no legal proceedings for anticompetitive, trust or monopoly practices.

However, Redecard has an administrative process underway, which was brought by the Secretariat of Economic Law (SDE) in 2009 to investigate complaints of alleged violations of the economic order, based on claims by the Brazilian Association of Internet Services and Information Access Providers (Abranet), whereby Abranet alleges that certain terms and conditions required by Redecard for its accredited intermediaries (those associated with Abranet) are anticompetitive. Redecard presented its defense in August 2009, which refuted these allegations.

SO8: Value of significant fines and total non-monetary sanctions for non-compliance with laws and regulations

In the administrative, judicial and arbitration scopes there were no significant fines or non-monetary sanctions equal to or greater than R\$500,000.

SO9: Operations with significant potential or actual negative impacts on local communities

We did not conduct the mapping as we consider that, due to our business type, size and primarily urban location, the negative impacts on local communities are negligible.

SO10: Prevention and mitigation measures implemented with significant potential or actual negative impacts on local communities

We do not adopt measures to prevent or mitigate as we consider that due to our business type, size and primarily urban location, the negative impacts on local communities are negligible.

SOCIAL PERFORMANCE – PRODUCT RESPONSIBILITY

Clarity and transparency to increase customer satisfaction

PR1: Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures

We developed the Greater Security Program to promote behavioral change and reduce fraud and illegal acts. Through this Program, we disseminate safe practices for the personal and professional lives of employees, customers and the general public. The program covers aspects such as information security, physical security, prevention of fraud and money laundering.

We took a number of actions in 2012, including:

- Awareness Program. Conducted at our units in Portugal, England, Mexico, Chile, Argentina, Uruguay, Paraguay and the United States, it covers topics such as information security, physical security, information leakage, and fraud prevention. The program included sending out e-mails with safety tips, classroom presentations and meetings with the CEO and other executives of the unit. The program was also held in some business units in Brazil, including the Executive Finance Board, Efficiency, Itaú Pension Solutions, Wealth Management Services, Technology and the Controller. In total, more than 16,000 employees took part.
- Greater Security Day: the bank's annual security event addresses topics such as preventing fraud and

information leakage. In 2012 the event was fully digital, covering all employees of Central Administration and the branch network. Over 13 million users have registered on the hotsite, and we received about 28,800 comments on our material (a 229.1% increase over the previous year).

- Classroom training: 565 managers received training on topics such as the life cycle of frauds, how fraudsters work and how to prevent them from opening a new account. The objective was to improve the preparation of our Uniclass segment managers in properly identifying the client, and in preventing attacks through social engineering, fraud and other illegal acts.
- Corporate Security presentations: 2,500 employees who recently joined Itaú Unibanco attended lectures to help prepare them for the level of security required by the bank.
- Security Lectures: designed for Itaú Live More, an association for people aged over 55, sponsored by Itaú. The initiative was prompted when we identified difficulties for this age group to use ATMs safely.
- Safe Use of the Internet Workshop: a volunteer effort that mobilizes bank employees to work in public schools and show online risks to students aged 12 to 16. In 2012 the workshop trained 86 employees, 60 of whom ended up working in schools. The action was also taken to Buenos Aires.

- **Greater Security Website:** all content focuses on Itaú Unibanco's banking, digital, physical and personal security. In 2012 its content was enhanced with tips and guidelines for businesses. The site has helped us decrease fraud in this segment by 38%.

To help commercial clients to safely use our internet banking service we held a campaign on online safety, addressing how business people can protect their own company on the web.

- **Branches:** all of our branches and many of our ATMs were set up to start registering customers through fingerprint identification, which allows greater security and convenience to customers and the bank.
- **Improvements in safety equipment:** technological upgrades, at certain branches, of safety equipment such as sensors, alarms and revolving doors.
- **Improvement and centralization of access requests** in our branches by third-parties.

Itaú Unibanco maintained its ISO 27001 certification, which is an international standard in information security. The audit was coordinated by Fundação Vanzolini, and the certification was granted after a review of our rules and procedures for ensuring the confidentiality of information on the www.itau.com.br.

[Learn more about our initiatives for our consumer security.](#)

PR2: Total number of incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts caused by products and services during their life cycle, by type of outcomes

In 2012 the bank had a 65% reduction from 2011 in all cases of non-compliance with the health and safety of products and services. The reduction of occurrences due to inoperative, ineffective or uninstalled alarm systems fell 44%.

Incidents of Non-Compliance with the Health and Safety of Products and Services	2011	2012
Incidents Dismissed (no fine)	111	9
Incidents Involving a Fine	57	50
Total Incidents	168	59

Main Occurrences (Pr2)	2011	2012
Alarm System	25	14
Insufficiently Armed Security Personnel	8	14
Certification out of Date	7	10
Operation without Approved Security Plan	7	5
Preventing or Hindering Access to Federal Police Agents	6	7

[Learn more about those non-conformity cases.](#)

PR5: Practices related to customer satisfaction, including results of surveys measuring customer satisfaction

FOCUS ON THE CLIENT

To meet the needs and satisfaction of our customers we have a series of actions that result in continuous improvement of our services and strengthen our relationship with customers. One example is extended opening hours at certain branches, a project that began in January 2012. We have also been active in social media, using a strategy created two years ago which brings us closer to our customers by providing faster information exchange and helping the bank to find new opportunities for improvement.

In addition to these initiatives we need to develop an inner awareness that customer satisfaction is a priority and should be reflected in the bank's corporate culture. Accordingly, "Everyone for the customer" is the first principle of "Our Way of Making it Happen", which lists Itaú Unibanco's relationship values.

To strengthen this culture internally, several actions were developed along with staff members, such as communication campaigns to celebrate Consumer Day and Customer Day. Our staff magazine is also used for this purpose: the August 2012 issue featured a special report on these values, and showed the bank's main advances in this area.

Other initiatives include the Everyone for the Customer award, which recognizes employees who show highlighted performance in customer satisfaction in their daily activities, and the Executives in Action program, which gives bank executives the opportunity to share the customer experience and thereby get a clearer view of the challenges they face.

CONSUMER PROTECTION

For the third consecutive year we participated in the Public Indicators Project, which is run by the Department of Consumer Protection and Defense (DPDC). Through the project we are committed to reducing the number of complaints received, increasing the success rate for conflict resolution in the preliminary phase, and increasing the number of agreements reached regarding substantiated complaints (claims which were not resolved by the first Procon involvement).

We also signed a commitment with Procon-São Paulo to reduce the total amount of Procon involvement and substantiated complaints.

CUSTOMER SURVEY

We seek feedback to determine the level of customer satisfaction by conducting research, monitoring requests recorded at our call centers, and in Customer Forums. Our main data gathering tools are:

- System Competitiveness: a telephone survey conducted with active customers in order to identify the key elements of the banking relationship with each business area and measure customer satisfaction scores with those of the competition. In 2012 our customer satisfaction score was 8.24, which was weighted according to the portfolio size of each business segment.
- Satisfaction Survey in Electronic Channels: evaluates customer satisfaction with the points of sale at each branch. The scores influence the variable pay of the teams.
- Interaction/Support Satisfaction Survey: evaluates customer satisfaction after the use of services and/or after contact with Itaú.
- Customer Forum: an initiative created by Itaú Unibanco to bring the client's vision into the company. We hold three to four meetings per year for customers to share their views with bank executives.
- Specific qualitative and quantitative studies: we conducted 100 of these studies during the year. The goal is to support the business areas to develop and refine the products and services offered by the bank. These studies include:
 - Mapping complaints: a study of complaints made to the bank by customers at 20 relationship centers.
 - Co-creation of the University Student website: through the contribution of customers in a web-based community, we were able to substantiate the strategies for creating the content, form and language of the Itaú University Student site.
 - Twitter Project: designed to map the profile of our Twitter followers so that we can eventually turn this into a "controlled" information platform, offering quality and technical expertise.

We evaluated two other means for improving the measurement of customer satisfaction: reducing the length of time between the experience and evaluation, which can lead to faster and lower-cost service; and improving our online and telephone surveys.

MAIN RESULTS:

Since 2009 we have reduced the number of complaints made to Procon by 61%, and we do not appear in the ranking of "the 50 worst companies for resolving customer problems", published by the National Consumer Secretary (Senacon).

In 2012 we placed third in the national service rankings released by the National Consumer Protection System (Sindec), and we placed first the previous year. This ranking

evaluates the service provided to consumers (questions, queries or complaints). Our problem solving score was 85%, one of the highest among all companies and best among Brazil's banks.

Itaucard received the Best Company award from the Complain Here consumer site, placing first in the Quality in Customer Service category within the Banks, Financial Institutions and Services segment.

DEBATES FORUM

To strengthen our dialogue with Brazil's consumer protection agencies, we organized the second edition of the Debates Forum on Consumer Rights, a pioneering initiative in the domestic financial market.

In 2012 we held 10 meetings with more than 200 officials from various organizations across the country, including public and private consumer protection groups, the Central Bank of Brazil, the judiciary, the Attorney General's office, public defenders, municipal and state Procons, Brasilcon (Brazilian Institute of Consumer Rights and Policies), public prosecutors, the media and other civil consumer protection groups, as well as executives from all business areas.

Five key needs emerged from these meetings, which we have incorporated into our continuous improvement agenda:

- Information on lending
- Improvement of extended warranties sales (insurance arm)
- Financial education incorporated into the business
- Training of representatives of public hearings
- Monitoring of Itaucard 2.0 operations

[Learn more about consumer satisfaction.](#)

PR6: Programs of adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship¹

In order to guide our marketing actions and act ethically and transparently, we maintain the Corporate Code of Ethics², [Our Way of Making it Happen](#), the Corporate Information Security Guide, Business Continuity Guide and a corporate crisis management model.

We also comply with the self-regulating codes of the National Self-Regulating Council (Conar), the Brazilian Federation of Banks (Febraban), the Brazilian Association of Financial and Capital Markets (ANBIMA) and the Brazilian Association of Credit Cards and Services (Abecs). We also observe laws and rules relating to advertising such as the Consumer Defense Code (CDC) and those issued by the National Monetary Council (CMN) and the National of Private Insurance Council (CNSP). Action plans for adaptation to external regulations are monitored by internal risk management instruments.

1. Includes Redecard data.

2. Due to the delisting of Redecard, the Board of Directors did not approve the changes on the Code of Ethics and required the Compliance area to align the Redecard Code with that of the bank.



We also continuously monitor our compliance with these standards through market research, customer service channels and shared management between Internal Controls, Compliance, Legal and Business.

Our internal regulations are available through the Corporate Portal, and when public, on our website.

We do not sell products that are the subject of public controversy or that are being questioned by our stakeholders.

PR7: Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship, by type of outcomes

There were no reported cases of non-compliance in 2012. A public civil suit, brought in 2011 by the Legislative Assembly of Rio de Janeiro in 2011 (Alerj), is still in progress, and concerns the alleged illegality of a nationally-aired TV commercial which showed the benefits of Itaucard card.

PR8: Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data

The information required by this indicator is classified as sensitive and confidential, and accordingly is not subject to public disclosure.

PR9: Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services

In 2012 there was only one significant administrative proceeding (over R\$500,000) against the bank for non-compliance with laws or regulations concerning the provision and use of products and services. The fine totals R\$3 million, and a decision is still pending.

Other assessments were for non-adherence to municipal laws governing the operation of branches, and for complaints to consumer protection groups over issues such as the installation of password emitters and opaque panels in branches, unsolicited products and services, and debt renegotiations.

With regard to judicial proceedings, our risk in 2012 was calculated at R\$13,028,803.60, pending final decision. Our tax foreclosures portfolio currently consists of ten cases with significant fines, pending decision.

SECTOR INDICATORS

A bank in continuous improvement can identify and prepare for trends



GRI FS1

Available on the intranet and at the [website](#) sustentabilidade, our sustainability policy is designed to ratify our commitment to sustainable development and state the principles that permeate the management of our relationship groups and our business activities. It guides all sectoral and specific policies in the bank.

We also have a Corporate Socio-environmental Risk Policy, which provides environmental guidelines for lending to companies based in Brazil. It has been approved by the Senior Credit Committee, and is available on the intranet and at the [website](#).

Among other regulations, this policy allows for calling the loan if the customer has environmental issues such as subjecting employees to slave-like conditions, child labor, encouraging prostitution or non-adherence with Brazilian environmental legislation.

There are also sectoral policies for our Companies area and Itaú BBA, with rules for assessing companies in certain sectors of the economy that represent the greatest potential for socio-environmental risk. As indicated in the List of Restricted Activities in the Corporate Socio-environmental Risk Policy, we conduct detailed evaluations of companies that work in the production or trade of firearms, ammunition and explosives; logging and the production of lumber, fuel wood or charcoal from native forests; fishing; and the mining and industrialization of asbestos/amanthius. Exceptions are subject to review by specific committees,

which may demand the preparation and fulfillment of action plans by the companies and periodically monitor their activities in order to manage the risks identified.

FS9: Coverage and frequency of audits to assess implementation of environmental and social policies and risk assessment procedures

Internal Audit operates in every area and process of the bank, consistent with our annual plan based on the assessment of inherent and residual risks. It reports to the Board of Directors of Itaú Unibanco, and receives technical supervision from the Audit Committee. Its highly-trained dedicated team does not use third-parties, and conducts periodic audits to assess compliance with:

- The Sustainability Policy, in particular:
 - Sustainability strategy
 - Structure – governance and management
 - Proper representations and associations in external sustainability forums
 - Implementation and adherence to commitments and agreements and
 - Communication and monitoring
- Corporate Socio-Environmental Risk Policy.
- Equator Principles, only with project finance.

In a 2011 audit performed on the Sustainability Policy we looked at the AA1000 standard and the Green Protocol. In audits of the Commercial lending and

Companies segments we used the parameters of the Equator Principles and the standards of the Itaú BBA and Companies area Socio-environmental Risk Policies. In 2012, we implemented action plans based on the findings of the 2011 audit.

An audited area must develop action plans (approved by the Audit Committee) for the points whose risk level is classified as extreme or higher. The monitoring of actions includes monthly reports to the Audit Committee and quarterly reports to the Senior Audit and Operational Risk Management Commission, headed by our CEO.

For points with a moderate risk level, the action plan is drawn up by the area audited and approved by the Internal Controls and Risk Official. It submits quarterly reports to the Audit Committee on the monitoring of these initiatives. In both cases, Internal Audit is responsible for checking the effectiveness of the action plans.

For each business line we may make specific exclusions or limitations on specific products, services and geographic areas.

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SOCIO-ENVIRONMENTAL RESPONSIBILITY OF PRODUCTS AND SERVICES

In order to mitigate potential risks we adopt policies and procedures related to environmental responsibility in our products and services, such as:

Corporate Ethics and Anti-Corruption and Bribery Policy

Can be accessed at www.itaub.com.br/ir and on our staff intranet. This policy provides supplementary guidance to the Itaú Unibanco Code of Ethics on the following issues:

- Anti-Corruption and bribery
- Personal gain and kickbacks
- Gifts and contributions
- Outside activities
- Equity in companies
- Participation in recognized activities and publications
- Relationships with clients and suppliers
- Communication of unethical behavior
- Protection of officers and employees who have questions, suspicions or allegations of misconduct

The business and support areas are responsible for implementing the guidelines defined in the policy. These areas are backed by guidelines set by the Senior Ethics Commission and by the governance structure, which is composed of the Ombudsman, company ethics committees and the Inspection office.

Sustainability Policy

A governance structure comprising the Sustainability Supervisory Committee, the Executive Sustainability Committee and the Sustainability Committee is responsible for the implementation of the sustainability policy's guidelines.

Corporate Policy to Evaluate Products/Operations/Processes

This policy is available to staff members and is designed to achieve superior financial and sales results through a constant focus on risk management. It establishes a governance standard for evaluating products and processes to ensure that plans, decisions and objectives are consistent with business, managerial and ethical policies, and comply with bank regulations and senior management directives. The process requires the integration of the Products areas and evaluators from the Legal, Anti-Money Laundering, Information Security, Tax, Accounting and Sustainability areas. Together, this group generates competitive advantages and adds value to customers. The Sustainability area evaluates financial education, transparency, sustainability, environmental risk and reputational risk arising from the evaluators.

FS16: Initiatives to improve financial education, by type of beneficiary

Financial education is one of our strategic focus areas. We use a series of projects and initiatives to spread this

information among employees, customers and society. The goal is to provide knowledge that helps these groups make better use of their money and financial products and services.

Initiative	Description
Conscious Use of Money Guide	<p>In 2012 we launched seven new guides: "Purchase and Save", "Use Your Money Wisely", "The Best Loan for You", "Getting out of the Red", "Family and Money", "Extra Cash! Now What?" and "Current Account and Debit Card".</p> <p>The guides were distributed to branches nationwide, and feature simple, informative content. By giving customers practical tips, they are designed to help them make better decisions and learn how to use their money well to reach their goals.</p> <p>The guides can also be found at www.itaubr.com/usoconsciente.</p>
Conscious Use of Money website: www.itaubr.com/usoconsciente	<p>The purpose of the site is the financial education of the general public. The channel was re-launched in August 2012.</p> <p>The portal is interactive and has more than 200 items, including simulators, tests, articles, tutorials, videos and podcasts on topics and everyday situations such as: tips to get out of debt; purchasing and saving; talking about money with the family; choosing the best loan; and what to do with money left over at the end of the month.</p> <p>Visitors can also submit questions that will be answered by our experts. From its launch until the end of the year it had over 1.2 million visits.</p>
Credit Advisor	<p>The online Credit Advisor tool helps customers decide the best loan for their needs. They can also check and see their loan details. The tool also allows managers to choose the right time to offer a credit product aligned with a customer's profile.</p> <p>Account holders can also check their loan status through our branches, ATMs, online and via phone.</p>
Conscious Use of Money for Employees	<p>With the Conscientious Use of Money for Employees program, our staff can benefit from the bank's knowledge of financial management, which they can then take to their families, communities and clients.</p> <p>In 2012 the program was divided into four main fronts:</p> <ul style="list-style-type: none"> • Education: during the year about 40,000 employees took at least one distance learning course on the Conscious Use of Money. In addition, 185 employees were trained as multipliers for this subject. • Communication: we ran a new internal communication campaign with topics and tips on the best ways to handle money. For this initiative we created a hot site full of articles, games and interviews with staff members. We also published various pieces in the staff magazine and held events and chats with experts on the subject. • By December we had received 23,000 visits to the hot site; we held two events with experts on the subject, which were attended by about 400 people and broadcast to all our main facilities (via video on the staff portal). We also distributed the children's book on financial education <i>The Tree of Dreams</i> to the first 5,000 people who registered on the hot site. • In 2012 we also undertook communication and distance education initiatives for the Conscientious Use of Money program at our units in Latin America: Paraguay, Argentina, Uruguay, Chile and Mexico. • Volunteering: employees are trained to conduct workshops with young people from schools and NGOs. Through a cooperative game, young people have the opportunity to develop a budget and plan their life projects. We trained 86 employees in the volunteer workshop, 52 of whom applied the game to their families or communities. • Staff Survey: we also conduct research on the levels of knowledge and financial well-being of our employees. The results will provide a basis for us to improve our internal financial education actions and future practices with our customers, such as an impact assessment of the distance learning courses.
Launch of the children's book <i>The Dreams Tree</i> .	<p>A playful tool that can be used by parents and educators to introduce the topic of financial education to children. It also works as an indirect learning tool for adults. The goal is to arouse curiosity in children about the choices that involve money and achieving their dreams.</p>
Communication and education campaign on the conscious use of credit	<p>In 2012 we launched the second edition of the conscientious use of credit campaign. We provide tutorials on YouTube advising the public about when to use, or not, each credit product and the importance of making responsible choices. We had more than five million visits during the year and have had over 13 million since the 1st edition of the campaign was launched in 2011.</p> <p>Learn more at www.itaubr.com/creditoconsciente</p>

Initiative	Description
Communication and education campaign on investments and pensions	<p>To encourage investors to think about their financial life, we launched the "Investing is" campaign as a continuation of the "Invest" campaign which began in 2011. We want investors to think about the importance of having a financial reserve for possible emergencies, and how to invest their money with discipline to grow their wealth and ensure a restful future in retirement.</p> <p>The campaign ran in magazines and newspapers and on television, radio and YouTube, where the "Invest" platform offers simulators, videos and interactive tutorials to answer frequently asked questions. At October 2012 we had posted 4,874,066 views.</p>
Financial Education Program for commercial clients	<p>The program begins with intensive training of our Banking Services Outlets managers to become multipliers of the conscious use of money.</p> <p>Based on this training, we seek partnerships with client companies to implement an agenda of financial education for their employees, by providing lectures, audio and video content and articles. In 2012, 75 multipliers received 16 hours of training, after which they gave 10 presentations in client companies.</p>
Application of the Conscious Use of Money game in partnership with consumer protection groups	<p>In 2012 we held 11 regional events in 11 locations in Brazil, featuring Consumer Protection advisors, Procons officials and other related groups. A total of 223 people took part. The objective was to train participants to be multipliers of the Conscientious Use of Money Workshop.</p>
Educational presentations at Expo Money fairs	<p>We participated in 13 Expo Money fairs (financial education and investments fairs) in 2012, giving presentations on the responsible use of money. About 180 people attended each presentation.</p>
Presentations in companies and events, and with opinion makers	<p>We gave financial education presentations on topics such as purchases, savings, organizing your finances, responsible choices, family and money, proper use of a checking account, loans and investments.</p> <p>Our primary audience was Expo Money participants (as mentioned before), the media, opinion makers, employees of partner companies, managers and customers.</p>
Radio releases	<p>In 2012 we provided five quick tip radio releases to local stations in 1,054 locations, or 20% of the cities and towns nationwide.</p>
Itaú University Student website	<p>Granabook and Fun Trade are two of the ways we strengthened the digital platform that provides financial guidance to university students:</p> <ul style="list-style-type: none"> • Granabook: the Itaú University Student page on Facebook, features our first collaborative virtual financial education guide for university students. It is a comprehensive source for students to discover the financial universe and learn how and where to spend and invest their money. The content is developed by the online community in partnership with financial advisor Gustavo Cerbasi. Users can suggest different ways of handling money based on seven themes that run throughout the material, ranging from why we should talk about money, how to manage debts and make a budget, to planning investments and achieving dreams. The topics were selected based on key questions the students had posted on the page itself. As material becomes ready we post the chapters on Facebook. At the end of the last chapter we will create a guide to help the students. Available on computers, smartphones and tablets. • Fun Trade: an Itaú application on Facebook to encourage students to become familiar with how the stock exchange works. The application delivers financial market information in a simple, fun and educational way to encourage engagement and interactivity between participants. Users complete tasks and challenges to earn badges. To participate, students can access the Itaú University Student page or accept an invitation from other participants, who also need to overcome challenges and trade shares with other participants to earn Itaú Fun Trade currency.
Extreme Makeover Project	<p>In 2012 we held the seventh edition of the Extreme Makeover Project, in partnership with Itaútec, Alterdata, Claro Enterprises and <i>Pequenas Empresas & Grandes Negócios</i> magazine. The project selects three companies to receive finance and sustainability training, network and management software, new equipment and industry media coverage.</p> <p>The goal is to help small businesses to modernize, improve their management and become more efficient. It is also designed to increase profitability and show that any company, regardless of its size, can be more efficient and sustainable. Through the project, we analyze the businesses and offer recommendations on financial management, governance, business, the environment, employees, customers, competitors, suppliers, society and the government. We also gave presentations on sustainability and financial education to employees of participating companies.</p> <p>In 2012, participating companies came from the industrial, commerce and services sectors.</p>

Initiative	Description
Itaú Companies Financial Education	The Itaú Empresas home page (www.itaubr.com.br/empresas) provides programs and tools to guide and enable micro and small business person on using the most suitable products and services for each stage of their business.
How Long Until I Make R\$1 million Simulator?	Developed in 2011 in association with <i>Veja</i> magazine, this simulator guides and motivates discussion on the components of family/personal budgets. The site continued on the air in 2012.
Financial education for current and potential investors – new methodology that helps create a retirement reserve (1-3-6-9²)	In 2012 we developed a new methodology that simplifies monitoring and the recommendations to create a retirement reserve. We developed presentations, videos and simulators that help customers and managers in this task.
Itaú Private Bank	<p>Family Wealth Across Generations is an annual event focused on preparing to manage family assets of new generations of Ultra High Net Worth Families (UHNWF) in Latin America. Editions to-date: (Punta del Este – 2008; Santiago – 2009; Buenos Aires – 2010; São Paulo – 2011; and Santiago – 2012). Over 500 people have taken part, most of whom are clients' children (aged 20-35) from Brazil, Chile, Argentina and Uruguay.</p> <p>The two-day program is based on management, governance and succession of family assets, as well as current topics directly related to the daily lives of participants, such as family communication, entrepreneurship, innovation, sustainability and social responsibility.</p>
Itaú Seguros	<p>By providing borrower insurance to our microcredit customers, we have the opportunity to advise them on the policy's protection to pay off debts and continue the family business, and distribute our financial advice booklet.</p> <p>Our goal is to ensure sustainable results in the microcredit portfolio and help reestablish the family business in the event of loss.</p>
Microcredit	<p>To monitor the use of credit, our agents visit the business between the time of loan approval and the first installment due. Closeness to the customer and orientation are some of the tools we use for the social and financial development of micro-entrepreneurs.</p> <p>During this monitoring of credit use we have already seen various impacts brought about by these loans and insurance policies, and the advice we provide on improving our clients' social conditions.</p> <p>In 2013 Microcredit seeks to hold five events per month, which will bring agents and supervisors closer to the community of clients and non-clients by promoting the product, introducing concepts of financial education and reassessing clients whose loan requests were denied.</p> <p>In 2012 we printed 2,000 copies of The Entrepreneur's Notebook, a tool designed to facilitate a small business person's daily activities. It features tables for controlling expenses, revenue and inventory, increasing planning capacity and business transparency. We will continue distributing the book in 2013 to benefit customers who need advice and financial organization. Providing this book allows our microcredit agents to establish trust and a close relationship with their clients.</p>

1. In 2012 no new actions of the Financial Education in Schools project were implemented. Its strategy is being reviewed by Instituto Unibanco, which is why we did not provide its goals and guidelines for 2013.

2. Number of annual salaries which must be in a retirement reserve at the ages of 35, 45, 55 and 65, respectively.

[Learn more about financial education initiatives.](#)

OUTLOOK

For 2013 we plan to continue expanding our internal and external financial education initiatives for individuals and companies:

- Staff program
- Informational material in different channels and formats
- Training of multipliers
- Increased activities among children and young people
- Actions for customers and the general public

Our goal is to help more and more people to use their money better at different times of their life.

MICROCREDIT

FS1: Specific socio-environmental policies applied to business lines

FS2: Procedures for assessing screening socio-environmental risks in product lines

FS3: Processes for monitoring clients' implementation of and compliance with environmental and social requirements included in agreements or transactions

FS4: Processes for improving staff competency to implement the environmental and social policies and procedures as applied to business lines

FS5: Interactions with clients/investors/business partners regarding socio-environmental risks and opportunities

FS6: Percentage of the portfolio for business lines by specific region/size (ex. micro/SME/large) and by sector

FS7: Monetary value of products and services designed to deliver a specific social benefit for each business line, broken down by purpose

We follow the Sustainability Policy, which underlines our commitment to sustainable business development and the transformation of society. Our microfinance governance plays a key role in creating an agenda for the sustainable development of the country by monitoring market trends and customer and society demands, and promoting the financial inclusion of informal business people. Additionally, Microcredit participates in national and international forums and meetings to stay one step ahead of the main issues related to the financial market for micro entrepreneurs.

All Microcredit employees have access to the Lending Policy and the Lending Processes and Credit Analysis Circular. Every month we audit the internal and external operations and processes to ensure the applicability of the policies. *GRI FS1*

Although there are no formal procedures, loans are offered to micro-entrepreneurship working with sustainable practices and that have a positive impact on community development. Before a loan can be approved, the microcredit agent ([learn more here](#)) conducts an overall assessment of the enterprise, taking into account the business type, ability to pay, capital, collateral and conditions. *GRI FS1 and FS2*

We have methods to assess compliance with the social requirements of the policy. After releasing the funds, the agent visits the borrower's project to monitor how the money is being spent. If there is any deviation from the contract, the agent will advise the client. By taking out a loan, the customer assumes responsibility for the misuse of funds, and any deviation found can lead to non-renewal. *GRI FS3*

We also conduct monthly physical and analytical monitoring, based on data extracted from the client's systems and documents. The analyst responsible for follow-up visits will speak with the borrower and suggest improvements to the policy to the borrower's training procedures. *GRI FS3*



RELATIONSHIP CHANNELS *GRI FS5*

Proximity to the customer helps the social and financial development of our micro-entrepreneur clients. In 2012, for example, we distributed the Entrepreneur's Notebook to help in the financial management of their business. We also provide service channels such as Itaú Unibanco SAC Customer Support, Itaú Microcredit Central and via e-mail at microcredito.microinvest@itau-unibanco.com.br.

With Level 2 loans we hold meetings with partner institutions to exchange knowledge and best microfinance practices. We involve the executive and the board of these institutions to discuss action plans and determine the planning for the use of funds provided by Itaú Unibanco.

MICROCREDIT AGENTS *GRI FS4*

Our microcredit agents are professional family people who possess analytical thinking and who identify with the cause of social transformation. Their socioeconomic status is similar to that of their customers.

After being hired, the agents undergo a training program with practical and theoretical classes in subjects such as credit analysis, collection and sales techniques, financial management, ethics, accounting and guidance on productive microcredit. This allows the agents to understand the client's situation (regarding sales and expenses) and to help them choose the product. Since 2012, our more experienced supervisors have been responsible for training new staff and interns. We sought a more responsive training agenda in 2012 by better enabling the agents to improve lives without losing focus on production and the quality of the portfolio.

replenish inventory, acquire machinery and equipment, and to renovate or expand the workplace. For business people to get this type of credit, they must: *GRI FS7*

- Be a formal or informal small business owner or self-employed.
- Be an owner or partner.
- Maintain annual sales of up to R\$360,000.
- Have been working in business for at least one year to apply for working capital, and two years for other purposes.
- Be aged 18 or older.
- Provide a copy of their bank statements (personal or business) for the past 60 days (if they have a current account).
- Require a minimum of R\$400 and a maximum of R\$10,000 for the first loan, and renewal from R\$400 to R\$14,200.
- Repay the loan in 4 to 12 installments.

We have no procedures for checking documents. We only conduct periodic audits, which evaluate the applicability of the policy. *GRI FS7*

In 2012 we made 6,965 loans totaling about R\$24.4 million. From 2003 until the end of 2012 we had made 41,581 loans totaling approximately R\$131.6 million. *GRI FS7*

We support civil society organizations of public interest (OSCIPIs) enrolled in the National Productive Microcredit Program (PNMPO). The microfinance institutions which grant the loans transfer the receivables portfolio to Itaú Unibanco, and in return receive the repayments in advance.

To evaluate partner institutions we developed the Relationship and Support Program, an initiative that helps us guide the actions of institutional support. We also seek to bring the agents closer to their clients and help the sector by mapping solutions for the market. Internally, for example, we joined forces with Marketing and Insurance, which led to the creation of customer prospecting material and a micro-insurance portfolio for interested institutions. *GRI FS5*

Level 2 loans are designed for OSCIPs that need working capital to provide more credit to their micro-entrepreneur customers. As they encompass a number of products, we cannot tabulate the total loans granted during the year.

LOAN TYPES*

Level 1 loans provide credit for working capital, upgrades or fixed assets, and are designed for formal or informal city-based business people involved in small-scale activities. Monies can be used to purchase goods,

* There are no geographical distinctions for risk assessments. Level 1 loans made directly to micro-entrepreneurs do not involve third-parties, while for Level 2 loans an outside professional with over ten years' experience in the market helps to assess the risk of partner institutions. *GRI FS2 e FS6*

Microcredit Insurance

Launched in December 2011, this product is intended for Microcredit customers, and is limited to R\$15,000 of protection. At the end of 2012, 7,400 operations had been accomplished. In the event of the accidental death or total disability of the borrower, the outstanding balance is forgiven, up to R\$3,000 is provided for funeral expenses, as is R\$400 in food hamper vouchers, paid out in four equal payments. *GRI FS7*

FS13: Access in sparsely populated or economically disadvantage areas, by type

We provide loans for people in economically vulnerable locations and in need of financial services. Level 1 loans (made directly to micro-entrepreneurs) and Level 2 loans (made indirectly to micro-entrepreneurs through OSCIPs) follow the principles of productive microcredit and contribute to the socioeconomic inclusion of formal and informal micro-entrepreneurs in the C2, D and E economic classes.

NATIONWIDE COVERAGE

Each microcredit agent is responsible for a region, meaning the bank goes to its customers so they can begin the process of becoming commercial clients. In 2012, through its agents (Level 1), Microcredit covered the following Brazilian municipalities*:

- Rio de Janeiro: Rio de Janeiro, Duque de Caxias, Petrópolis, Piabetá (Magé), Guia de Pacobaíba, Belford Roxo, Mesquita, Nilópolis, Nova Iguaçu, Queimados, São João do Meriti and Japeri
- Rio Grande do Sul: Porto Alegre, Canoas, Guajuviras (Canoas), Esteio, Gravataí, Viamão, Alvorada, Santa Cruz do Sul and Santo Ângelo
- São Paulo: São Paulo, Barueri, Carapicuíba, Cotia, Itapevi, Jandira, Mauá, Osasco, Santo André, São Bernardo do Campo, Vargem Grande Paulista, Santana de Parnaíba, Taboão da Serra, Embu, Itapeverica da Serra, Guarulhos, Suzano, Caieiras and Franco da Rocha

Through Level 2 loans, Itaú Unibanco indirectly serves some districts in São Paulo, Rio Grande do Sul, Santa Catarina, Paraná, Minas Gerais and Paraíba. The combination of Level 1 and 2 loans gives us nationwide coverage.

FS14: Initiatives to improve access to the financial services for people with disabilities

We have developed several initiatives to facilitate access to financial services for people in at-risk situations. These include the Relationship and Support to Microfinance Institutions (MFIs) Program, Oriented Productive Microcredit and Microinsurance. Learn more about our [Credit Initiatives](#). [Learn more about Microcredit.](#)

CONSUMER LENDING

FS5: Interactions with clients/investors/business partners regarding socio-environmental risks and opportunities

The Transparency 100% Program (see details in the [Clients chapter](#)) is designed to make our products and services even more accessible so customers understand the details of the products they are buying and can use them safely and without worrying.

Front	Description
Responsible credit: debt prevention	Prevention of heavy debts and including Financial Education into the client's daily life.
Special attention to the segments	Actions created for each type of relationship group, using language better suited to each customer profile, with the focus on the responsible use of financial products and services.
Transparent information	New information and more useful bank statements, using simpler language which is easier for consumer and clients to understand.

FS7: Monetary value of products and services designed to deliver a specific social benefit for each business line, broken down by purpose

FS8: Monetary value of products and services designed to deliver a specific environmental benefit for each business line, broken down by purpose

We provide our low-income consumers with a credit card that offers essential services such as transactions and bill payments at below-market rates. Customers also have the option of paying in installments at a much lower rate. *GRI FS7*

*We are not active in every neighborhood of the cities and towns listed above.

In August 2012 we launched our Itaucard 2.0, an innovative product which calculates interest rates using a method similar to cards in other countries. The card's maximum rate is 5.99% per month, as of the purchase date instead of the billing date. New accounts have been created, while old customers can switch to the Itaucard 2.0 or return to their previous model. *GRI FS7*

We also offer the Itaucard Ipiranga Carbon Zero Credit Card, in which part of the revenue from Ipiranga gas stations is reinvested in reforestation to offset double the amount of carbon dioxide emissions that would result from the fuel sold. *GRI FS8*

[Learn more about customer credit.](#)

RETAIL BANK

FS5: Interactions with clients/investors/business partners regarding socio-environmental risks and opportunities

We have developed actions to expand our relationship with customers in order to identify socio-environmental business opportunities. Through the Paperless Campaign, launched in 2012, we seek to encourage the use of electronic account statements, while new customers no longer have the option of receiving printed statements.

There was no impact on customer complaints about not sending out printed statements in 2012, which demonstrates the adherence and effectiveness of the campaign. We also periodically measure the satisfaction level of customers who have opted for electronic statements.

FS7: Monetary value of products and services designed to deliver a specific social benefit for each business line, broken down by purpose

We provide lower-income customers with reduced-rate loans up to a maximum of R\$1,000. The repayment term is 24 months, with a 15 to 45-day grace period on the first installment, at 2% per month. To be eligible for this loan, a customer may not hold more than R\$3,000 in funds with the bank.

We also provide loans for purchases of building, furniture and decoration materials to Itaú, Itaú Uniclass and Personnalité account holders. Borrowers do not begin to repay the loans, together with interest, until after the grace period, when they stop using the card. In 2012, we made 208,244 loans, representing 7.31% of the total monetary value of the business line.

FS14: Initiatives to improve access for people with disabilities to the financial services

We seek to develop services for customers with visual disabilities, of which there are over 6,000 account holders. This number almost doubled during the year, due to major media exposure. For current accounts and credit cards we offer all these customers the following options:

- Braille receipts: 551 people
- Oversized type: 290 people
- Regular statements: 3,439 people

Approximately 2,000 people do not use any of these services.

[Learn more about Retail Bank.](#)

COMPANIES

FS1: Specific socio-environmental policies applied to business lines

FS2: Procedures for assessing screening socio-environmental risks in product lines

FS3: Processes for monitoring clients' implementation of and compliance with environmental and social requirements included in agreements or transactions

Since 2007 we have been assessing socio-environmental risks in lending to small and medium-sized enterprises, consistent with our Sector Environmental Risk Policy.

In 2011 we revised our sector policy in accordance with the socio-environmental guidelines of the [Corporate Socio-Environmental Risk Policy](#). In line with Itaú Unibanco's own socio-environmental risk analysis methodology, which takes into account Brazilian law and the bank's principles and values, we have developed mechanisms and tools to carry out the socio-environmental risk assessment of small and medium-sized enterprises.

We use tools such as the Prohibited List, the Restricted List, socio-environmental categorization, a self-declared socio-environmental questionnaire, analysis of legal compliance, research on the behavior and aspects of socio-environmental risk mitigation taken from public information sources, visits to customers (when necessary and conducted by industry analysts or specialized consultants), and an external communication channel (Contact Us). *GRI FS2*

Sector categorization is based on the analysis of socio-environmental risks associated with each sector. We evaluate sustainability criteria such as: energy use, water use, effluents, disposal of solid waste, airborne emissions and health risks and safety. After this categorization, we carried out a socio-environmental risk analysis for lending to companies classified as 'A' (high risk potential) or 'B' (medium risk potential), and whose debt with the bank is less than R\$5 million.

We also conduct more in-depth assessments of companies that operate in areas which appear on the Restricted List, or whose activities have the highest potential for socio-environmental risk and whose debt with the bank is R\$1 million or greater. Specific checklists have been developed for this type of evaluation. *GRI FS1 and FS2*

Upon receipt of the self-declared socio-environmental questionnaire and other requested documents, we begin the analysis of the socio-environmental information provided by the company and the data obtained through researching public sources. *GRI FS1, FS2 and FS3*

When a potential risk is identified, our technical team can perform onsite visits or, if necessary, request additional information from the company. The identified risks are monitored by the area that performed the analysis, and if remedial action plans have not been made or the required documents have not been provided, we will issue a negative socio-environmental opinion. Clients are evaluated periodically and the socio-environmental risk analysis is valid for two years. *GRI FS1, FS2 and FS3*

The activities on our Prohibited List are: the encouragement of prostitution, the use of child labor in violation of Brazilian law, and the use of slave-like conditions. These practices are contrary to our principles and values, and any connection with them will result in a loan request being denied. *GRI FS1, FS2 and FS3*

Our policy also states that the use of property as collateral will not be accepted if there is evidence of soil contamination or if the land is not legally registered. *GRI FS1, FS2 and FS3*

The risk assessment procedures are constantly reviewed as a way to cover a wider range of businesses, particularly those that operate in industries with potential involvement in activities and areas found on the restricted and prohibited lists. *GRI FS1, FS2 and FS3*

In June 2010 the socio-environmental risk analysis process for small and medium-sized enterprises was certified ISO 9001, and was recertified in 2012.

Socio-environmental decisions issued in 2012 for small and medium-sized enterprises

Categorization	Favorable Socio-Environmental Decision	Unfavorable Socio-Environmental Decision	Change of Practices
A ¹	2,139	39	10
B ²	3,478	45	10
C ³	798	8	0
Total	6,415	92	20

1. High risk potential. 2. Medium risk potential. 3. Low risk potential.

RESTRICTED LIST *GRI FS1 and FS2*

Determines activities with the highest potential of socio-environmental risk, including:

- Manufacture or sale of firearms, ammunition and explosives
- Logging and production of lumber, fuel wood and charcoal from native forests
- Fishing
- Mining and processing of asbestos/amianthus

PROHIBITED LIST *GRI FS1 and FS2*

Practices on the Ministry of Labor and Employment Blacklist include encouraging prostitution, use of child labor in violation of Brazilian law, and slave-like work conditions.

FS4: Processes for improving staff competency to implement the environmental and social policies and procedures as applied to business lines

We did not conduct in-company training on socio-environmental policies and procedures.

FS5: Interactions with clients/investors/business partners regarding socio-environmental risks and opportunities

In partnership with Itaútec, Alterdata, Claro Empresas and *Pequenas Empresas Grandes Negócios* magazine, in 2012 we held the seventh edition of the Extreme Makeover Project, which helps small companies to modernize, increase their profitability and improve the efficiency of their processes. [Click here](#) for more information about this project.

Launched in 2011, the Vision of Success Project trained its first class of about 20 entrepreneurs in 2012. The result of a partnership between Itaú Unibanco, the Inter-American Development Bank (IDB) and the Endeavor Institute in Brazil, the project provides for the selection and training of small and medium-sized enterprises that operate with products and services for country's low income population. The Korean government, through the SME Development Trust Fund, is supporting the project with a technical assistance grant of R\$500,000. Other local counterpart funds total in excess of this amount. For 2013, two more training programs are scheduled.

As a sponsor of the 2014 FIFA World Cup, in 2012 the bank held a series of seminars that focused on "The World Cup and its Opportunities". The seminars took place in the 12 host cities of the World Cup and addressed topics such as "Impacts of Infrastructure," "Credit Lines from the Bank for the Cup" and "World Cup Legacies". They were attended by approximately 3,500 people, including the country's leading business and sports industry figures, who discussed the opportunities the World Cup will bring to Brazil.

In a partnership between Itaú Unibanco and the Estado de São Paulo (OESP) media group, we developed a project focused on providing information, management training and digital inclusion for small and medium-sized entrepreneurs. OESP created a monthly notebook, a weekly column on its portal and a radio show, and also held discussions to promote the exchange of experiences between entrepreneurs. Itaú Unibanco encourages its customers to learn about and participate in the initiative through the Estadão SME Management Training course.

2012 we also participated in a public discussion of the new version of the Equator Principles, sponsored by Itaú BBA and held in São Paulo.

FS7: Monetary value of products and services designed to deliver a specific social benefit for each business line, broken down by purpose

FS8: Monetary value of products and services designed to deliver a specific environmental benefit for each business line, broken down by purpose

We offer products and services that provide environmental benefits such as Socio-environmental Financing from the Inter-American Investment Corporation (IIC). Altogether we disbursed US\$330 million to finance small and medium-sized enterprises that have good business practices and meet our socio-environmental risk analysis and IIC eligibility criteria, such as: *GRI FS7 and FS8*

- Compliance with national, local and IIC requirements and environmental review procedures.
- No involvement with high socio-environmental risk activities or macro-sectors with medium or low socio-environmental risk potential, as listed by the IIC.

There was no funding in 2012.

Itaú Unibanco, as a BNDES accredited bank, offers transfers from the ABC Program (National Economic and Social Development Bank – BNDES Agro Line) to finance projects that reduce greenhouse gas emissions from agriculture, ranching and deforestation by the expansion of cultivated forests and land reclamation. At December 2012, 133 financings had been conducted through the program. *GRI FS8*

Through the National Program for Strengthening Family Agriculture (Pronaf Agribusiness), we financed investments resulting from the processing and industrialization of agricultural production: stockpiling of supplies, inventories of raw materials, finished product inventory and advances to co-operatives. At December 2012 we had conducted 52 of these financings. *GRI FS8*

ITAÚ BBA

FS1: Specific socio-environmental policies applied to business lines

FS2: Procedures for assessing screening socio-environmental risks in product lines

FS3: Processes for monitoring clients' implementation of and compliance with environmental and social requirements included in agreements or transactions

FS4: Processes for improving staff competency to implement the environmental and social policies and procedures as applied to business lines

FS5: Interactions with clients/investors/business partners regarding socio-environmental risks and opportunities

In 2011 Itaú BBA developed a new Socio-environmental Risk Policy which follows the Itaú Unibanco Socio-Environmental Risk Policy. Available on the Itaú BBA intranet, the policy is applied to loans in Brazil and to Itaú BBA clients based in Brazil, and contains regulations to mitigate potential image risks (legal or credit) that can appear in the lending process. It also includes references to international risk analyses such as the Equator Principles. Its requirements include: *GRI FS1 and FS2*

- List of Prohibited Activities: Itaú BBA will not lend to companies whose activities encourage prostitution, use child labor in violation of the law, and who appear in the national registry of employers that have slave-like conditions, also known as the Ministries of Labor and Employment (MTE) Blacklist. To verify the occurrence of cases, periodic searches are made in the news media about the involvement of clients with the activities found on the Prohibited Activities List and the Blacklist. If the Socio-environmental Risk Analysis area deems the situation as a risk or finds the client appearing on the Blacklist, the credit limit will be suspended.
- List of restricted activities: for businesses whose activities have the highest potential for socio-environmental risk, such as the manufacture or sale of firearms, ammunition and explosives; logging and production of lumber, fuel wood and charcoal from native forests; mining and processing of asbestos/amianthus. We analyze the client's compliance with applicable industry guidelines and issue an opinion to support the decision of the Credit Committee responsible. Semi-annual or annual monitoring is conducted for any credit limit renewal, as required.

- Approval by Itaú BBA in such cases is contingent on an analysis of the risk of contamination and, where applicable, checking that the property appears in the agricultural land registry or in the Farmland Environmental Registry (CAR), as established by Law No. 12.727/2012.
- Adaptation of certain clauses in contracts for loans and financings. Consistent with Itaú Unibanco Socio-environmental Risk Policy regulations, loans and financings by Itaú BBA now carry the opportunity to suspend further release of funds and to call the loan, in addition to requiring an environmental declaration of good standing from the borrower.
- Requirement for a Biosafety Quality Certificate issued by the National Technical Commission on Biosafety, when financing

research activity related to genetically modified organisms.

- Request for an environmental license for financing projects.

In some cases, contracts can specify clauses or conditions for the release of funds.

Bridge loans, guarantees and long-term financings are awarded only to projects which provide consistent criteria to ensure compliance with Brazilian legislation on aspects of occupational and socio-environmental health and safety, such as the management of effluents, waste and emissions, the preservation of archaeological heritage, meeting Ministry of Labor regulations and working with the communities affected. For long-term financings these criteria are monitored throughout the term of the contract. *GRI FS1*

Corporate Finance Projects Undertaken in 2012 (Using Socio-Environmental Risk Policy Criteria¹)

	Number of Projects	Total Investment ¹ (R\$ millions)	Itaú BBA ¹ participation (R\$ millions)
Corporate Finance Projects, by Categorization ²			
B	15	4,935.2	2,111.6
C	12	3,444.7	826.2
Corporate Finance Projects, by Sector			
Sugar and Ethanol	10	2,883.0	1,145.6
Cement	1	101.0	67.3
Energy	5	2,932.1	785.4
Industry	4	1,163.3	363.0
Logistics	2	741.1	240.5
Mining	2	226.9	121.9
Health	1	35.9	23.3
Textiles	1	229.8	150.8
Retail	1	66.8	40.0
Corporate Finance Projects, by Location			
Brazil ³	1	592.5	200.5
Colombia	1	802.8	637.0
Brazil – Midwest	1	1,241.9	104.0
Brazil – Northeast	3	1,101.5	326.0
Brazil – North	1	73.0	53.3
Brazil – Southeast	17	3,775.8	1,364.6
Brazil – South	3	792.3	252.5
Total Corporate Finance Projects			
Total	27	8,379.9	2,937.9

1. Itaú BBA Socio-Environmental Risk Policy.

2. Categorization based on Itaú BBA Socio-Environmental Risk Policy.

3. Projects located in more than one region of Brazil (such as infrastructure projects, Capital Expenditure (CAPEX) and retail chains).

Note: Corporate finance projects are not normally approved as specific loans, but are included in this table if their parameters fall within current limits.

Other Project Finance-Related Transactions in 2012

	Bridge Loans	Project Guarantees	Total
Number of Transactions	11	7	18
Value of Transactions			
Total Investment (in R\$ millions) ¹	21,569.99	15,522.0	37,092.0
Itaú BBA participation (in R\$ millions)	2,002.2	1,409.5	3,411.7
Transactions, by Categorization ²			
A	2	2	4
B	7	5	12
C	0	2	2
Transactions, by Location			
Brazil – Northeast	4	4	8
Brazil – North	1	0	1
Brazil – Southeast	3	2	5
Brazil – South	1	0	1
Brazil ³	2	1	3
Transactions, by Sector			
Cement	1	0	1
Energy	5	4	9
Industry	1	0	1
Logistics	0	2	2
Mining	2	1	3
Oil and Gas	2	0	2

1. If the transaction is conducted in another currency, the exchange rate is calculated as of the day the agreement closes.

2. Categorization based on Itaú BBA Socio-Environmental Risk Policy.

3. Projects located in more than one region of Brazil (such as infrastructure projects, Capital Expenditure (CAPEX) and retail chains).

Note: There were two independent approvals for the same project, but the total value was included only once.

Other Project Finance-Related Transactions Approved by Itaú BBA in 2012, Where Funds Are Not Yet Released¹

	Bridge Loans	Project Guarantees	Total
Number of Transactions	10	13	23
Value of Transactions Approved (funds not yet released)			
Itaú BBA ² Participation in Volume Approved (in R\$ millions)	1,332.4	2,018.0	3,350.4
Transactions Approved, by Location (funds not yet released)			
Brazil – Midwest	1	2	3
Brazil – Northeast	6	6	12
Brazil – Southeast	0	3	3
Brazil – South	1	2	3
Brazil ³	2	0	2
Transactions Approved, by Sector			
Energy	6	10	16
Industry	1	1	2
Logistics	1	2	3
Oil and Gas	1	0	1
Petrochemicals	1	0	1

1. Completion did not occur in 2012, for various reasons.

2. If the transaction is conducted in another currency, the exchange rate is calculated as of the day the agreement closes.

3. Projects located in more than one region of Brazil (such as infrastructure projects, Capital Expenditure (CAPEX) and retail chains).

For long-term project loansequal to or greater than US\$10 million, we also apply the criteria of the Equator Principles ([learn more here](#)). Companies are evaluated at the time of the loan agreement and throughout the term of the financing through an action plan attached to the contract. These analyses are conducted by a specialized independent consulting firm, and are mandatory for High Risk projects and optional for Medium Risk projects. The classification of socio-environmental project risk as High, Medium or Low is done using a tool developed by Itaú BBA and based on risk identification structures used by multilateral organizations, which take into account IFC Performance Standards criteria and their relevance to the project in question, as well as the borrower's own project management ability. *GRI FS1 and FS2*

Project Finance¹ Contracted (under Equator Principles criteria) – 2012

	Number of Projects Contracted	Total Investment (in R\$ millions) ³	Itaú BBA participation (in R\$ millions) ³
A	1	15,702.5	231.1
B	1	263.8	69.5
Project Finance Contracted, by Sector			
Energy	2	15,966.3	300.7
Project Finance Contracted, by Location			
Brazil – Northeast	1	263.8	69.5
Brazil – North	1	15,702.5	231.1
Total Project Finance Contracted			
Total	2	15,966.3	300.7

1. Project Finance defined under Basel criteria at www.bis.org/publ/bcbs107.pdf.
2. See Principal 1, available at www.equator-principles.com/documents/Equator_Principles.pdf.
3. If the transaction is conducted in another currency, the exchange rate is calculated as of the day the agreement closes.

Project Finance¹ Approved by Itaú Bba, Where Funds Are Not Yet Released² (Under Equator Principles Criteria) – 2012

	Number of Projects Approved (funds not yet released)	Volume Approved of Itaú BBA Participation
Project Finance Approved (funds not yet released), by Sector		
Energy	4	482.8
Logistics	3	975.9
Oil and Gas	1	502.5
Sanitation	1	146.0
Project Finance Approved (funds not yet released), by Location		
Brazil ⁴	2	638.3
Chile	2	208.8
Colombia	1	440.1
Brazil – Northeast	1	190.0
Brazil – North	1	50.0
Brazil – Southeast	2	580.0
Total Project Finance Approved (funds not yet released)		
Total	9	2,107.2

1. Project Finance defined under Basel criteria at www.bis.org/publ/bcbs107.pdf.
 2. Completion did not occur in 2012, for various reasons.
 3. If the transaction is conducted in another currency, the exchange rate is calculated as of the day the agreement closes.
 4. Projects located in more than one region of Brazil (such as infrastructure projects, Capital Expenditure (CAPEX) and retail chains).
- Note: For project categorization information, see Principle 1, (disponível em www.equator-principles.com/documents/Equator_Principles.pdf) which occurs until the funds are released.

In 2012 there were no project finance transactions canceled for socio-environmental reasons.

At least once a year we conducted monitoring (documentary visits or assessments) to assess compliance with the Action Plan established in the contract. If there are deficiencies, corrective actions are discussed with the client, and in some cases we employ measures that appear in the contract. In 2012 we improved the monitoring of socio-environmental contractual obligations by hiring a professional dedicated exclusively to this task. *GRI FS2 and FS3*

Additionally in 2012, Itaú BBA joined to other departments, such as Products (project finance), Commercial Credit and the bank's legal unit in Chile to create some procedures to evaluate project finance, which were based on Equator Principles criteria. *GRI FS2*



EQUATOR PRINCIPLES *GRI FS1 and FS2*

Created in 2003, the Equator Principles are a set of socio-environmental criteria and guidelines to identify and assess socio-environmental risks and impacts in project finance.

For project finance, the main aspects to be considered are the IFC Performance Standards, such as:

- Social and environmental management system.
- Labor and working conditions: fair treatment, non-discrimination and equal opportunities.
- Indigenous peoples and traditional communities: complete respect for human rights, aspirations, culture and means of subsistence.
- Land acquisition and involuntary resettlement: to compensate for the loss of possessions and to improve or to restore living standards of dislocated peoples.
- Biodiversity conservation and sustainable management of living natural resources: to avoid or to minimize adverse impacts on biodiversity, such as interfering with natural habitats, promoting the survival of endangered or seriously endangered

species as defined by the International Union for Conservation of Nature (IUCN) Red List and sustainably manage renewable natural resources.

- Resource efficiency and pollution prevention: environmentally sensitive receptors should be considered when the project is been designed, and effluents should be monitored over the life of the project.

- Community health, safety, and security: the client should avoid or minimize the project's negative impacts on soil, water and other natural resources used by the communities affected.

- Cultural and archaeological heritage protection.

Until 2010, Equator Principles Steering Committee were chaired by Itaú Unibanco, and in 2011 we achieved our goal, spreading best practices for risk assessment in emerging markets, particularly in Latin America.

We have actively participated in discussions about the new version of the Equator Principles, and we hosted the only public consultation that took place in an emerging country.

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STAFF TRAINING *GRI FS4*

During 2012, Itaú BBA socio-environmental risk analysts took part in a total of approximately 200 hours of training courses and sessions, lectures, forums and discussion groups, including:

- IFC Community of Learning: organized by the International Finance Corporation in Washington DC, participants were trained in the IFC's new sustainability structure, which was introduced in January 2012 and includes Equator Principles performance standards and criteria.
- Sponsor for Energy Future – The Role of Impact Assessment: held in Portugal, participants increased their knowledge of impact assessments for energy generation and transmission projects.
- Monetization of Projects to Reduce Greenhouse Gases: organized by MGM Innova, environmental risk, products, project finance and legal teams were trained in-company to mitigate the effects of climate change and in opportunities to develop new products in connection with these actions.
- Carbon Prices Webinar: addressed trends and prices in the carbon credits market.
- Remediation of Contaminated Areas: presented techniques, costs and deadlines for the remediation of contaminated lands.

- On-site training in the Equator Principles: spreading the idea to Itaú BBA Chile's Sales, Products, Credit and Legal teams.

Engagement actions *GRI FS5*

In 2012 Itaú BBA developed actions to strengthen its customer relationships. As an example, it presented Brazil's first public consultation of the new version of the Equator Principles, which is still under review. The event took place in São Paulo and it had the participation of customers from the energy, oil and gas and mining sectors, as well as representatives from the Equator Principles' signatory banks.

In addition to make these changes public, this initiative helped Itaú Unibanco and the Equator Principles Steering Committee to learn more about companies' views of the challenges and constraints in implementing the Principles.

We also provided socio-environmental advisory to our clients on implementing the Equator Principles. In 2012 our focus was on supporting energy sector clients active in wind and hydro power.

As a result of these interactions, companies are becoming increasingly attentive to socio-environmental issues, and they are building, through our relationships, more robust management systems in line with international best practices. We are also helping customers to be better prepared to the socio-environmental demands of financial institutions.

We were invited to share our practices with banks from around the world. In 2012 we went to Istanbul, Turkey to participate in the Climate Investment Funds' Private Sector Forum to discuss the challenges of private investment in projects related to climate change. We were also invited to share Itaú BBA's best practices for managing socio-environmental risk at the International Green Credit Forum in Beijing, China.

We also participated in the fourth edition of the IFC's Euro Finance Week Conference in Frankfurt, Germany. This event is known worldwide as a platform for discussions of macroeconomic and financial challenges, and features the participation of more than 10,000 people from 60 nations.

In association with the IDB, the IFC and the United Nations Environment Programme Finance Initiative (UNEP FI), we also created the Outreach Program for Latin America. Launched at Rio+20 (the United Nations Conference on Sustainable Development), it promotes discussions and improvements for socio-environmental risk analysis in project finance in Latin America. The program's first meeting took place in Bogotá, Colombia, and talks on international best practices in socio-environmental risk management and the importance of their adoption for developing infrastructure projects in Colombia.

We joined to Febraban and we took part in discussions with the Central Bank of Brazil to help draft preliminary socio-environmental risk management regulations for the financial market.

We also had the opportunity to participate in two panel discussions at the Corporate Sustainability Forum, the largest private initiative event running parallel to the Rio+20 Conference. The first was on the role of financial institutions in the new economy, while the second looked at Itaú BBA's socio-environmental risk assessment practices. About 2,000 people attended the Forum, representing industries, financial institutions, banks and the government.

FS6: Percentage of the portfolio for business lines by specific region/size (ex. micro/SME/large) and by sector

Itaú BBA's socio-environmental risk assessment is concentrated in the Corporate and Investment Banking (CIB) segment, which includes financing for large projects, as these have the most socio-environmental impact and consequently, the highest potential risk. Itaú BBA only serves large companies. In 2012 the value of its portfolio in Brazil, which includes the CIB and treasury segments, totaled R\$153,735 million.

Percentage of Itaú BBA Portfolio, by Sector in 2012

Sector	Portfolio Value (R\$ millions)	Total Value of Business Line	Portfolio Value (Percentage of Business Line)
Corporate and Investment Banking (CIB)	146,426.00	153,735.00	95.25
Treasury	7,309.00	153,735.00	4.75

Percentage of Itaú BBA Portfolio, by Region in 2012

Region	Portfolio Value (R\$ millions)	Total Value of Business Line	Portfolio Value (Percentage of Business Line)
Midwest	5,366.00	153,735.00	3.49
South	18,515.00	153,735.00	12.04
Southeast	100,805.00	153,735.00	65.57
Northeast	10,136.00	153,735.00	6.59
North	3,464.00	153,735.00	2.25
Other	15,449.00	153,735.00	10.05

FS7: Monetary value of products and services designed to deliver a specific social benefit for each business line, broken down by purpose

FS8: Monetary value of products and services designed to deliver a specific environmental benefit for each business line, broken down by purpose

Environmental benefits are provided by funding transferred from BNDES Finem, BNDES Automatic and Rural Credit. Through BNDES Finem we provided approximately R\$90 million in financing in 2012 to projects in energy efficiency and production of electricity from biomass.

Through BNDES Automatic we fund reforestation, energy efficiency, renewable energy and sanitation projects. In 2012 we had six projects in these areas, totaling R\$41.7 million. *GRI FS8*

With Rural Credit we invested R\$3.2 million in 87 operations for growing eucalyptus for pulp production. *GRI FS8*

Finally, we used R\$378 million of our own funds to finance projects in wind energy and production of electricity from biomass. *GRI FS8*

In 2012, financings with an environmental benefit totaled R\$513,035 million, or 0.33% of Itaú BBA's loan portfolio. *GRI FS8*

In 2012 we also conducted six operations in social investments¹ through BNDES Finem, totaling R\$7.95² million. This product provides lower cost financing in partnership with public or non-profit associations for companies seeking to raise their level of corporate social responsibility and work towards spreading and strengthening public policies. These investments were for installing electricity in low income communities and building daycare and seniors' centers. *GRI FS7*

1. There are no benefited actions imposed by law, administrative proceedings, judicial decisions, environmental licensing certification obligations or actions exclusively geared to business performance and competitiveness.
2. There was a change in the accounting rule for products with social investments. In 2012 we considered only the value of social subloans, and not the total amount of project funding, as was done in 2011.

FS10: Percentage and number of companies held in the institution's portfolio with which the reporting organization has interacted on environmental or social issues

In 2012 we interacted with approximately 700* stakeholders. Of these, 162 are active clients of Itaú BBA, or 7% of the total borrower portfolio of approximately 2,300 active customers. Of these 162, 49 are financial institutions, representing 33.3% of interaction with commercial client partners (financial institutions).

* In 2012 we considered only interactions that are not part of the risk analysis procedures determined by the Socio-environmental Risk Policy.

[Learn more about Itaú BBA.](#)

VEHICLE FINANCE

FS1: Socio-environmental policies applied to business lines

FS2: Procedures for assessing screening socio-environmental risks in product lines

FS3: Processes for monitoring clients' implementation of and compliance with environmental and social requirements included in agreements or transactions

FS4: Processes for improving staff competency to implement the environmental and social policies and procedures as applied to business lines

We have a policy to evaluate the socio-environmental risks and impacts of the activities of firms nationwide that apply for vehicle financing. It establishes instruments for credit analysis, supports sustainable development programs, provides guidelines for training professionals and helps commercial clients to improve their socio-environmental practices. *GRI FS1*

The analysis applies to commercial Vehicle Financing clients (account and non-account holders), involving loans worth less than R\$5 million, based on the risks or credit limits available through the bank. *GRI FS1*

For account holders, the evaluation must meet criteria such as: *GRI FS1*

- Risk A: when the current risk to the bank plus the value of the proposed transaction is equal to or greater than R\$500,000.
- Risk B: when the current risk to the bank plus the value of the proposed transaction is equal to or greater than \$1 million.
- Risk C: for these companies, whether account holders or not, there is no need for a socio-environmental risk analysis.

Companies are classified by rating scores, according to their level of risk (A, A+ or A-). Certifications from the segments in which they operate (such as ISO 9001, SASSMAQ), are considered risk mitigators.

Analyses are based on customer input and occur only during the loan application process.

LENDING PARAMETERS

All clients who undergo environmental assessment are subject to review and approval by the Credit Commission. The company's risk category and area of activity must appear in the information examined by the Commission.

We obtain information about the socio-environmental risk of each borrower by accessing data from regulatory websites. For example, we check the Ministry of Labor Blacklist to investigate reports of companies linked to issues such as the use of forced or slave-like labor, degrading labor, child labor, contaminated areas or environmental crimes. We do not use third-parties to conduct this research. *GRI FS2 and FS3*

Additionally, Risk A companies must answer a socio-environmental questionnaire based on the parameters established for evaluation. We are currently studying the feasibility of implementing a monitoring process for customers in our portfolio. *GRI FS2 and FS3*

The information we obtain affects the conditions of the loan. Depending on the socio-environmental risks associated with Risk A and B companies, the Credit Commission will either approve or refuse the loan request. *GRI FS2 and FS3*

Under the regulations of the Corporate Socio-environmental Risk Policy, vehicle financing to customers in sectors on the Restricted List do not undergo socio-environmental analysis, as the loan is not directed to the company's main activity. We do not lend to companies who meet the following Prohibited List criteria:

- Activities that directly or indirectly encourage prostitution.
- Companies that use harmful or exploitative child labor.
- Companies in the national registry of employers who have kept workers in slave-like conditions. *GRI FS1 and FS2*

In addition to checking the Prohibited List we also use the Know Your Customer (KYC) credit analysis process, in accordance with the procedure described in the Anti-Money Laundering and Financing of Terrorism (AML)* sector policy. If the customer is identified in one of the above, no new credit will be granted. *GRI FS1 and FS2*

The Socio-Environmental Risk Policy is available to employees on the staff intranet. For its effective implementation, commercial credit teams undergo training, monitored by Human Resources. *GRI FS1, FS2 and FS4*

FS6: Percentage of the portfolio for business lines by specific region/size (ex. micro/SME/large) and by sector

The Vehicle Finance area works with companies operating in segments such as transportation, construction materials, light and heavy vehicles, fuel distribution, lumber, hotels, restaurants, leisure, steel, agriculture, mining, electronics, supermarkets, import and exports, media, industrial capital goods, pharmaceuticals, cosmetics, fertilizers, pulp and paper, footwear, leather and petrochemicals.

The exception is the press, government institutions, small entertainment companies (circus or travelling amusement parks), suppliers of goods and services/production for government sectors, and factoring. The segment serves very small, small, medium-sized and large companies from all over Brazil.

The Vehicle Finance area uses a proprietary methodology to identify, assess and categorize the socio-environmental risk of its customers. The results help set the lending decision parameters for managing socio-environmental risks and adopting mitigation measures. This policy is based on IFC and Equator Principles criteria.

Percentage of the Vehicle Finance Portfolio, by Sector, at November 2012

Sector	Portfolio Value (R\$ millions)	Total Value of Business Line	Portfolio Value (Percentage of Business Line)
Transport	4,794.06	9,735.00	49.00
Construction Materials	690.97	9,735.00	7.00
Light and Heavy Vehicles	439.86	9,735.00	5.00
Food Industry	489.32	9,735.00	5.00
Other (whose portfolio value is far less than the above categories)	3,320.80	9,735.00	34.00

* The Anti-Money Laundering and Financing of Terrorism sector policy is designed to protect the bank's name, reputation and image by preventing Vehicle Finance products to be used in activities that constitute illegal acts and money laundering. In addition to complying with current legislation, the content is aligned with the regulations of the Corporate Policy for Preventing and Combating Illicit Acts, the Prevention Program for Using Banco Itaú in Illicit Activities, and the Corporate Code of Ethics.

Percentage of the Vehicle Finance Portfolio, by Region, at November 2012

Region	Portfolio Value (R\$ millions)	Total Value of Business Line	Portfolio Value (Percentage of Business Line)
Southeast	4,263.84	9,735.00	43.80
South	3,122.28	9,735.00	32.07
Midwest	833.43	9,735.00	8.56
Northeast	1,099.79	9,735.00	11.30
North	414.07	9,735.00	4.25
No Information	1.57	9,735.00	0.02

Percentage of the Vehicle Finance Portfolio, by Size, at November 2012

Size	Portfolio Value (R\$ millions)	Total Value of Business Line	Portfolio Value (Percentage of Business Line)
Very Small Company (0 – 2,400,000)	4,459.43	9,735.00	46.00
Small Company (2,400,001 – 16,000,000)	3,179.29	9,735.00	33.00
Medium-sized Company (16,000,001 – 90,000,000)	1,218.88	9,735.00	13.00
Medium/Large Company (90,000,001 – 300,000,000)	233.54	9,735.00	2.00
Large Company (above 300,000,001)	43.19	9,735.00	0.00
No Information	600.68	9,735.00	6.00

[Learn more about Itaú BBA.](#)

ITAÚ ASSET MANAGEMENT

FS1: Socio-environmental policies applied to business lines

FS2: Procedures to assess screening socio-environmental risks in product lines

FS4: Processes to improve staff competency to implement the environmental and social policies and procedures as applied to business lines

FS5: Interactions with clients/investees/business partners regarding socio-environmental risks and opportunities

FS11: Percentage of assets subject to positive and negative environmental or social screening

FS12: Voting policies applied to environmental or social issues for shares over which the reporting organization holds the right to vote shares or advises on voting

Itaú Asset Management employs its own methodology to identify socio-environmental and corporate governance risks and opportunities, and set the market value of companies. Its active management equity funds integrate

this methodology into their investment assessments. A negative result does not necessarily imply the exclusion of sectors or companies, but it does allow us to identify gaps that are subjected to further analysis, consistent with our sustainability governance. *GRI FS1 and FS2*

In 2012 this methodology was upgraded and now includes a quantitative analysis of these practices. Dialogue forums – with equities analysts and managers plus economic and products analysis teams from Itaú Asset Management and Sustainability – brought examples of successful integrations of qualitative and quantitative risk assessments of companies, which helped to improve the methodology's effectiveness. *GRI FS4 and FS5*

In addition, the [Proxy Voting Policy](#) (available at www.itauassetmanagement.com.br) provides corporate governance parameters which are considered by managers when voting. The Policy is aligned with the code of ANBIMA's Regulations and Best Practices for Investment Funds and strengthens our commitment to positively influence corporate management. Our managers choose their clients by taking into account the mandate of the funds and their own fiduciary duty. Our proxy voting record is available on the Itaú Unibanco website for three months. *GRI FS12*

PRI IN BRAZIL *GRI FS5*

Since 2008 Itaú Asset Management has been a signatory to the United Nations Principles for Responsible Investment (PRI). An institutional investors initiative, PRI was created to help the financial and capital markets to integrate social, environmental, and governance issues into investment processes.

We sponsored the 2012 annual meeting of the PRI signatories. Held in June in Rio de Janeiro, the event brought together presidents, directors and executives from some of the world's largest institutional investors and asset managers.

We also promoted and hosted an event for PRI signatories in Brazil and securities dealers that provide research. The goal was to encourage discussion on the responsibility of brokerage houses for integrating environmental, social and corporate governance elements into their analyses. The event was attended by 53 representatives from 19 brokerage houses.

SOCIO-ENVIRONMENTAL FUNDS

Socially or Sustainable and Responsible Investing (SRI), Itaú Eco-change Fund – (fixed income fund), directs 30% of their management fees to projects to nonprofit organizations that seek to reduce greenhouse gas emissions. From 2009 to 2012 we transferred R\$2.3 million to 13 organizations working in the areas of energy efficiency, renewable energy, waste management and forestry (native forest recovery or reduction of deforestation). In addition, Itaú Asset Management is a signatory investor to the Carbon Disclosure Project. *GRI FS8*

Itaú Social Excellence Fund (FIES) – this fund invests in companies listed on the ISE, one of BM&FBovespa indexes. Additionally, Product and Fund Management areas and the FIES Advisory Board help limit or expand its investment horizons. If a socio-environmental or corporate governance risk is identified, the Board determines whether to maintain or remove that company from the fund's portfolio. If the fund's managers detect investment opportunities that are not part of the index, the company in question is assessed on ESG (Environmental, Social and Governance) issues. Depending on the positioning

of the company regarding to these issues, the Board may authorize the investment. The FIES fund directs 50% of its management fees to educational projects developed by NGOs. From 2004 to 2012, it provided more than R\$20 million to social programs at 116 NGOs, benefiting 22,000 children, adolescents and young people, and 2,000 educators. *GRI FS11*

Itaú Personalidade Futura DI Social Fund - between 2010 and 2012 this fund allocated over R\$466,000 to the Futura TV channel, representing 30% of its management fees. Futura is an initiative developed by the Globo Television Network to contribute to social development by educating viewers on relevant issues such as health, work, education, environment and civic responsibility.

[Learn more about Itaú Asset Management.](#)

PROPERTY LOANS

FS1: Socio-environmental policies applied to business lines

FS2: Procedures to assess screening socio-environmental risks in product lines

FS3: Processes to monitor clients' implementation of and compliance with environmental and social requirements included in agreements or transactions

The Real Estate Credit plan was implemented to mitigate potential environmental liabilities or risks of non-compliance with laws related to socio-environmental aspects of the project being financed. Available on the bank's intranet, the policy applies to any construction financing nationwide. *GRI FS1 and FS2*

This policy also uses three questionnaires that address the socio-environmental aspects of the company, project and property. In our analysis we request information such as the history of the property and neighboring properties (if there is/was any type of industry, gas station, landfill, junkyard or disposal of liquid effluent, etc.), and details on any water body and vegetation on the site. The results are evaluated, and where there is a financial, environmental or image risk, the proposal is subjected to analysis by the responsible areas. *GRI FS1 and FS2*

Partner engineering firms help bank's own engineers in the analysis process. They are equipped with a manual for completing the questionnaires, which is updated whenever there are improvements to the questionnaires and/or processes. Throughout 2012 we took part in the Environmental Liability Insurance sub-committee, through Brazil's National Insurance Federation (FenSeg). This led to interaction with other domestic insurers that also operate in the Environmental Liability Insurance segment. Topics such as environmental issues, environmental law, legal interpretations and training of state environmental agencies were

discussed, which resulted in the working group becoming a sub-committee at the end of 2012. The goal is to pursue knowledge sharing within the subcommittee, and thereby bring about new interactions with the market.

Since 2011, Itaú Seguros (the bank's insurance area) has been participating in the sustainability working group of the National Confederation of Insurance Companies (CNseg). In 2012, the Principles for Sustainable Insurance (PSI) and CNseg becoming a supporting member of the initiative, the issue has gained ground, transforming the group into a Sustainability Commission.

As a member of these groups, Itaú Seguros seeks to help spread and grow this issue with the market and with CNseg and Fenseg, including coordinating two of the five specific study groups formed in 2012.

MONITORING ACTIONS *GRI FS3*

Our partner engineering firms inspect the projects when the funding begins and during the construction. An engineer performs a Technical Feasibility Study of the project site to assess the value of the units and the validity of the financing guarantees.

Monthly inspections are conducted. The release of monies is tied to the results of these assessments. Information, approvals and photographic records are tracked and filed. In case of any variances, an action plan is developed, and when necessary, our legal department may take appropriate action.

FS6: Percentage of the portfolio for business lines by specific region/size (ex. micro/SME/large) and by sector

The Property Financing area operates in the construction industry, serving Itaú BBA clients whose annual revenues exceed R\$300 million and companies with revenues under R\$300 million, as well as personal mortgage lending just in Brazil.

At the end of the fourth quarter of 2012 the balance of the mortgage portfolio, including securitized loans, totaled R\$26,226 billion. The personal loan portfolio was R\$18,437 billion, up 31.8% from December 2011, while business loans finished the year at R\$7.79 billion.

Specific values of the portfolios and the percentage of this business line are not available.

[Learn more about Itaú BBA.](#)

ITAÚ SEGUROS

FS1: Socio-environmental policies applied to business lines

FS2: Procedures to assess screening socio-environmental risks in product lines

FS3: Processes to monitoring clients' implementation of and compliance with environmental and social requirements included in agreements or transactions

FS4: Processes to improve staff competency to implement the environmental and social policies and procedures as applied to business lines

FS5: Interactions with clients/investees/business partners regarding socio-environmental risks and opportunities

Our insurance arm has its own Socio-environmental Risk Policy, which is available on the Itaú intranet and includes socio-environmental directives applicable to insurance for commercial clients. Introduced in December 2012, it is used for Property Risks, Group Life and Group Personal Accident, and Corporate Solutions for large companies. *GRI FS1*

The Socio-Environmental Risk Policy permeates every business line, and considers the specifics in each product, service or process. It sets rules for managing activities that represent socio-environmental risk, regardless of the product or service marketed, and provides general guidelines and specific risk analyses which cover the following practices: *GRI FS1 and FS2*

- Use of labor or work in slave-like conditions
- Use of child labor
- Prostitution
- Socio-environmental risks linked to specific economic activities
- Contractual clauses involving socio-environmental aspects
- Specific social and environmental criteria in the underwriting of general civil liability and environmental insurance

These practices are primarily linked to highly sensitive activities such as the manufacture or trade of firearms, ammunition and explosives, logging and production of lumber, fuel wood and charcoal from native forests, fishing, and the mining and industrialization of asbestos/ amanthus. *GRI FS1*

We have also taken specific measures to manage the risks of general civil liability insurance, including coverage for additional exposures involving accidental pollution and environmental liability, with specific products from the Corporate Solutions area.

If we find any instances of non-compliance with policy guidelines, we take measures which can include terminating the relationship.

In 2013 Itaú Seguros, through the Corporate Solutions and Property Risks areas (Group Life and Group Personal Accident), will include other rules in the Socio-Environmental Risk Policy in its business, such as updating underwriting procedures (Underwriting Guides), adopting strategies for product development and insurance policies, and the use of training and engagement procedures for employees and stakeholders.

PRINCIPLES FOR SUSTAINABLE INSURANCE (PSI) *GRI FS1*

In June 2012, the Principles for Sustainability in Insurance (PSI) were introduced. Coordinated by the United Nations Environment Programme Finance Initiative (UNEP-FI), their main objective is to establish and spread guidelines for the insurance industry to consider Environmental, Social and Governance (ESG) issues in its day to day business and relationships with key stakeholders. Learn more about underwriting risk.

ITAÚ SEGUROS PSI STRATEGY – COMMERCIAL CLIENTS

To ensure the incorporation of the principles, the Corporate Solutions area designed a PSI Tactical Plan that is divided into two fronts: (a) engage staff and external stakeholders; and (b) review and adopt PSI for Corporate Solutions products, processes and services. The goal is to identify risks and opportunities linked to each other and develop action plans for their mitigation or improvement.

On the engagement front the strategy seeks to communicate, educate and engage with employees about adopting environmental, social and governance issues relevant to the health and sustainability of the insurance industry, while for external groups we will promote the dialogue necessary to develop collective risk management actions linked to ESG.

In the area of Property Risks, Group Life and Group Personal Accident and PSI, engagement actions and the insertion of PSI criteria into products and processes are part of the strategy for the effective implementation of PSI. We seek to engage our direct employees and those from partner areas to train them for the development and management of products, services and processes. With external groups, especially the chain of risk inspection suppliers, the focus is on taking action and raising awareness.

For implementation of the PSI criteria we will work on identifying and applying ESG criteria to our product portfolio (Corporate, Other Risks, Engineering Risks, Group Life and Group Personal Accident) while always considering the specifics of each type of coverage.

MONITORING WITH A FOCUS ON RESULTS *GRI FS2*

Through Committees or specific Working Groups, we seek to maintain alignment between the various work fronts of Itaú Seguros and ensure constant evaluation and growth of the process and strategy we have established. These efforts will be responsible for discussing, for example, the applicability of criteria to products and services, such as approving or denying benefits to customers based on their socio-environmental performance.

The Socio-Environmental Risk Policy does allow for support from third-parties or consultants for socio-environmental risk assessment of business lines with the potential for slave labor, child labor or prostitution, except in cases which appear on the restricted list. When such cases occur, the Institutional Socio-Environmental Risk Committee steps in to take the necessary measures, including the possibility of requesting advisory support from outside specialists.

Specifically for the Environmental Civil Liability Insurance line, the underwriting process relies on environmental agency and court record websites, lists of contaminated areas plus mandatory data for these clients, such as environmental audit reports conducted by third parties in industrial plants, environmental permits and photographic reports. With this information, if any risk is identified, a specialized Itaú Seguros Corporate Solutions risk engineer is sent to perform inspections. If necessary, other outside experts may be brought in, such as environmental consulting firms which specialize in risk assessment techniques.

During the term of an Environmental Civil Liability Insurance policy, claims can occur on accidental events covered by the policy. In such cases we rely on staff and outside experts (consultants in environmental engineering and law firms specializing in environmental law, civil and environmental administrative proceedings) to properly assess the claim.

Depending on the type of product and value at risk, we may also bring in an outside inspector to conduct a site assessment of the insured property or to examine the regulatory framework for accepting the insurance, based on the state of the insured location, adjacent properties, elevated terrain that could cause damage to the property, and weather events that affect the client's business activities.

CONTINUOUS MONITORING *GRI FS3*

Corporate solutions *GRI FS4*

Based on socio-environmental risk, throughout 2013 we will monitor the social and environmental aspects of the four business lines (Warranty, Civil Liability, Property and Transport). With the establishment of the Socio-environmental Risk Policy, we will implement processes and update procedures to monitor issues related to policy requirements, regardless of the product purchased. Aspects such as child or slave-like labor and prostitution will be examined during the risk assessment. Consequently, we will constantly monitor adjustments to the practices of our clients' operations when necessary.

SKILLS IMPROVEMENT

In partnership with strategic areas of the Itaú Unibanco group, in 2013 we will develop actions to engage staff members from the Corporate Solutions area on the topics covered and required by the Socio-environmental Risk Policy and the PSI principles. In January we provided training courses to about 270 Corporate Solutions employees in partnership with and under the guidance of the Itaú Business School. This training will help us to measure the performance of our employees and to outline a plan throughout the year for the development of skills related to the Policy and the PSI principles.

In addition, 14 members of the underwriting teams from the Property Risks, Group Life and Group Personal Accident areas attended a training session in 2012 on the procedures and criteria for Group Personal Accident risk assessment aspects. Using the PSI principles we began work on engaging with teams in the Property Risks, Group

Life and Group Personal Accident areas, and the Product, Underwriting, Sales and Claims areas. Training sessions for other commercial areas are also scheduled for 2013.

INTERACTIONS WITH REINSURERS *GRI FS5*

In late 2012 we met with a domestic reinsurer on General Civil Liability Insurance and the influence of climate issues and environmental pollution on claims in certain portfolios. This event allowed the exchange of experiences and views, and in 2013 new actions will be developed with reinsurers and insurance partners to increase our level of interaction with these stakeholders.

INTERACTIONS WITH INSURANCE INDUSTRY ORGANIZATIONS *GRI FS5*

Throughout 2012 we were active participants in the Environmental Liability Insurance Committee, through Brazil's National Insurance Federation (FenSeg). This led to interaction with other domestic insurers that also operate in the Environmental Liability Insurance segment. Topics such as environmental issues, environmental law, legal interpretations and training of state environmental agencies were discussed, which resulted in the working group becoming a sub-committee at the end of 2012. The goal is to pursue knowledge sharing within the subcommittee, and thereby bring about new interactions with the market.

Additionally, since 2011 Itaú Seguros has been participating in the sustainability working group of the National Confederation of Insurance Companies (CNseg). In 2012, with the launch of the Principles for Sustainable Insurance and CNseg becoming a supporting member of the initiative, the issue has gained ground, transforming the group into a Sustainability Commission.

As a member of these groups, Itaú Seguros seeks to help spread and grow this issue with the market and with CNseg and FenSeg, including coordinating two of the five specific study groups formed in 2012.

FS6: Percentage of the portfolio for business lines by specific region/size (ex. micro/SME/large) and by sector

FS7: Monetary value of products and services designed to deliver a specific social benefit for each business line, broken down by purpose

FS8: Monetary value of products and services designed to deliver a specific environmental benefit for each business line, broken down by purpose

Group Life and Group Personal Accident takes up 81.29% of our insurance portfolio, although it appears in fewer states than property insurance. The main socio-environmental – related services offered by Itaú Seguros are:

Group Life and Group Personal Accident Insurance (APC): designed for public and private companies, industrial sectors, trade and services, it provides employees, partners and owners with the following benefits: food hamper in the event of death of the policy holder, funeral assistance, and Stay Well (psychological and financial counseling). Under the APC policy, in the event of accident it provides services such as transportation and remedial tutoring for the student. We stopped offering the APC School policy in December 2012. *GRI FS7*

Financial Protection Insurance (Borrower, Educational, Microcredit and Breach of Warranty): available to customers who take out a loan, financing or monthly payment commitment from Itaú Unibanco. Provides full or partial settlement of debt for the following coverage: involuntary loss of employment for registered workers, temporary or total disability for self-employed or professional workers, permanent total disability due to accident, and death. *GRI FS7*

Underwriting Guide – Civil Environmental Liability Insurance: in 2012 we wrote eight policies and conducted about ten transactions (including additions) worth R\$1.666 billion, or approximately 0.15% of the Insurance business line. *GRI FS8*

Percentage of Portfolio, by Business Line and Sector *GRI FS6*

Business Line	Sector*	Portfolio Value (in R\$ millions)	Total Value of Business Line	Portfolio Value (%)
Property Insurance	Construction Materials	1.83	170.87	1.07
Property Insurance	Food and Beverage Products	6.68	170.87	3.91
Property Insurance	Clothing and Apparel	2.00	170.87	1.17
Property Insurance	Vehicles and Auto Parts	2.08	170.87	1.22
Property Insurance	Commerce – Unclassified Companies	92.41	170.87	54.08
Property Insurance	Construction	3.03	170.87	1.77
Property Insurance	Diversified Companies	2.93	170.87	1.71
Property Insurance	Industry – Unclassified Companies	7.95	170.87	4.65
Property Insurance	Metalworking	1.97	170.87	1.15
Property Insurance	Services – Unclassified Companies	22.39	170.87	13.10
Property Insurance	Transport	1.91	170.87	1.12
Group Life and Group Personal Accident Insurance	Unregistered Activities	19.62	742.26	2.64
Group Life and Group Personal Accident Insurance	Commercial Bank	29.74	742.26	4.01
Group Life and Group Personal Accident Insurance	Construction Materials	10.05	742.26	1.35
Group Life and Group Personal Accident Insurance	Food and Beverage Products	37.87	742.26	5.10
Group Life and Group Personal Accident Insurance	Vehicles and Auto Parts	11.68	742.26	1.57

Business Line	Sector*	Portfolio Value (R\$ millions)	Total Value of Business Line	Portfolio Value (%)
Group Life and Group Personal Accident Insurance	Commerce – Unclassified Companies	91.08	742.26	12.27
Group Life and Group Personal Accident Insurance	Construction	65.28	742.26	8.79
Group Life and Group Personal Accident Insurance	Diversified Companies	25.65	742.26	3.46
Group Life and Group Personal Accident Insurance	Food Products	15.71	742.26	2.12
Group Life and Group Personal Accident Insurance	Vehicles and Auto Parts	10.83	742.26	1.46
Group Life and Group Personal Accident Insurance	Industry – Unclassified Companies	47.43	742.26	6.39
Group Life and Group Personal Accident Insurance	Metalworking	15.44	742.26	2.08
Group Life and Group Personal Accident Insurance	Public Sector Services	11.22	742.26	1.51
Group Life and Group Personal Accident Insurance	Services – Unclassified Companies	92.26	742.26	12.43
Group Life and Group Personal Accident Insurance	Public Administration Services	33.31	742.26	4.49
Group Life and Group Personal Accident Insurance	Teaching and Personal Administration Services	7.74	742.26	1.04
Group Life and Group Personal Accident Insurance	Repairs, Maintenance and Installation	11.46	742.26	1.54
Group Life and Group Personal Accident Insurance	Technical-Professional Services	10.14	742.26	1.37
Group Life and Group Personal Accident Insurance	Transport	27.45	742.26	3.70

* Includes only those sectors which represent more than 1% of the portfolio.

Percentage of Portfolio, by Business Line and Region *GRI FS6*

Business Line	Region (State)	Portfolio Value (R\$ millions)	Total Value of Business Line	Portfolio Value (%)
Property Insurance	Amazonas	1.74	170.87	1.02
Property Insurance	Bahia	6.77	170.87	3.96
Property Insurance	Ceará	3.55	170.87	2.08
Property Insurance	Distrito Federal	2.72	170.87	1.59
Property Insurance	Espírito Santo	2.25	170.87	1.32
Property Insurance	Goiás	4.94	170.87	2.89
Property Insurance	Minas Gerais	15.37	170.87	8.99
Property Insurance	Mato Grosso	2.30	170.87	1.34
Property Insurance	Pernambuco	5.31	170.87	3.11
Property Insurance	Paraná	9.78	170.87	5.72
Property Insurance	Rio de Janeiro	20.17	170.87	11.81
Property Insurance	Rio Grande do Sul	5.06	170.87	2.96
Property Insurance	Santa Catarina	5.22	170.87	3.05

Business Line	Region (State)	Portfolio Value (R\$ millions)	Total Value of Business Line	Portfolio Value (%)
Property Insurance	São Paulo	76.16	170.87	44.57
Group Life and Group Personal Accident Insurance	Bahia	19.95	742.26	2.69
Group Life and Group Personal Accident Insurance	Ceará	7.93	742.26	1.07
Group Life and Group Personal Accident Insurance	Espírito Santo	10.46	742.26	1.41
Group Life and Group Personal Accident Insurance	Goiás	13.24	742.26	1.78
Group Life and Group Personal Accident Insurance	Minas Gerais	93.50	742.26	12.60
Group Life and Group Personal Accident Insurance	Pernambuco	15.38	742.26	2.07
Group Life and Group Personal Accident Insurance	Paraná	45.22	742.26	6.09
Group Life and Group Personal Accident Insurance	Rio de Janeiro	111.33	742.26	15.00
Group Life and Group Personal Accident Insurance	Rio Grande do Sul	24.37	742.26	3.28
Group Life and Group Personal Accident Insurance	Santa Catarina	26.17	742.26	3.53
Group Life and Group Personal Accident Insurance	São Paulo	332.65	742.26	44.82

FS10: Percentage and number of companies held in the institution's portfolio with which the reporting organization has interacted on environmental or social issues

Our relationship with third-party insurance brokers is through a specific communication channel whereby we identify suitable brokers to work with Itaú Seguros, and strengthen our ties with them through meetings,

providing partnership benefits and helping them increase their sales. We also track overall sales and claims figures.

Additionally, we exchange experiences with reinsurers and coinsurers (business partners in structured transactions), through conventions, training sessions, visits and helping design reinsurance policies.

STATEMENTS AND ASSURANCES

GRI APPLICATION LEVEL

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Statement GRI Application Level Check

GRI hereby states that **Itaú Unibanco Holding S.A.** has presented its report "Annual Report 2012" to GRI's Report Services which have concluded that the report fulfills the requirement of Application Level A+.

GRI Application Levels communicate the extent to which the content of the G3.1 Guidelines has been used in the submitted sustainability reporting. The Check confirms that the required set and number of disclosures for that Application Level have been addressed in the reporting and that the GRI Content Index demonstrates a valid representation of the required disclosures, as described in the GRI G3.1 Guidelines. For methodology, see www.globalreporting.org/SiteCollectionDocuments/ALC-Methodology.pdf

Application Levels do not provide an opinion on the sustainability performance of the reporter nor the quality of the information in the report.

Amsterdam, 12 March 2013

A handwritten signature in blue ink, appearing to read "Nelmar Arbex", is written over a faint circular watermark.

Nelmar Arbex
Deputy Chief Executive
Global Reporting Initiative



The "+" has been added to this Application Level because Itaú Unibanco Holding S.A. has submitted (part of) this report for external assurance. GRI accepts the reporter's own criteria for choosing the relevant assurance provider.

The Global Reporting Initiative (GRI) is a network-based organization that has pioneered the development of the world's most widely used sustainability reporting framework and is committed to its continuous improvement and application worldwide. The GRI Guidelines set out the principles and indicators that organizations can use to measure and report their economic, environmental, and social performance. www.globalreporting.org

Disclaimer: Where the relevant sustainability reporting includes external links, including to audio visual material, this statement only concerns material submitted to GRI at the time of the Check on 5 March 2013. GRI explicitly excludes the statement being applied to any later changes to such material.

INDEPENDENT AUDITOR'S LIMITED ASSURANCE REPORT ON THE 2012 ANNUAL REPORT

To the Board of Directors
Itaú Unibanco Holding S.A.

São Paulo- SP

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Introduction

We were engaged to provide limited assurance on the Annual Report of Itaú Unibanco Holding S.A. (the "Bank"), for the year ended December 31, 2012.

Management's responsibility for the Annual Report

The management of Itaú Unibanco Holding S.A. is responsible for the preparation and presentation of the 2012 Annual Report, in accordance with the criteria and guidelines for sustainability reports of the Global Reporting Initiative (GRI-G3.1), and for the internal controls necessary to allow this information to be presented free of any material misstatements, whether through fraud or error.

Responsibility of the independent auditor

Our responsibility is to express a conclusion on the socio-environmental information contained in the 2012 Annual Report, based on our limited assurance engagement conducted in accordance with Technical Communication CTO 01 – Issue of Assurance Report related to Sustainability and Social Responsibility, issued by the Federal Accounting Council (CFC) and based on NBC TO 3000 – Assurance Engagements Other than Audit and Review, which is the equivalent of international standard ISAE 3000 - Assurance engagements other than audits or reviews of historical financial information, issued by the International Auditing and Assurance Standards Board (IASSB). These standards require that we comply with ethical requirements, including independence requirements and that the work is conducted under limited assurance that the socio-environmental information contained in the 2012 Annual Report, taken together, is free of any material misstatement.

A limited assurance engagement conducted in accordance with NBC TO 3000 and ISAE 3000 consists principally of inquiries of Bank management and other

professionals involved in the preparation of information, as well as by applying analytical procedures to obtain evidence that allows us to provide a limited assurance conclusion on the information as a whole. A limited assurance audit also requires the implementation of additional procedures when the auditor becomes aware of issues that lead it to believe that the socio-environmental information, taken as a whole, may contain material misstatements.

The procedures selected were based on our understanding of aspects related to the compilation and presentation of the socio-environmental information contained in the 2012 Annual Report, and of other circumstances of the engagement work and our consideration of areas where misstatements could exist. These procedures included:

- (a) planning the work, considering the materiality, the volume of quantitative and qualitative information, and the operating systems and internal controls that were the basis for the preparation of the information contained in the Bank's 2012 Annual Report;
- (b) understanding the calculation methodology and procedures for compiling indicators through interviews with managers responsible for the preparation of the information;
- (c) interviews with managers responsible for information through visits to the Bank's administrative unit;
- (d) applying analytical procedures to the quantitative information and questions about the qualitative information and its correlation with the indicators disclosed in the socio-environmental information contained in the 2012 Annual Report, and
- (e) comparing financial indicators with the financial statements and/or accounting records.

Our limited assurance engagement also included the application of procedures to comply with Global Reporting Initiative GRI-G3.1 criteria and guidelines applicable to the preparation of the socio-environmental information contained in the 2012 Annual Report.

We believe that the evidence obtained in our work is sufficient and appropriate to provide a basis for a limited conclusion.

Scope and limitations

The procedures applied to a limited assurance engagement are substantially less extensive than those applied to a reasonable assurance engagement, and are designed to provide a conclusion on the socio-environmental information contained in the 2012 Annual Report. Consequently, we were unable to obtain reasonable assurance that we are aware of all the issues that would have been identified in a reasonable assurance engagement, which is designed to give an opinion. Had we performed a study with the purpose of forming an opinion, we would have identified other issues and possible misstatements that may exist in the socio-environmental information contained in the 2012 Annual Report. Accordingly, we do not express an opinion on this information.

Non-financial data are subject to more inherent limitations than financial data, given the nature and diversity of methods used for determining, calculating or estimating such data. Qualitative interpretations of materiality, relevance and accuracy of data are subject to specific prior assumptions, and not in relation to future projections and goals.

Conclusion

Based on the procedures conducted and described in the report, nothing has come to our attention that causes us to believe that the 2012 Annual Report of Itaú Unibanco Holding S.A. was not compiled, in all material respects, in a manner consistent with Global Reporting Initiative GRI-G3.1 criteria and guidelines.

São Paulo, March 12, 2013.

PricewaterhouseCoopers
Auditores Independentes
CRC 2SP000160/O-5

Manuel Luiz da Silva Araújo
Chartered Accountant CRC 1RJ039600/O-7 "SP"

AA1000 ASSURANCE STATEMENT – BSD

BSD Consulting performed an independent audit of the preparation process for Itaú Unibanco's 2012 Annual Report, consistent with the AA1000 Assurance Standard. BSD Consulting monitors, on an ongoing basis, the sustainability management and preparation processes for the bank's Annual Report.

Independence

We operate independently. No BSD employee has any professional consulting relationship or other commercial ties with Itaú Unibanco. BSD Consulting (Brasil) is licensed by AccountAbility as an AA1000 Licensed Assurance Provider, under registration number 000-33.

Our Expertise

BSD Consulting is a company which specializes in sustainability. The work was conducted by a team of professionals who are trained and experienced in independent auditing procedures.

Responsibilities of Itaú Unibanco and BSD

All content of the Annual Report, engagement processes and definition of materiality is the responsibility of Itaú Unibanco. The evaluation of the reliability of the content of the Report and its application to any specific GRI application level were outside the remit of BSD's engagement.

Scope and Limitations

The scope of our work includes the information contained in the Itaú Unibanco 2012 Annual Report and its reporting period. The review process was conducted in compliance with AA1000 Assurance Standard (2008), Type 1, which provides a moderate level of assurance. This process includes the assessment of adherence to three principles: Inclusion, Materiality and Responsiveness.

Methodology

The AA1000 audit process approach consisted of:

- Evaluation of the content of the 2012 Annual Report;
- Understanding the process of generating information for the Annual Report, considering the engagement process and definition of content;
- Understanding the use of the Sustainability Roadmap;
- Monitoring the Sustainability Committee meeting and the kick-off meeting for the Annual Report;
- Interviews with managers to assess the approach for the most pressing challenges;
- Analysis of internal documents and external disclosure to confirm and support the decision-making process for material issues; and

- Analysis of the perception of managers and employees about the commitments made by the bank through the Sustainability Policy.

Key Findings

Throughout 2012 Itaú Unibanco centred its activities on the three axes of its Sustainability Roadmap. While the bank's activities in Financial Education and Socio-environmental Risks and Opportunities showed consolidated progress and advanced into different business areas, more significantly the Dialogue and Transparency axis resulted in the largest integration of managerial and departmental information regarding sustainability aspects within an integrated reporting process. On this basis, the challenges of the next management cycle will be the use of the strategy at the branch level, in international business, and in establishing a broader process of engagement with stakeholders as part of the sustainability strategy.

Key Findings on Compliance with AA1000AS Standard (2008)

1. Inclusion - participation of stakeholders in the development of a transparent and strategic sustainability management process

- This past year proved decisive for the implementation of the Sustainability Roadmap. Beyond the sustainability area, both the Roadmap and the updated Sustainability Policy were included in training sessions and in the decision-making process on various bank fronts, as part of Itaú Unibanco's Sustainable Performance objectives.
- The bank has made great strides in promoting sustainability within the local insurance industry. In addition to being one of the leaders in adopting the Principles for Sustainable Insurance (PSI), the bank undertook a training cycle focused on sustainability, and now its insurance area has its own socio-environmental risk policy and has created environmental coverage for companies by underwriting climate risks, among other elements.
- Employees at Itaú Unibanco's international units are being made aware of the key concepts of the bank's sustainability by adopting the "Sustainable Performance" model as well as financial education and management practices. However, we recommend incorporating the Sustainability Policy in this area to ensure consistency in the performance of the units abroad.

2. Materiality (or relevance) - issues necessary for stakeholders to make conclusions about the organization's financial, social and environmental performance.

- The bank invested in creating a new credit card which is a model for differentiated and lower interest rates. Although the effort to undertake this initiative has been considerable, the subject of interest rates and fees continues to be a key issue for the bank and the entire sector.
- The 2012 Annual Report presents the goals set in the previous year, as well as new challenges for pressing issues. Despite providing material information on its achievements, the bank's formatting of objectives needs to be clarified through the establishment of clear, objective and measurable goals.
- Customer service and safety continue to be priority issues for Itaú Unibanco. We understand that the bank has created sufficient measures and indicators to monitor its progress at handling them, and is showing a commitment to continuous improvement.

3. Responsiveness - actions taken by the organization due to specific demands from stakeholders

- The bank has shown progress in its commitment to environmental management by creating more efficient use of resources and by following international protocols to integrate the subject of climate change into the evaluation of credit risks in the insurance industry and in its own operations.
- In its annual report Itaú Unibanco addresses its practical integration of listening to customers and employees. However, it is important to establish engagement mechanisms that take perceptions of stakeholders to the decision-making level in addition to events and campaigns, leading the institution to innovate and bring about new business strategies.
- In 2012 Itaú Unibanco became one of the first banks to adopt the Principles of Sustainable Insurance. The challenge in the next management cycle is to integrate environmental, social, and governance aspects into its insurance business, so that that implementation of PSI does not depend on the engagement of employees, but rather is anchored on the organization's guidelines.

São Paulo, March 8, 2013

BSD Consulting (Brasil)

