

TAX SUSTAINABILITY

With the vision of being the leading bank in sustainable performance and customer satisfaction, **Itaú** has declared its commitment to sustainable development, accepting the challenge of promoting social, environmental and economic (**ESG**¹) development in a balanced and responsible way, without compromising future generations².

In this way, **Itaú** understands sustainability as *the ability for a company to sustainably maintain resources and relationships with and manage its dependencies and impacts within its whole business ecosystem over the short, medium and long term*.

Specifically, **ESG** principles are implemented through various positive impact projects that are integrated within a holistic sustainability approach. These include, for example, climate risks and opportunities³, market transparency⁴, inclusive management⁵, operational eco-efficiency⁶ and, more generally, the ongoing search for **positive social impact**⁷.

However, if we look at the reality in which our business operates, it is clear that the **Banking Sector** is a key player in a **market** where different actors interact:

- **Investors** who put capital at risk and expect a return;
- **Companies** that seek financing to grow their business;
- **Consumers** who buy from companies and *bear* the consequences of their decisions, and who can also request financing from banks; and
- **Government** that provides the regulatory framework and expectations for companies.

¹ ESG Generally speaking, they summarize the most important non-economic or financial factors of a company in order to standardize the entities' policies so that analyzes by third parties (in particular rating agencies) of these aspects can be based on comparable information.

² In this regard, **Itaú's ESG** initiatives can be found at the following link: <https://ir.itaubr.com.br/English/our-company/sustainability/default.aspx>

³ **Itaú** has a policy on climate change and socio-environmental risks, and also seeks to mobilize capital to encourage our customers to reduce their carbon footprint through *sustainable financing*. In addition, according to *Itaú Unibanco's 2022 Climate Report*, **Itaú** is committed to aligning its efforts with the Paris Agreement and aims to become a Net Zero bank by 2050, including net zero emissions from our loan portfolio.

⁴ Through its **Integrated Reports**.

⁵ Seeking to encourage and promote **gender equality**, through initiatives such as the *iElla community*, as well as **equality and diversity** through initiatives such as the *soy como soy community*.

⁶ Promoting projects to reduce our carbon emissions and contributing to the fight against climate change, through actions such as the digitalization of the company, the switch to LED lighting, the purchase of renewable energy for operations, etc.

⁷ Through initiatives such as *Company experience, Let's read together*, carried out by the **Itaú Foundation**.

In this system, the role of the **Banking Sector** can be summarized as financing, providing incentives or restrictions and reimbursing risk capital provided by *stakeholders (shareholders)*.

With the adoption of **sustainability** at the core of **Itaú's** management and the projects mentioned above, the aim is to inform *stakeholders* in a standardized way⁸ about the **definitions** and **decision-making processes** on **ESG Criteria** (including tax), so that they can assess **sustainability** with as much information as possible⁹.

As part of these commitments and principles, and especially since 2022, **Itaú** has been strengthening the **Tax Sustainability** of the organization.

In this regard, **Itaú** has a **Tax Policy**¹⁰ and various **internal** and **governance processes** for decision-making and risk management that **align** the institution's tax strategies with the **ESG** definitions that govern **Itaú's** overall operations.

Thus, through the adoption of the **Tax Policy**¹¹ and the **ESG criteria**, **Itaú** seeks to achieve the following objectives:

- That *stakeholders* can internalize the social valuation of **Itaú's** tax payments in their returns;
- That the decisions of all the organization's areas are consistent with **Itaú's vision, policies and processes**;
- That the different **risks**¹² are objectively assessed by the respective areas; and
- That **directors** have the information to make decisions that are consistent with **Itaú's general standards and principles**.

Now, and specifically regarding **Tax Sustainability**, it is important to consider that its *objective* is to **change the focus** of companies with respect to their tax obligations and the taxes generated by their operations.

In this sense, **tax sustainability** aims to get market players to abandon the view of taxes as a **cost** to be saved by any means (for example, through aggressive practices), and instead to consider the tax burden as a **way to contribute to the growth and development of the countries in which the institution operates**.

⁸ This is achieved through the existence of the GRI, which measures the criteria for Corporate Social Responsibility. We refer specifically to these GRIs later in this document.

⁹ Please refer to the link in footnote 2 under "ESG Integrated Annual Reports".

¹⁰ Available at https://s2.q4cdn.com/476556808/files/doc_downloads/ESG/2024/05/ITCL_Tax-Policy.pdf

¹¹ In general terms, a company's tax policy should define how it balances its tax compliance, business activities, and ethical, social, and sustainable development expectations, and may include its approach to tax planning, its tax principles, a company's level of risk appetite, and the organization's approach to its relationship with tax authorities.

¹² For example, conflicts of interest or the relationship with relevant administrative authorities.

In fact, the UN recognizes that **taxes** play a fundamental role in achieving the Sustainable Development Goals. They are a key mechanism through which companies contribute to the economies of the countries in which they operate.

With the adoption of these criteria, *stakeholders* would take into account the guidelines of the company's **Tax Policy**, especially considering that **Itaú** recognizes its obligation to comply with the applicable tax legislation and also seeks to be responsible to its stakeholders in order to meet their expectations of **good tax practices**. In this way, *stakeholders* would assign a **positive social value to companies' tax compliance**¹³.

Then, it should also be taken into account that by adopting **ESG** parameters and, in particular, by seeking **tax sustainability** and implementing this parameter as part of their **Policies**, companies can be measured and analyzed in terms of the effective compliance and application of the respective policies.

Specifically, there are institutions whose purpose is to measure and evaluate the **standards of compliance** that the company has with respect to its **Policies**, with particular emphasis on the **procedures, instances and regulations** through which it seeks to implement **Tax Sustainability** in the daily work of the company¹⁴.

On the other hand, when considering **Tax Sustainability** as a whole, it should also be taken into account that this principle has a correlation that goes beyond companies. Thus, by adopting this criterion as a **general principle of the system**, the **Government** the **Citizens** and the **Companies** are bound to it.

- The **Government**, inasmuch as the obligation it assumes is the good use of the public resources contributed by **Citizens and Companies** in the form of **Taxes**; and
- **Citizens and Companies**, who contribute through taxes to the functioning of the country's institutions and to the access and availability of various **public goods and services**.

In order to understand the basic scope of **Tax Sustainability**, it is appropriate to ask the following questions: i) How is it included in **Itaú's** Annual Report?; and ii) How is **Itaú's** compliance measured?

¹³ In another aspect, and in order to understand the depth of these changes, it should be taken into account that in recent years several bills have been submitted to Congress that seek to regulate and promote **tax sustainability**, incorporating it as a guiding criterion of the tax system.

¹⁴ Specifically, **Itaú** is evaluated annually for its sustainability practices and is included in indexes such as the *S&P Corporate Sustainability Assessment* and the *Dow Jones Sustainability Index (DJSI)*.

In this regard, the **GRI¹⁵**, standard exists and was created to be used by companies when preparing their annual reports for the respective year.

In **Tax** matters, the applicable GRI is GRI **207**, which was created in 2019 and applies to the preparation of reports or other materials published after January 1, 2021.

The objective of **GRI 207** is to provide greater transparency on the company's **tax impacts** and how they are managed. As such, the content allows a company to provide **information on tax matters**, as well as on its revenue, tax, and business activities on a country-by-country basis.

Specifically, **GRI 207** includes four main topics, which are as follows:

1. **GRI 207-1: Approach to tax:**

Through this, **Itaú** must provide the following information:

- Whether it has a **tax policy**, and the link to it;
- The **governance body** executive-level position within the organization that formally reviews and approves the **tax policy**, and the frequency of this review;
- The approach to **regulatory compliance**; and
- The link between the **tax policy** and the business and **sustainable development** strategies of the organization.

2. **GRI 207-2: Tax governance, control, and risk management:**

Through this, **Itaú** must provide the following information:

- A description of the **tax governance and control framework**, including:
 - o The **governance body** or executive-level position within the organization accountable for compliance with the **tax policy**;
 - o How the **approach to tax** is embedded within the organization;
 - o The **approach to tax risks**, including how risks are **identified, managed, and monitored**;
 - o How **compliance with the tax governance** and control framework is **evaluated**
- A description of the **mechanisms** to raise **concerns** about the organization's business **conduct** and the organization's **integrity** in relation to tax; and
- A description of the **assurance process** for **disclosures** on tax including, if applicable, a link or reference to the external assurance report(s) or assurance statement(s).

¹⁵ This acronym comes from the name **Global Reporting Initiative**, which is an organization that seeks to implement and elaborate annual reports on corporate sustainability, which includes several topics, such as: Environmental, Social, Tax Responsibility, among others.



3. **GRI 207-3: Stakeholder engagement and management of concerns related to tax:**

Through this, **Itaú** must provide the following information:

- A description of the **approach to stakeholder** engagement and **management** of stakeholder concerns related to tax, including:
 - o The approach to **engagement with tax authorities**;
 - o The approach to **public policy advocacy on tax**; and
 - o The **processes** for collecting and considering the **views and concerns** of stakeholders, including external stakeholders.

4. **GRI 207-4: Country-by-country reporting.**

Through this GRI, **Itaú** must provide the detail of **all tax jurisdictions** where the entities included in the organization's audited consolidated financial statements are resident for tax purposes;

If you are interested in learning more about this topic, we recommend the following link:

<https://globalreporting.org/>

You can also visit the following link where you will find videos of a seminar held at the Pontificia Universidad Católica de Valparaíso on the new tax sustainability standards:

- <https://www.pucv.cl/uuaa/derecho/agenda/seminario-tax-compliance-nuevos-estandares-de-sostenibilidad-para>
- <https://www.pactoglobal.cl/comienza-ciclo-de-charlas-sobre-sostenibilidad-tributaria/>
- <https://www.youtube.com/watch?v=-ZMxjknHgek>