PRI Principles for Responsible Investment

RI TRANSPARENCY REPORT

2013/14

Itaú Asset Management

UNEP Finance Initiative Changing finance, financing change | United Nations Global Compact

An investor initiative in partnership with UNEP Finance Initiative and UN Global Compact

About this report

The PRI Reporting Framework is a key step in the journey towards building a common language and industry standard for reporting responsible investment (RI) activities. This RI Transparency Report is one of the key outputs of this Framework. Its primary objective is to enable signatory transparency on RI activities and facilitate dialogue between investors and their clients, beneficiaries and other stakeholders. A copy of this report will be publicly disclosed for all reporting signatories on the PRI website, ensuring accountability of the PRI Initiative and its signatories.

This report is an export of the individual Signatory organisation's response to the PRI during the 2013-14 reporting cycle. It includes their responses to mandatory indicators, as well as responses to voluntary indicators the signatory has agreed to make public. The information is presented exactly as it was reported. Where an indicator offers a response option that is multiple-choice, all options that were available to the signatory to select are presented in this report. Presenting the information exactly as reported is a result of signatory feedback which suggested the PRI not summarise the information. As a result, the reports can be extensive. However, to help easily locate information, there is a **Principles index** which highlights where the information can be found and summarises the indicators that signatories complete and disclose.

Understanding the Principles Index

The Principles Index summarises the response status for the individual indicators and modules and shows how these relate to the six Principles for Responsible Investment. It can be used by stakeholders as an 'at-a-glance' summary of reported information and to identify particular themes or areas of interest.

Indicators can refer to one or more Principles. Some indicators are not specific to any Principle. These are highlighted in the 'General' column. When multiple Principles are covered across numerous indicators, in order to avoid repetition, only the main Principle covered is highlighted. This results in some Principles not being explicitly highlighted. For instance, Principle 1 and 2 cannot be implemented without implementing Principle 3, but there are cases when Principle 3 is not explicitly highlighted.

All indicators within a module are presented below. The status of indicators is shown with the following symbols:

Symbol	Status
✓	The signatory has completed all mandatory parts of this indicator
☑	The signatory has completed some parts of this indicator
🔒	This indicator was not relevant for this signatory
-	The signatory did not complete any part of this indicator
🏳	The signatory has flagged this indicator for internal review

Within the table, indicators marked in blue are mandatory to complete. Indicators marked in grey are voluntary to complete.

PRI disclaimer

This document is based on information reported by signatories and responses have not been independently audited by the PRI Secretariat, PRI working groups, or any other third party. While this information is believed to be reliable, no representations or warranties are made as to its accuracy and no responsibility or liability can be accepted for any error or omission.

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Principles Index

Organisational Overview				Principle						General
Indicator	Short description	Status	Disclosure	1	2	3	4	5	6	
OO 01	Signatory category and services	✓	Public							✓
OO 02	Headquarters and operational countries	✓	Public							✓
OO 03	Subsidiaries that are separate PRI signatories	✓	Public							✓
OO 04	Reporting year and AUM	✓	Public							✓
OO 05	Breakdown of AUM by asset class	✓	n/a							✓
OO 06	How would you like to disclose your asset class mix	✓	Public							✓
OO 07	Segregated mandates or pooled funds	🔒	n/a							✓
OO 08	Breakdown of AUM by market	✓	Public							✓
OO 09	Additional information about organisation	✓	Public							✓
OO 10	RI activities for listed equities	✓	Public							✓
OO 11	RI activities in other asset classes	✓	Public							✓
OO 12	Modules and sections required to complete	✓	Public							✓

Overarching Approach				Principle						General
Indicator	Short description	Status	Disclosure	1	2	3	4	5	6	
OA 01	RI policy and other guidance documents	✓	Public							✓
OA 02	Publicly available policies / documents	✓	Public						✓	
OA 03	Policy components and coverage	✓	Public	✓	✓					
OA 04	Conflicts of interest	✓	Public							✓
OA 05	RI goals and objectives	✓	Public							✓
OA 06	Main goals/objectives this year	✓	Private							✓
OA 07	Governance, management structures and RI processes	✓	Public							✓
OA 08	RI roles and responsibilities	✓	Public							✓
OA 09	RI in performance management, reward and/or personal development	✓	Private							✓
OA 10	Collaborative organisations / initiatives	✓	Public				✓	✓		
OA 11	Promoting RI independently	✓	Public				✓			
OA 12	Dialogue with public policy makers or standard setters	✓	Private				✓	✓	✓	
OA 13	ESG issues in strategic asset allocation	✓	Private	✓						
OA 14	Allocation of assets to environmental and social themed areas	✓	Private	✓						
OA 15	ESG issues for internally managed assets not reported in framework	✓	Private							✓
OA 16	ESG issues for externally managed assets not reported in framework	🔒	n/a							✓
OA 17	RI/ESG in execution and/or advisory services	🔒	n/a	✓	✓					
OA 18	Innovative features of approach to RI	✓	Public							✓
OA 19	Internal and external review and assurance of responses	✓	Private							✓

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Direct - Listed Equity Incorporation				Principle						General
Indicator	Short description	Status	Disclosure	1	2	3	4	5	6	
LEI 01	Breakdown by passive, quantitative, fundamental and other active strategies	✓	Private	✓						
LEI 02	Description of ESG incorporation	✓	Public	✓						
LEI 03	Percentage of each incorporation strategy	✓	Public	✓						
LEI 04	Type of ESG information used in investment decision	✓	Private	✓						
LEI 05	Information from engagement and/or voting used in investment decision-making	✓	Private	✓						
LEI 06	Types of screening applied	✓	Public	✓						
LEI 07	Processes to ensure screening is based on robust analysis	✓	Public	✓						
LEI 08	Processes to ensure fund criteria are not breached	✓	Public	✓						
LEI 09	Types of sustainability thematic funds/mandates	🔒	n/a	✓						
LEI 10	Description of ESG integration	✓	Public	✓						
LEI 11	Review ESG issues while researching companies/sectors	✓	Public	✓						
LEI 12	Processes to ensure integration is based on robust analysis	✓	Private	✓						
LEI 13	Aspects of analysis ESG information is integrated into	✓	Public	✓						
LEI 14	ESG issues in index construction	✓	Public	✓						
LEI 15	How ESG incorporation has influenced portfolio composition	✓	Private	✓						
LEI 16	Incorporation of ESG issues has improved financial/ESG performance and reduced risk	✓	Private	✓						
LEI 17	Examples of ESG issues that affected your investment view / performance	✓	Private	✓						
LEI 18	Disclosure of approach to ESG incorporation	✓	Public		✓				✓	

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Direct - Listed Equity Active Ownership				Principle						General
Indicator	Short description	Status	Disclosure	1	2	3	4	5	6	
LEA 01	Description of approach to engagement	✓	Public		✓					
LEA 02	Reasoning for interaction on ESG issues	✓	Public	✓	✓	✓				
LEA 03	Process for identifying and prioritising engagement activities	✓	Public		✓					
LEA 04	Objectives for engagement activities	✓	Public		✓					
LEA 05	Process for identifying and prioritising engagement activities	✓	Public		✓					
LEA 06	Objectives for engagement activities	✓	Public		✓					
LEA 07	Role in engagement process	🔒	n/a		✓		✓			
LEA 08	Monitor / discuss service provider information	🔒	n/a		✓				✓	
LEA 09	Share insights from engagements with internal/external managers	✓	Private	✓	✓					
LEA 10	Tracking number of engagements	✓	Public		✓					
LEA 11	Number of companies engaged with, intensity of engagement and effort	✓	Private		✓					
LEA 12	Engagements on E, S and/or G issues	✓	Private		✓					
LEA 13	Companies changing practices / behaviour following engagement	✓	Private		✓					
LEA 14	Examples of ESG engagements	✓	Private		✓					
LEA 15	Disclosure of approach to ESG engagements	✓	Public		✓				✓	
LEA 16	Description of approach to (proxy) voting	✓	Private		✓					
LEA 17	Typical approach to (proxy) voting decisions	✓	Public		✓					
LEA 18	Percentage of voting recommendations reviewed	🔒	n/a		✓					
LEA 19	Confirmation of votes	✓	Private		✓					
LEA 20	Securities lending programme	✓	Private		✓					
LEA 21	Informing companies of the rationale of abstaining/voting against management	✓	Public		✓					
LEA 22	Percentage of (proxy) votes cast	✓	Public		✓					
LEA 23	Proportion of ballot items that were for/against/abstentions	✓	Private		✓					
LEA 24	Shareholder resolutions	✓	Private		✓					
LEA 25	Examples of (proxy) voting activities	-	n/a		✓					
LEA 26	Disclosing voting activities	✓	Public		✓				✓	

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Reported Information

Public version

Organisational Overview

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Basic Information

OO 01 | Mandatory | Gateway/Peering | General

OO 01.1 Select the services you offer.

☑ Fund management

% of assets under management (AUM) in ranges

- ○ <10%
- ○ 10-50%
- ◉ >50%

☑ Fund of funds, manager of managers, sub-advised products

% of assets under management (AUM) in ranges

- ◉ <10%
- ○ 10-50%
- ○ >50%

☐ Other, specify

☐ Execution and advisory only services

OO 02 | Mandatory | Peering | General

OO 02.1 Select the location of your organisation's headquarters.

Brazil

OO 02.2 Indicate the number of countries in which you have offices (including your headquarters).

- ○ 1
- ○ 2-5
- ◉ 6-10
- ○ >10

OO 02.3 Indicate the approximate number of staff in your organisation in full-time equivalents (FTE).

FTE

300

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OO 02.4 Additional information. [Optional]

Research team based in São Paulo, Santiago and New York.

OO 03 Mandatory | Descriptive | General

OO 03.1 Indicate whether you have subsidiaries within your organisation that are also PRI signatories in their own right.

- ○ Yes
- ◉ No

OO 04 Mandatory | Gateway/Peering | General

OO 04.1 Indicate the year end date for your reporting year.

31/12/2013

OO 04.2 Indicate your total AUM at the end of your reporting year.

	trillions	billions	millions	thousands	hundreds
Total AUM		336	000	000	000
Currency	BRL				
Assets in USD		142	113	857	896

OO 04.3 Indicate the level of detail you would like to provide about your asset class mix.

- ○ Approximate percentage breakdown to the nearest 5% (e.g. 45%)
- ◉ Broad ranges breakdown (i.e. <10%; 10-50%; >50%)

OO 06 Mandatory | Descriptive | General

OO 06.1 To contextualise your responses to the public, indicate how you would like to disclose your asset class mix.

- ◉ Publish our asset class mix as broad ranges

	Internally managed (%)	Externally managed (%)
Listed equity	10-50%	0
Fixed income – corporate	<10%	0
Fixed income – government	10-50%	0

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Fixed income – other	0	0
Private debt	10-50%	0
Private equity	<10%	0
Property	0	0
Infrastructure	0	0
Commodities	0	0
Hedge funds	10-50%	0
Forestry	0	0
Farmland	0	0
Inclusive finance	0	0
Cash	<10%	0
Other (1), specify	0	0
Other (2), specify	0	0

○ Publish our asset class mix as per attached file (the following image formats can be uploaded: .jpg, .jpeg, .png,.bmp and .gif)

OO 08	Mandatory to Report Voluntary to Disclose	Peering	General

OO 08.1 Indicate the breakdown of your organisation's AUM by market.

Market breakdown	% of AUM
Developed Markets	○ 0% ◉ <10% ○ 10-50% ○ >50 %
Emerging, Frontier and Other Markets	○ 0% ○ <10% ○ 10-50% ◉ >50 %

OO 09	Voluntary	Descriptive	General

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OO 09.1	Provide any additional information about your organisation, its mission, strategies, activities or investments which are important to contextualise your responsible investment activities.

We are the asset manager of choice in Latin America, serving the most sophisticated institutional investors globally, including pension funds, endowments and sovereign wealth funds. More than USD 153 billion under management, with dedicated portfolio management and research teams for each asset class. We have unparalleled expertise in Latin America, with coverage of more than 250 companies and with unmatched access to senior management teams. Our research and portfolio management teams are highly specialized, being split into three different major strategies:

- Indexed Strategies are composed of ETFs and index funds
- Active Strategies look for opportunities in fixed income and equity markets
- Alternatives include macro, equities unconstrained, market-neutral equities and long-short equities, among others.

Gateway asset class implementation indicators

OO 10	Mandatory	Gateway	General

OO 10.1	Select the responsible investment activities your organisation implemented, directly and/or indirectly, for listed equities in the reporting year.

☑ We incorporate ESG issues into investment decisions on our internally managed assets

☑ We engage with companies on ESG issues via our staff, collaborations or service providers

☑ We cast our (proxy) votes directly or via service providers

☐ None of the above

OO 11	Mandatory	Gateway	General

OO 11.1	Indicate if in the reporting year you incorporated ESG issues into your investment decisions and/or your active ownership practices in the following internally managed asset classes.

☐ Fixed income – corporate

☐ Fixed income – government

☐ Private debt

☐ Private equity

☑ Hedge funds

☐ Cash

☐ None of the above

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OO 11.3	Additional information. [Optional]

Fixed Income - government buys only Brazil's federal government bonds, with limited opportunity for ESG integration or active ownership.

Cash funds give clients exposure to the US dollar currency and short-term bank deposits, with limited opportunity for ESG integration or active ownership.

Hedge Funds buy listed equities as well and therefore use our proprietary ESG research in decision making.

OO 12	Mandatory	Gateway	General

OO 12.1	The modules and sections that you will be required to complete are listed below. They are based on the percentages provided in your AUM breakdown and your responses to the gateway indicators. Note, you are only required to report on asset classes that represent 10% or more of your AUM. You may report voluntarily on any applicable modules or sections by selecting them from the list. Direct - Fixed Income and Infrastructure are always voluntary.

Core modules

☑ Organisational Overview

☑ Overarching Approach (including assets which do not have a separate module)

RI implementation directly or via service providers

	Direct - Listed Equity incorporation

☑ Listed Equity incorporation

	Direct - Listed Equity active ownership

☑ Engagements

☑ (Proxy) voting

Closing module

☑ Closing module

Note: Please make sure your response to this indicator is complete and confirmed before you progress. Your response will determine which tailored modules and sections you will be presented with.

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Overarching Approach

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Responsible investment policy

OA 01	Mandatory	Gateway/Core Assessed	General

OA 01.1 Indicate if you have a responsible investment policy.

- ○ Yes
- ◉ No

OA 01.2 Indicate if you have other guidance documents or more specific policies related to responsible investment.

- ◉ Yes
- ○ No

OA 01.3 Provide a brief description of the key elements of your responsible investment policy or, if you do not have a policy, of your overall approach to responsible investment. [Optional]

Our overall approach to Responsible Investment is described in the White Paper: ESG Integration into Fundamental Equity Valuation (Sept, 2013). We consider ESG issues to the extent that they can materially affect the value of our investments, thus helping us deliver better risk-adjusted returns to our customers. Our approach, initiated in 2010, embeds ESG into the equity research process. We use an external research provider and a dedicated internal ESG analyst, who works along our equity analysts and portfolio managers - active strategies to model ESG impacts in target prices. We don't apply exclusions unless formally requested by a client of an exclusive fund or managed portfolio.

OA 02	Mandatory	Core Assessed	PRI 6

OA 02.3 Indicate if your other policies or guidance documents related to responsible investment are publicly available.

- ◉ Yes
  - ◉ Yes, all
  - ○ Yes, some

OA 02.4 List these other policies or guidance documents related to responsible investment that are publicly available and their URLs.

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Policy or document name	URL
White Paper ESG Integration	http://www.itauassetmanagement.com/pdf/White_Pape_%20ESG_ingles_dez2013.pdf
Voting Policy	http://www.itauassetmanagement.com.br/_arquivosestaticos/Asset/pdf/politica_voto_asset_2012.pdf

○ No

OA 02.5 Additional information. [Optional]

Reference to ESG issues in section 2 of Voting Policy (Portuguese only)

OA 03 | **Mandatory** | **Core Assessed** | **PRI 1,2**

OA 03.1 Indicate the components/types and coverage of your responsible investment policy and guidance documents.

Select all that apply

Policy components/types	Coverage by AUM
☑ Policy setting out your overall approach ☑ (Proxy) voting policy ☐ Engagement/active ownership policy ☑ Specific guidelines on corporate governance ☑ Specific guidelines on environmental issues ☑ Specific guidelines on social issues ☑ Asset class-specific guidelines ☐ Screening/exclusion policy ☐ Other, specify ☐ Other, specify	○ Applicable policies cover all AUM ◉ Applicable policies cover a majority of AUM ○ Applicable policies cover a minority of AUM

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OA 03.2	Comment on any variations or exceptions in the coverage of your responsible investment policy. [Optional]

Our policy covers Brazil Listed Equities - Active Strategies which is a majority of our Equities total AuM, and where we can have most influence and ESG issues are more material. We plan to expand it to Fixed Income Corporate Issuers in 2014 and Latam (ex Brazil) equities as well.

OA 04	Mandatory	Core Assessed	General

OA 04.1	Indicate if your organisation has a policy on managing potential conflicts of interest in the investment process.

◉ Yes

OA 04.2	Describe your policy on managing potential conflicts of interest in the investment process. [Optional]

Itaú Unibanco has clearly defined conflict of interest policies and procedures, which have been designed to identify and properly disclose, mitigate, and/or eliminate applicable conflicts of interest. However, written policies and procedures cannot address every potential conflict, so employees must use proper judgment in identifying and responding appropriately to actual or potential conflicts.

Conflicts of interest that involve Itaú on one hand and clients on the other hand, will generally be fully disclosed and/or resolved in a way that favours the interests of the clients. In some instances conflict of interests may arise between two or more clients. Responding appropriately to these types of conflicts can be challenging, and may require robust disclosures if there is any appearance that one or more clients have been unfairly disadvantaged. Employees must notify the relevant compliance officer promptly if it appears that any actual or potential conflict of interest exists and has not been appropriately addressed. The compliance officer will document the firm's assessment of, and response to, such conflicts.

○ No

Objectives and strategies

OA 05	Mandatory	Gateway/Core Assessed	General

OA 05.1	Indicate if your organisation sets objectives for its responsible investment activities.

◉ Yes

OA 05.2	Indicate how frequently your organisation sets or revises objectives for responsible investment.

◉ At least once per year

○ Less than once per year

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OA 05.3	Indicate how frequently your organisation formally reviews performance against its objectives for responsible investment.

- ○ Quarterly
- ◉ Biannually
- ○ Annually
- ○ Every two years or less
- ○ It is not reviewed

○ No

OA 05.4	Additional information. [Optional]

RI implementation is not only an objective for Itaú Asset Management but also a corporate goal for the Itaú conglomerate, affecting executive pay. Because the research process is the cornerstone of IAM's RI approach, the ESG coverage of our investment universe is key. To date we cover 80% of companies listed on the Ibovespa index and shall achieve 100% by the end of 2014.

Governance and human resources

OA 07	Voluntary	Descriptive	General

OA 07.1	Provide a brief description of your organisation's governance, management structures and processes related to responsible investment.

Our CEO and CIO have oversight and accountability for RI.

Responsibility for implementation rests with the Active Strategies - Brazilian Equities desk, where there is a dedicated ESG analyst and a specialist PM serving as focal point. The ESG analyst conducts sector and stock research with support from SITAWI, a local research provider. This research is distributed to all analysts and PMs at IAM, including those from Alternative Strategies (Hedge Funds, unrestricted equities, long-short, etc). The ESG analyst works along the Brazilian Equities analysts whenever an investment case is presented to the Investment Committee. At this point, ESG issues identified and modelled are incorporated into the DCF. The ESG analyst and specialist PM also conduct specific company visits to explore issues and gather insight on their approach to sustainability.

One of our products, FIES (Itaú Social Excellence Fund), has an external ESG committee with the power to vet companies from the fund's investable universe.

☐ I would like to attach an organisation chart (the following image formats can be uploaded: .jpg, .jpeg, .png, .bmp and .gif)

OA 08	Mandatory	Gateway/Core Assessed	General

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OA 08.1	Indicate the roles present in your organisation and for each, indicate whether they have oversight and/or implementation responsibilities for responsible investment.

	Roles present in your organisation

☑ Board members or trustees

- ☐ Oversight/accountability for responsible investment
- ☐ Implementation of responsible investment
- ☑ No oversight/accountability or implementation responsibility for responsible investment

☑ Chief Executive Officer (CEO), Chief Investment Officer (CIO), Investment Committee

- ☑ Oversight/accountability for responsible investment
- ☐ Implementation of responsible investment
- ☐ No oversight/accountability or implementation responsibility for responsible investment

☐ Other Chief-level staff or head of department, specify

☑ Portfolio managers

- ☐ Oversight/accountability for responsible investment
- ☑ Implementation of responsible investment
- ☐ No oversight/accountability or implementation responsibility for responsible investment

☑ Investment analysts

- ☐ Oversight/accountability for responsible investment
- ☑ Implementation of responsible investment
- ☐ No oversight/accountability or implementation responsibility for responsible investment

☑ Dedicated responsible investment staff

- ☐ Oversight/accountability for responsible investment
- ☑ Implementation of responsible investment
- ☐ No oversight/accountability or implementation responsibility for responsible investment

☑ External managers or service providers

- ☐ Oversight/accountability for responsible investment
- ☑ Implementation of responsible investment
- ☐ No oversight/accountability or implementation responsibility for responsible investment

☐ Other role, specify

☐ Other role, specify

OA 08.2	Indicate the number of dedicated responsible investment staff your organisation has. [Optional]

	Number
	2

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OA 08.3	Additional information. [Optional]

Dedicated RI staff include an ESG analyst and a specialist PM.

Promoting responsible investment

OA 10	Mandatory	Core Assessed	PRI 4,5

OA 10.1 Indicate if your organisation is a member of and/or participant in any collaborative organisation or initiatives that promote responsible investment.

◉ Yes

OA 10.2 Select the collaborative organisation and/or initiatives of which your organisation is a member or in which it participated during the reporting year, and the role you played.

Select all that apply

☐ Asian Corporate Governance Association
☐ Association for Sustainable & Responsible Investment in Asia
☐ Australian Council of Superannuation Investors
☑ CDP Climate Change

Your organisation's role in the initiative during the reporting period (see definitions)

☑ Basic
☐ Moderate
☐ Advanced

☐ CDP Forests
☐ CDP Water
☐ CFA Institute Centre for Financial Market Integrity
☐ Council of Institutional Investors (CII)
☐ Eumedion
☐ Extractive Industries Transparency Initiative (EITI)
☐ Global Investors Governance Network (GIGN)
☐ Global Real Estate Sustainability Benchmark (GRESB)
☐ Institutional Investors Group on Climate Change (IIGCC)
☐ Interfaith Center on Corporate Responsibility (ICCR)
☐ International Corporate Governance Network (ICGN)
☐ Investor Group on Climate Change, Australia/New Zealand (IGCC)
☐ Investor Network on Climate Risk (INCR)/CERES
☐ Local Authority Pension Fund Forum
☑ Principles for Responsible Investment

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Your organisation's role in the initiative during the reporting period (see definitions)

☐ Basic

☐ Moderate

☑ Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative. [Optional]

- Active participation in 2 WGs in Brazil and case submission to Integration WG

- Sponsorship of PRI in Person 2013

- Participated in road show to promote PRI in Colombia and Chile

☐ Regional or National Social Investment Forums (e.g. UKSIF, Eurosif, ASRIA, RIAA), specify

☐ Shareholder Association for Research and Education (Share)

☑ United Nations Environmental Program Finance Initiative (UNEP FI)

Your organisation's role in the initiative during the reporting period (see definitions)

☑ Basic

☐ Moderate

☐ Advanced

☐ United Nations Global Compact

☑ Other collaborative organisation/initiative, specify

The Association of Capital Markets Investors (AMEC)

Your organisation's role in the initiative during the reporting year (see definitions)

☐ Basic

☑ Moderate

☐ Advanced

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Provide a brief commentary on the level of your organisation's involvement in the initiative. [Optional]

AMEC focuses mainly on advancing corporate governance in the Brazilian market. Itaú is a member of the Technical Committee and regularly participates in meetings and initiatives.

☐ Other collaborative organisation/initiative, specify

☐ Other collaborative organisation/initiative, specify

☐ Other collaborative organisation/initiative, specify

○ No

OA 11	Mandatory	Core Assessed	PRI 4

OA 11.1 Indicate if your organisation promotes responsible investment, independently of collaborative initiatives.

◉ Yes

OA 11.2 Indicate which of the following actions your organisation has taken to promote responsible investment, independently of collaborative initiatives.

☑ Provided or supported education or training programmes for clients, investment managers, broker/dealers, investment consultants, legal advisers or other investment organisations

☐ Provided financial support for academic or industry research on responsible investment

☑ Encouraged better transparency and disclosure of responsible investment practices across the investment industry

☑ Spoke publicly at events and conferences to promote responsible investment

☑ Wrote and published in-house research papers on responsible investment

☑ Encouraged the adoption of the PRI

☐ Other, specify

○ No

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OA 11.3	Additional information. [Optional]

Presentation to 8 pension funds on RI and ESG integration.

Incentivizing more than 20 brokers to adopt PRI and publish ESG research information.

Event with Investment Consultants to share RI expertise.

Participation in the Road show with PRI and PREVI in Santiago (Chile) and Bogota (Colombia) to promote the PRI initiative and the importance of ESG integration in Latin America.

Published white paper on ESG Integration and contributed Real Estate case study to PRI ESG Integration WG.

Participation in the ISE (Brazilian Corporate Sustainability Index) event in BM&FBOVESPA to promote the importance of transparency on RI practices and ESG data.

Innovation

OA 18	Voluntary	Descriptive	General

OA 18.1	Describe any specific features of your approach to responsible investment that you believe are particularly innovative.

RI is relatively new in Brazil, therefore our market is yet to have an ecosystem to support it, such as trained ESG analysts (buy and sell side), of-the-shelf reports from agencies and engagement services, to name a few. Despite these difficulties, IAM decided its approach had to be centered in the investment research process, with a focus on fundamental equity valuation. This is unprecedented in an emerging market, according to peer benchmark we conducted (other players doing best-in-class or using ratings to restrict investable universe). Our proprietary method projects ESG issues into the DCF model, focusing on the cash flow lines, thus influencing target prices of companies we cover and, ultimately, buy-hold-sell decisions by our PMs.

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PRI Principles for Responsible Investment

Itaú Asset Management

Reported Information

Public version

Direct - Listed Equity Incorporation

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Overview

LEI 02	Voluntary	Descriptive	PRI 1

LEI 02.1	Provide a brief overview of how you incorporate ESG issues in listed equity investments.

Our approach, initiated in 2010, embeds ESG into the equity research process. We use an external research provider and a dedicated internal ESG analyst, who works along our equity analysts and portfolio managers - active strategies to model ESG impacts in target prices. We don't apply exclusions unless formally requested by a client of an exclusive fund or managed portfolio.

For one specific open ended product launched in 2004, FIES - Itaú Social Excellence Fund, our initial investment universe is companies listed on ISE - the Brazilian Corporate Sustainability Index. We then apply exclusions for the nuclear power, tobacco, defense and alcoholic beverages industries. Companies not listed on ISE may be added to the investment universe upon request from the PM and approval of FIES' Board of Advisors, formed by external members specialized in ESG.

ESG incorporation in actively managed listed equities

Implementation processes

LEI 03	Mandatory	Gateway/Core Assessed	PRI 1

LEI 03.1	Indicate (1) which ESG incorporation strategy and/or combination of strategies you apply to your actively managed listed equities and (2) the breakdown of your actively managed listed equities by strategy or combination of strategies.

ESG incorporation strategy (select all that apply)

☐ Screening alone (i.e. not combined with any other strategies)

☐ Thematic alone (i.e. not combined with any other strategies)

☑ Integration alone (i.e. not combined with any other strategies)

Percentage of active listed equity to which the strategy is applied (estimate +/- 10%)	% 90

☑ Screening + Integration strategies

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Percentage of active listed equity to which the strategy is applied (estimate +/- 10%)	% 2

☐ Thematic + integration strategies

☐ Screening + thematic strategies

☐ All three strategies combined

☑ No incorporation strategies applied

Percentage of active listed equity to which no incorporation strategy is applied (estimate +/- 10%)	% 8

Total actively managed listed equities

100%

LEI 03.2 Describe your primary reasons for choosing a particular ESG incorporation strategy.

We consider ESG issues to the extent that they can materially affect the value of our investments, thus helping us deliver better risk-adjusted returns to our customers.

The Brazilian market is very concentrated in a few sectors, thus making it difficult for a large player such as Itaú Asset Management to devise thematic strategies or screening across the entire portfolio. Therefore, we have chosen to apply screening only to an specific product (FIES) and use Integration for the remaining strategies. Our Integration approach fits better with our investment philosophy, which prioritises fundamental approaches with a strong focus on internal research. By integrating ESG into the equity research process, our analysts may give customized recommendations to our PMs, taking into consideration specificities of each strategy (long-only, long-short, benchmark used, etc).

LEI 03.3 If assets are managed using a combination of ESG incorporation strategies, describe briefly how these are used in combination. [Optional]

Only for FIES, the process starts with positive screening (universe is made of ISE components), then negative screening is applied, then non-ISE companies may be added to universe based on analyst recommendation (using integrated analysis) and approval by the FIES Board.

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LEI 03.4	Additional information. [Optional]

We are analysing the possibility to roll out ESG integration to Latam (ex Brazil) equities as of 2015.

(A) Implementation: Screening

LEI 06	Mandatory	Descriptive	PRI 1

LEI 06.1	Indicate and describe the type of screening you apply to your internally managed active listed equities.

Type of screening

☑ Negative/exclusionary screening

Screened by

- ☑ Product
- ☐ Activity
- ☑ Sector
- ☐ Country/geographic region
- ☐ Environmental and social practices and performance
- ☐ Corporate governance

	Description

Screening applies only to FIES, a product that represents 2% of our Listed Equities - Active Strategies. Negative screening includes nuclear power, tobacco, alcoholic beverages and defense.

☑ Positive/best-in-class screening

Screened by

- ☑ Product
- ☐ Activity
- ☐ Sector
- ☐ Country/geographic region
- ☑ Environmental and social practices and performance
- ☑ Corporate governance

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	Description

Screening applies only for FIES, a product that represents 2% of our Listed Equities - Active Strategies. Positive screening entails listing on ISE (Sustainability Index). The index selects companies based on criteria marked in the above answer.

☐ Norms-based screening

LEI 06.2	Describe how the screening criteria are established, how often the criteria are reviewed and how you notify clients and/or beneficiaries when changes are made.

FIES has a Board of Advisors made of external members who are specialists in ESG. This board establishes the screening criteria for the fund and may approve additions / removals of specific companies based on recommendations from the ESG analyst.

LEI 07	Mandatory	Core Assessed	PRI 1

LEI 07.1	Indicate which processes your organisation uses to ensure that screening is based on robust analysis.

☑ Comprehensive ESG research is undertaken or sourced to determine companies' activities and products.

☐ Companies are given the opportunity by you or your research provider to review ESG research on them and correct inaccuracies

☐ External research and data used to identify companies to be excluded/included is subject to internal audit by ESG/RI staff, the internal audit function or similar

☐ Company ESG information/ratings are updated regularly to ensure that portfolio holdings comply with fund policies

☑ A committee or body with representatives independent of the individuals who conduct company research reviews some or all screening decisions

☐ A periodic review of the quality of the research undertaken or provided is carried out

☐ Other, specify

☐ None of the above

LEI 07.2	Additional information. [Optional]

Screening applies only to Brazil equities product (a small universe) and has very specific criteria (negative: product / positive: listing on ISE), therefore the research and approval process are straightforward.

LEI 08	Voluntary	Additional Assessed	PRI 1

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LEI 08.1	Indicate which processes your organisation uses to ensure that fund criteria are not breached

☑ Checks are performed to ensure that stocks meet the funds' screening criteria. These checks are:

- ○ Systematic
- ○ Occassional

☑ Automated IT systems prevent investment managers from investing in excluded stocks or those that do not meet positive screening criteria.

☑ Audits of fund holdings are undertaken regularly by internal audit function

☐ Other, specify

☐ None of the above

LEI 08.2	If breaches of fund screening criteria are identified - describe the process followed to correct those breaches.

Automated IT system prevents investment in excluded stocks. In case of a new exclusion has been determined the fiduciary department monitors compliance with fund mandates.

(C) Implementation: Integration of ESG issues

LEI 10	Voluntary	Descriptive	PRI 1

LEI 10.1	Describe how you integrate ESG factors into investment decision making processes.

We believe ESG integration contributes to superior risk-adjusted returns in our portfolio.

Demand for ESG integration from our retail and private clients is low. Some of our institutional clients are interested in hearing about our ESG capabilities and use it as part of their criteria to select us as their external managers. We believe this demand will increase in the upcoming years.

A Brazilian research provider - SITAWI - provides Company and Sector analysis, based on a fundamental research process that includes reviewing public information, newsflow, stakeholder and company interviews. Issue specific analysis by international brokers eventually cover Brazilian stocks and are therefore used as well. All research is disseminate through the in-house ESG analyst, who works with all sector analysts to embed ESG into their models and present each thesis to the investment committee. The ESG analyst also visit companies to present our views on their ESG performance and to clarify points of concern and information gaps. Typically, we strive to project the impact of ESG issues on company's cash flow and cost of capital, thus affecting our DCF models and target prices.

LEI 11	Mandatory	Core Assessed	PRI 1

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LEI 11.1	Indicate if E, S and G issues are reviewed while researching companies and/or sectors in active strategies.

ESG issues	Coverage/extent of review on these issues
Environmental	◉ We systematically review the potential significance of environmental issues and investigate them accordingly ○ We occasionally review the potential significance of environmental issues and investigate them accordingly ○ We do not review environmental issues
Social	◉ We systematically review the potential significance of social issues and investigate them accordingly ○ We occasionally review the potential significance of social issues and investigate them accordingly ○ We do not review social issues
Corporate Governance	◉ We systematically review the potential significance of corporate governance issues and investigate them accordingly ○ We occasionally review the potential significance of corporate governance issues and investigate them accordingly ○ We do not review corporate governance issues

LEI 11.2	Additional information. [Optional]

Our Corporate Governance analysis is part of equity research process for a longer time than E and S. Each sector analyst holds responsibility to analyze G. Given the relatively limited investment universe (Brazilian equities) and our unmatched access to senior management teams, we consider G to be completely incorporated.

LEI 13	Voluntary	Additional Assessed	PRI 1

LEI 13.1	Indicate into which aspects of investment analysis you integrate ESG information.

☐ (Macro) economic analysis

☑ Industry analysis

- ◉ Systematically
- ○ Occasionally

☑ Analysis of company strategy and quality of management

- ◉ Systematically
- ○ Occasionally

☐ Idea generation

☐ Portfolio construction

☑ Fair value/fundamental analysis

- ◉ Systematically
- ○ Occasionally

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LEI 13.2	Indicate which methods are part of your process to integrate ESG information into fair value/fundamental analysis.

☑ Adjustments to income forecasts (sales, earnings, cash flows)

☑ Adjustments to valuation tools (discount rates, return forecasts, growth rates)

☐ Other adjustments to fair value projections, specify

☐ Other, specify

LEI 13.3	Additional information.

We prefer adjustments to income forecasts than to valuation tools. On the later, we occasionally adjust cost of debt (never cost of equity) and growth rates.

ESG incorporation in passively managed listed equities

LEI 14	Mandatory to Report Voluntary to Disclose	Descriptive	PRI 1

LEI 14.1	Indicate if you manage passive listed equity funds that incorporate ESG issues in the index construction methodology.

◉ Yes

LEI 14.2	Indicate the percentage of your total passive listed equity funds for which ESG issues are incorporated in the index construction methodology.

	(% of total passive listed equity funds)

◉ <10%

○ 10-50%

○ 51-90%

○ >90%

LEI 14.3	Specify index/fund name, provide a brief description of ESG methodology and indicate which of the following ESG incorporation strategies you apply.

☑ Index/fund 1

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Index/fund name and brief description of ESG methodology	ESG incorporation strategy
ETF It Now ISE The Corporate Sustainability Index (ISE) is constructed based on analysis of an ESG questionnaire sent annually to eligible companies.	☐ Screening ☐ Thematic ☑ Integration of ESG issues ☐ Other

☑ Index/fund 2

Index/fund name and brief description of ESG methodology	ESG incorporation strategy
ETF It Now IGCT The Corporate Governance Trade Index (IGCT) includes only Brazilian companies listed at the differentiated levels of corporate governance of BM&FBOVESPA	☑ Screening ☐ Thematic ☐ Integration of ESG issues ☐ Other

☐ Index/fund 3

☐ Index/fund 4

☐ Index/fund 5

○ No

Communication

LEI 18	Mandatory	Core Assessed	PRI 2,6

LEI 18.1 Indicate if your organisation proactively discloses information on your approach to ESG incorporation in listed equity.

◉ We disclose it publicly

Provide URL

http://www.itauassetmanagement.com/pdf/White_Pape_%20ESG_ingles_dez2013.pdf

LEI 18.2 Indicate if the information disclosed to the public is the same as that disclosed to clients/beneficiaries.

◉ Yes

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LEI 18.3	Indicate the information your organisation proactively discloses to clients/ beneficiaries and the public regarding your approach to ESG incorporation.

- ○ Broad approach to ESG incorporation
- ◉ Detailed explanation of ESG incorporation strategy used

LEI 18.4	Indicate how frequently you typically report this information.

- ○ Quarterly or more frequently
- ○ Between quarterly and annually
- ○ Less frequently than annually
- ◉ Other, specify

whenever approach is updated

- ○ No
- ○ We disclose it to clients and/or beneficiaries only
- ○ We do not proactively disclose it to the public and/or clients/beneficiaries

LEI 18.5	Additional information. [Optional]

Our white paper on Listed Equity ESG Integration was launched in Sept 2013 and is being actively promoted to different stakeholders.

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Itaú Asset Management

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Engagement

Overview

LEA 01	Voluntary	Descriptive	PRI 2

LEA 01.1	Provide a brief overview of your organisation's approach to engagement.

Brazilian companies usually present an adequate disclosure of G issues, but sometimes lack disclosure in E and S. Therefore, our engagement approach focuses in promoting and explaining to companies which E and S issues are material for their operations in our view. We usually show our method to analyze E&S issues, how we rated the company, where the information gaps are and hear their management approach to issues identified. We use the information and insights gathered on our investment-decision process, but we also stimulate the company to improve ESG disclosure.

Engagement is conducted with companies that are part of our investment universe, usually when we are initiating or updating our ESG coverage. Our ESG analyst and specialist PM meet with companies individually, usually through CR/IR managers.

We also join collaborative initiatives when we believe we can add and get value from it.

LEA 02	Mandatory	Gateway	PRI 1,2,3

LEA 02.1	Indicate your reasons for interacting with companies on ESG issues and indicate who carries out these interactions.

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Type of engagement	Reason for interaction
Individual/Internal staff engagements	☑ To support investment decision-making (e.g. company research) ☐ To influence corporate practice (or identify the need to influence) on ESG issues ☑ To encourage improved ESG disclosure ☐ Other, specify ☐ We do not engage via internal staff
Collaborative engagements	☐ To support investment decision-making (e.g. company research) ☐ To influence corporate practice (or identify the need to influence) on ESG issues ☑ To encourage improved ESG disclosure ☐ Other, specify ☐ We do not engage via collaborative engagements
Service provider engagements	☐ To support investment decision-making (e.g. company research) ☐ To influence corporate practice (or identify the need to influence) on ESG issues ☐ To encourage improved ESG disclosure ☐ Other, specify ☑ We do not engage via service providers

Process

Process for engagements run internally

LEA 03 | **Mandatory** | **Core Assessed** | **PRI 2**

LEA 03.1 Indicate whether your organisation has a formal process for identifying and prioritising engagement activities carried out by internal staff.

◉ Yes

LEA 03.2 Describe how you identify and prioritise engagements.

Companies with larger positions in our portfolio or with material ESG risks or opportunities are prioritized for engagements.

○ No

LEA 04 | **Mandatory** | **Core Assessed** | **PRI 2**

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LEA 04.1 Indicate if you define specific objectives for your engagement activities.

- (●) Yes
  - ( ) Yes, for all engagement activities
  - ( ) Yes, for the majority of engagement activities
  - (●) Yes, for a minority of engagement activities
- ( ) No

LEA 04.2 Indicate if you monitor the actions that companies take following your engagements.

- (●) Yes
  - ( ) Yes, in all cases
  - ( ) Yes, in the majority of cases
  - (●) Yes, in the minority of cases

LEA 04.3 Describe how you monitor and evaluate the progress of your engagement activities.

We track whether companies have responded to our information requests in order to embed this into investment-decision. We also monitor whether companies enhanced their corporate communications through annual / sustainability reports and other public channels.

- ( ) No

Process for engagements conducted via collaborations

LEA 05	Mandatory	Core Assessed	PRI 2

LEA 05.1 Indicate whether your organisation has a formal process for identifying and prioritising collaborative engagements.

- (●) Yes

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LEA 05.2 Describe how you identify and prioritise collaborative engagements.

For the moment, we chose only to participate in PRI Brazil Engagement Working Group, which focus on corporate disclosure. In this initiative, a list of companies is generated and split among participating investors, who need to lead meetings with these companies to pressure for enhanced ESG disclosure through the publication of GRI-based reports. Having more companies reporting under GRI is beneficial to us as it makes it easier to conduct our ESG analysis.

○ No

LEA 06 | **Mandatory** | **Core Assessed** | **PRI 2**

LEA 06.1 Indicate if the collaborative engagements in which you are involved have defined objectives.

◉ Yes

- ◉ Yes, for all collaborative engagement activities
- ○ Yes, for the majority of collaborative engagement activities
- ○ Yes, for a minority of collaborative engagement activities

○ No

LEA 06.2 Indicate if you monitor the actions companies take following your collaborative engagements.

◉ Yes

- ◉ Yes, in all cases
- ○ Yes, in the majority of cases
- ○ Yes, in the minority of cases

LEA 06.3 Describe how you monitor and evaluate the progress of your collaborative engagement activities.

So far, such engagements have focused on disclosure, by asking companies to publish GRI-based reports. The objective is to get the largest companies in sensitive sectors to start reporting, if they aren't yet. We track how many companies started to report within 1 year and how many commit to doing so later on.

○ No

General processes for all three groups of engagers

LEA 10 | **Mandatory** | **Gateway/Core Assessed** | **PRI 2**

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LEA 10.1	Indicate if you track the number of companies you engage with.

Type of engagement	Tracking engagements
Individual / Internal staff engagements	◉ Yes, we track the number of our engagements in full ○ Yes, we partially track the number of our engagements ○ No, we do not track our engagements but can provide a reasonable estimate of our engagement numbers ○ No, we do not track and cannot estimate our engagements
Collaborative engagements	◉ Yes, we track the number of our engagements in full ○ Yes, we partially track the number of our engagements ○ No, we do not track our engagements but can provide a reasonable estimate of our engagement numbers ○ No, we do not track and cannot estimate our engagements

LEA 10.2	Additional information. [Optional]

Individual engagements conducted by our dedicated ESG analyst are tracked. The information collected depends on our previous ESG analysis of the company, all additional info is embedded to the company ESG file, including the realization of the meetings / engagement. This information feeds our equity research process as described in section 4. LEI.

Communication

LEA 15	Mandatory	Core Assessed	PRI 2,6

LEA 15.1	Indicate whether your organisation proactively discloses information on its engagements.

○ We disclose it publicly

○ We disclose it to clients and/or beneficiaries only

◉ We do not proactively disclose it to the public and/or clients/beneficiaries.

(Proxy) voting and shareholder resolutions

Process

LEA 17	Mandatory	Descriptive	PRI 2

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LEA 17.1 Indicate how you typically make your (proxy) voting decisions and what this approach is based on.

Approach

◉ We use our own research or voting team and make our own voting decisions without the use of service providers.

Based primarily on

◉ our own voting policy

○ our clients requests or policy

○ other, explain

○ We hire service provider(s) which make voting recommendations or provide research that we use to inform our voting decisions.

○ We hire service provider(s) which make voting decisions on our behalf, except for some pre-defined scenarios for which we review and make voting decisions.

○ We hire service provider(s) which make voting decisions on our behalf.

LEA 21 | Mandatory | Core Assessed | PRI 2

LEA 21.1 Indicate if you ensure that companies are informed of the rationale when you and/or the service providers acting on your behalf abstain or vote against management recommendations.

○ Yes, in most cases

○ Sometimes, in the following cases:

◉ No

○ Not applicable as we and/or our service providers do not abstain or vote against management recommendations

Outputs and outcomes

LEA 22 | Mandatory | Core Assessed | PRI 2

LEA 22.1 For listed equities where you and/or your service provider has the mandate to issue (proxy) voting instructions, indicate the percentage of votes cast during the reporting year.

◉ We do track or collect this information

Votes cast (to the nearest 1%)

%

1

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	Specify the basis on which this percentage is calculated

- ○ of the total number of ballot items on which you could have issued instructions
- ◉ of the total number of company meetings at which you could have voted
- ○ of the total value of your listed equity holdings on which you could have voted

LEA 22.2	If there are specific reasons why you did not vote certain holdings, explain these, and if possible, indicate the percentage of holdings affected by these factors. [Optional]

Itaú Asset Management have a risk and efficiency policy requiring mandatory vote on AGMs when our position in the company exceeds 5% and when a single company represents more than 10% of a single fund. In 2013 the policy has limited our participation to 1% of the total number of company meetings we could have voted.

- ○ We do not track or collect this information

Communication

LEA 26	Mandatory	Core Assessed	PRI 2,6

LEA 26.1	Indicate if your organisation proactively discloses information on your voting activities.

- ○ We disclose it publicly
- ○ We disclose it to clients/beneficiaries only
- ◉ We do not proactively disclose our voting activities to the public and/or to clients/beneficiaries

LEA 26.6	Additional information. [Optional]

We disclose our votes upon request from clients.

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