



ITAÚSA
Integrated Report 2019

ITAÚSA

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PRESENTATION

Itaúsa Investimentos Itaú S.A. ("Itaúsa" or "Company") presents to all its stakeholders its challenges, results and achievements in 2019. This report has been prepared in accordance with the GRI Standards: Core option. Additionally, it follows the principles of the International Integrated Reporting Council (IIRC) and it discloses the Business Model that guides the Company's growth strategy.

The content of this publication was defined taking into account the material topics identified by the Company's executives, investors and other stakeholders in the consultation process held in 2017, which highlighted the following sources of value creation: a) efficient capital allocation, b) business continuity and c) shared culture. These pillars permeate the entire report, by stating the commitment of the Board of Directors and Executive Committee to the adoption of integrated thinking. These management bodies have also validated the structure and ensure the integrity of this document, which was audited by PricewaterhouseCoopers (PwC).



VALUE CREATION COMMUNICATION PROCESS

DIAGNOSIS

Holding interviews with executives and analyzing internal and external documents deemed as benchmark.



MATERIALITY

Holding interviews with investors and representatives of capital market institutions to define material topics – current and future – to the company.



VALUE CREATION

Together with our executives, defining what "value" means to Itaúsa.



BUSINESS MODEL

Together with our executives, designing the company's business model.



DEFINING INDICATORS

Defining and further developing each value creation indicator associated with the Business Model.



INTEGRATED REPORT

In accordance with the IIRC model.

MATERIAL TOPICS



Efficient capital allocation

- Expected return and strategy for portfolio management and growth.
- Aligning Corporate Governance with good international practices.
- Due diligence in new investments.
- Macroeconomic scenario and impacts on the company's strategy.



Business continuity

- Enhancing controls, compliance and internal processes.
- Environmental and social (E&S) impact on business portfolio.
- Monitoring investments and interests.
- Long-term vision in decision making.
- Risk management beyond the financial aspect.
- Ethics and advances in anti-corruption efforts.



Shared culture

- Influence on investees' strategy and governance.
- Investees' value creation capability.
- Improving the company's people management (talent retention and development, and health, safety and wellbeing management).

MESSAGE FROM THE MANAGEMENT

In 2019, Brazilian economy was still overshadowed by a challenging environment, with a pace of growth similar to that of previous years. Nevertheless, this has not hindered Itaúsa from advancing its portfolio management strategy, in line with our “Efficient capital allocation” pillar.

Over the year, we have analyzed 18 new investment opportunities, always diligently, with discipline and focused on value creation. Among them, noteworthy is the process involving Liquigás, in which the group we are part of won the auction for acquiring this company operating in the Liquified Petroleum Gas (LPG)

Industry. We will participate by means of a cash contribution to Copagaz, of which we will hold approximately a 49% stake. This transaction is still pending the review and approval from the Brazilian antitrust authority (CADE) over 2020.

With respect to the two other pillars of value creation, “Business continuity” and “Shared culture,” we made important progress in improving our internal control, managing risk, enhancing corporate communication and seeking greater efficiency, as well as in sharing the best practices with the companies in our portfolio.



This year we set up the Social Impact Committee through which we closely monitor sustainability topics and social, cultural and environmental investments.

Examples in this regard were the set-up of the Social Impact Committee, aimed at aligning the investees' E&G management guidelines by identifying opportunities to mitigate their social impacts; and of intercompany working groups, to foster the exchange of experiences, trend monitoring, sharing the best practices and keeping up-to-date on possible changes in policy and legislation. Additionally, we set up the Corporate Communication department aimed to further strengthen our culture and values and improve institutional communication with our thousands of stockholders.

Our results reflect a favorable year for the companies in our portfolio. The increase in loan and investment banking operations, and the control of expenses boosted Itaú Unibanco's profit to R\$27.1

billion, up 8.9% from 2018. Alparagatas and Duratex, in their turn, posted a net revenue growth driven by the economy recovery and better return indicators as a result of a better cost and expense management, optimization of the asset base and higher operational efficiency. NTS recorded growth in profit and in its fair value in Itaú's books, thus contributing to Itaú's results, which reached R\$10.3 billion, up 9.3% from 2018.

Recent uncertainties about the Brazilian and global growth due to the confirmation of COVID-19 as a pandemic in March will adversely impact consumption, economic activity and our investees' business. Against this backdrop, we are taking measures to mitigate the effects on our operations and ensure that our

investees maintain adequate liquidity levels, as well as care for the health and wellbeing of our employees, management members and third parties. In spite of the measures taken by the investees and Itaúsa to mitigate the impacts on respective operations, we anticipate some pressure on future results, which has already been noted in the first quarter results disclosed.

Returning value to society is a fundamental factor in our business. In addition to taxes paid, we are proud of leading a group of companies that together make up one of the largest private investments in E&S projects in Brazil. In 2019, our companies invested R\$885 million in E&S projects, most of them from non-incentivized funds.

We have kept our commitment to our investors. We closed 2019 with 367,000 stockholders, up 180% in

individual investors, who account for over 95% of this total. To communicate with this audience, we have improved the earnings conference calls, public meetings have achieved prominence, and this integrated report has been revamped. Additionally, we carried out an extensive revision of the financial statements to increase transparency and ease the access of all stakeholders to the Company's financial information.

In the capital markets, Itaúsa's shares remained as one of the most traded on the Brazilian stock exchange and the holding discount, that is, our market value to the total market value of the equity interests held by Itaúsa in investees, gradually decreased in 2019, to 18.7%, reaping the benefits of the market's better perception of the business operation risk, as a result of good returns on recent investments made by Itaúsa (NTS and Alpargatas).

Dividend yield of the most liquid share at the end of 2019 was 8.5%, and net payout ratio reached 68.2% in 2019.

Based on our achievements, supported by the skills of our talents and guided by discipline in decision-making,

we will remain open to attractive investment opportunities without losing sight of the focus on long-term value creation, the ongoing search for improving our Corporate Governance level, and our environmental and social responsibility.



COVID-19 RELIEF EFFORTS

This report was being prepared early 2020 when the world was taken aback by the World Health Organization (WHO) declaring in March the novel coronavirus (COVID-19) as a pandemic, which has spread globally. Since then, governments, companies and society have been challenged to help fight the spread of this virus and its impacts on society.

Itaúsa and investees have undertaken efforts accordingly, by setting up Crisis Management Committees and adopting measures to prioritize the safety, health and wellbeing of employees, third parties and management members, as well as measures to minimize such impacts on operations.

In spite of such efforts, the investees' results and, consequently, those of Itaúsa will be adversely impacted and possibly close 2020 below those initially expected and reported in the previous year, as already noted with the performance for the first quarter of 2020. However, it is not possible to measure these impacts as a whole, since at the moment this report is disclosed the situation has not returned to normal.

Operations

Against the backdrop of the investee's activities downturn, market conditions and regulatory measures – such as temporary restriction on dividend distribution above the minimum mandatory imposed by the Central Bank of Brazil on financial institutions –, the cash inflow received by Itaúsa is expected to drop, which would also lead to the temporary reduction in the amounts of dividends paid out by the Company.

Non-financial investees have undertaken efforts to strengthen their liquidity by raising new and renegotiating current credit lines, bracing themselves for

any long-lasting stress scenarios. Moreover, negotiations with suppliers and customers have been conducted to preserve the financial health of not only companies but also the whole chain required for sustaining activities in the long term.

Measures such as the partial suspension of manufacturing activities and the temporary closure of stores and bank branches in some cities, as well as the economic downturn, have been closely monitored for a prompt response to scenario changes.

In banking operations, Itaú Unibanco has focused on seeking solutions to preserve the financial health of its clients, and approximately 850,000 loan operations with individuals and companies have been renegotiated. Furthermore, the institution has granted fee exemptions, such as for current account and credit cards, a grace period of up to 180 days to companies and up to 120 days to individuals, extending payment terms to up to five years to companies and up to six years to individuals, and expanding services provided digitally, such as paying INSS pensioners via the 24-hour network, depositing checks and recovering card passwords by using the Itaú app.

Employees

Concurrently to the set-up of the Crisis Management Committee, action protocols were adopted to ensure the health, wellbeing and safety of employees, management members and third parties, particularly those who are in risk groups according to the Ministry of Health.

Equipment and tools to work remotely have been made available at Itaúsa and at the administrative functions in the whole group; influenza vaccination campaigns have been brought forward; and a number of practices have been set up to promote social distancing, such as cancelling in-person meetings, events, field visits, and travel. Moreover, our investees' operating units have adopted strict safety and hygiene standards to ensure business continuity and protect employees, including measures such as social distancing, sanitation and cleanliness in manufacturing units.

Society

Itaúsa has come together with some investees by joining the #NãoDemita (don't sack anyone) initiative, strengthening the commitment to retain staff and avoid dismissals without cause during the pandemic. Together with Itaú Unibanco, Fundação Itaú para Educação e Cultura and Instituto Unibanco, Itaúsa and its controlling stockholders (the Setubal and Villela families) have announced a R\$1.4 billion donation (of which R\$100 million from Itaúsa and its controlling families) to be allocated to fight COVID-19 and its effects on Brazilian society.

Aware of their roles in society, Itaúsa's management and its controlling stockholders believe that these donations strengthen and reinforce their commitments with people and Brazil in times like this, which calls for action and solidarity, and they express their willingness to help control the pandemic and mitigate its impacts on society.

Aware of the social and economic impact of the pandemic on the communities they are present, investees have also donated: funds to buy ventilators and keep other public health projects going, bathroom fixtures and fittings and ceramic tiles to be used in field hospitals, protective personal equipment to health professionals and basic product and hygiene kits, among other initiatives.



Learn about other initiatives carried out by investees on page 58 of this report.



VALUE CREATION HIGHLIGHTS

ITAÚSA IN NUMBERS

(DECEMBER 2019)

Dividend yield: **8.5%**

Market value:
R\$118.5 billion

Wealth generated to society (SVA):
R\$28.3 billion

Number of stockholders:
367 thousand

Total return to stockholders:
27.9%

Return on equity:
19.4%

Payout ratio:
68.2%

Jobs created (Itaúsa + investees):
124 thousand

Profit:
R\$10.3 billion

Preferred share
appreciation*: **16.6%**

Equity:
R\$55.2 billion

Payment of taxes:
R\$6.2 billion

* Price of preferred shares not adjusted by dividends.

MAIN INDICATORS

Income and Balance Sheet Indicators	2015	2016	2017	2018	2019	Variation 2015 x 2019 (%)	Variation 2018 x 2019 (%)
Profit – Parent Company* (R\$ Million)	8,868	8,211	8,144	9,436	10,312	16.3	9.3
Earnings per Share (R\$)	1.09	1.01	0.99	1.13	1.23	12.8	8.5
Allocation of Income to Dividends (R\$ Million, Net)	2,717	3,734	6,601	8,427	7,034	158.9	-16.5
Payout (%)	32.3	47.9	82.7	94.0	68.2	35.9 bps	-25.8 bps
Equity* (R\$ Million)	44,847	47,729	51,926	55,143	55,232	23.2	0.2
Book Value per Share (R\$)	5.49	5.86	6.32	6.56	6.57	19.7	0.2
Return on Equity – ROE* (%)	21.2	17.7	16.6	18.2	19.4	-1.8 bps	1.2 bps

* Attributable to controlling stockholders.







Market Indicators	12/31/15	12/31/16	12/31/17	12/31/18	12/31/19	Variation 2015 x 2019 (%)	Variation 2018 x 2019 (%)
Market Value (R\$ Million)**	37,758	60,263	80,072	101,601	118,508	213.9	16.6
Total Free Float	6,754,643	8,143,617	8,220,993	8,410,698	8,410,815	24.5	-
Close ITSA4 price (R\$, Not Adjusted by Earnings)	5.59	7.40	9.74	12.08	14.09	152.1	16.6
Price/Book Value (in times)	1.0	1.3	1.5	1.8	2.1	110.0	16.7
Price/Earnings (in times)	5.1	7.3	9.8	10.7	11.5	125.5	7.5

* Attributable to controlling stockholder.

** To calculate market value, the close price of the most liquid share (ITSA4) was taken into account.

LISTINGS AND INDEXES

Stock Exchange

 ITSA4 and ITSA3	 Differentiated Governance Level	 Differentiated Governance Level (IGC)
 Dividends Index (IDIV)	 Tag Along Index (ITAG)	 Carbon Efficient Index (ICO2)

Corporate Sustainability

 Dow Jones Sustainability Index (DJSI)	 Business Sustainability Index (ISE)	 Carbon Disclosure Program (CDP)
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ITAÚSA

PROFILE

Itaúsa is a Brazilian publicly-held investment holding company with shares listed on B3 S.A. – Brasil, Bolsa, Balcão – B3 (Brazilian Exchange and OTC) since 1977. With head office in the city of São Paulo, it is controlled by Companhia ESA and is present in 20 countries through its investees, influenced by its strategic, financial and social decisions and among which it shares its values – human capital appreciation, ethics in business and value creation to stockholders and society –, by being part of the Corporate Governance bodies of each of these investees.

To manage its portfolio, the organization prioritizes companies under its control, in which it is part of the controlling group or over which it has significant influence through representatives in the Board of Directors. Accordingly, Itaúsa has ownership interests in Itaú Unibanco, Brazil's largest private bank in total assets and the leading bank in Latin America in market value; in Alpargatas, one of the largest footwear and apparel companies in Latin America and holder of the renowned Havaianas brand; in Duratex, the largest producer of wood panels in the Southern Hemisphere and one of the

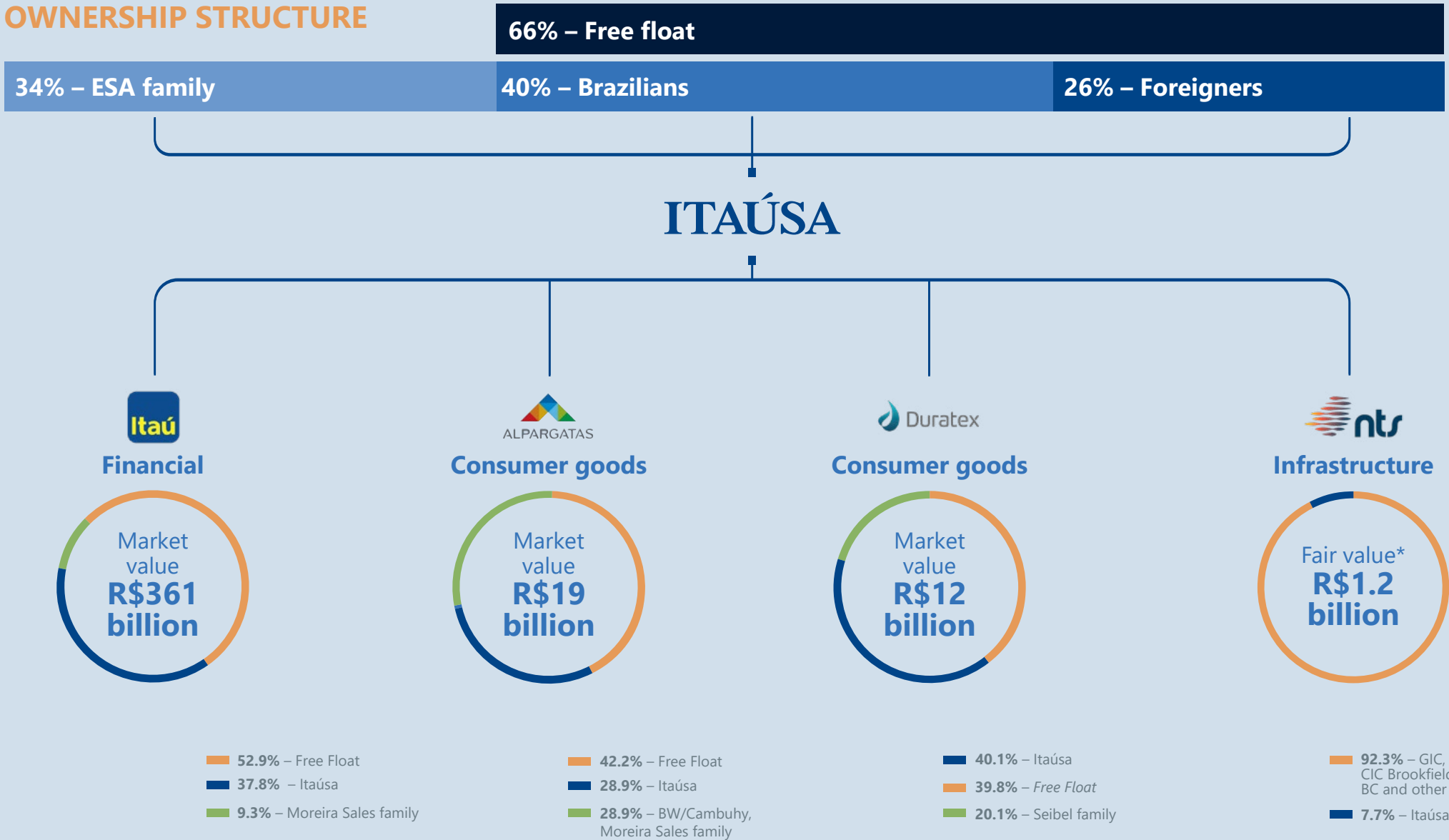
leaders in the Brazilian market of bathroom fixtures and fittings; and in NTS, a carrier of natural gas through a system of gas pipelines.

Sustainability permeates the Company's history, as its outstanding Corporate Governance practices and relationship with communities, have led it to make up, since 2003, the Dow Jones Sustainability World Index (DJSI), the world's top corporate sustainability ranking. Additionally, it makes up the Dow Jones Sustainability Emerging Markets Index and, in Brazil, in the B3 Business Sustainability Index (ISE) since 2007.

PURPOSE

- Commitment to **long-term value creation**.
- Investment in significant business with **positive impacts to society**.
- **Strategic, financial and social decision-oriented** portfolio management.
- Fostering the adoption of **ecologically sustainable practices**.
- Differentiated governance culture based on **ethical values, risk management and human capital appreciation**.

OWNERSHIP STRUCTURE



The group composed of Itaúsa, **Copagaz** and **Nacional Gás** entered into an agreement for the acquisition of **Liquigás** in November 2019. Itaúsa will participate by means of the acquisition of approximately 49% interest in Copagaz. The transaction is still pending the review and approval by the Brazilian antitrust authority (CADE).

Notes: Equity interest take into account the approximate interest directly and indirectly held in the companies as of December 31, 2019, excluding treasury shares. Itaú Unibanco and Duratex equity interest consider ESA Family. Market value based on the price of the most liquid share.

* Calculated by Itaúsa and recorded in its Balance Sheet as of December 31, 2019.

A blurred background image of a modern office. On the left, a woman in a white shirt is seated at a desk, working on a computer. In the center, a woman in a pink blazer and blue skirt is walking down a glass-walled corridor. On the right, another person is partially visible. The office has a clean, professional look with bright lighting and glass partitions.

PORTFOLIO

Itaúsa manages a portfolio composed of sound business with consistent results, under companies with partners of unblemished reputation and experience in the areas they operate. Its influence on investees is on the Corporate Governance level, sharing ethical principles and values, but respecting the particularities of each business.

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ITAÚ UNIBANCO HOLDING

Itaú Unibanco is the largest privately-held financial institution in Brazil and one of the world's largest in market value. By adopting a segmented business strategy, with operations in Brazil and abroad, Itaú Unibanco operates in Retail Banking, Wholesale Banking and Activities with the Market and Corporation segments, offering a broad variety of banking services to approximately 55 million clients.

In 2019, the banking industry experienced significant changes, such as incentives to competition, falling interest rates charged, in addition to structural changes in customers' behavior, which increased credit and investment demand. Additionally, technology developments increasingly impact consumption habits are requiring the alignment of strategic initiatives focused on four major drivers:

- With respect to client centricity, the bank's challenge is to be among the world's best companies in terms of customer satisfaction, what is calls "changing leagues". As a result of this focus, in 16 months Global NPS increased by 9 points, accounting for 90% of the target set for the end of 2020.
- Digital transformation is one of the main instruments in the progress of the customers' journey and for meeting their expectations. Between 2016 and 2019, technology investments grew 54%.
- People management is crucial as well and that is why working models were set out based on integrated communities focused on customers' journeys.
- The bank carefully manages costs. In 2019, it revisited processes, optimized expenses and promoted an internal engagement campaign to avoid waste. Accordingly, Risk-Adjusted Efficiency Ratio was down 210 basis points from 2018 to 45.5%.

HIGHLIGHTS

Operation in
18 countries.

55 million
customers.

Over
95 thousand
employees.

Approximately
4,500 branches
and Client Service
Branches (CSBs)
and **46,000 ATMs**
in Brazil
and abroad.

R\$846 million
in private social
investments.

R\$76 billion
in wealth
generated
to society.



It makes up the Dow
Jones Sustainability
Emerging Markets Index
since its creation in 1999.

Included in the
Business Sustainability
Index (ISE) of B3 since
its creation in 2005.

Net income of
R\$27.1 billion in 2019
and Return on Equity
(ROE) of **21.6%**.



Results

Net income* reached R\$27.1 billion, an 8.9% growth from 2018, and return on equity (ROE) was 21.6%. Operating revenues was up 12.4% in the year, mainly driven by the 14.2% increase in interest income** as a result of the increase in loan portfolios of all segments, and the highlight was the very small and small companies; commissions and fees and result from insurance were up 6.9% driven by the 26.3% increase in fund management fees, the 61.7% growth in revenues from economic and financial advisory and brokerage services, and the increase in commissions on credit and debit cards.

* Attributable to controlling stockholders.

** Adjusted to tax effects on hedge instruments for foreign investments.

Expected loss from financial assets and claims was up R\$8.4 billion on a year-on-year basis, mainly due to the increase in expected loan losses in Brazil as a result of the loan portfolio growth in the very small, small and medium business and in the individual's segments, driven by the downgraded ratings of specific corporate clients in Latin America.

General and administrative expenses increased 6.0% in 2019. Excluding the non-recurring effects of the Voluntary Severance Program, this increase

would have been 1.9%, lower than the 4.3% inflation rate measured by the Broad Consumer Price Index (IPCA).

In the end of December 2019, Tier I capital was 14.4%, higher than the minimum required by the Central Bank of Brazil (Bacen). The ratio was strengthened by debt issuances carried out over the year. The growth of the loan portfolio, together with profitability in 2019 allowed the distribution of dividends and interest on capital (JCP) in the amount of R\$18.8 billion.



Main brands

Itaú Asset
Management

Itaucard

Itaú BBA

Itaú
PERSONALITÉ

rede

Itaú

Itaú CorpBanca

HIGHLIGHTS

4 main plants in Brazil, and **9** offices in **9** other countries in **3** continents.

R\$13.8 million

in investments towards the adoption, continuity, and improvement of initiatives in the Occupational Safety, Health and Environmental areas.



17,200 employees.

R\$160 million in investments in the year, of which **R\$69 million** in support/maintenance, and **R\$91 million** in the expansion of retail operations and projects for gains in plant efficiency and supply chain.

Profit of **R\$259 million** in 2019 and ROE of **11%**.

R\$2.7 billion in wealth generated to society.



ALPARGATAS

Alpargatas is the largest footwear and apparel company in Latin America and holds Havaianas, Osklen and Mizuno brands. The company was extensively restructured in 2019, beginning by redefining its growth strategy with the internationalization of the Havaianas brand.

Two moves have already been carried out in this regard: the association with companies Myntra, in India, and TMall, JD and WeChat in China, to consolidate sales channels in those two countries, and the transfer of the company headquarters in the United States from New York to California, where adherence to the brand value proposition is higher.

The international growth potential of Havaianas, Alpargatas' main brand, is significant, as we factor in the significance of the Brazilian territory, where 220 million pairs of sandals are sold every year – more than one per inhabitant – in relation to the current export volume of 30 million pairs every year. Innovation this year focused on products that anticipate global trends. The outstanding case was the launch of the Havaianas Sparkle line, which quickly caught on and became a world best seller.

Additionally, Alpargatas expanded its market share in the men's segment, with the new Havaianas Urban and Slide line, as well as in the segment of flat shoes and sandals for more urban usage occasions. Osklen Increased its footwear portfolio with the innovative Hybrid line design, which went viral on social media. Innovation was also the case as we created drops

of limited time for exclusive lines, such as Hybrid, Zodiac and Rock & Roll. The share of products made from sustainable materials continues to grow and the communication of sustainability features was reinforced both in stores and social media.

Mizuno launched products in new price segments and products with new technologies and design, and the highlights were the best sellers in the premium category.

Alpargatas has also improved its Corporate Governance by renewing its Executive Board, composed of professionals experienced in retail management, and by strengthening the committees and the Ethics Committee, all of them including Itaúsa's representatives.

In 2019, the company made headway by repositioning portfolio and capital

allocation with the sale of non-strategic assets, such as industrial boots, textile segment and assets in Argentina. In the end of 2019, a major step was the sale of the interest in Alpargatas S.A.I.C. in Argentina (subject to the fulfillment of certain conditions precedent), holder of the Topper brand.

Additionally, over 20 digital projects were started in the year, such as the global hiring of a single e-commerce platform and the havaianas.com redesign. Other initiatives, such as the Customer Service app, implementation of Mobile POS and Interactive Mirror, helped speed up the digital transformation process.



havaianas®



OSKLEN



DURATEX

Duratex operates in the segments of wood panels, bathroom fixtures and fittings, electric showers and ceramic tiles through brands recognized in their segments for their design and quality: Durafloor, Duratex, Deca, Hydra, Ceusa and Portinari.

In 2019, it improved its plant capacity and operational efficiency, increased the diversification of product portfolio and was consolidated as a company for better living solutions. The wood division continued its restructuring process started in 2018, focusing on product differentiation. In the

period, Duratex traded forest assets in the central region of the state of São Paulo and chose to terminate the production at the Botucatu unit, the operations of which had been suspended since November 2018.

Also in terms of better using assets, a joint venture with Austrian company Lenzing AG was incorporated aimed to build a dissolving wood pulp (DWP) plant in the state of Minas Gerais, in which Duratex will hold a 49% ownership interest. This project will enable Duratex to increase its

HIGHLIGHTS

6 forest units,
16 industrial
units in
Brazil and
3 plants
in Colombia.

Included in the
B3 Business
Sustainability
Index (ISE)
since 2008.

11,700
employees.

Net income of
R\$405.7 million
in 2019 and ROE
of **8.6%**.

Leader in its
segment in CDP
(former Carbon Disclosure
Project), and water
management practices.

R\$455.7 million
investment in the
year, of which
R\$179.2 million
is allocated to the
formation of biological
assets and
R\$276.5 million to
fixed and intangible
assets (including
R\$85.9 million
invested in the new
ceramic tile line).

Over
**R\$11
million**
invested in
socioenvironmental
projects.

R\$2 billion
in wealth generated
to society.





international market share and improve its revenue mix. The company contributed with productive land to the new unit, which is expected to start operations in 2022 and will be able to produce up to 500,000 metric tons of DWP per year with one of the lowest production costs in the world.

Also a role model in terms of discipline in capital allocation, Deca adopted the asset light strategy by streamlining its portfolio, which was

reduced by a third, and the newly launched line of stainless steel sinks manufactured by a partner. Consequently, the ceramic unit in São Leopoldo (state of Rio Grande do Sul) had its operations decommissioned and its equipment transferred to units located in the Rio de Janeiro, Paraíba and Pernambuco states.

The division is also focused on capturing synergy from Deca and Hydra brands. For this purpose, the Channel Intelligence department is being structured. Additionally, the intention is to innovate other categories of products and services. Therefore, Deca is now setting out procedures to review market dynamics and consumer needs. As a result, it has been speeding up its innovation process – its entry into the stainless sink segment in 2019, for example, was accomplished in six months only.

The ceramic tiles division, in its turn, acquired Cecrisa Revestimentos Cerâmicos S.A., with an annual

production capacity of 20 million m² among its three plants: two in Criciúma (state of Santa Catarina) and one in Santa Luzia (state of Minas Gerais), with this latter closed. Manufacturing has been concentrated in Santa Catarina, where the company has operated since 2017, when it entered into the segment after the acquisition of Ceusa. In Urussanga (state of Santa Catarina), approximately R\$94 million was invested in the first industry 4.0 unit in the Brazilian ceramic sector. In addition to having a fully digital process control and being operated by robots, this is a sustainable unit with low water consumption at the production line and increased energy efficiency. Upon the completion of these moves, the annual production capacity in the segment increased over five times, reaching 31 million m² per year. The operation in this ceramic tile segment

will be carried out through brands Ceusa and Portinari, with the portfolio revisited due to the acquisition, by favoring high-end products.

Concurrently with these moves, Duratex has been experiencing a massive digital transformation process, strengthening the internal innovation culture and aimed at supporting its purpose of offering better living solutions.

As a result of these initiatives, Duratex significantly improved its performance indicators: adjusted and recurring EBITDA was up 7.1% in the year and, in December 2019, the financial leverage indicator measured by Net Debt/adjusted and recurring EBITDA of 12 months accounted for 1.88 times, a significant reduction from previous periods. Cash generation totaled R\$459.7 million, over twice the amount in 2018.





NTS

NTS operates in the natural gas transportation segment, with a pipeline network of approximately 2,000 km connecting the states of Rio de Janeiro, São Paulo and Minas Gerais. It is connected to the Brazil-Bolivia gas pipeline, growing oil fields and natural gas terminals, with contractual transportation capacity of 158.2 million m³ per day.

In 2019, NTS obtained the issuer registration category B from the Brazilian Securities and Exchange Commission (CVM) thus becoming authorized to trade securities in Brazilian regulated markets. Additionally, its long-term national rating was affirmed by Fitch Ratings, or "AAA(bra)" with a stable outlook.

Believing that changes in the regulatory framework of the natural gas market will increase the liquidity and competitiveness of the sector, creating new business opportunities, NTS advocates that the model transition be carried out in a sustainable manner, and it has been participating in and contributing to discussions about the new gas market. The regulatory framework significantly advanced in 2019 and NTS expects discussions about the New Gas Law to be resumed in the Congress and that the sector continues to progress from 2020, if expectations are met.

HIGHLIGHTS



87 employees.

It accounts for approximately **50%** of the transportation of gas consumed in Brazil.

It operates under long-term permits with **100%** of capacity contracted (through ship-or-pay contracts).

R\$13.9 million invested in E&S projects.

R\$124.1 million in investments in the year, mostly in maintaining and modernizing the gas pipeline network.

Profit of **R\$2.2 billion** in 2019.

R\$4.5 billion in wealth generated to society.



STRATEGY

PORTFOLIO MANAGEMENT

Over the past years, Itaúsa has stepped up the revision of its business portfolio to keep attractive long-term returns, risk control, profitability and cash flow growth, thus maximizing the creation of value to stockholders.

Accordingly, the characteristics of Itaúsa's capital, reputation and financial capacity are features that foster its attractiveness to investment banks and strategic partners.

This active portfolio management has resulted in the assessment of several projects over the year, some of them with the execution of non-disclosure agreements. The highlight of the year was the acquisition of Liquigás, in which Itaúsa's ownership interest will be achieved through an equity

The company had 18 projects under different stages of analysis by the end of 2019.

investment in Copagaz, which, together with Nacional Gás Butano, was the winning bidder acquiring the asset.

Through its portfolio management, Itaúsa guides the investee's strategic, financial and social decision making and, simultaneously, shares its governance culture, ethical values, attention to risk management, appreciation of professionals, discipline in capital allocation and focus on long-term value creation, as well as its E&S engagement.

MAIN CHARACTERISTICS OF PROJECTS SOUGHT BY ITAÚSA

Investments between R\$1 billion and R\$2 billion.

Leading companies or those in an outstanding position in their industries and holders of strong brands, with a consistent history of results and good cash flow generation.

Industries significant to the economy, with limited regulation exposure.

Assets with good value creation prospects.

Partners with expertise in their respective industry, unblemished reputation, cultural and strategic fit.

Participation in the controlling group or minority stockholder with significant influence.

ITAÚSA'S DIFFERENTIALS

Long-term investment horizon (buy & hold strategy).

Dedicated portfolio management, with M&A and Monitoring departments and qualified and expert professionals.

Decision guided by discipline in capital allocation and value creation.

Constant monitoring of the portfolio performance and value creation indicators vs. benchmarks.

Diversified portfolio.

Access to usually out of reach business for most investors.



Portfolio with sound assets in major industries

- Sustainability and continuity of business.
- Investments with a long-term vision.
- Cash generation with consistent results and profitability.
- Leading companies in the segments they operate.



Corporate Sustainability Commitment

- Engagement in ESG and governance topics in Itaúsa and its investees.
- Human capital appreciation.
- Fostering good Corporate Governance practices.
- Compliance with strict ethical standards.
- Strategic partners with strong reputation.



Influence on the strategic and financial decisions of the portfolio companies

- Participation in the Board of Directors and advisory committees.
- CEO selection (in some cases).
- Business plan approval and monitoring.
- Influence on capital structure and cost optimization decisions.



Great assets with holding discount

- Opportunity for fair discount level pricing.
- Attractive dividend yield.

MACROECONOMIC SCENARIO

Most companies in which we invest recorded important progress in terms of efficiency gains and control of expenses over 2019. Processes were reviewed, non-profitable or excess assets were sold, complexities were eliminated, investments in

The expected business performance in the short term has taken a more challenging turn because of the impacts of the COVID-19 pandemic on the economy and on our investees' business, which were partially mitigated by the internal restructuring and measures adopted by Itaúsa and investees.

technology and process automation were made, and the culture of discipline in capital allocation was strengthened so that business became more prepared and efficient to recover market share.

However, the sudden change in market expectations for global growth driven by the Coronavirus (COVID-19) pandemic declared in March has taken the consensus to a more conservative level in terms of short-term business performance. Nevertheless, these restructuring and improvements in investees may partially mitigate this more adverse scenario and bring about the necessary agility to business when economy recovers. Additionally, as

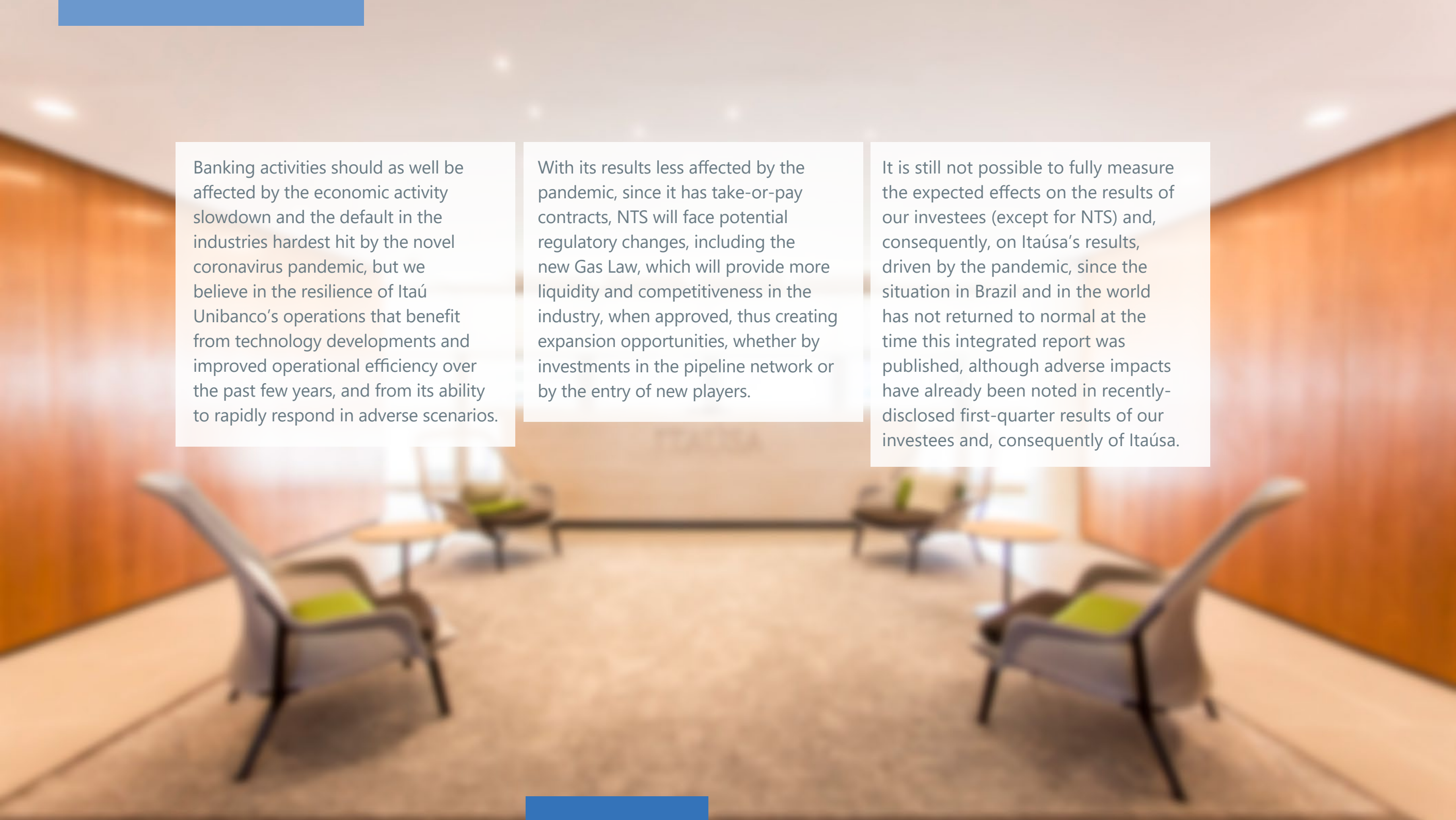
presented below in the section about COVID-19, investees have been striving to strengthen liquidity conditions and negotiate terms with suppliers and clients so that they are able to preserve their financial health and the business ecosystem, getting ready for possible long-term stress scenarios.

In spite of the change in the short-term outlook, we believe that investees have solid business models and will be able to quickly resume activities after the pandemic is controlled, taking advantage of possible market opportunities.

Accordingly, we forecast that, in spite of the expected civil construction

slowdown, new real estate projects will be entering into the finishing stage in the quarters following the pandemic control, favoring the sale of bathroom fixtures and fittings and ceramic tiles.

Alpargatas continues focused on its internationalization growth strategy, with a favorable scenario for the appreciation of strong currencies against the Brazilian real, in spite of expected negative effects on short-term sales due to the pandemic. We remain confident in Alpargatas' new leaders' strategy to innovate the product line and enhance the use of digital channels so as to allow business sustainability and rapid recovery after the pandemic is controlled.



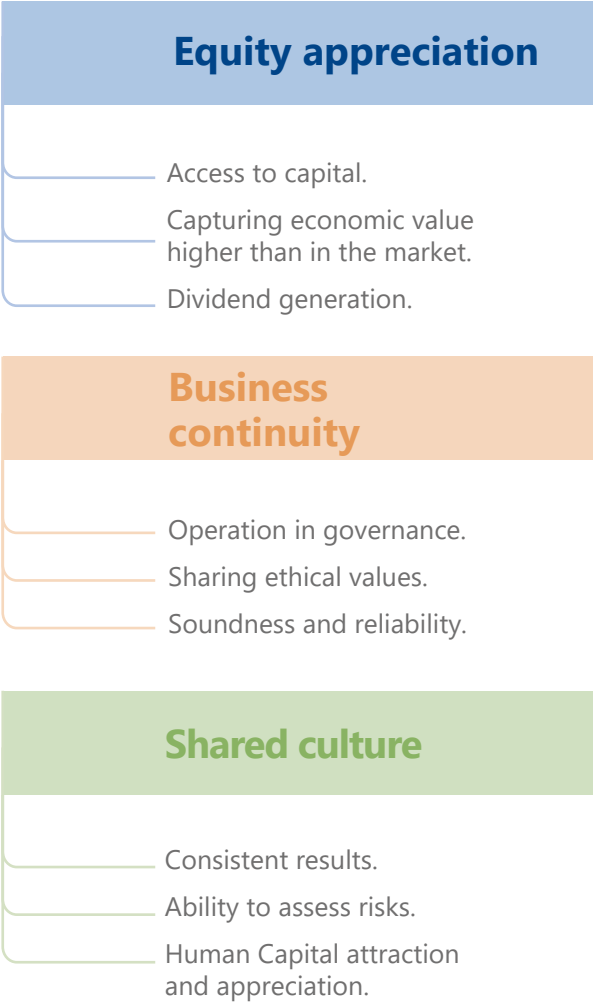
Banking activities should as well be affected by the economic activity slowdown and the default in the industries hardest hit by the novel coronavirus pandemic, but we believe in the resilience of Itaú Unibanco's operations that benefit from technology developments and improved operational efficiency over the past few years, and from its ability to rapidly respond in adverse scenarios.

With its results less affected by the pandemic, since it has take-or-pay contracts, NTS will face potential regulatory changes, including the new Gas Law, which will provide more liquidity and competitiveness in the industry, when approved, thus creating expansion opportunities, whether by investments in the pipeline network or by the entry of new players.

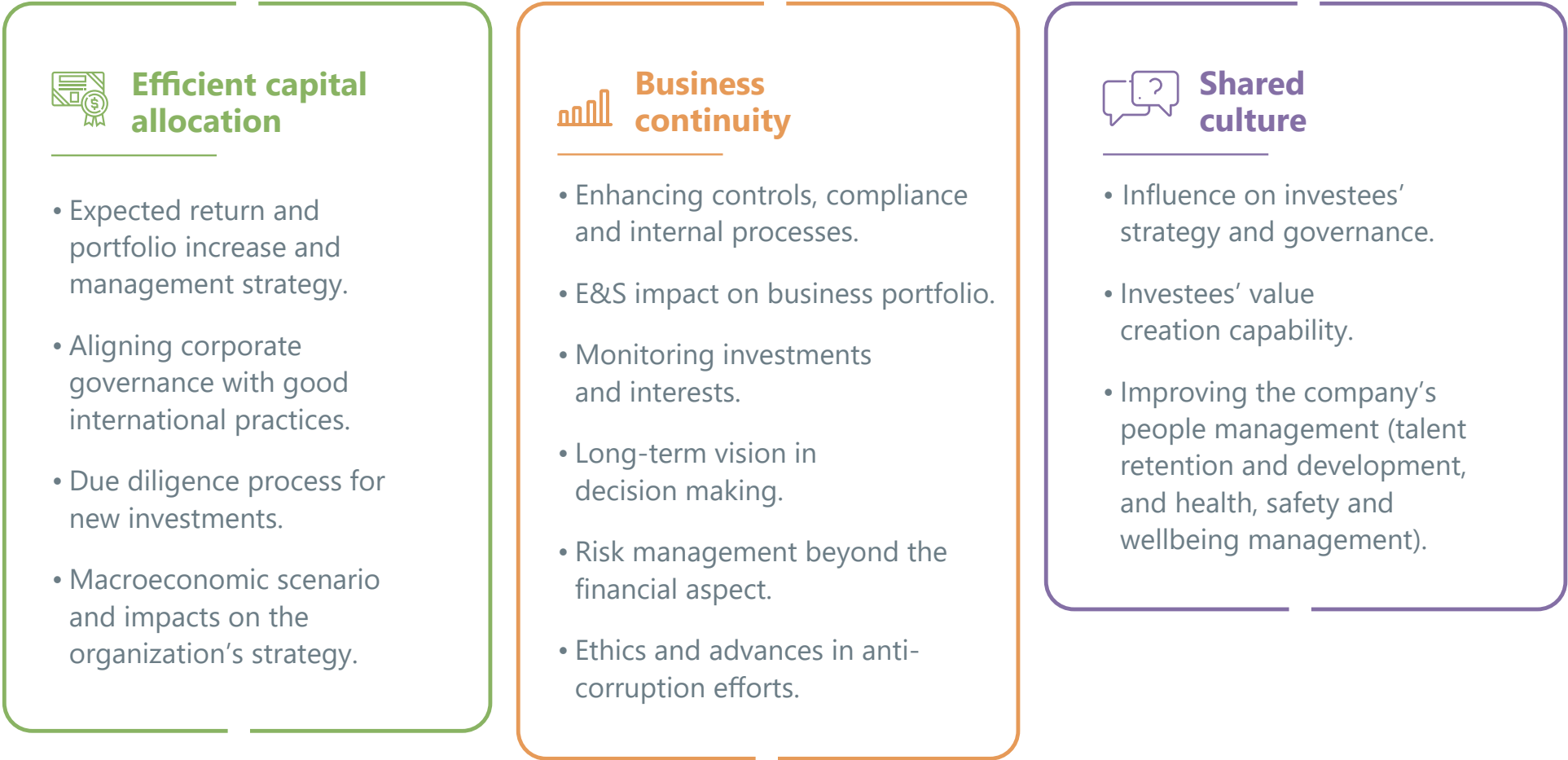
It is still not possible to fully measure the expected effects on the results of our investees (except for NTS) and, consequently, on Itaúsa's results, driven by the pandemic, since the situation in Brazil and in the world has not returned to normal at the time this integrated report was published, although adverse impacts have already been noted in recently-disclosed first-quarter results of our investees and, consequently of Itaúsa.

HOW ITÁÚSA CREATES VALUE

Itaúsa is guided by a Business Model that focuses on long-term value creation. Accordingly, it operates in accordance with the following tripod:



Three pillars cover the following material topics – and their developments – to Itaúsa’s present and future operations, based on consultations with national and international investors and capital market institutions.



The Business Model also include several interrelated capitals supporting the Organization growth, among which we highlight:



FINANCIAL
Ability to raise funds from its own and third party sources available for investments.



REPUTATIONAL
Solid corporate and organizational reputation that guides business and associations for investments.

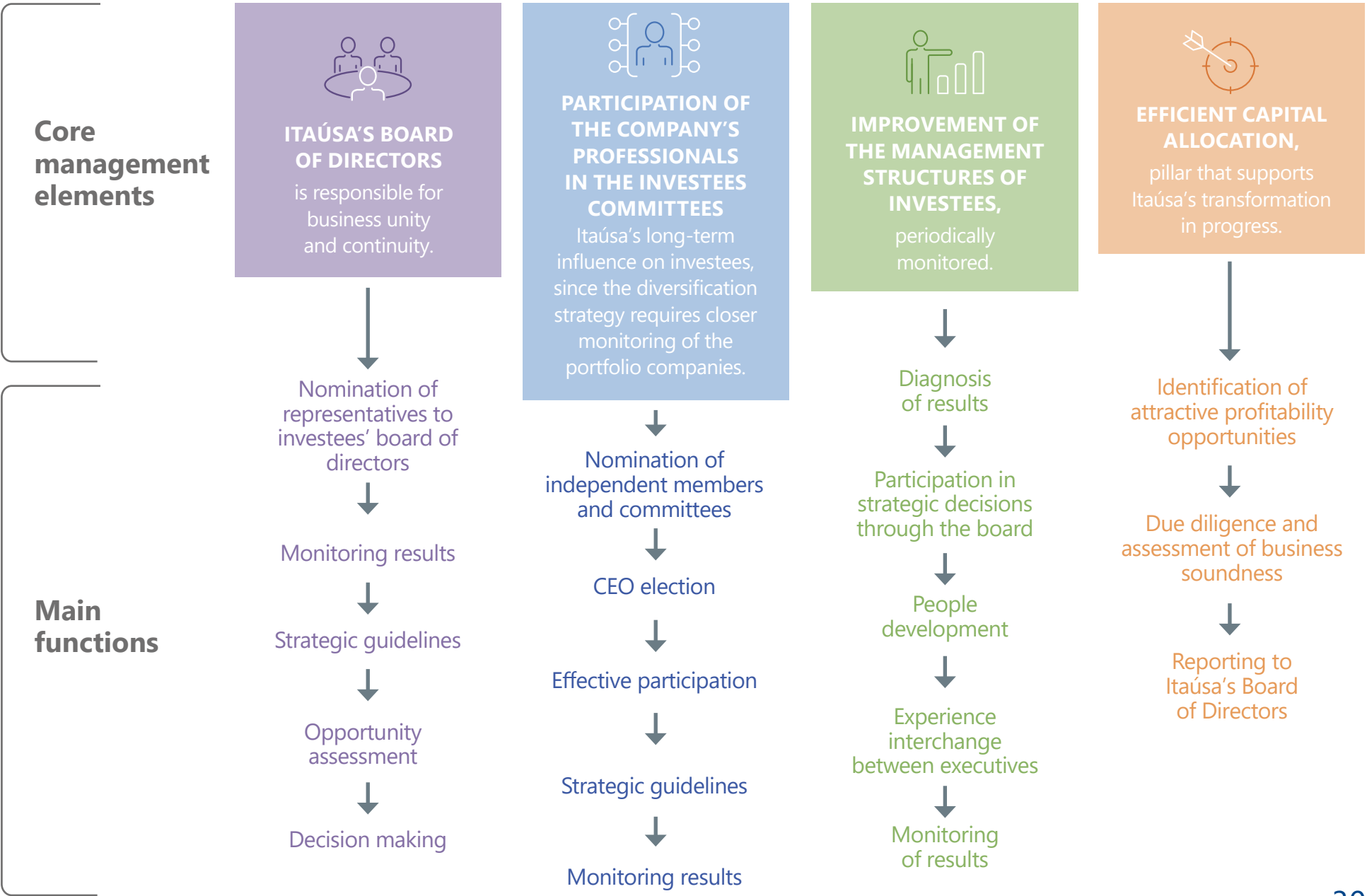


HUMAN
Ability to attract and develop talents and skills of employees to carry out management and governance activities in an ethical way and in line with Itaúsa's culture.



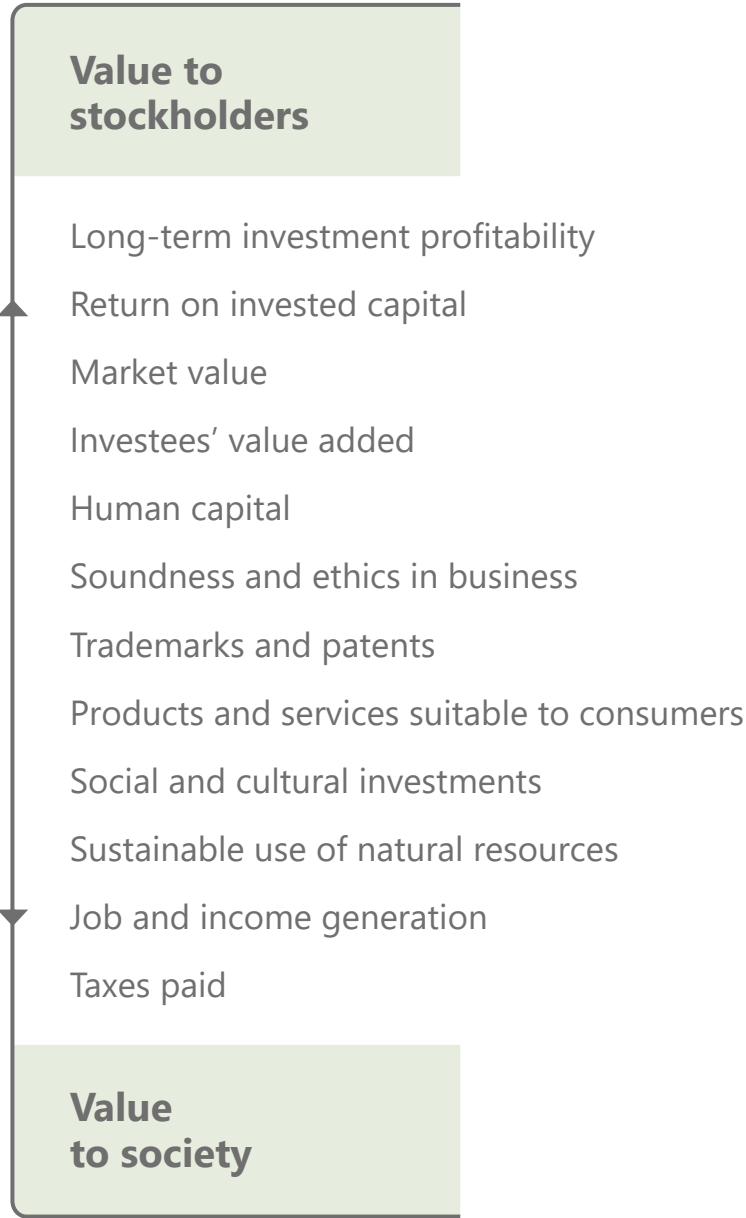
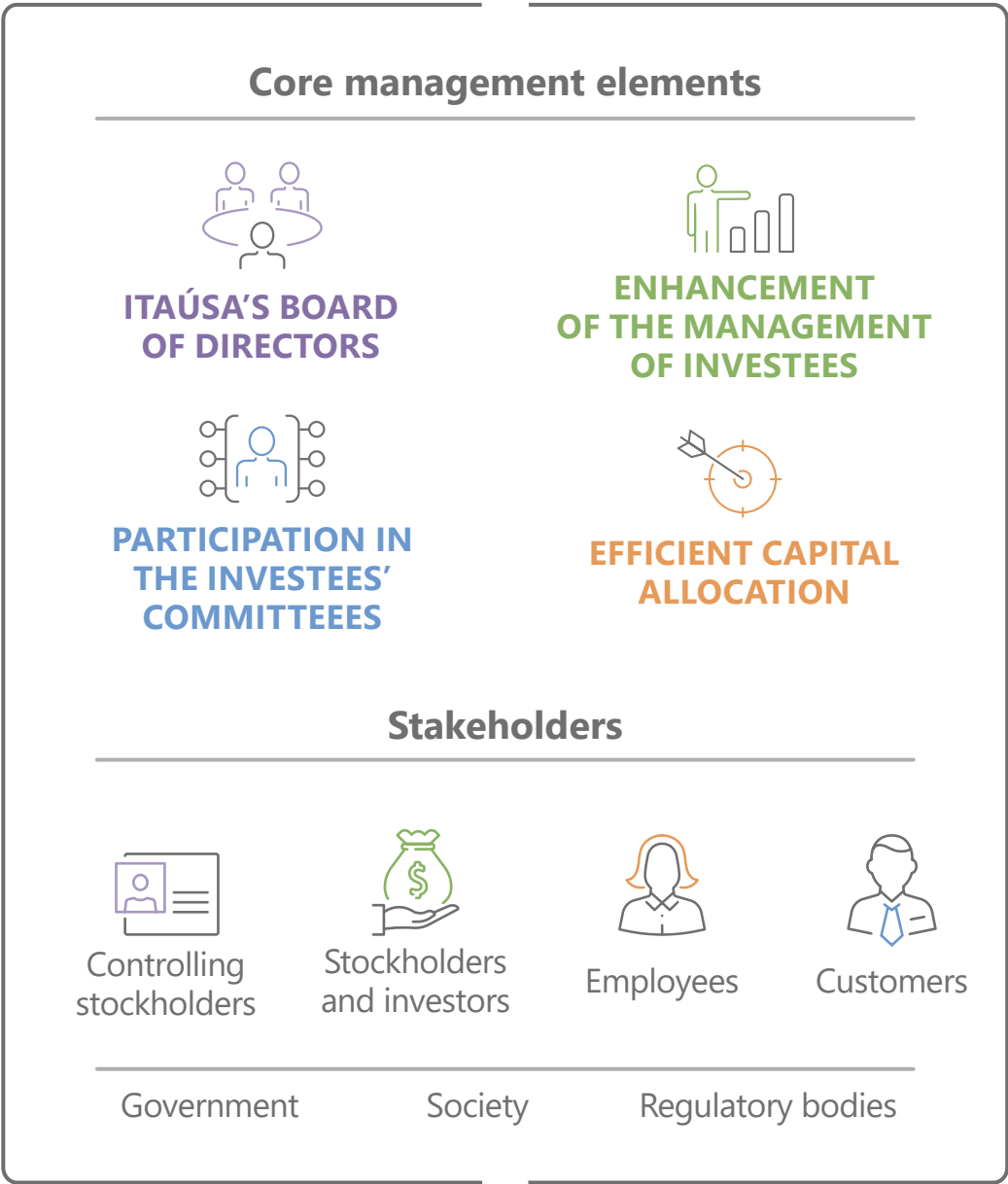
INTELLECTUAL
Knowledge, ability to develop investees and strong brands recognized in domestic and foreign markets.

The list of material topics and the value creation proposition internally discussed gave rise to the Business Model supported by the core management elements below.



BUSINESS MODEL

Prioritized capitals:



LONG-TERM ORIENTED MANAGEMENT

When investing in new business, Itaúsa seeks to create long-term value to stockholders and society, in line with its strategic goals.

Accordingly, it sets quantitative and qualitative parameters taken into account in assessing opportunities, such as partners' reputation and experience in the areas in which they operate, and conditions to obtain return above the risk-adjusted capital cost, and it carries out due diligence of new business with the support of renowned external consultants and experts in the industries assessed.

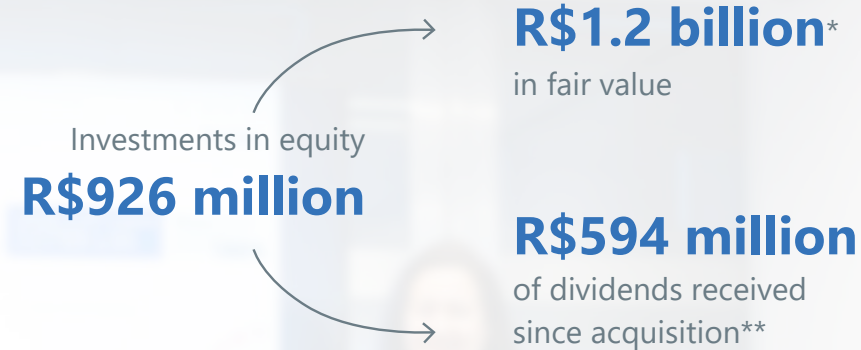
In this regard, some changes were made in the investment portfolio in 2018, which resulted in Itaúsa leaving the chemical, commercial and banking automation, and technology services areas by completing the sale of the ownership interest held in Elekeiroz and the sale of the remaining interest indirectly held in Oki Brazil through Itaotec.



Itaúsa exercises influence by enhancing Corporate Governance and operation management and efficiency in order to take investee companies to a higher level of asset value capture.

We highlight recent investments, such as NTS, in which we acquired 7.7% of ownership interest for R\$926 million and, by the end of 2019, the asset fair value recorded in Itaúsa's balance sheet totaled R\$1.2 billion. Added to this amount, dividends received from the Company since acquisition have already reached R\$594 million. Another example is Alpargatas, which recorded return to stockholders totaling 158% at the end of 2019.

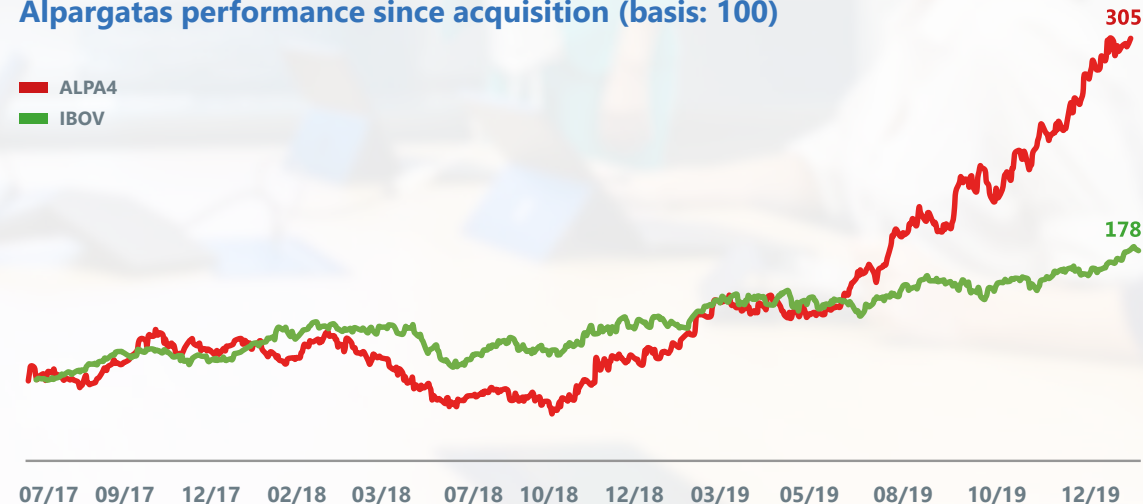
Investment in NTS



* It is recorded in Itaúsa's Balance Sheet as of December 31, 2019.

** It includes capital reimbursement arising from the NTS's capital reductions.

Alpargatas performance since acquisition (basis: 100)





FINANCIAL CAPITAL

COMPOSITION OF ASSETS

Itaúsa's assets are basically composed of investments made in companies of its portfolio. The Investments line, which records interests in investees, except for NTS, totaled R\$54,766 million at the end of 2019, an amount similar to the one recorded on a year-on-year basis. Ownership interest held in NTS, which is recorded as Marketable Securities, was up 17.8% totaling R\$1,213 million, driven by the asset fair value adjustment (further information in section Results).

Cash and cash equivalents totaled R\$1,091 million as of December 31, 2019, in a comfortable liquidity position, in spite of the reduction relative to the end of 2018, when the Company's cash and cash equivalents was R\$1,239 million, when including Itaúsa Empreendimentos cash, merged into Itaúsa in 2019, driven by the cash used to acquire further interest in Alpargatas.

The investment in Copagaz for acquiring Liquigás, announced in 2019, did not have any effect on Itaúsa's Balance Sheet or income and may be substantially made by raising funds in the capital markets.

Itaúsa's investments

Recorded in Itaúsa's Balance Sheet as of December 31, 2019

**R\$51
billion**



**R\$1.8
billion**



**R\$1.9
billion**



**R\$1.2
billion**



For better comparability, analyses were based on the Individual Balance Sheet, which Management believes better reflects Itaúsa's position, since the consolidation includes the portfolio's operating companies. To provide better comparability, the parent company's figures also include the results of Itaúsa Empreendimentos (Itaúsa's wholly-owned subsidiary, the administrative structure of which had approximately 80 professionals working exclusively to provide operational support to Itaúsa), which was merged into Itaúsa in 2019.

COMPOSITION OF LIABILITIES AND EQUITY

Itaúsa's liabilities as of December 31, 2019 totaled R\$3,339 million, mostly composed of debentures issued in 2017, in the amount of R\$1,206 million, and tax contingencies, basically related to a controversy concerning the PIS/Cofins rate levied on income from interest on capital totaling R\$1,338 million.

Debentures, with seven-year maturity term and cost of 106.9% of CDI, amortized on a half-yearly basis, accounted for about 2% of total liabilities and equity in the end of 2019.

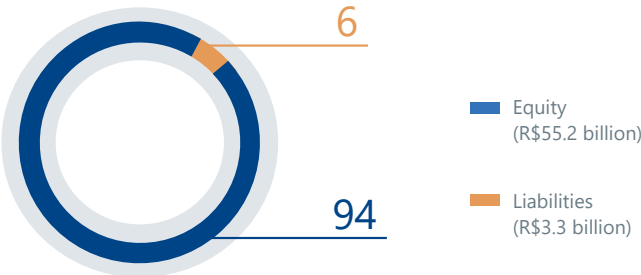
Rating

Itaúsa is rated by **Moody's**, and the long-term rating is currently at **Ba3**, with a "stable" outlook (latest update on October 2, 2019).

Equity in December 31 was R\$55.2 billion and accounted for 94% of total liabilities and equity.

Capital Composition (%)

In December 2019



RESULTS

Itaúsa's Main Indicators

	R\$ Million			R\$ per Share		
Profitability and Return	2018	2019	Variation (%)	12/31/18	12/31/19	Variation (%)
Net Income	9,436	10,312	9.3	1.13	1.23	8.5
Recurring Net Income	9,427	9,765	3.6	1.13	1.16	2.8
ROE on Average Equity (%)	18.2	19.4	120 bps			
Recurring ROE on Average Equity (%)	18.2	18.4	20 bps			

Itaúsa's results are basically derived from its Equity in the Earnings of Investees, determined based on the net income of its investees and revenues from investments in financial assets.

RESULTS OF INVESTEEES, AS RECORDED BY ITAÚSA IN 2019

Recurring equity in the earnings of investees recorded by Itaúsa was R\$10,289 million, up 4.5% from 2018. This growth is mainly driven by **Itaú Unibanco's** better result arising from the 14.2% increase in interest income, as a result of increase in loan portfolio (+10.8%), the 6.9% increase in commissions and fees and control of non-interest expenses, which grew below the inflation rate.

Additionally, **Alpargatas**, under new leadership and with a new strategy, recorded a better performance in Brazil and abroad (+9.8% in net

revenue) in the first year, driven by a portfolio repositioning and increasing profitability, reaping the benefits of a better cost and expense management.

Duratex took advantage of the improved Brazilian economic scenario and resumed posting satisfactory return indicators, favored by a 1.3% increase in net revenue, optimization of the asset base and higher operational efficiency.

NTS's results, in turn, grew mainly driven by higher dividends received and the effects of the periodic Itaúsa's asset fair value adjustment.

INDIVIDUAL STATEMENT OF INCOME:

Itaúsa's *Pro Forma* Individual Statement of Income*

In Millions of R\$

	2018	2019	Δ%
Recurring Equity in the Earnings of Investees	9,849	10,289	4.5
Itaú Unibanco	9,387	9,723	3.6
Alpargatas	79	106	34.2
Duratex	99	101	2.0
NTS**	259	373	43.8
Other Companies	25	(14)	-
Itaúsa's Results	(464)	(438)	-5.6
Finance Result	(67)	(49)	-26.9
Administrative Expenses	(91)	(125)	37.4
Tax Expenses	(314)	(274)	-12.7
Other Operating Revenues	8	10	-
Profit Before Income Tax/Social Contribution	9,385	9,851	5.0
Income Tax/Social Contribution***	42	(86)	-
Recurring Net Income	9,427	9,765	3.6
Non-recurring Income	9	547	5,977.8
Profit	9,436	10,312	9.3

* For better comparability, all periods take into account Itaúsa Empreendimentos merger in the Statement of Income.

** It includes dividends/interest on capital received, fair value adjustment of shares, interest on debentures convertible into shares (redeemed in May 2018) and expenses on the time installment of the invested amount denominated in US dollars and corresponding foreign exchange variation.

*** In 2019, the Company no longer recognized tax credits on income tax and social contribution loss carryforwards and temporary differences.

ITAÚSA'S RESULTS IN 2019

Administrative Expenses totaled R\$125 million, up 37.4% year on year, mainly driven by adjustments to the administrative structure, the engagement of consulting firms to support M&A and revision projects, and improvement in processes and systems of the financial department, sureties and guarantees taken out to secure lawsuits, in addition to increased cost of share bookkeeping services caused by a rapid expansion in stockholder's base.

Tax expenses were down 12.7% to R\$274 million, mainly driven by lower PIS/COFINS expenses caused by lower income from interest on capital in 2019. Finance result totaled R\$49 million in expenses in 2019, down 26.9% from 2018, mainly driven by a lower interest rate levied on such debt and by a higher return on cash, due to a higher average cash balance in 2019.

NON-RECURRING EVENTS

Equity in the earnings of investees was affected by non-recurring events in the portfolio's investees, which positively impacted Itaúsa's profit by R\$546 million in 2019, as presented on this page.

NET INCOME AND ALLOCATION OF PROFIT

Profit in 2019 totaled R\$10,312 million, up 9.3% from 2018, driven by a better performance of all investees and the non-recurring effects mentioned above. Recurring net income was R\$9,765 million, up 3.6% from 2018.

Payout net of taxes reached 68.2% of consolidated profit in 2019. Reserve for dividend equalization (12%), reserve for the increase of the capital of investees (7.2%), legal reserve (5%) and reinforcement of working capital (4,8%) were also recognized.

Reconciliation of Itaúsa's Recurring Net Income

	2018	2019
Recurring Net Income	9,427	9,765
Non-recurring Effects	9	546
Disposal of Shares of Elekeiroz Held by Itaúsa	(123)	-
Revaluation of Itaú Unibanco's Tax Credit Inventory	-	758
Gain from IPO of XP Investimentos in Itaú Unibanco	-	739
Itaú Unibanco's Civil, Tax and Labor Provisions	-	(489)
Itaú Unibanco's Voluntary Severance Program	-	(536)
PIS/Cofins Gain on Alpargatas ICMS Base	34	18
Duratex Sale of Forests	221	141
Write-off of Assets of the Botucatu Unit of Duratex	(2)	(27)
Impairment of Duratex Intangibles	(43)	(5)
Other Effects	(78)	(52)
Profit	9,436	10,312

CAPITAL MARKETS

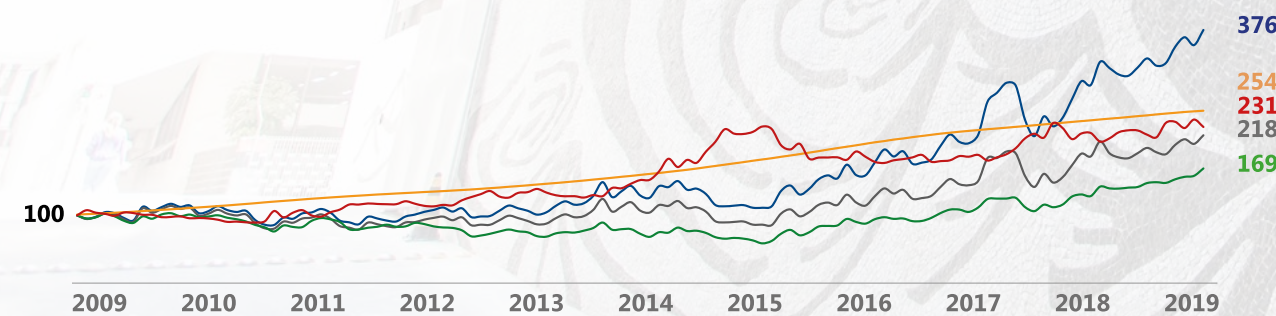
Itaúsa's preferred shares (traded on B3 under ticker ITSA4) closed 2019 at R\$14.09, up 16.6% in the year (or 27.9%, when adjusted by earnings), whereas Ibovespa, B3's main index,

increased by 31.6% in the same period. The daily average financial volume of Itaúsa's preferred shares traded in 2019 was R\$282 million, up 23.6% from 2018, with an average of 28,000 daily trades.

Appreciation of Itaúsa's Shares and Main Market Benchmarks

Annual Average Appreciation (%)

	Itaúsa Total Return*	Itaúsa Without Reinvestment	Ibovespa	CDI	U.S. Dollar
10 years	14.2	8.1	5.4	9.8	8.8
5 years	23.7	15.3	18.3	9.9	8.7
12 months	27.9	16.6	31.6	5.9	4.0



It includes the period from December 31, 2009 (base 100) to December 31, 2019.

* With reinvestment of dividends/interest on capital.

DIVIDENDS AND INTEREST ON CAPITAL PAID/DECLARED

Itaúsa's Stockholders' Remuneration Policy sets forth that ordinary and preferred shares are entitled to the same rights and receive equivalent amounts upon dividends distribution. Itaúsa's stockholders are entitled to at least 25% of profit

calculated every year, although a higher percentage has been distributed in the past five years. Additionally, it is worth mentioning that the Company's dividend yield is one of the highest among the shares included in Ibovespa.

Return to Stockholders Indicators	2015	2016	2017	2018	2019	Variation 2015 x 2019 (%)	Variation 2018 x 2019 (%)
Gross Dividends and Interest on Capital Paid/ Declared by Share (R\$)*	0.53312	0.59680	0.47486	0.95115	1.19075	123.4	25.2
Close ITSA4 Price (R\$, Not Adjusted by Earnings)	5.59	7.40	9.74	12.08	14.09	152.1	16.6
Dividend Yield** (%)	9.5	8.1	4.9	7.9	8.5	110 bps	60 bps

* It takes into account the sum of dividends per share which included ex-dividends in each period.

** Dividend yield is calculated taking into account the sum of dividends per share that became ex-dividends in each period divided by the close ITSA4 price in the last session of each period.

HOLDING DISCOUNT

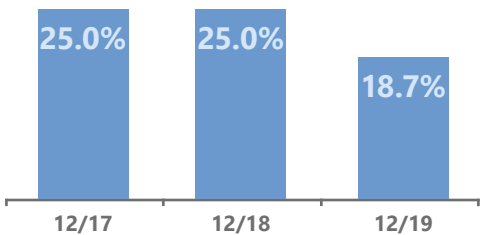
Widely adopted by stockholders, analysts and investors to support investment in holding companies, discount calculation represents the difference between the market price ascertained for the company and the sum-up of the market value of its equity interests held in investees – called sum of the parts.

In 2019, Itaúsa's discount was 18.7%, down 600 basis points from the close of 2018. Part of the discount is justified by Itaúsa's maintenance expenses, taxes levied on part of

the inflow of cash received (fiscal inefficiency) and risk assessment, among other factors. Itaúsa's management believes that this reduction may be due to the improvement of some of these factors and to the better market perception of the related rationale; however, it understands that the current level does not reflect the appropriate indicator level.

Itaúsa's discount calculation is updated on a monthly basis and is available on the company's website.

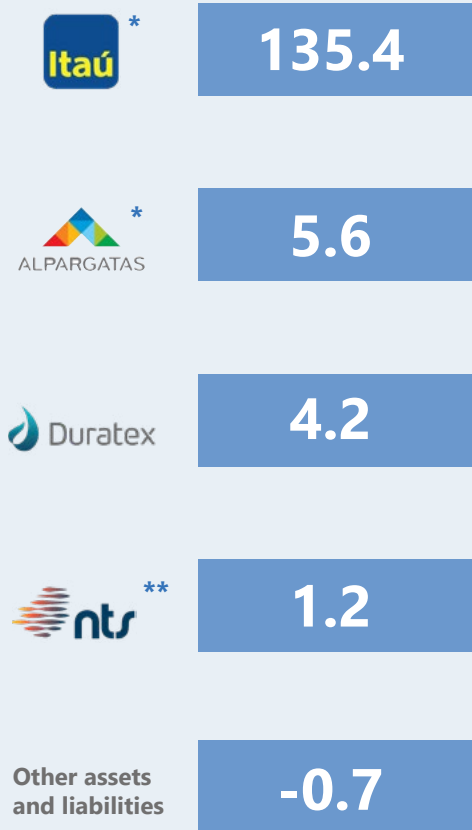
Holding discount history (%)



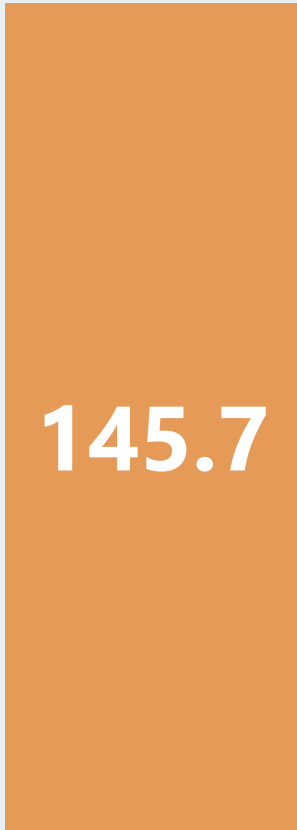
Itaúsa's portfolio – market value*

R\$ billion – December 31, 2019

Itaúsa's Portfolio Market Value



Sum of the Parts (a)



Itaúsa's Market Value (b)



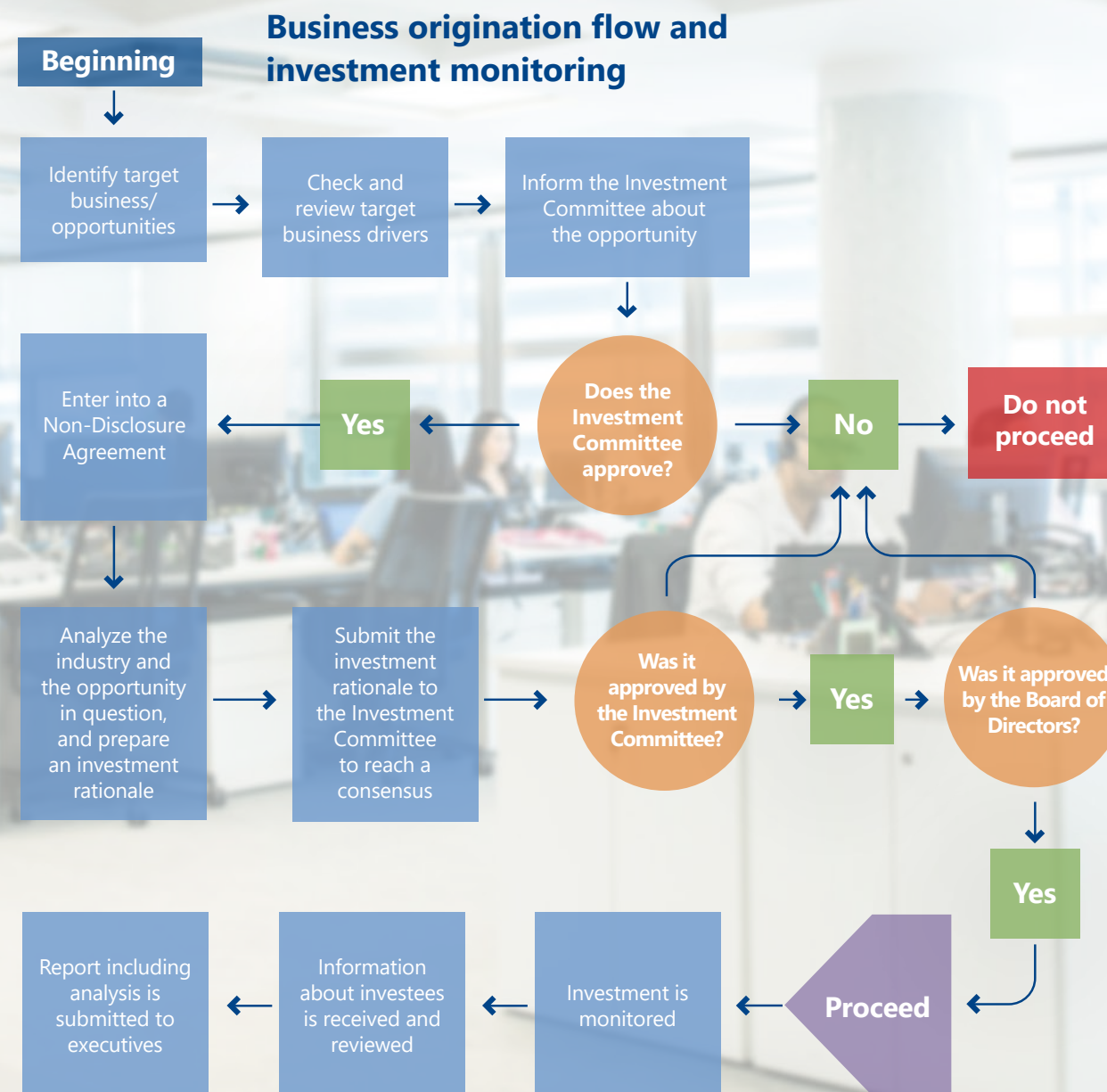
* Calculated based on price of preferred shares.

** Investment amount recorded in the Balance Sheet as of December 31, 2019.

EFFICIENT CAPITAL ALLOCATION

Irrespective of the capital allocation approach – new business, increase in ownership interest in current business, dividend distribution or share buy-back –, Itaúsa values capital efficiency by prioritizing, in management, discipline when assessing opportunities, considering the optimization of stockholder return measures; rationally carrying out M&A activities, which also includes reviewing possible divestitures; the best capital structure, which allows taking advantage of opportunities while preserving liquidity and optimizing cost of capital; monitoring portfolio and investees' performance, and long-term vision.

Based on these guidelines, the Company seeks to maintain the flow of business origination and investment monitoring.



Itaúsa's care to preserve the creation of long-term sustainable value to stockholders is supported by discipline in capital allocation, which prioritizes return rates of at least 200 basis points higher than business risk-adjusted cost of capital. In line with its efficient capital allocation strategy, over the past three years Itaúsa invested in the infrastructure and consumer goods segments by acquiring a 7.65% minority interest of the capital stock of Nova Transportadora do Sudeste (NTS) and the control of Alparagatas, together with BW and investment fund Cambuhy. As part of the portfolio management process, it concurrently sold the chemical, commercial and banking automation, and technology services segments, through the sale of the ownership interest then held in Elekeiroz and Oki Brazil – through Itaútec.



In the second half of 2019, Itaúsa announced it will make an investment of about 49% in Copagaz, which, together with Nacional Gás, submitted the best offer to acquire the total shares of Liquigás. This new investment is in line with the efficient capital allocation strategy and enables Itaúsa to strategically partner Copagaz, which will enable it to enter into one of the world's largest Liquefied Petroleum Gas (LPG) markets. The transaction for purchasing Liquigás shares is still pending the review and approval by CADE, one of the conditions precedent to complete the transaction and the corresponding financial settlement.

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Guidelines on M&A transactions and implementation of this strategy are well defined and cover solid and established business, with good cash generation and leading brands in their segments, which provides joint transactions with strategic partners with sound reputation and open to the good governance practice culture.

The New Business department supports the Company's strategy to ensure efficient capital allocation and active portfolio management. Based on senior management assumptions, the M&A team seeks to develop investment rationale in line with Itaúsa's interests, among potential business available in the market or presented by investment banks

and other partners. This rationale is submitted to more in-depth analyses and stress tests that identify main exposures and sensitivities, taking into account the scenario and operation industry.


After the completion of the transaction, the investment is continually monitored by the New Business and Monitoring departments, both in terms of performance, adoption of the rationale defined and operation of the newly acquired company based on Itaúsa's strategic alignment, by means of reports to the members in the companies' governance bodies. More important than monitoring is ensuring that Itaúsa's culture and identity will be

respected in the investees' economic and E&S management, since the selection of new partners takes into account their cultural fit and is also carried out by the governance bodies in Itaúsa's investees.

The Legal Consulting department, which is part of the Compliance and Corporate Risk Office, also adds value to the M&A process, providing support from the diligence to the trading stage, as well as the Tax Advisory and Treasury department, part of the Administrative and Financial Office, assessing tax risks in the diligence process, supporting the business structuring and assessing funding alternatives to the new business.



REPUTATIONAL CAPITAL



Society's increasing concerns about sustainability issues have led the information of a company's ESG (environmental, social and governance) practices to be more and more factored in by the investment community.

Attentive to such dynamics, Itaúsa considers environmental impacts, the support to the progress of society and its employees, and sustainable value creation in its actions. It also assesses ways to help minimize environmental and social (E&S) risks and take advantage of E&S opportunities in its scope of operation and as motivation to investees.

In addition to making up top Brazilian and global sustainability indexes, Itaúsa's governance structure comprises the Sustainability and Risks, People and Ethics, and Social Impact committees, the latter set up in June 2019 to help guide and identify opportunities and influence investees by way of its Board of Directors and sustainability-related committees.

CORPORATE GOVERNANCE

In line with the Business continuity pillar, both Corporate Governance structure and processes made headway in 2019. In addition to the implementation of the Governance, Risks and Compliance (GRC) Management system, aimed at a more

effective internal control monitoring, the Corporate Communication department was set up to develop internal and external communications and mitigate risks by monitoring both the press and influencers.

The influence on the investees' strategy and governance includes the set-up of four Working Groups in 2019 – Accounting, Compliance, Tax Studies, and Human Resources. Its

purpose is exchanging experiences, monitoring trends, sharing best practices and keeping up to date with any changes in applicable regulations and legislation.



ACCOUNTING GROUP

It seeks to discuss and improve the application of accounting practices among Itaúsa and investees, thus allowing more comparability and exchange of processes and good practices, in addition to monitoring and deliberating about the application of new accounting standards. Four meetings were held in 2019.



COMPLIANCE GROUP

The work of this group is based on the framework of the Committee of Sponsoring Organizations of the Treadway Commission (COSO), a risk-focused internal control model. In 2019 this group developed tools to assess the maturity of corporate controls, which led to 11 actions plans. Four meetings were held in 2019.



TAX STUDIES GROUP

It promotes debates on legal theses and proposes actions to be taken by Itaúsa and its investees. Four meetings were held in 2019.



HUMAN RESOURCES GROUP

It seeks to monitor market trends to constantly update initiatives to increase employees' satisfaction and improve performance. Two meetings were held in 2019.

ETHICS AND ANTI-CORRUPTION MEASURES

Itaúsa's compliance structure comprises Itaúsa's Code of Conduct, applicable to its internal audience and third parties with which it relates, the Investor Relations' Code of Conduct and the Policy on Relationships with Private Entities and Public Officials and Corruption Prevention, as well as a number of internal policies that regulate, among others, the acceptance of promotional or personal gifts and gratuities.

Supplementing the structure and governed by an internal policy for accepting and handling reports, in its first year of operation, Itaúsa's Reporting Channel addressed 100% of the cases reported, of which 87.5% were concluded, and 12.5% remained

outstanding by the end of December 2019. Of total reports received, only five of them were related to Itaúsa, since this Channel is also open to calls related to our investees.

Itaúsa's transparency, ethics and credibility are also expressed in the following policies, which may be accessed at the Corporate Governance section on website www.itausa.com.br.

- Corporate Governance Policy.
- Related-Party Transactions Policy.
- Board of Directors Members Nomination Policy.
- Risk Management Policy.
- Independent Auditor Engagement Policy.
- Disclosure Policy.
- Securities Trading Policy.



GOVERNANCE STRUCTURE

Itaúsa has the following Corporate Governance bodies: General Stockholders' Meeting, Fiscal Council, Board of Directors – with the advisory of the Disclosure and Trading Committee and the Executive Board, which is in turn supported by the Internal Audit and five committees –, one of them, the Social Impact Committee, was set up in 2019.

To monitor business, and in conformity with Itaúsa's Bylaws, the work of members of boards and committees seeks the business continuity of all the Company's significant aspects. Its regular participation in these governance bodies is measured and disclosed periodically – in 2018 and 2019 it reached over 90%.

The work of Itaúsa's board members in the investees' bodies is consistent with the belief of the importance of influence in ESG topics. Their involvement in these investees' Boards of Directors and Sustainability Committees makes a contribution

to the discussions to their strategies alignment. Among others, these forums discuss possible impacts of climate change, environment change, and consequences for the economy and society.

Investment – It held ten meetings in 2019. One of its major responsibilities is assessing merger and acquisitions opportunities, ensuring the consistency with Itaúsa's internal strategy investment criteria, authorizing other reviews and commitments, such as NDA and offers, assessing risks, and discussing new investment scenarios.

People and Ethics – It held six meetings in 2019. Its responsibilities include defining human capital policies and practices, analyzing and recommending a compensation strategy, granting incentives to the talent pipeline to improve performance by way of employee development, retention and motivation, among others. This Committee has the contribution of one external specialist.

Finance – It holds four meetings a year, on an ordinary basis, and is responsible for reviewing the Company's financial position, making cash management decisions, monitoring budget and the investees' performance, and defining guidelines through a risk appetite assessment.

Sustainability and Risk – At five meetings in 2019, it carried out risk management, including the definition of the control environment handling, in addition to other Corporate Sustainability-related topics. This Committee has the contribution of one external specialist.

Social Impact – Set up in June 2019, it held three meetings, and is aimed at guiding the operations of companies in which Itaúsa makes investments, by defining the main E&S management guidelines and identifying opportunities for improving its social impact. This committee is composed of members of the Itaúsa's Board of Directors, representatives of the control group, and one external specialist.

GENERAL STOCKHOLDERS' MEETING

Responsible for electing the members of the Board of Directors, resolving on the approval of the financial statements and allocation of profits and deciding on the Company's transformation, merger, incorporation and spin-off, among other responsibilities.

BOARD OF DIRECTORS

Composed of six members, it is responsible for setting out general business guidelines and deciding on strategic issues.

COMPOSITION

Henri Pechas
Chairman

Alfredo Egydio Setubal
Vice Chairman

Ana Lúcia de Mattos Barretto Villela
Vice Chairwoman

Paulo Setubal Neto
Effective Member

Rodolfo Villela Marino
Effective Member

Victório Carlos de Marchi
Effective Member

FISCAL COUNCIL

Permanent, with five members, it is responsible for supervising the activities of management members and issuing an opinion on the Company's accounts.

COMPOSITION

Tereza Cristina Grossi Togni
President

Flavio César Maia Luz
Member

Eduardo Rogatto Luque
Member

José Maria Rabelo
Member

Paulo Ricardo Moraes Amaral
Member

EXECUTIVE BOARD

Composed of four executives, who comprise the Executive Committee, and three managing officers, the Executive Board is responsible for designing and guiding all Company's services, in addition to setting out internal and operating rules in accordance with the Board of Directors' guidelines.

COMPOSITION OF THE EXECUTIVE COMMITTEE

Alfredo Egydio Setubal
CEO

Alfredo Egydio Arruda Villela Filho
Executive Vice President

Roberto Egydio Setubal
Executive Vice President

Rodolfo Villela Marino
Executive Vice President

OTHER OFFICERS

Frederico de Souza Queiroz Pascowitch
Managing Officer

Maria Fernanda Ribas Caramuru
Managing Officer

Priscila Grecco Toledo
Managing Officer



The management members' résumés are available on website: www.itausa.com.br

MANAGEMENT PILLARS

Itaúsa guides its performance based on values, principles and standards set out in a set of resources, among which we highlight:

- Policy on Relationships with Private Entities and Public Officials and Corruption Prevention.
- Policy on Disclosure of Material Information.
- Securities Trading Policy.
- Related-Party Transactions Policy.
- Corporate Governance Policy.
- Itaúsa's Code of Conduct.
- An independent Reporting Channel linked to Itaúsa's Code of Conduct.

These guidelines involve the internal bodies in the performance, such as the Fiscal Council, which takes part in discussions on related-party transactions, and is responsible for previously approving operations worth over R\$5 million/year.

Itaúsa's representatives are also part of Audit and Risks Committees of the investees, in addition to influencing the risk management under the scope of their Board of Directors.

RISK MANAGEMENT

As a result of the operational restructuring of the Compliance and Risks department, Itaúsa has reached in the year a higher maturity level to assess the effectiveness of internal controls and the compliance with internal policies. Process supervisors who work in the first line of defense have attended a workshop on Risks and Controls and the three lines of defense model promoted by the International Institute of Auditors (IIA). Therefore, these supervisors have become compliance agents attentive to the risks in place in their respective departments, and are now ready to discuss and propose mitigating measures.

Additionally, the implementation of a system integrating all internal controls was completed, including the assessment of the investees' entity-level controls,

and action plans developed, making the handling of data more expeditious and the available data more reliable.

The risks monitored at Itaúsa are operational, legal and strategic ones – the latter includes the reputational risk, in which the Company has made headway in the year. Having a more in-depth knowledge of its business partners was a practice incorporated to guide Itaúsa concerning the reputational risk, mainly in connection with strategic partnerships and engagement of suppliers.

Seeking the business continuity of the Compliance, Itaúsa intends to consolidate its Integrity Program in a single document, which will gather together all policies and tools addressing Ethics, Governance and Integrity issues in the Company.



TAX STRATEGY

Itaúsa is committed to being in conformity with legislation in force and in strict compliance with guidelines on principal and accessory tax obligations. Accordingly, it adopts a preventive stance by daily monitoring any legislative changes that might impact its business and procedures. If it has questions on the application of a certain standard, Management will forward an inquiry to applicable tax authorities.

This approach is related to the organization's business and sustainable development strategy, as the mitigation of risks adds value to its performance and reputation.

Therefore, tax risks materialized – that reflect discussions at administrative and judicial levels – are identified via service of process on such collection by official authorities. The demand and risk likelihood are analyzed based on criteria established in an internal policy approved by Management.

Contingencies are recorded in a process management system with periodic monitoring warnings. Additionally, the management of these risks involves the regular monitoring of case law on the topic in discussion and the progress of each

case, based on which ongoing risk likelihood assessments are carried out. Management controls on materialized tax risks are organized in reports and monthly shared with the tax/accounting departments, in addition to being audited by independent auditors every quarter.

Operating risks of the assessment, retention and/or collection process are mitigated by assessments of the internal controls of these operations. As part of the business continuity, work, any opportunities identified are included in action plans.

207-1 | 207-1 | 207-2

COMMUNICATION WITH THE MARKET

Information in the Company is disclosed on a comprehensive, equal and transparent way, with strict compliance to legal and ethical principles, so as to support investors in their decision making and keep a leading position in relation to capital markets. Accordingly, Itaúsa makes use of the following communication channels with its stakeholders:



Websites of CVM and B3

– Used for communicating legal and other matters set forth in legislation in force, the information provided in these channels is transmitted to other communication means by a proprietary news agency.



Public meetings

– Held every year since 2002, these are broadcast in real time, allowing the remote participation of analysts, investors and other stakeholders.



Earnings conference calls with analysts

– Held semi-annually, these events supplement the disclosure of earnings and allow interactions between the Executive Board and the market for the understanding of the Company's results in the period.



Email alerts – Sent to over 13,000 interested people who have registered previously on Itaúsa's website, this tool allows the transmission of notices, material facts, notices to stockholders, and other major communications to the market in a timely and comprehensive way.



Social networks – Through LinkedIn, Itaúsa keeps the members of this professional network informed of its results and achievements, as well as of integration actions among the Company's professionals.



Reference Form

– A document comprising operating and financial information of the Company, which is updated every year and made available on the websites of Itaúsa and CVM.



Governance Report

– Aimed at improving the Company's transparency level in the capital markets, showing its position on Corporate Governance fundamental topics.



Ações em Foco Bulletin

– A quarterly bulletin disclosing the results for the period through analyses and indicators, so as to account to investors.



Integrated Report

– A Company's communication channel with the capital market and stakeholders.



A dedicated Investor Relations team

– Available to serve and respond to questions related to the Company, its business, financial modeling and strategy, among other issues.

In addition to these interaction means, in 2019 Itaúsa carried out a full revision of the Financial Statements for 2019 disclosed to the market, aimed to increase transparency and provide better information disclosure. This revision was based on over 1,800 mandatory disclosure requirements and the survey of practices from dozens of companies, therefore incorporating the latest transparency trends.

SUSTAINABILITY MANAGEMENT AND COMMUNITY RELATIONS

In 2019, Itaúsa made headway in the structure to support sustainability management with the set-up of the Social Impact Committee, aimed at not only closely monitoring social investments by investees but also the consolidation of their individual vocations. This Committee joins other bodies that advise Management on sustainability issues, such as the People and Ethics Committee and the Sustainability and Risks Committee.

The Company’s commitment to sustainable development is also reflected in its presence in major market indexes, such as the Dow Jones Sustainability Index (DJSI) and the Brazilian stock exchange B3’s Business Sustainability Index (ISE). Itaúsa also makes up the portfolio of the Carbon Efficient Index (ICO2), and the CDP (former Carbon Disclosure Program).

In 2019, Itaúsa’s Statement of Value Added, that is, the sum of wealth generated by providing jobs, paying taxes and return on own and third-party assets totaled R\$28,272 million, as follows.

	01/01 to 12/31/18	01/01 to 12/31/19
Consolidated Statement of Value Added (pro forma)	R\$ Million	R\$ Million
Revenues	70,869	73,666
Expenses	(29,835)	(32,896)
Inputs Purchased from Third Parties	(12,831)	(10,982)
Gross Added Value	28,203	29,788
Depreciation, Amortization and Depletion	(2,106)	(2,506)
Net Value Added Generated	26,097	27,282
Value Added Received in Transfer	751	990
Total Value Added to Be Distributed	26,848	28,272

	01/01 to 12/31/18		01/01 to 12/31/19	
	R\$ Million	%	R\$ Million	%
Value Added Distribution	26,848	100.0	28,272	100.0
Personnel	9,473	35.0	10,839	38.3
Taxes, Fees and Contributions	6,451	24.0	6,213	22.0
Return on Third-Party Assets	1,214	4.5	651	2.3
Return on Own Assets	9,710	36.2	10,569	37.4

Note: The criterion adopted to identify Itaúsa’s Statement of Value Added included the pro rate sum of the statements of value added of investees in accordance with the ownership interest in each investee.

ITAÚ UNIBANCO HOLDING

Itaú Unibanco invested R\$846 million in social projects focused on education, culture, mobility, and diversity, among others, of which 71% were not supported by incentive laws.

FOCUS: EDUCATION AND CULTURE

In 2019, Itaú Unibanco strengthened its sustainability stance by publicly committing itself to the Positive Impact Commitments, with defined goals and indicators, in line with business challenges and United Nations Organization's Sustainable Development Goals (SDGs). The process to define its performance priorities by way of these Commitments has involved senior management and main supervisors of key business departments, in addition to interactions with internal and external stakeholders.

The commitments, shown below, not only integrate the Sustainability department, but also represent real

challenges for the business and society, and will be followed and monitored by the whole bank.

- Financing in positive impact sectors.
- Responsible investment.
- Inclusion and entrepreneurship.
- Financial citizenship.
- Transparency in communication.
- Ethics in relationships and business.
- Inclusive management.
- Responsible management.



SUSTAINABLE PERFORMANCE HIGHLIGHTS

Itaú Social – It develops, implements and shares social technologies to help improve Brazilian public education – its performance is based on two pillars: training education professionals and strengthening Civil Society Organizations.

Investments totaled
R\$172.5 million
in 2019.

Training Education Professionals

60,000 participants in training sessions.
7.4 million students benefitted.
332 Municipal Education Departments supported.

Strengthening Civil Society

8,300 participants in training sessions.
286,000 children, adolescents and youth benefitted.
30,000 volunteering hours donated.
831 institutions supported.
599 voluntary actions carried out.

Itaú Cultural – Its mission is generating life-altering experiences in the Brazilian world of art and culture. It has already produced about 500 products – audios, multimedia content, videos, books, catalogues and encyclopedias – and gave away free of charge over 702,000 culture items to public libraries, opinion makers and cultural centers across Brazil. Furthermore, this production is broadcast in educational, community-based and university TVs and radios across Brazil.

834,000 visitors, to its headquarters and across Brazil, in 1,221 activities.

38 million single hits to the institution's website.

R\$99.2 million in investments made in 2019.

SUSTAINABLE PERFORMANCE HIGHLIGHTS

Instituto Unibanco – One of the institutions responsible for Itaú Unibanco conglomerate's private social investments, whose action focus is to help improve the quality of Brazilian public education.

Investments totaled
R\$83.2 million in 2019

Jovem de Futuro (Youth of the Future) Program

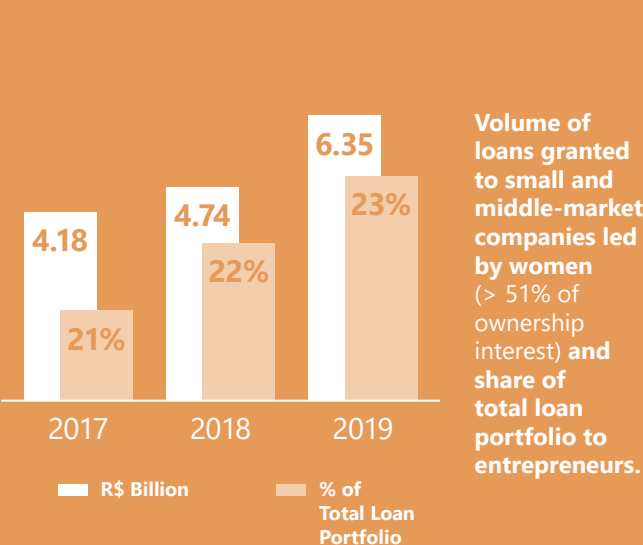


Estudar Vale a Pena (Studying Is Worthwhile) Program

50 schools engaged.	851 active volunteers.	5,164 youth benefitted.
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Programs and solutions – Such as Itaú Women Entrepreneurs, Financial Education and Microcredit programs.

Itaú Mulher Empreendedora (IME) (Itaú Women Entrepreneurs) Program – Comprises a wide audience with over 23,000 women entrepreneurs. As part of the program, it provides an online platform that offers business management articles, inspiring videos, interviews with women entrepreneurs, a schedule of events and the IME social network to bring women together. In 2019, total volume of loan operations for women-led businesses (holding over 51% of ownership interest) reached approximately R\$6.3 billion, up 51.7% from the 2017 portfolio.



Itaú Microcrédito – In 2019, Itaú Unibanco consolidated its market share in the Northeast of Brazil in the microcredit segment, which represented a significant step for the operation, reaching the milestone of 15,500 clients and credit lines of R\$37 million, up 266% from 2018.



ALPARGATAS

FOCUS: EDUCATION, COMMUNITIES AND ENVIRONMENT

Through Instituto Alpargatas, the company keeps the *Educação pelo Esporte* (Learning through Sport) program, which seeks to encourage public school students improving performance through the practice of sports, and in 2019 it also launched into building up a sustainability strategy. Alpargatas has been making changes to its production process to reduce environmental impacts of operations.



SUSTAINABLE PERFORMANCE HIGHLIGHTS

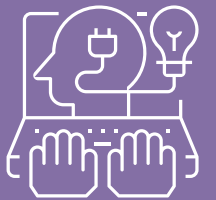


In 2019, **R\$4 million** were allocated to Instituto Alpargatas to benefit children and adolescents through programs ***Educação pelo Esporte* (Learning through Sport – 375 schools assisted)** and ***Educação pela Cultura* (Learning through Culture – 350 schools assisted)**, in Paraíba, Pernambuco and Minas Gerais states.



Reuse of waste rubber and PVC from the production process, thus benefitting the environment.

Recognizing about **3,800 students**, **283 projects enrolled** in the *Educação* 2019 award by educators from all schools participating in the programs, and **25 projects awarded** in *Educador Nota 10*, all of them approved and published at the 35th International Physical Education Congress.



DURATEX

FOCUS: ECOEFFICIENCY, COMMUNITIES AND ENVIRONMENT

Over 2019, Duratex revisited its sustainability strategy to strengthen the focus on inspiring ambitions, based on the purpose of offering solutions for better living. This initiative involved members of the Executive Board, Sustainability Committee and Board of Directors in interviews about the company's journey and new strategic guidelines, which also factors in the 2030 Agenda for sustainable development, proposed by the United Nations (UN) and including Sustainable Development Goals (SDGs).

SUSTAINABLE PERFORMANCE HIGHLIGHTS



Preparing an **Environmental and Social Program**, aimed to ensure that new business be swiftly directed by the sustainability strategy and be suitable to corporate policies, practices and systems.



Reducing waste disposal to landfills by **15.8%** for **Bathroom Fixtures** and by **3.8%** for **Ceramic Tiles**, and noteworthy was the Metals Industrial Unit of São Paulo which zeroed waste disposal.



Awareness-raising actions on the sexual exploitation of children and adolescents impacted over 800 people in the year.



Internationally-certified forest handling practices.



An **R\$11.2 million** investment in 47 projects, benefitting **24,000 people** in the communities surrounding operations.



NTS

FOCUS: EDUCATION, CULTURE AND COMMUNITY

- Keeping a cultural and social project intended for public school students and teachers through musical learning activities carried out by the Brazilian Symphonic Orchestra in the cities where the Company's pipelines pass through.
- In addition to sponsoring the Brazilian Symphonic Orchestra, in 2019 NTS sponsored, through incentive laws, ten community programs in São Paulo, Rio de Janeiro and Minas Gerais states. All these programs are developed in municipalities with low HDI, where NTS pipelines pass through, and focused on assisting children, adolescents and the elderly.

SUSTAINABLE PERFORMANCE HIGHLIGHTS

In 2019



4,000
people
were benefitted.



R\$14
million
in investments
made.



HIGHLIGHTS OF ITAÚSA AND INVESTEES IN CONNECTION WITH COVID-19 RELIEF EFFORTS

Since the beginning of the COVID-19 outbreak in Brazil, Itaúsa and investees have been adopting measures to prioritize the safety and health of their employees and to minimize impacts on each operation. Please check for the main actions taken, as follows:

ITAÚSA

- Setting up a Crisis Management Committee, with weekly meetings.
- Donation of R\$100 million, which will be allocated to fight the virus and its effects on Brazilian society, R\$50 million from Itaúsa and R\$50 million from controlling shareholders.
- Adopting home-working practices, with solutions and tools that allow 100% of employees to work remotely.
- Setting up action protocols to ensure the health, wellbeing and safety of employees, management members and third parties, particularly those who are in risk groups according to the Ministry of Health.
- Bringing forward influenza vaccination campaigns.
- Promoting social distancing practices by cancelling in-person meetings, events, field visits and travel.
- Joining the #NãoDemita (don't sack anyone) initiative.

ITAÚ UNIBANCO

- Setting up an Institutional Crisis Management Committee, with daily meetings.
- Prioritizing the search for the best customer solutions, keeping operating normally under abnormal conditions, and ensuring the wellbeing of employees, clients and service providers.
- Adopting home-working practices for 95% of employees, joining the #NãoDemita (don't sack anyone) initiative, paying in advance Christmas bonus and granting early vacations for risk groups.
- Wider availability of digital channels.
- Donation worth R\$1.3 billion to the Todos pela Saúde (All for Health) project and other initiatives to fight the effects of the coronavirus.
- Keeping liquidity and capitalization suitable for the stress scenario.
- Providing renegotiations under new conditions, fee exemption, increasing credit lines, and extending payment terms, among other measures.

ALPARGATAS

- Setting up a Strategic Committee, with regular meetings.
- Adopting home-working practices for office staff, closing own stores, and joining the #NãoDemita (don't sack anyone) initiative.
- Keeping strict health and social distancing standards at distribution centers and reducing logistics and production staff.
- Shutting down plants with granting of paid leave and collective vacation.
- Donating protective personal equipment to health professionals and basic product kits to vulnerable communities.
- Managing liquidity through new loans raised for a stress scenario.

DURATEX

- Setting up a Crisis Management Committee, with daily meetings and involving five fronts of action: Finance, Commercial, Industrial and Supplies, Information Technology, and People and Communication.
- Adopting home-working practices for head office staff and strict safety and social distancing standards in plants.
- Temporarily suspending Panel operations, operating with reduced staff at the forest unit, and operating partially or with reduced capacity at Deca and Ceramic Tiles divisions.
- Donating ceramic tiles, bathroom fixtures and fittings for the build-up of field hospitals.
- Managing liquidity through new loans raised and short-term debt roll-over for a stress scenario.

NTS

- Setting up a Crisis Committee, with weekly meetings to monitor sensitive and critical issues.
- Adopting home-working practices under the Business Continuity Plan for all administrative functions.
- Setting up an action protocol to control the coronavirus spread in the Company through guidelines and recommendations to employees, and monitoring those who are in risk groups.
- Donating hospital beds and equipment to hospitals in the cities of Nova Iguaçu and Japeri, in the Rio de Janeiro state, where NTS pipelines are located.





HUMAN CAPITAL

Itaúsa closed 2019 with a team of 90 professionals, of whom 59% are women. In 2019, the Company delivered a strong performance in people management, by aligning the teams with the qualifications required to face the greater complexity of its profile as a business manager.

In the year, 19% of staff was overhauled. Therefore, the Company developed a job to identify profiles and behaviors, types of potential and skills required, aligned with the organizational culture, to open

space for innovation, diversity and better performance. In the period, an Internship Program was also structured, with 1,800 applicants for eight available vacancies. In addition to providing youth with an opportunity for improvement, the implementation of this program has fostered the possibility of a generational diversity in the workplace.

Also noteworthy was management seniority, with 48% of staff of specialists, managers and senior management members.

Position	Composition of Staff		 (%)	 (%)
Interns/Apprentices	9	78	22	
Administrative	38	66	34	
Specialists	16	44	56	
Managerial	17	65	35	
Board of Directors and Executive Board	10	30	70	





DEVELOPMENT

Aimed to making evaluation processes more suitable to the current labor market scenarios, which means to understand individual challenges and how professionals may add value to the work developed in the areas they work, a performance evaluation was carried out with goals broken down for 60% of employees and a competency-based assessment to 100% of Itaúsa's employees, seeking to strengthen a culture of meritocracy and reward for achievement. Ongoing feedback and the build-up of Individual Development Plans (IDPs) have helped the monitoring of the progress made by each employee.

To keep supervisors aligned with Itaúsa's business and strategies, being able to lead innovations, engaging their teams and

overcoming challenges, a Leadership Program was set up, comprising three development stages. In 2019 it focused on the topic "Being the leader of yourself", which has facilitated self-knowledge. Upcoming approaches will be: Leading the organization and Leading people. This is an 18-month program, which, in 2019, gathered 15 Company's supervisors.

Long-duration – post-graduation, under-graduation, MBA and language courses – and training, coaching processes and a career-orientation program were also continued, totaling approximately 19 hours of training/person on topics such as compliance, information security, taxes, mergers and acquisitions, human development and digital transformation, among others.



ENGAGEMENT AND COMMUNICATION

Engagement level is measured every year by Itaúsa. In 2019, for the first time ever, the Company conducted its own internal engagement survey with employees. Named *Diz aí, Itaúsa* (Say it, Itaúsa), it had a 96% response rate and a 60-point NPS, thus showing the high satisfaction level with people and management practices. This survey included questions on professional satisfaction and challenges, balance between personal and professional life, identification with the organization and its business, recognition, relations, and engagement.

In 2019, a Corporate Communication department was set up to bring about more transparency and agility to information sharing. To keep professionals up-to-date with the main events, electronic bulletins are disclosed in addition to in-person

events and engagement actions, focused on discussing and responding to questions on the Company's strategic topics.

Internal changes, driven by Itaúsa's new profile, have given rise to approaches to topics such as diversity, trust, health and wellbeing. In the period, the company held the first *Semana de Boas Práticas Itaúsa* (Itaúsa Good Practices Week), when the company's culture and main responsibilities were debated and strengthened: reputation, trust, ethics, and anti-corruption practices.

Among other initiatives held, the closing of the year event strengthened the importance of working as a team, and the commitment, discipline, training and decision making, topics in line with Itaúsa's background.

COMPENSATION AND BENEFITS

In 2019, Itaúsa kicked off a project to revisit the jobs and salaries structure, in a way fully aligned with the specific business and organizational setting, as well as with the best market practices, seeking to ensure that the people management infrastructure offers competitive and fair conditions to attract, retain and motivate professionals who may positively impact the business and the companies in which it invests.

Regarding benefits offered to its professionals, in the year Itaúsa invested R\$4.6 million, broken down into health (70.8%), food (24.4%), social security (2.9%), life insurance (1.3%) and others (0.6%).

Regarding compensation to Senior Management members, the share of variable compensation may be directly impacted by performance indicators, such as Return on Equity (ROE), as well as the scope of budget and Itaúsa's and investees' performance. In 2019, fixed and variable compensation accounted for 60% and 40%, respectively.

Itaúsa does not adopt a stock-based compensation approach to its executives, as the Board of Directors understands that, as these professionals may also be part of the controlling group, they are already exposed to the Company's performance in capital markets.

HUMAN CAPITAL APPRECIATION IN THE PORTFOLIO

The companies that are part of Itaúsa's portfolio – Itaú Unibanco, Alpargatas, Duratex, and NTS – employ 124,000 people. The total amount invested in training was approximately R\$167 million in 2019. Accordingly, to share its values and management culture with this audience, Itaúsa has the active engagement of its executives in the investees' Board of Directors and in the People Committees. Among the

planning and monitoring activities in connection with the Human Capital culture and management we highlight:

- Evaluation of the CEO.
- Discussing guidelines on talent performance and retention.
- Setting up and reviewing the annual evaluation process for executives and Board of Directors members.
- Management succession.

401-2





INTELLECTUAL CAPITAL

STRONG AND RECOGNIZED BRANDS

Reputation is one of Itaú's great assets, built over its journey and widely recognized by the market. It may be expressed in a number of ways: by appreciating its shares, the significant increase of its stockholder base – the Company has seen a five-fold rise in its stockholder base in the last three years –, the soundness of brands and operations under its management and also by the great interest shown by part of foreign investors in joining Itaú for investment opportunities.

Regarding brands, for example, Itaú Unibanco had the second most valuable brand in Brazil in 2019, according to the BrandZ Brasil ranking, promoted by WPP and Kanta, with its value estimated at US\$8,368 million, up 35% from last year survey.

Reputation is one of Itaú's major assets, expressed by its share appreciation and stockholder base increase, among other factors.

Havaianas is also included in this ranking (43th place), with its brand valued at US\$284 million. Brand Deca stood out at the 2019 Top of Mind award – winning the most-remembered brand organized by Datafolha – in the category Purchases, sub category Bathroom fixtures and fittings, due to the campaign that announced its return to the kitchen sink bowls segment.

deca 

**2019 Top
of Mind**



**US\$8,368
million**
2nd most
valuable brand
in Brazil

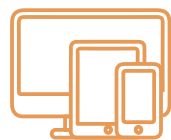
havaianas®

**US\$284
million**
ranked 43th

INNOVATION



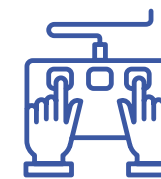
Innovation is another feature of Intellectual Capital, particularly by investees, since that adjustability to business and creation of new solutions, products and services are constantly required from them, in view of the rapid changes in society's behavior, consumer habits and social culture.



Itaú Unibanco, under the customer centricity concept, has placed customer satisfaction at the core of its strategy, comprising two fronts: Cultural transformation and changing the customer experience. Therefore, Itaú Unibanco has gained solid ground in the development of digital transformation-linked technologies, such as iti, a platform with multiple functionalities for customers, doing without machines or a physical card to make payments at merchant's or among individuals by using a QR Code®.



Alpargatas kicked off over 20 digital projects in 2019, among them the engagement of a global single ecommerce platform and the redesign of havaianas.com. Other initiatives, such as the Customer Service App, Mobile POS and Interactive Mirror Implementation, have helped speed up the company's digital transformation process.



Duratex opened the ceramic tiles plant under the industry 4.0 concept in Brazil. With fully-digitalized process controls, this is a sustainable robot-operated unit, with low water consumption in production line and increased energy efficiency.

Furthermore, the company has been going through an intense digital transformation process, which strengthens the internal innovation culture and seeks to support its purpose of offering solutions for better living. Deca's new kitchen stainless steel sink bowls, launched in a record six-month period since its conception, is one example of this innovation culture, which has been stepped up in the company.

PROFESSIONAL QUALIFICATION

Itaúsa's Corporate Governance system and the maturity of control processes, as described under Reputational Capital, are also significant intangible assets that act as a platform for the improvement of governance in investees and in those companies that become part of our portfolio, as it is one of Itaúsa's major assets brought into M&A processes.

Another major intellectual asset of Itaúsa is the team of specialized fiscal and tax consultants, responsible for monitoring the scenario and any changes in applicable legislation. Also by way of this excellence center, Itaúsa seeks to intervene and influence, under the scope of sector entities, so that these changes affect as little as possible the sectors in which it invests and also those it plans to make investments.

The Board of Directors and Executive Board are composed of qualified professionals, with different backgrounds and experiences, who keep up-to-date with latest developments. The Board of Directors is mostly composed of members of the controlling group and counts on the presence of one member representing minority stockholders. According to their background and experience, they may be grouped as follows:

Itaúsa seeks to intervene and influence, under the scope of sector entities, so that these changes affect as little as possible the sectors in which it invests and also those it plans to make investments.

Knowledge of the Board





Any change of members at this governance level should abide by the Board of Directors Members Nomination Policy, which sets out rules based on good corporate governance practices, among which the evaluation of members based on attributes as high qualification, outstanding technical, operational and academic experience, alignment with Itaúsa's culture, and unblemished reputation, among others. This policy also covers the efforts undertaken to meet diversity criteria, whenever possible.

Regarding the independent members of the investees' Boards of Directors, priority is given to

experienced professionals qualified for the markets in which these investees operate, and who are able to make an effective contribution. For example, Alpargatas has two independent members, one of them is an executive with over 10-year experience in the retail segment, exercised in a number of countries, and who has been acting as retail director at Apple since 2000.

At Duratex, one third of the Board of Directors is composed of independent members. Among them, they share specific experiences from the forest, civil construction, retail and consumer segments, seeking to meet the requirements of each company's business.

103-2 | 103-3: Diversity and equal opportunities



ADDITIONAL CONTENT

MATERIALITY

In 2017, Itaúsa carried out a materiality review process in consultation with executives, investors, and opinion makers. Its objective was to seek concision and materiality of significant topics capable of influencing investors' assessments and Itaúsa's internal decisions and that reflect the positive and negative economic, environmental and social impacts both for the Company and its stakeholders.

Results were then supplemented by internal documents, questionnaires from stock exchange indexes, news reported in the media, Itaúsa's communications to the market, and the assessment of local and global sustainability scenarios. Therefore,

102-21 | 102-40 | 102-42 | 102-43 | 102-49

material topics for the Company's management and strategy were predetermined, to be consulted and validated by senior management and stakeholders. These were organized under three pillars: Business continuity, Shared Culture, and Efficient Capital Allocation.

During the prioritization stage, Itaúsa conducted 14 interviews with representatives from investors, civil society organizations and industry associations. The interviewees selected had a deep knowledge of Itaúsa's business, which increased the quality of interviews and the assertiveness of the results obtained. The outcome of this stage, coupled with the correlation between GRI disclosures, limits and indicators, was submitted to the Company's CEO and the Chairman of its Board of Directors, who approved the results.

The 2019 report review cycle retained the focus on and attention to the portfolio management and Itaúsa's stance as a player attentive to market opportunities. Under the scope of the Disclosure and Trading Committee, which has the participation of the CEO and Board of Directors' Chairman, some adjustments to the materiality nomenclature were made, seeking to better clarify the accountability and enhance alignment with interviews.

- In the Business continuity pillar, the term "Improvement in controls, compliance and internal processes" was changed to "Enhancing controls, compliance and internal processes".

- The Business continuity pillar now includes "Monitoring investments and interest" to further clarify this Company's constant concern.
- In the Shared culture pillar, "Improving human capital in the Company (talent retention and development, health, safety and wellbeing management)" was changed to "Improving people management in the Company (talent retention and development, health, safety and wellbeing management)".
- The "Continuous Improvement" pillar has been renamed to "Business continuity".



Efficient capital allocation

- Expected return, portfolio diversification and management strategy.
- Aligning corporate governance with good international practices.
- Due diligence in new investments.
- Macroeconomic scenario and impacts on the organization's strategy.



Shared culture

- Impact on investees' strategy and governance.
- Investees' value creation capability.
- Improving people management in the company (talent retention and development, health, safety and wellbeing management).



Business continuity

- Enhancing controls, compliance and internal processes.
- E&S impact on business portfolio.
- Monitoring investments and interest.
- Long-term vision in decision making.
- Risk management beyond the financial aspect.
- Ethics and advances in anti-corruption measures.

MATERIAL TOPICS

Pillar	2019 Topic	Materiality assessment	In	Out	GRI Topic	Indicators
			Administrative	Investee		Management approach 103-1 103-2 103-3
Efficient capital allocation	Expected ROI, portfolio diversification and management strategy	Priority	X		Economic performance	201-1 – Direct economic value generated and distributed
	Aligning corporate governance with good international practices	Very important	X	X	General disclosures Diversity and equal opportunities	102-18 and 102-21 405-1 – Diversity of governance bodies and employees 405-2 – Ratio of basic salary and remuneration of women to men
	Due diligence in new investments	Very important	X		Management approach	103-2 – The management approach and its components
	Macroeconomic scenario and impacts on the organization's strategy	Very important	X	X	Management approach	103-2 – The management approach and its components
Business continuity	Enhancing controls, compliance and internal processes	Very important	X	X	Management approach Tax strategy	103-2 – The management approach and its components 207-1 – Approach to tax 207-2 – Tax governance, control and risk management
	E&S impact on business portfolio	Very important	X	X	Management approach	103-2 – The management approach and its components
	Monitoring investments and interest	Very important	X	X	Management approach	103-2 – The management approach and its components
	Long-term vision in decision making	Very important	X	X	Management approach	103-2 – The management approach and its components
	Risk management beyond the financial aspect	Very important	X	X	Economic performance	103-2 – The management approach and its components
	Ethics and advances in anti-corruption measures	Very important	X	X	General disclosures	102-17 – Mechanisms for advice and concerns about ethics
Shared culture	Influence on investees' strategy and governance	Very important	X	X	Management approach	103-2 – The management approach and its components
	Investee's value creation capability	Very important	X	X	Management approach	103-2 – The management approach and its components
	Improving people management in the company (talent retention and development, health, safety and wellbeing management)	Very important	X		Management approach Employment Health and safety Training and education	103-2 – The management approach and its components 401-1 – New employee hires and employee turnover 401-2 – Benefits provided to full-time employees that are not provided to temporary or part-time employees 404-1 – Average hours of training per year per employee 404-2 – Programs for upgrading employee skills and transition assistance programs 404-3 – Percentage of employees receiving regular performance and career development reviews

GRI CONTENT INDEX 102-55

For the Materiality Disclosures Service, GRI Services reviewed that the GRI content index is clearly presented and the references for Disclosures 102-40 to 102-49 align with appropriate sections in the body of the report. The service was performed on the Portuguese version of the report.



GRI 101: Foundation 2016

GRI 102: General disclosures 2016	Standard	Page	Omission	Global Compact	SDG
Organizational profile					
	102-1: Name of the organization	14			
	102-2: Activities, brands, products, and services	16			
	102-3: Location of headquarters	14			
	102-4: Location of operations	14			
	102-5: Ownership and legal form	14			
	102-6: Markets served	16			
	102-7: Scale of the organization	19			
	102-8: Information on employees and other workers	61		6	8
	102-9: Supply chain	Itaúsa is not exposed to risks related to suppliers that could influence the decision to invest in its securities since its activities are limited to investments in other companies (holding company). Source: Reference Form, item 4.1 – Description of risk factors.			
	102-10: Significant changes to the organization and its supply chain	No significant changes.			
	102-11: Precautionary principle or approach	For further information, please see the Reference Form, item: 7.5 – Relevant effects of state regulation on the issuer's activities.			
	102-12: External initiatives	The main commitments assumed by the investees include: United Nations Global Compact, Carbon Disclosure Project (CDP), Na Mão Certa Program, and Instituto Ethos de Responsabilidade Socioambiental (Ethos Institute). For further Information, please see the investees' annual and sustainability reports.			

GRI 102: General disclosures 2016	Standard	Page	Omission	Global Compact	SDG
	102-13: Membership of associations	Companies participate actively in sector entities, for example the Brazilian Federation of Banks (FEBRABAN), the Federation of Industries of the State of São Paulo (Fiesp), and the Forest Stewardship Council (FSC). For further information, please see the investees' annual and sustainability reports.			
Strategy					
	102-14: Statement from senior decision-maker	5 to 7			
Ethics and integrity					
	102-16: Values, principles, standards, and norms of behavior	49		10	16
	102-17: Mechanisms for advice and concerns about ethics	46			
Governance structure					
	102-18: Governance structure	48			
	102-21: Consulting stakeholders on economic, environmental, and social topics	71			
Stakeholder engagement					
	102-40: List of stakeholder groups	71			
	102-41: Collective bargaining agreements	All eligible employees of Itaúsa are covered by collective bargaining agreements.		3	8
	102-42: Identifying and selecting stakeholders	71			
	102-43: Approach to stakeholder engagement	71			
	102-44: Key topics and concerns raised	51 and 73			
Reporting practice					
	102-45: Entities included in the consolidated financial statements	Please see: http://www.itausa.com.br/EN/Documentos/8184_DCC_31032020.pdf . (Operations, Item 1, page 22)			
	102-46: Defining report content and topic boundaries	73			
	102-47: List of material topics	4 and 73			
	102-48: Restatements of information	No significant restatement of previously reported data.			
	102-49: Changes in reporting	71. No significant change compared to previous reporting periods in the scope and limit of material aspects.			

GRI 102: General disclosures 2016	Standard	Page	Omission	Global Compact	SDG
	102-50: Reporting period	January 1 st , 2019 to December 31, 2019.			
	102-51: Date of most recent report	March 2018.			
	102-52: Reporting cycle	Annual.			
	102-53: Contact point for questions regarding the report	For questions and comments on this publication, please email: investor.relations@itausea.com.br .			
	102-54: Claims of reporting in accordance with the GRI Standards	3			
	102-55: GRI content index	74 to 77			
	102-56: External assurance	3			

Material topics	Standard	Page	Omission	Global Compact	SDG
GRI 201: Economic performance 2016					
GRI 103: Management approach 2016	103-1: Explanation of the material topic and its boundary	73			
	103-2: The management approach and its components	15, 29 and 37		1, 8	1, 5, 8, 16
	103-3: Evaluation of the management approach	15, 29 and 37			
	201-1: Direct economic value generated and distributed	52			2, 5, 7, 8, 9
GRI 207: Tax 2019					
GRI 103: Management approach 2016	103-1: Explanation of the material topic and its boundary	73			
	103-2: The management approach and its components	47		1, 8	1, 5, 8, 16
	103-3: Evaluation of the management approach	47			
	207-1: Approach to tax	42, 47, 49 and 50			
	207-2: Tax governance, control, and risk management	42, 47, 49 and 50			

Material topics	Standard	Page	Omission	Global Compact	SDG
GRI 401: Employment 2016					
GRI 103: Management approach 2016	103-1: Explanation of the material topic and its boundary	73			
	103-2: The management approach and its components	62		1, 8	1, 5, 8, 16
	103-3: Evaluation of the management approach	62			
	401-1: New employee hires and employee turnover	61		6	5, 8
	401-2: Benefits provided to full-time employees that are not provided to temporary or part-time employees	64			8
GRI 404: Training and education 2016					
GRI 103: Management approach 2016	103-1: Explanation of the material topic and its boundary	73			
	103-2: The management approach and its components	62		1, 8	1, 5, 8, 16
	103-3: Evaluation of the management approach	62			
	404-1: Average hours of training per year per employee	62		6	4, 5, 8
	404-2: Programs for upgrading employee skills and transition assistance programs	62			8
	404-3: Percentage of employees receiving regular performance and career development reviews	62		6	5, 8
GRI 405: Diversity and equal opportunity 2016					
GRI 103: Management approach 2016	103-1: Explanation of the material topic and its boundary	73			
	103-2: The management approach and its components	69		1, 8	1, 5, 8, 16
	103-3: Evaluation of the management approach	69			
	405-1: Diversity of governance bodies and employees	61		6	5, 8
	405-2: Ratio of basic salary and remuneration of women to men	At managerial level, men's compensation is on average 8% higher than women's. At administrative level, women's compensation is on average 19% higher than men's. At the specialists level, women's compensation outstrips men's by 5%. For the other positions, the sample included less than five employees per gender and therefore these were not assessed.			
				6	5, 8, 10

Independent auditor's limited assurance report on sustainability information in the 2019 Integrated Report

To the Board of Directors and Stockholders
Itaúsa - Investimentos Itaú S.A.
São Paulo - SP

Introduction

Itaúsa - Investimentos Itaú S.A. ("Itaúsa" or "Company") engaged us to present our limited assurance report on the compilation of sustainability information in the 2019 Integrated Report of Investimentos Itaú S.A. for the year ended December 31, 2019, in accordance with the Global Reporting Initiative (GRI-STANDARDS).

Management's responsibilities

Management of Itaúsa is responsible for the preparation and fair presentation of the information in the 2019 Integrated Report, presented in accordance with the Global Reporting Initiative (GRI-STANDARDS) and for such internal controls as it determines necessary to prepare of information free from material misstatement, whether due to fraud or error.

Independent auditor's responsibilities

Our responsibility is to express a conclusion on the information included in the 2019 Integrated Report based on our limited assurance engagement carried out in accordance with the Technical Communication CTO 01, "Issuance of an Assurance Report related to Sustainability and Social Responsibility", issued by the Federal Accounting Council (CFC), based on the Brazilian standard NBC TO 3000, "Assurance Engagements Other than Audit and Review", also issued by the CFC, which is equivalent to the international standard ISAE 3000, "Assurance engagements other than audits or reviews of historical financial information", issued by the International Auditing and Assurance Standards Board (IAASB). Those standards require that we comply with ethical and independence requirements, and other responsibilities, including in relation to the Brazilian Standard on Quality Control (NBC PA 01) and, therefore, the maintenance of a comprehensive quality control system, including form compliance policies and procedures for ethical requirements, professional standards and legal and regulatory requirements.

These standards also require the work to be planned and performed to obtain limited assurance that the information included in the 2019 Integrated Report, taken as a whole, is free from material misstatement.

A limited assurance engagement conducted in accordance with the Brazilian standard NBC TO 3000 and ISAE 3000 mainly consists of making inquiries of management and other professionals of the entity involved in the preparation of the sustainability information, as well as applying analytical procedures to obtain evidence that enables the issue of a limited assurance conclusion on the information taken as a whole. A limited assurance engagement also requires the performance of additional procedures when the independent auditor becomes aware of matters that lead the auditor to believe that the information taken as a whole might present significant misstatements.

The procedures selected are based on our understanding of the aspects related to the compilation and presentation of the information in the 2019 Integrated Report, other engagement circumstances and our analysis of the areas in which significant misstatements might exist. The following procedures were adopted:

- (a)** Planning the work, taking into consideration the materiality and the volume of quantitative and qualitative information and the operating and internal control systems used to prepare the sustainability information contained in Company's 2019 Integrated Report;
- (b)** Understanding the calculation methodology and the procedures adopted for the compilation of indicators through interviews with the managers responsible for the preparation of the information;
- (c)** Applying analytical procedures to quantitative information and making inquiries regarding the qualitative information and its correlation with the indicators disclosed in the 2019 Integrated Report; and
- (d)** Comparing the financial indicators with the financial statements and/or accounting records.

The limited assurance engagement also included tests to assess compliance with the guidelines and criteria of the Global Reporting Initiative (GRI-STANDARDS) applied in the preparation of the sustainability information included in the 2019 Integrated Report.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our limited assurance conclusion.

Scope and limitations

The procedures applied in a limited assurance engagement are substantially less detailed than those applied in a reasonable assurance engagement, the objective of which is the issuance of an opinion on the sustainability information in the 2019 Integrated Report. Consequently, we were not able to obtain reasonable assurance that we might have become aware of all significant matters, compared to those matters that might have been identified in an assurance engagement, the objective of which is the issue of an opinion. Had we performed an engagement with the objective of issuing an opinion, we might have identified other matters and possible misstatements in the sustainability information in the 2019 Integrated Report. Therefore, we do not express an opinion on this information.

Non-financial data is subject to more inherent limitations than financial data, due to the nature and diversity of the methods used to determine, calculate and estimate these data. Qualitative interpretations of the relevance, materiality, and accuracy of the data are subject to individual assumptions and judgments. Furthermore, we did not carry out any work on data reported for prior periods, nor for projections or future goals.

The preparation and presentation of the sustainability indicators performed pursuant to the criteria of the GRI-STANDARDS and, therefore, do not aim to provide assurance with regard to the compliance with social, economic, environmental, or engineering laws and regulations. However, the aforementioned standards establish the presentation and disclosure of possible cases of non-compliance with such regulations when sanctions or significant fines are applied. Our limited assurance report should be read and understood in this context, which is inherent to the criteria selected (GRI-STANDARDS).

Conclusion

Based on these procedures, no matter has come to our attention that causes us to believe that the information included in the 2019 Integrated Report of Itaúsa – Investimentos Itaú S.A. has not been compiled, in all material respects, in accordance with the Global Reporting Initiative (GRI-STANDARDS).

São Paulo, June 2nd, 2020

PricewaterhouseCoopers
Auditores Independentes
CRC 2SP000160/O-5

Emerson Laerte da Silva
Accountant CRC1SP171089/O-3

INDEPENDENCE STATEMENT

To the Board of Directors and Stockholders
Itaúsa - Investimentos Itaú S.A.

São Paulo, June 2nd, 2020

In connection with the issue of the Independent Auditor's Limited Assurance Report on the sustainability information included in the Relato Integrado 2019 of Itaúsa, we state that PricewaterhouseCoopers Auditores Independentes is independent in relation to Itaúsa - Investimentos Itaú S.A. and that there has been no conflicts of interest during the verification of environmental and social data related to sustainability information in accordance with the Code of Ethics for Professional Accountants issued by the International Federation of Accountants (IFAC) and with the local NBC PA 291(R1) Resolution issued by the Brazilian Federal Accounting Council (CFC).

Yours faithfully,

PricewaterhouseCoopers
Auditores Independentes
CRC 2SP000160/O-5

Emerson Laerte da Silva
Accountant CRC 1SP171089/O-3

GLOSSARY

Asset Light: it is a business model in which a company chooses to have the least amount of assets or assets possible, while having all the assets (or assets) necessary for its operation.

B3: (Brasil, Bolsa, Balcão) is the official stock exchange in Brazil, based in São Paulo.

Business plan: The starting point of a new venture, a management tool for planning business initiatives. It helps the planning and feasibility of a project or company.

CDI: An interbank deposit certificate. A security traded on the Cetip, an OTC clearing house, it is closely related to the Selic interest rate, best known to the general public, and is most frequently used as a reference point when talking about investments.

Compliance: from the verb “to comply”, meaning “to perform, execute, meet, to do what you have to do”, that is, to be in compliance is being in conformity, it is the duty to comply and enforce the compliance with internal and external regulations, providing for that a number of good practices are implemented in the company, thus helping the company mitigate risks and build up a good reputation in the market.

Controlling group: when a group of stockholders, holding the majority of the voting shares of a company, come together under a Stockholders’ Agreement, aimed at having a greater decision power on it. This agreement favors a better understanding on decisions made by stockholders and provides tools for better governance and resolution of conflicts, among others.

Dividend yield: an important indicator used to value investments, calculating the ratio of earnings paid/declared to stockholders to the company’s value. At Itaúsa, it is determined by the sum-up of dividends and interest on capital that remained as ex-dividends in a 12-month period divided by the share price on the date when the company’s dividend yield is known. A company that pays out more dividends to its stockholders is likely to have a higher dividend yield. This indicator is generally used comparatively to other companies.

Due diligence: an integral part of a M&A project, it involves the access to and analysis of information about a given company with the purpose of confirming the data made available to potential buyers or investors. This process may vary according to the type

of business and size of the target company. Nevertheless, it basically involves assessing financial, accounting, tax and social security issues, in addition to any legal, commercial, labor, environmental, real estate, intellectual property, people and technological aspects. It provides for a more secure negotiation of an M&A transaction for buyers, stockholders or investors.

Equity method: an investment valuation accounting method, it updates the book value of an investment to an amount equivalent to the interest held by a company, namely investing company, in the stockholders’ equity of a second company, namely an investee company, and in the recognition of its effects in the statement of income for the year.

Individual or Parent Company's

Balance Sheet: refers to the balance sheet of the parent company without the consolidation of the investees' accounts, that is, without summing up, line by line, the balance sheets of the parent company and investees, eliminating all related-party account balances. At Itaúsa, the individual financial statements include Itaúsa's results and those derived from its investments stated under the equity method.

Joint venture: joining of companies to develop and carry out a specific project, in which the companies involved undertake to share management, profits and risks.

M&A: mergers and acquisitions are the acquisition or consolidation of companies, which may be in a full or partial basis (a portion of capital only). It involves a careful process to review and assess any related risks and opportunities.

Management: a term used to define the senior leadership of a company, composed of members of the Board of Directors and the Executive Board.

Payout: amount calculated by dividing the amount distributed as dividends/interest on capital by the company in one year by the earnings the company achieved in this same year. The payout amount may be used to ascertain if the company's policy is either to pay dividends or to reinvest profits and seek growth.

Price/book value: ratio of share price to book value. It indicates how higher the share price is in relation to the book value of a company. Amounts above 1.0 generally indicate the existence of more intangible assets for expected future growth.

Price/earnings: price/earnings per share. Ratio of the value of a company to the income generated during a given period. It is fairly used as an indicator for investment valuation and facilitates comparison between companies and sectors.

Rating: the outcome of an analysis on the securities issued by a company/government, which assesses the issuer's credit quality. Such opinion is usually expressed as a grade and followed by comments on the creditworthiness of the company/government under analysis. The most renowned international rating companies are Standard & Poor's, Moody's, and Fitch Investors Services.

Recurring net income: a company's net income composed only of the revenues, expenses, taxes and other entries derived from this company's normal operations. For analysis purposes, non-recurring events that

may make it difficult to analyze the performance are eliminated. These events may be a sale of assets, extraordinary gains or losses from the outcome of lawsuits, effects from acquisition and/or takeover of new business, among others.

Return on Equity (ROE): one of the most important return measures for company valuation. It is calculated through the ratio of the net income for a given period to the stockholders' equity.

Total Shareholder Return (TSR): the total shareholder return brought by a share, that is, the gain from appreciation of such share plus earnings (dividends and interest on capital).

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Sustainability consultant,
editorial coordination,
design and proof reading**
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