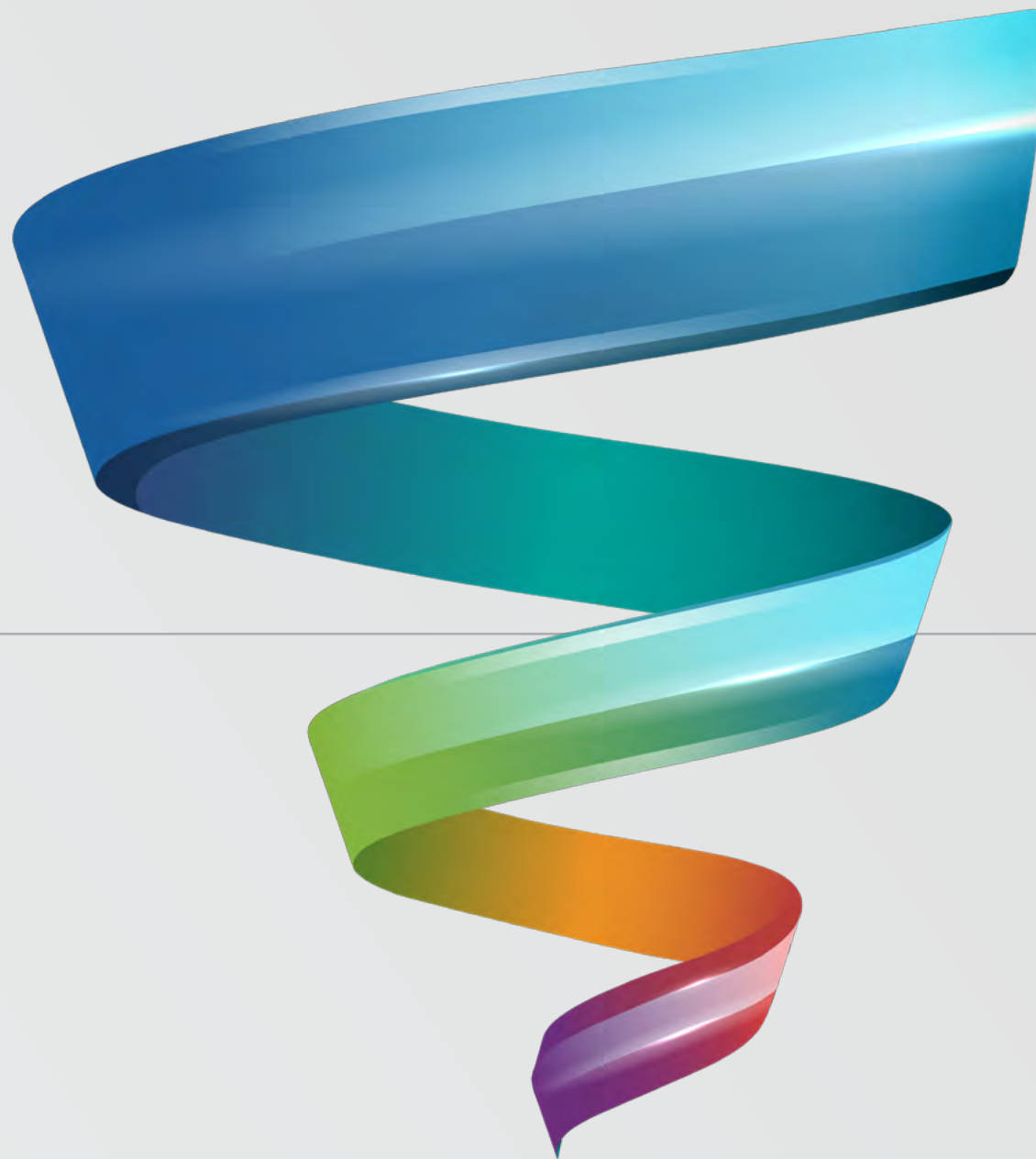


ITAÚSA

INTEGRATED REPORT 2018





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01 MESSAGE FROM THE MANAGEMENT

We proceed in our pursuit of sustainable value creation to our stockholders and society, attentive to investment opportunities.

... Message from the Management

As a holding company, our challenge is managing capital and investment portfolio efficiently, focused on the sustainable value creation to stakeholders.

Due to its relevant weight in our results, Itaú Unibanco remains our greatest asset – and will continue to do so. We are however attentive to other opportunities to increase our portfolio and bring attractive returns, and exceeds Itaúsa's cost of capital. We target well-established companies, with good cash generation, a consistent history of results, preferably that own recognized brands and operate in sectors with low execution and regulatory risks.

It is not our strategy to be the sole controlling stockholders in the business and, therefore, we seek to engage in consortiums with ethical and experienced partners in the areas of operation.

Regarding governance, our intention is to continue to have significant influence on investees through Shareholders' Agreements and by joining the Board of Directors and other Board of Directors' advisory bodies.

Each opportunity is diligently assessed by a very knowledgeable internal M&A team that counts on the support of top external advisors for applicable projects.

We have also strengthened the monitoring of the investees' performance and endeavored the best efforts so that companies with a consolidated position in our portfolio are able to raise their profitability and efficiency levels and exert increasingly more discipline in the use of capital.

Another concern of ours is ensuring that investees are aligned with good practices in people management – and for this reason we are part of the Personnel Committee, set up at Itaú Unibanco and Duratex, and the People Committee, set up at Alpargatas.

As part of the revision of our investment portfolio, we completed in 2018 the sales of the ownership interest held in Elekeiroz for R\$ 160 million and of the remaining 10.3% stake held by Itaútec in Oki Brasil. Constantly being on the alert to market opportunities and monitoring the discount level of Itaúsa's shares have led us to carry out buybacks of Company's own shares.

Our focus is also driven to improving management and governance, both internally and in our investees. Under this scenario, we have set up a permanent Fiscal Council, consolidated the structure of internal departments and the meritocracy culture, expanded our communication with investors and stockholders, strengthened our internal controls and risk management practices, completed the first cycle of Internal Audit work, and set up our independent Whistleblowing Channel.



HENRI PENCHAS

Chairman of the Board of Directors

Recent improvements in investees include the set-up of a permanent Fiscal Council at Itaú Unibanco, an IT and Digital Innovation Committee at Duratex, and Strategy, People and Finance and Audit committees at Alpargatas.

We have elected independent members for the Board of Directors and members for Committees at Alpargatas, our newest investee. We have also announced Mr. Roberto Funari as the new CEO beginning in January 2019. In line with the international market expansion strategy, we have brought knowledgeable executives with broad international experience to contribute with their expertise and speed up the performance of this strategy.

Our best efforts were driven to digital and disruptive transformation, which has been quicker in the financial sector, by closely monitoring both trends and threats, with the goal of keeping ourselves competitive and playing a relevant role in the areas in which our investees operate.

We have also strengthened our commitment to the environmental and social responsibility by encouraging investees to develop eco-efficient, groundbreaking and technological products and to adopt sustainable practices in their processes. This is a legitimate concern, that we share with investors, employees and stockholders, as we are aware of our role in society.

Our belief is such that we are part of the Sustainability Committee of our investees and make contributions to discussions that align their strategies in the face of the changes society has been going through, including cultural, environmental and social issues. Therefore, we make up the Dow Jones Sustainability Index (DJSI), alongside Itaú Unibanco, and the B3 Business Sustainability Index (ISE), alongside Itaú Unibanco and Duratex.

We also disclosed a relevant growth in dividends paid to stockholders, up 33% for quarterly dividends and a rise in payout that reached 94%, leading to one of the highest dividend yields in 2018 among companies listed on B3 – about 7.4%.

We are ready to face up the challenges and we reaffirm our confidence in the future of Brazil. After enduring a long recession, we expect to resume a – even if moderate – growth path, with actual interest rates under control and low inflation.

We assert, given this scenario, our belief in our strategy, one that prioritizes a sustainable portfolio growth and is supported by our team's ability to capture opportunities to provide our stakeholders with continuous value creation.



ALFREDO EGYDIO SETUBAL

CEO, Investor Relations Officer and
Vice-Chairman of the Board of Directors

02 INTRODUCTION

By seeking continuous improvement in terms of accountability, Itaúsa takes this opportunity to submit its first integrated report, thus strengthening the relevance of the organization's long-term vision.

... Reporting cycle

Itaúsa has published its annual report since the 1980s to inform all stakeholders about its performance, always committed to continuous improvement. With this goal in mind, as from this publication and reaping the benefits of our collective mindset, Itaúsa now unveils its performance in accordance with the integrated reporting model set out by the Integrated Reporting Council (IIRC), prioritizing long-term vision and systemic thought. As in previous years, this report was prepared in accordance with the GRI Standards, Comprehensive option. It was also subject to an independent assurance carried out by PwC.

This report discloses the actions taken in connection with the material topics identified in the materiality review process carried out in 2017 with stakeholders – efficient capital allocation, continuous improvement and shared culture (page 8). Itaúsa expects that related outcomes are disclosed in a more coherent and efficient way. Throughout this report, Itaúsa introduces its Business Model, evidencing the process adopted to create value to stockholders and society. See below the steps taken in our journey to submit this report.

Itaúsa's Board of Directors and top executives have been directly engaged to improve the Company's reporting process for the last two years. Early in this process in 2017, countless meetings and discussions were held to analyze, adjust and validate the results of the materiality and reporting process, taking into account global and local risk scenarios, integrated reporting principles and elements, and management's current maturity level to understand all these factors. Pursuing what it takes for a concise, material and interconnected content to meet the needs of our main stakeholders has become routine at Itaúsa. These efforts can be seen in this report.





Efficient capital allocation

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



Continuous improvement

- Improvement in controls, compliance and internal processes
- E&S impact on business portfolio
- Long-term vision in decision making
- Risk management beyond the financial aspect
- Ethics and advances in anti-corruption actions



Shared culture

- Influence on the strategy and governance of investees
- Investees' value creation capability
- Developing human capital in the Company (talent retention and development; health, safety, and well-being)

03 ITAÚSA

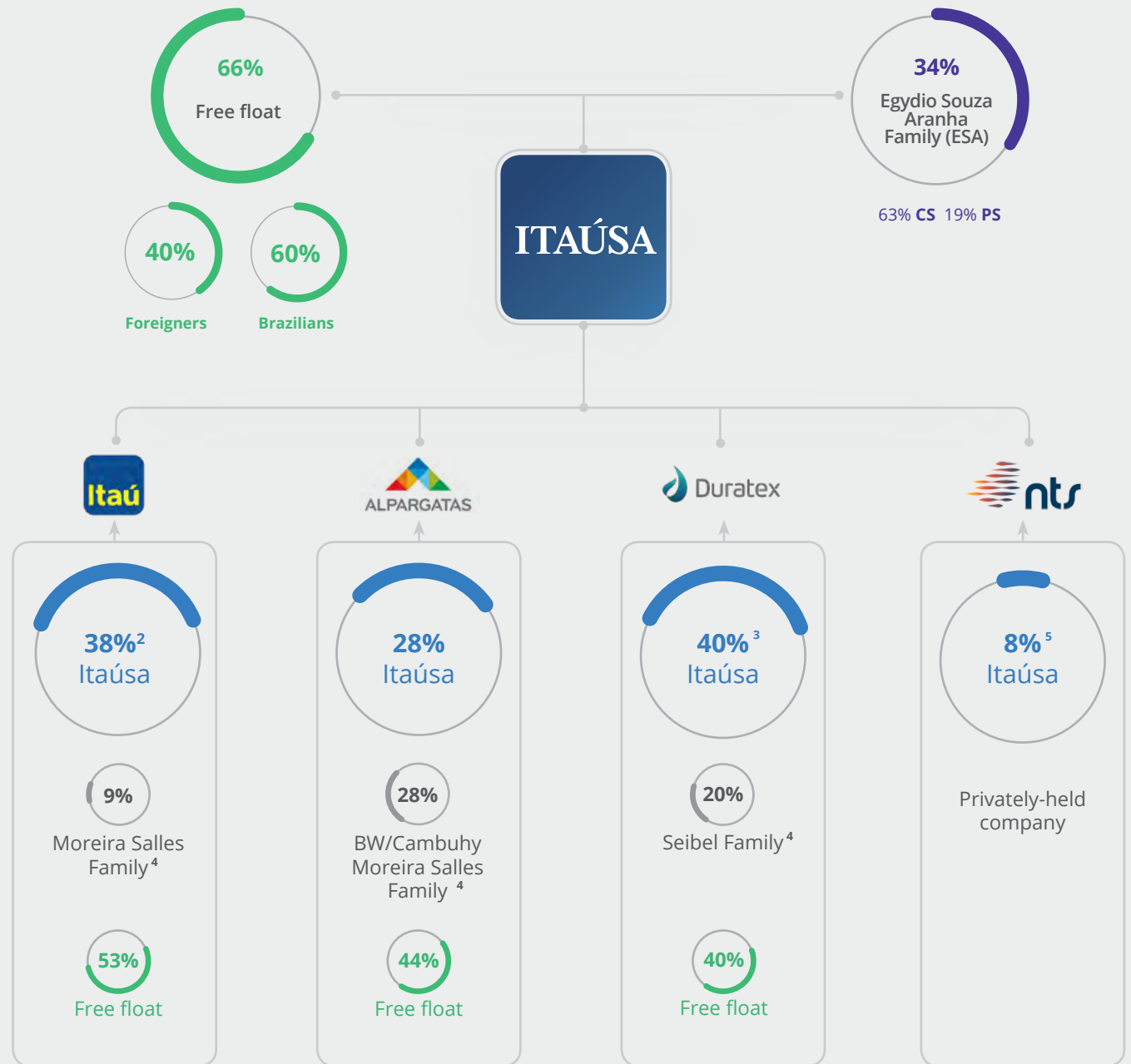
Guides the companies of its portfolio through their financial and strategic decisions, by sharing a culture of governance, ethical values, concerns about risk management and human capital appreciation, discipline in capital allocation and focus on long-term value creation.

... Ownership structure¹

Itaúsa – Investimentos Itaú S.A. is a holding company controlled by Cia ESA, which, through its representatives in the boards of directors and advisory committees of investees, seeks to guide the latter through their financial and strategic decisions and share its culture of governance and ethical values. By way of its engagement with investees, it also reinforces its concerns about risk management and human capital appreciation, with focus on sustainable value creation and ongoing discipline in capital allocation.

Furthermore, Itaúsa seeks to provide a favorable environment for investees to focus efforts with autonomy on their own activities and be able to define a vision for developing and managing their business.

Itaúsa's stockholders' agreement will be **renewed** for another 10 years as of 2019, ensuring our commitment to the longevity and strength of the Company.



1. These equity interests exclude treasury shares.

2. Corresponds to the direct and indirect equity interests (through IUPAR) of Itaúsa in the capital of Itaú Unibanco Holding. Itaúsa and Moreira Salles Family control Itaú Unibanco through IUPAR.

3. Includes the equity interest of the ESA Family.

4. Comprise the controlling group with Itaúsa.

5. Comprise the controlling group with Brookfield, GIC, CIC and BCIMC.

... Capital markets

Supported by good governance and corporate sustainability practices, Itaúsa, a publicly-held company, has its shares traded on B3 S.A. – Brasil, Bolsa, Balcão (B3) since 1977 and makes up the top market indexes and initiatives in Brazil and abroad.



Stock Exchange



ITSA4 and ITSA3



Differentiated Governance Level



Differentiated Corporate Governance Index (IGC)



Dividends Index (IDIV)



Tag Along Index (ITAG)



Corporate Sustainability



Dow Jones Sustainability Index (DJSI)



Business Sustainability Index (ISE)



Carbon Efficient Index (ICO2)



Carbon Disclosure Program (CDP)

Learn more about our financial statements on:

<http://www.itausa.com.br/en/financial-information/financial-statements>

... Itaúsa in numbers

Fiscal year 2018



Market value



Stockholders' equity*



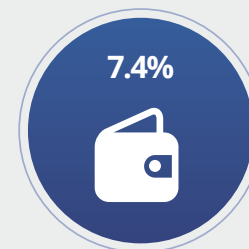
Net Income*



Stockholders base



Liquidity – average daily traded volume in preferred shares



Dividend yield



Dividends and IOC – 2018 base year

* Attributable to controlling stockholders.

... Main indicators

Results and balance sheet indicators	2018	2017	2016	2015	2014	2017 x 2018 change
Stockholders' equity (R\$ million)*	55,143	51,926	47,729	44,847	39,226	↑ 6.2%
Net income – Parent company (R\$ million)*	9,436	8,144	8,211	8,868	7,911	↑ 15.9%
Earnings per share (R\$)	1.13	0.99	1.01	1.09	0.98	↑ 14.1%
Book value per share (R\$)	6.56	6.32	5.86	5.49	4.83	↑ 3.8%
Return on Equity – ROE (%)*	18.2	16.6	17.7	21.2	22.1	↑ 160 bps

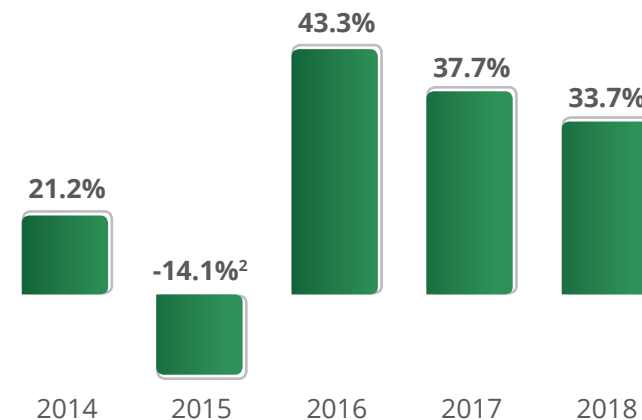
* Attributable to controlling stockholders.

Return to stockholders indicators	2018	2017	2016	2015	2014	2017 x 2018 change
Dividends incl. IOC from the year (R\$ million)	8,427	6,601	3,734	2,717	2,438	↑ 27.7%
Payout (%)	94.0	82.7	47.9	32.3	32.4	↑ 1,130 bps
Dividend yield (%)	7.4	4.4	7.0	7.4	3.6	↑ 300 bps

Market indicators (valuation)	12/31/18	12/31/17	12/31/16	12/31/15	12/31/14	2017 x 2018 change
Market value (R\$ million)	101,601	80,865	60,855	46,539	57,585	↑ 25.6%
Close price ITSA4 (R\$ adjustment, exc. div.)	12.08	9.74	7.40	5.59	6.93	↑ 24.0%
Price/Book value (in times)	1.8	1.5	1.3	1.0	1.4	↑ 0.3 times
Price/Earnings (in times)	10.7	9.8	7.3	5.1	7.1	↑ 0.9 times

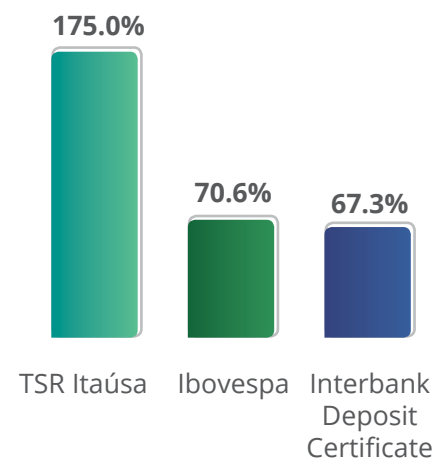
... Total stockholder return (TSR)¹

share appreciation + dividends in the period



1. Total stockholder return – equal to the close price of preferred share, divided by initial price, adjusted by dividends.
2. Affected by the stock exchanges drop by 13%.

... Return to stockholder in five years



TSR historically **above benchmarks**
(Interbank Deposit Certificate and Ibovespa)

... Itaúsa Portfolio

... Itaú Unibanco Holding

2018 Highlights

4,940 branches
in Brazil and abroad

+ Learn more on: www.itau.com.br

Market value: R\$342.0 billion



48,476 ATMs*
in Brazil
and abroad



+ 100,000
employees in Brazil
and abroad



49.7 million
retail clients



Operation in
19 countries



Social investments:
R\$631.0 million

* Includes PAEs (electronic banking service centers), banking retail stores with in-store banking, and Banco24horas.



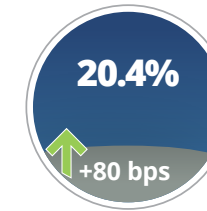
Operating
revenues



Net Income *



Stockholders'
equity *



ROE*



Total dividends
paid

Value added distribution: R\$ 63.6 billion



Government



Society



Employees

 Change in percentage compared to fiscal year 2017.
Figures in IFRS.

* Attributable to controlling stockholders.

Main investment held by Itaúsa and with units in the Americas, Europe and Asia, Itaú Unibanco is the largest Brazilian bank in total assets and the leading bank in Latin America in market value. Its brand is deemed to be the most valuable in Brazil by Interbrand, valued at R\$29.8 billion. As a universal bank, it serves about 50 million clients, either account or non-account holders, with a structure that counts on over 100,000 employees and about 5,000 branches in Brazil and abroad.

In 2018, Itaú Unibanco intensified actions around the strategic goals designed in the previous year, which are **customer satisfaction, digital transformation, people management, risk management, internationalization, and sustainable profitability**. Therefore, it seeks to serve client's increasing demands and expectations – an essential condition to be included in the same league as the world's best companies in consumer satisfaction. For this purpose, it has implemented a satisfaction measurement program, the Net Promoter Score (NPS), set up an open insurance platform, and launched "Pop Credicard" card machines for self-employed individuals, microentrepreneurs and small companies, and a digital branch for very small companies.

Along the same line, it will proceed with investments in its digital transformation. In 2018, over 11 million individual clients used the bank's digital channels and over 600,000 accounts were opened via the Abreconta app. Mobile apps received 318 updates, adding up over 40 new functionalities.

Itaú Unibanco has also invested in a series of internal initiatives to become increasingly more inclusive, by valuing differences between people and making the work environment more comfortable and productive to strengthen employee engagement.

The bank has strengthened corporate governance by approving the permanent operation of its Fiscal Council and creating the LatAm Strategic Council. Early in 2019, it set up the Social Responsibility Committee, aimed at defining strategies and monitoring the performance of social responsibility activities.

In 2018, it also completed the acquisition of 49.9% of XP Investimentos, thus strengthening Itaú Unibanco's business model and increasing the portion of service income via minority interests. Furthermore, in September 2018 it entered into a strategic partnership with Ticket that provided for a payment of capital, already carried out early in 2019, therefore enabling the bank to hold a 11% minority investment in Ticket, so that now the bank may add the benefits issued by Ticket to its wholesale, micro, small and middle-market clients.

At the end of the year, loan portfolio totaled R\$640.5 billion, 25% of which accounting for operations in Latin America*, excluding Brazil. Net income totaled R\$24.9 billion, up 7.4% from 2017, and ROE was 20.4%.

* Includes guarantees provided and private securities.



ItaúAsset
Management

Itaucard

Itaú BBA

Itaú
PERSONALITE

rede

Itaú
Itaú CorpBanca

2018 Highlights

19 plants –
16 in Brazil and 3 in Colombia

+ Learn more on: www.duratex.com.br

Market value: R\$8.2 billion



+26.1 million
Deca piece-sets sold



251,000 hectares
of planted forests



+2.7 million cubic
meters of panels sold



+11,000
employees



+5.3 million
sq. meters of
ceramic tiles sold



~R\$2 million
in social investments



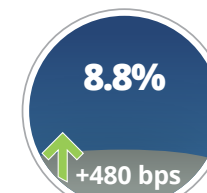
Net revenue



Net Income *



Ebitda*



ROE*



Total dividends paid

Value added distribution: R\$2.1 billion



Government



Society



Employees

Change in percentage compared to fiscal year 2017.

* Net income and ROE attributable to controlling stockholders. Increase in Ebitda and net income is also related to sale of land and forests to Suzano Papel e Celulose in 1H18.

A company in Itaúsa's portfolio since 1975, although already managed by the Egydio de Souza Aranha Family since its incorporation in 1951, Duratex is the largest producer of wood panels in the South Hemisphere and ranks among the leaders in the local market of bathroom fixtures and fittings, laminated floors and electric showers. With three business divisions – Wood, Deca,

and Ceramic Tiles –, its brands Deca, Hydra, Ceusa, Durafloor, and Duratex reflect quality, design, sustainability and cutting-edge technology. These brands provide clients and consumers with access to construction and decoration solutions for their homes, offices and other areas, with comfort and quality of life.

In addition to 16 plants in Brazil, including two ceramic tiles plants of newly-acquired Ceusa, the Company has three wood panel production plants in Colombia. It also owns 251,000 hectares of planted forests. This structure counts on 11,163 professionals, of whom 9,228 men and 1,902 women.

In 2018, Duratex advanced a process to change its culture (Way of Being and Doing), with the behavior and practices desired and encouraged in the Company cascading down all organizational levels, as well as its own strategic planning, “Duratex 2025”, under which it sets up four growth avenues: Digital Solutions, Environment Solutions, Water Solutions, and Forest Solutions. This strategy is aimed at the best returns and value creation by reducing costs, maximizing working capital, reducing net debt and increasing profitability, with priority given to the development of sustainable products customized to the client needs.

In line with its goals, the Company has worked with more discipline in capital allocation with a view to creating more value to stockholders. Therefore, the Company's investments were revalued and some moves were made over the year, among them the decision to contributing funds of R\$94 million, to be realized up to the end of 2019, for modernizing and designing production lines for Ceusa, thus increasing total production capacity to 11 million sq. meters per year (increasing capacity by 83%). Another highlight was the association with Austrian group Lenzing, with the set-up of a joint venture (JV) to build up a plant that, as from 2022, will house the world's largest individual production line of dissolving wood pulp. This investment will total approximately US\$1 billion, with Duratex and Lenzing holding 49% and 51% equity interests, respectively.

The Company has also revalued idle or low-return assets and adjusted the use of these assets. In the Wood division, it sold equipment for production of thin wood fiberboards and 30,000 hectares of forest assets surplus, totaling R\$1.1 billion. In the Deca division, it closed the electric shower plant in Tubarão (State of Santa Catarina) and transferred production to the Aracaju (State of Sergipe) plant. These operations have helped reduce financial leverage levels and improve operation efficiency.

Furthermore, in 2018, the wood panel unit in Itapetininga (State of Sao Paulo) resumed operations, which provided for the re-hiring of 90% of former employees. After a three-year suspension, mainly driven by the economic crisis, operation is already in full capacity. The successful resumption of this operation has provided for the temporary shutdown of the MDF production line in Botucatu (Sao Paulo) for purposes of modernization and technological updating. These operations represented one more step towards the optimization and efficiency of the Company's manufacturing complex.

 **Duratex** *Solutions for better living*

deca  | hydra  | ceusa  | durafloor  | duratex 



2018 Highlights

14 plants

+ Learn more on: www.alpargatas.com.br

Market value: R\$7.9 billion



Own operations in
20 countries



+ 210 million
Havaianas sandals
produced per year



Exports to over
100 countries



20,000
employees



R\$3.6 million
in social investments



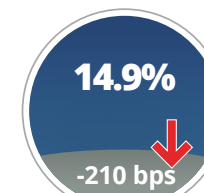
Net revenue



Net Income*



Ebitda



ROE*



Total dividends paid

Value added distribution: R\$2.5 billion



Government



Society



Employees

 Change in percentage compared to fiscal year 2017.

* Net income and ROE attributable to controlling stockholders.

Itaúsa's brand-new investment, Alpargatas is a Brazilian footwear and apparel company, showcasing a pioneering spirit in its DNA, which is expressed in the launching of products that both wonder and anticipate consumer needs. It has own operations, by way of offices and a sales structure in 20 countries, including Brazil, Argentina, the U.S., Colombia, Hong Kong, and a number of Europe-

an countries, in addition to the newly-built joint venture in India. The Havaianas brand, through which Alpargatas is a leader in the sandals segment, is sold in over 100 countries.

In 2018, the Company revised the Havaianas strategic plan, with the support of an expert firm that considered a plan to speed up the growth in foreign markets and capture growth leverages in the local market. As a response to this plan, the Company has set up a new operation structure to strengthen management based on divisions dedicated to each of the following markets: Brazil, Europe & Middle East (EMEA), North America, Asia Pacific (APAC), and Hispanic Latin America & Africa (LATAM). It also revised its portfolio and, accordingly, elected brands and operations to be given priority – which has led to the divestiture of the sporting goods business,

related to brand Topper in Argentina and in the world, and to brand Sete Léguas brand operating in the professional boots business, in January 2019.

Company has also experienced changes in its leadership, and from 2019 onwards it is led by a member of the Board of Directors, Mr. Roberto Funari, a professional with a distinguished international career in global brands and who has held a number of top leading positions. Executive Julian Garrido Del Val Neto, a professional with a successful career in the Finance area, having held leading positions in global companies, took office as the CFO, Investor Relations and Strategy Officer in the middle of the second half of 2018.

At the end of 2018, the Company counted on 19,911 employees, of whom 15,166 men and 4,745 women professionals.



havaianas®



OSKLEN



2018 Highlights



+2,000 km
of gas pipelines in
Brazil's Southeast
region



~50% of gas
consumed in Brazil
is transported
by NTS



+158 million
cubic meters of capacity
contracted/day



R\$8 million
in social investments

Acquired in 2017, NTS* carries natural gas through a system of gas pipelines, and operates in the states of Rio de Janeiro, Minas Gerais, and São Paulo, which account for approximately 50% of the consumption of gas in Brazil. This system is connected with the Brazil-Bolivia gas pipeline, LNG terminals, and gas processing plants.

NTS operates long-term permits with 100% of the capacity contracted of over 150 million cubic meters of gas/day, under ship-or-pay contracts. In 2018, NTS rescheduled its debt by taking a more attractive financing, which led to the redemption of debentures issued in April 2017.

+ Learn more on: www.ntsbrasil.com



Net revenue



Net income



Total dividends paid

* Investment not stated under the equity method.
Change in percentage compared to fiscal year 2017.





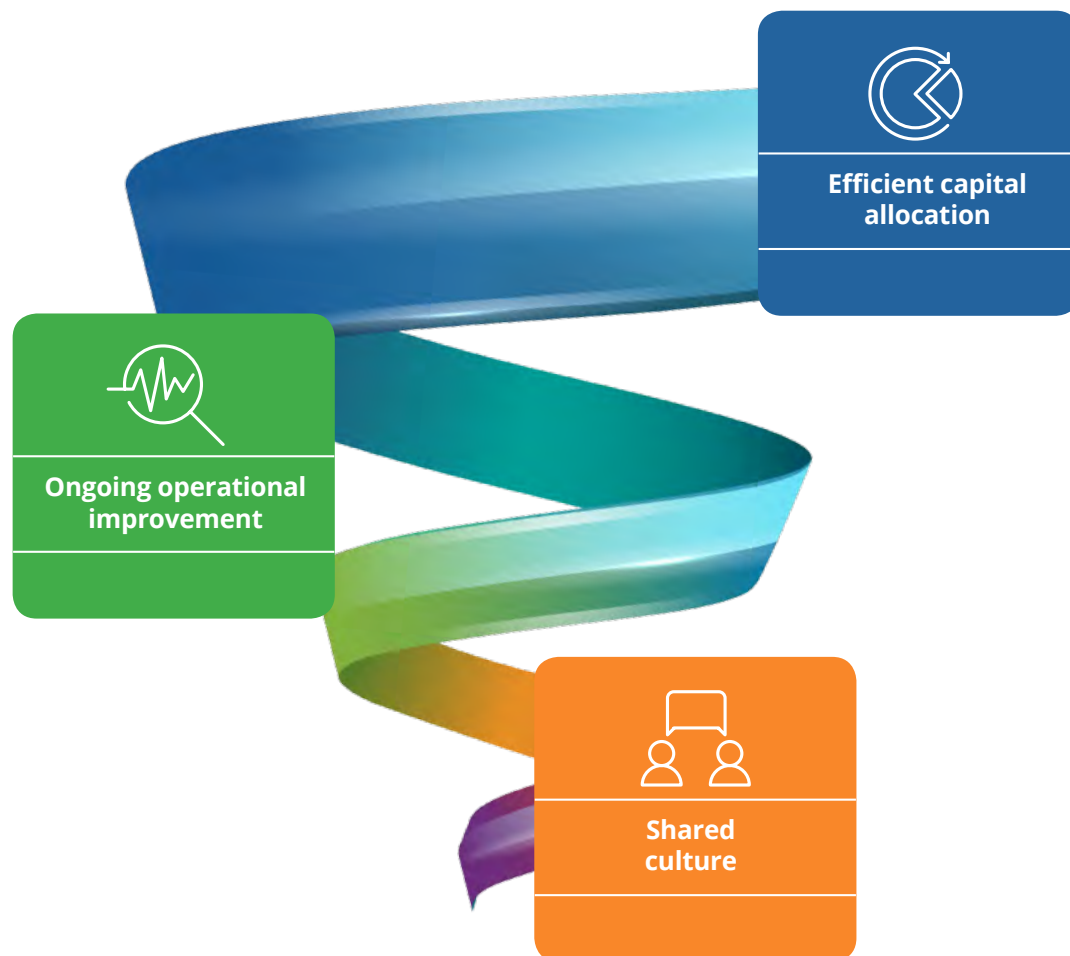
04 VALUE CREATION

Itaúsa is constantly focusing attention on creating value to its stakeholders, and seeks to achieve this goal through an efficient capital allocation and the application of its long-term vision focused on strengthening the management of the investees and sharing good governance, risk management, ethics and efficiency and sustainability.

... Contribution to value creation

The tripod in the image below represents Itaúsa's operating methods. The holding seeks to carry out an efficient capital allocation process being careful and disciplined in evaluating the **best use of capital**. Through its representatives in the investees' Boards of Directors and other gov-

ernance bodies, it also seeks **continuous improvement and culture sharing**, including its governance expertise, transmitting its ethical values and reinforcing its concerns about risk management, value creation to stakeholders and human capital appreciation.



Main Itaúsa's influences on investees (through the Board of Directors and committees)

- Guidance on financial and strategic decisions.
- Sharing of governance culture, ethical values, human capital appreciation and discipline in capital allocation.
- Nomination of CEOs and independent members for the committees.
- Approval of nominations for the investees' management.
- Definition of CEO's compensation and targets.
- Discussion, approval and monitoring of the investees' business plan.
- Discussion on sustainability trends and assessment of implementation in the companies.

... Efficient capital allocation

The focus of the portfolio management strategy adopted by Itaúsa is creating value to stockholders based on the discipline in the use of capital, aiming at increasing profitability and diluting risks. This continuous portfolio assessment process takes into account strategic and competitive differences of the companies of its portfolio, in accordance with the capacity for sustainable value creation to stakeholders, and the constant concern about preservation of ethical values.

Itaúsa counts on the New Business Office to analyze potential investments or sales of companies of its portfolio, which supports the capital allocation process.

This Office develops the investment rationale for each potential business and discusses it with the Investment Committee. Depending on the project, the New Business Office counts on the support of top external advisors. Itaúsa's Board of Directors is the governance body responsible for the final decision about the project.

In order to support the analysis of its portfolio value creation, Itaúsa has an investment monitoring department whose purpose is to ensure that the investees' performance is in line with the expected results. This monitoring process takes place by means of financial and operational analyses, together with value creation metrics that take into consideration the opportunity cost of the capital invested.

 103-2: Economic performance | 103-3: Economic performance

Transactions carried out by Itaúsa in the last two years:

2017 Acquisition



7.65% interest in Nova Transportadora do Sudeste S.A. (NTS), in whose Board of Directors it has a representative



27.12% interest in Alpargatas, which is jointly controlled with BW and Cambuhy

2018 Portfolio review



Sale of interest in Elekeiroz for **R\$160 million**

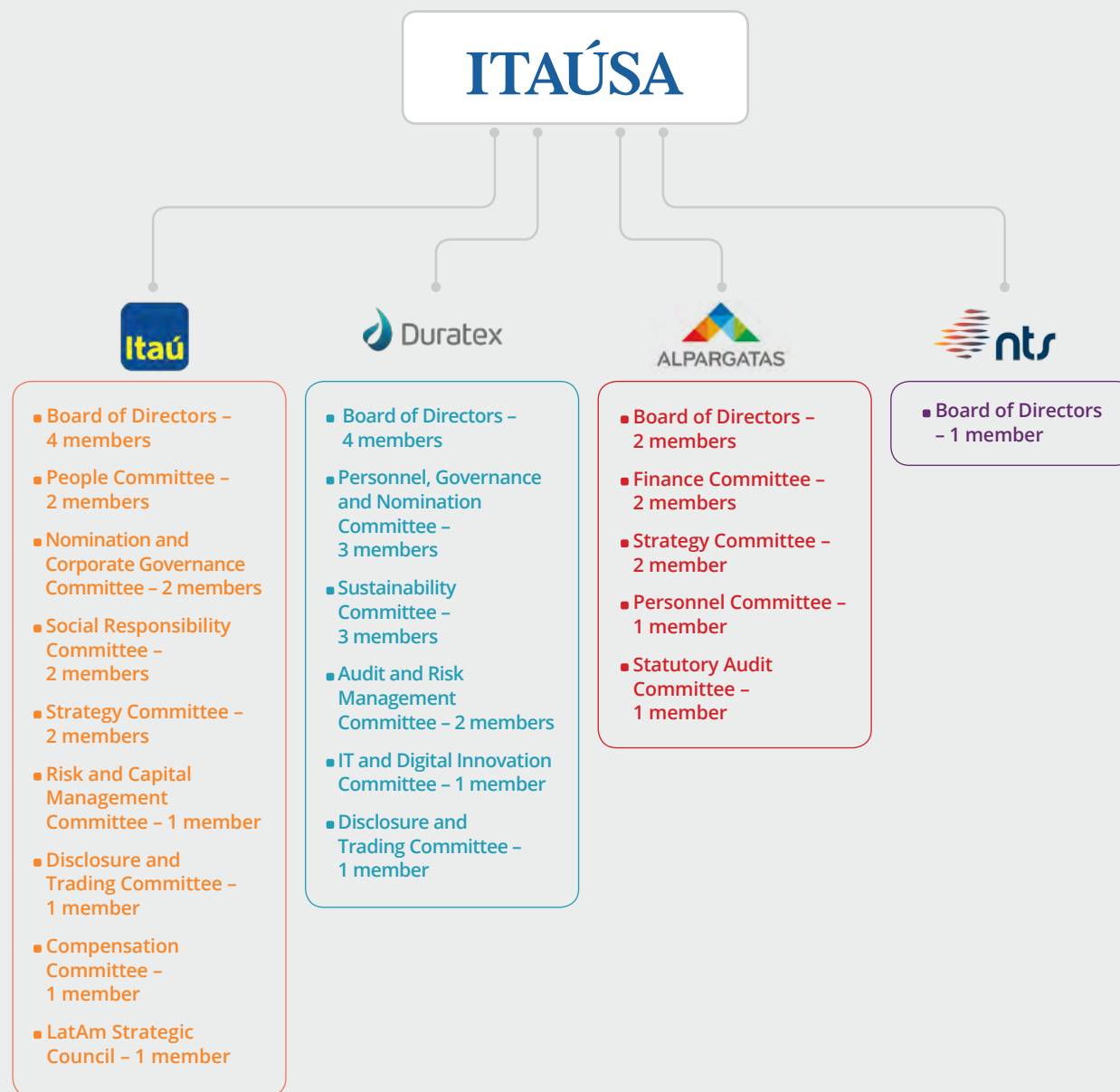


Sale of the remaining **10.3%** stake held by Itaotec in Oki Brasil

.. Influence on investees

In 2018, the members nominated by Itaúsa for the investee's governance bodies attended to more than 230 meetings, and were able to exercise their influence and foster **efficient capital allocation, continuous improvement and culture sharing**. Additionally, for Itaúsa's investments jointly controlled with other partners, previous partner meetings are held in order to align the main guidelines of the companies. In this context, 27 meetings were held with the ESA family and the Moreira Salles family, for Itaú Unibanco and Alparagatas investments, and with the ESA family and the Seibel family, for Duratex investment.

In the end of 2018, Itaúsa was represented in its investees as follows:



... Developments in investees

These operation methods bring practical results. The most significant corporate governance and strategy developments in the last two years were:



- The Fiscal Council operates on a permanent basis.
- Set up of the Digital Advisory Board and LatAm Strategic Council.
- Set up of the new Stockholders' Remuneration Policy in 2017.
- Creation of the Social Responsibility Committee in 2019.
- Acquisition of minority interest in XP Investimentos.



- Creation of the IT and Digital Innovation Committee in 2017.
- Internal restructuring aimed at operational efficiency and focused on better use of assets, resulting in the announcement of the joint venture with Lenzing and Ceusa's capacity expansion, the sale of forests and excess land, and non-priority assets.



- Election of new CEO and independent members for the Board of Directors to work as coordinators in the committees.
- Set up of the Strategy, Personnel, Finance and Audit Committees in 2017.
- Redesign of Havaianas' organizational structure focused on internationalization.
- Set up of the Alpargatas India joint venture to develop the Havaianas business.
- Revision of strategic planning, resulting in the sale of the Topper and Sete Léguas brands.
- External consulting to support strategy and management; new Bylaws and Stockholders' Agreement.

... Types of capital

Itaúsa's Business Model allocates a number of different types of capitals that relate to each other so that the Company's objectives are met. The types of capital regarded as the most relevant for Itaúsa's Business Model are:



Financial

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



Human

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



Reputational

Solid corporate and organizational reputation that guides the business and the actions for investments.

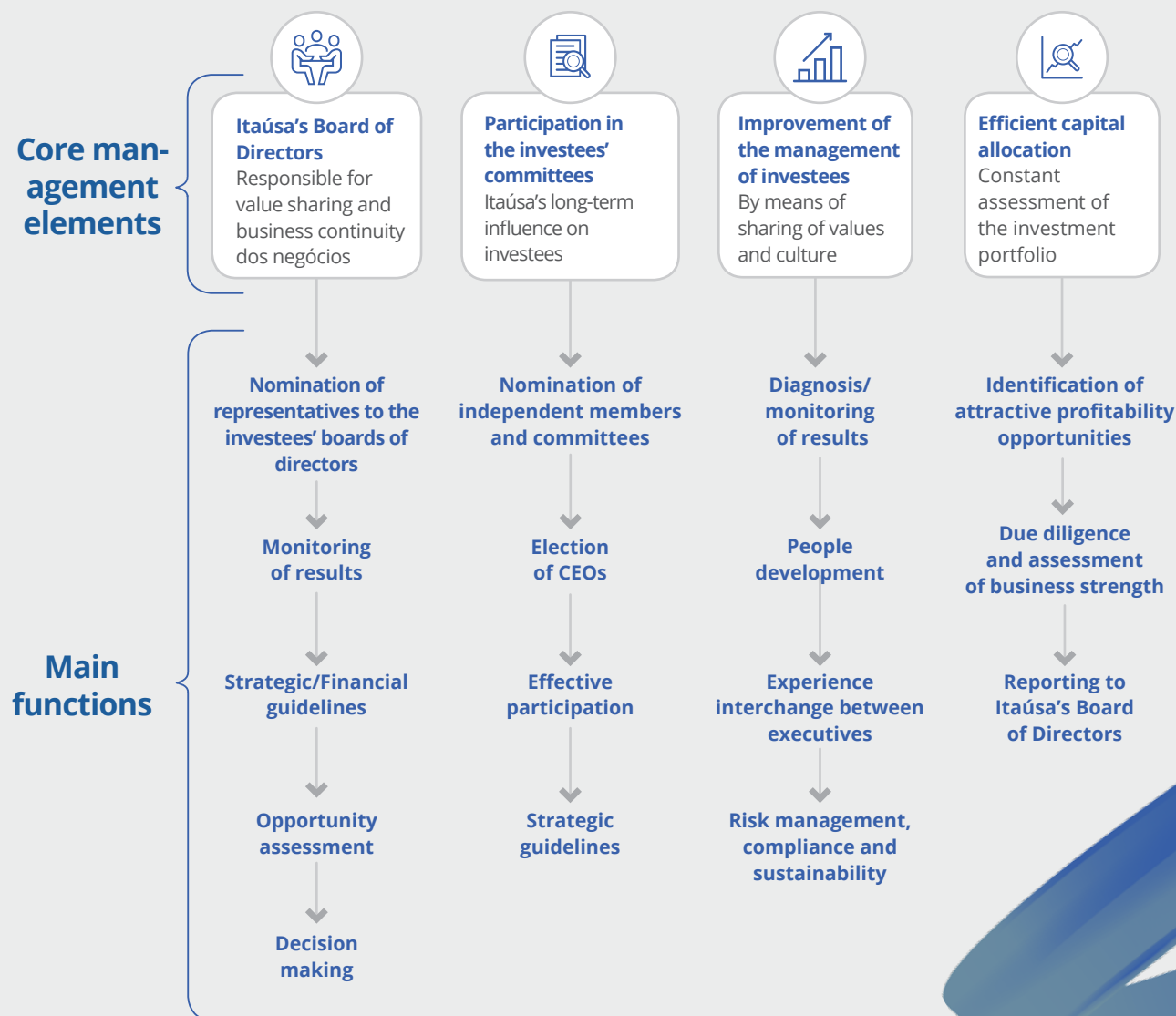


Intellectual

Knowledge, ability to develop investees and brands that are strong and recognized in the domestic and foreign markets.

... Core management elements

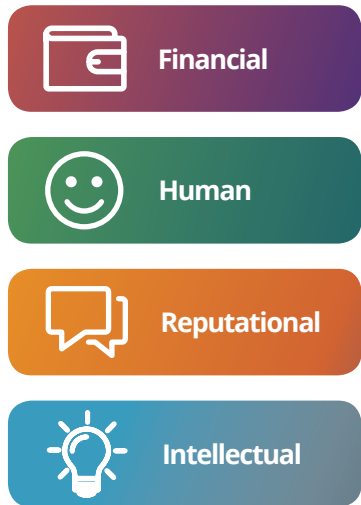
Based on the value creation proposal discussed with Itaúsa's senior management, the Company developed its Business Model, including its operating methods and relationships with the companies in its portfolio, which is supported by the core management elements below:



... Business Model

The Business Model presents to stockholders the alignment of Itaúsa's performance with its strategic goals, as well as the methods adopted for contributing to the investees' financial stability and business sustainable development.

Prioritized types of capital



Core management elements



Results

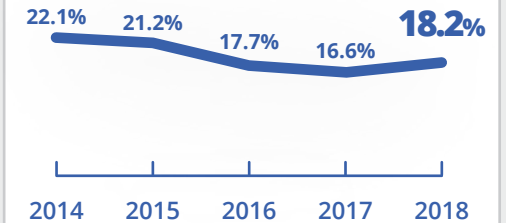
Value to stockholders

- Long-term investment profitability
- Return on invested capital
- Market value
- Investees' added value
- Human capital
- Soundness and ethics in business
- Trademarks and patents
- Products and services adequate to consumers
- Social and cultural investments
- Sustainable use of natural resources
- Job and income generation
- Taxes paid

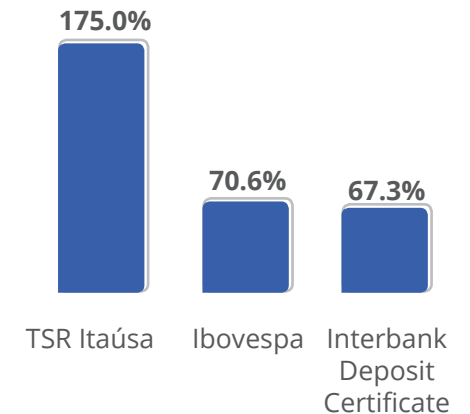
Value to society

Value Creation

... Change in ROE



... Return to stockholders in five years



Stakeholders



Controlling stockholders



Stockholders and investors



Employees



Customers

Government

Society

Regulatory bodies

05 FINANCIAL CAPITAL

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



... Scenario

According to IMF's estimates disclosed in January 2019, global economy should grow by 3.7% in 2018, in spite of some significant economies underperforming, particularly in Europe and Asia. Itaú BBA's estimates disclosed on February 6, 2019 support this scenario, pointing out to the U.S. economy growing 2.7% in the period of four quarters up to September 2018, an improvement compared to 2.2% recorded in 2017. The Euro Zone grew 1.8% in 2018, following the 2.4% posted in 2017. China's growth slumped to 6.6% in 2018. The IMF also forecasts a slowdown in global GDP in 2019, driven by a projected slower growth of richer economies and a lower expansion in emerging and developing economies, as a result of economy shrinking in Argentina and Turkey.

In the domestic scenario, GDP rose 1.0% in 2017 and reached 1.1% in 2018. This figure is construed as an improvement from the results posted between 2015 and 2016, years overshadowed by economic contraction. Regarding labor market, unemployment rate is 11.6% in the quarter ended in December 2018, from 11.8% in the same period of 2017, as measured by the Pnad Continua (Continuous National Household Sample Survey).

Inflation measured by IPCA reached 3.75% in 2018, from 2.9% in 2017, below the set-up target for 2018. Currently well-controlled inflation and economic activity below expectations have allowed a more flexible monetary policy and should contribute for interest rates to remain at low levels. The Central Bank of Brazil started a cycle of cuts in interest rates in October 2016 and since then the Selic interest rate has been reduced to current 6.50% per year from 14.25%, and should not be higher than 8% up to 2022, according to forecasts disclosed in Focus Market Readout of February 8, 2019.



... Scenario in the sectors/ industries in which investees operate



... Financial sector

Following years of declining Brazil's GDP – 6.7% between 2016 and 2017, mainly driven by a decline in household consumption – in which the decrease in loan portfolios have demanded adjustments to the efficiency and structure of banks, Brazil is expected to resume growth in coming years. According to experts' opinions and expectations disclosed by the Focus Market Readout of the Central Bank of Brazil, GDP should record a modest growth in 2018, escalating to annual growth rates of at least 2.5% in the next four years, which should favor the business environment and therefore the financial sector.

Long-term outlooks for this sector add up to this political and economic scenario accordingly. Data from the Central Bank of Brazil point out that, over 2018, default rates returned to low levels, which allows for a more robust credit expansion given the increased demand from both individuals and companies. In response to these credit recovery signals, the volume of loans are expected to increase, as well as the more pressure on banking spread.

Fintechs promoted changes in the future of the financial sector and in the way financial products and services are offered to customers. Under this scenario, being agile, adaptable and attentive to consumers' new demands are essential to the sector players.

The expected scenario of falling interest rates, greater economic stability and pension reform have caused the Brazilian population, traditionally small savers when compared to other countries, to increase their level of savings and seek out alternatives to conventional investments. Figures disclosed by B3 S.A. – Brasil, Bolsa, Balcão (B3 – Brazilian Exchange and OTC ("B3")) and by the National Treasury ('Tesouro Direto'), with consecutive records of active investors, illustrate the increased demand for investments and diversification, which, together with lower interest rates, should heat up the market of debt bonds and boost the demand and origination of new investment products.



... Civil construction industry

Civil construction is one of the most representative industries in Brazil, accounting for 8.6% of Brazil's GDP and exerting direct and indirect impact on the economy, in addition to its prominent role in creating job opportunities. The strong momentum for economic growth between 2008 and 2012, driven by credit available at attractive low interest rates that boosted the real estate market, was followed by consecutive falls, with an overall 20.1% reduction in the sector between 2014 and 2017. Reduced investments, rise in unemployment, rise in interest and inflation rates, in addition to political turmoil, have contributed build a macroeconomic scenario full of instability, thus holding back the economic activities in this industry.

2018 was a year populated by political uncertainties and slow economic recovery, with inflation rates kept under control and a drop in interest rates more intense than expected, closing the year at 6.4%. Civil construction businessmen' confidence has gradually improved over 2018, from 80.3% in September to 84.7% in November 2018, the highest level since January 2015.

Market prospects for 2019 regarding the new government are optimistic, with real GDP growth forecast, still low and stable inflation and low interest rates. Industry experts forecast a 1.3% increase in civil construction GDP, signaling a positive change in direction that will rely on the implementation of public policies (housing and infrastructure) and the actual recovery of jobs and income.



... Footwear industry

After consecutive years of economic downturn, the footwear industry, which plays a significant social and economic role in Brazil, is expected to record growths from 4.5% to 6.6% in 2018, reaching approximately R\$23 billion, in a market that consumes over 900 million pairs every year, according to Abicalçados, the Brazilian footwear association.

Prospective improved conditions in the Brazilian economy, already noted in 2018 and expected for coming years, should generate a positive impact on footwear consumption. We highlight two signals perceived early in 2019: (i) consumer confidence index (CCI), as measured by the Getulio Vargas Foundation (FGV) and a significant benchmark for the entire consumer goods industry, has been reporting the highest levels for the last four years after the period of elections; and (ii) GDP forecasts pose an upwards trend for coming years, as disclosed by the Focus Market Readout. These indices signal a sales recovery in the domestic retail footwear market, which should be more robust between 2020 and 2022, according to a sector report issued by Lafis.

On the other hand, this recovery in the domestic market may stir up competition with imported

products in certain segments. Brazil today accounts for 4% to 5% of the world production and 80% of national production is intended for domestic consumption. Changes in competitive environment will require Brazilian companies to become more efficient to keep the competitiveness of an industry that employs over 250,000 Brazilians, according to data from the Ministry of Labor.

The advancement of the worldwide footwear market is also outstanding, considering market estimates that indicate the consumption of approximately 20 billion pairs of footwear in 2018. Such estimate suggests an annual average growth above 2.5% in the last three years, according to data from the Sector Report 2018 of Abicalçados. Furthermore, this report indicates that Asia's largest economies, such as China, India, Japan and Indonesia, are not only among the largest consumers, but also among the markets recording the highest growths. The list of largest consumers is added by the U.S. and the largest economies of the European Union. Accordingly, this industry is expected to grow in the near future, as its potential consumption is tied to the dynamics of GDP and income.



... Natural gas industry

Natural gas is deemed to be a transition fuel in power generation, replacing mostly coal, and has an increasingly remarkable role in the energy matrix. The share of natural gas in the Brazilian energy matrix has been growing to reach about 12% in 2018, from just 1% in 1980, though still below the world average of 25%. Based on the high productivity of Brazilian reserves, Empresa de Pesquisa Energética (EPE) calculates that the natural gas offering will increase to 59 million cubic meters/day by 2026, from currently 43 million cubic meters/day.

The Brazilian gas market is basically served by domestic production, imports from the Brazil-Bolivia gas pipeline, imports via natural liquefied gas (NLG) ship carriers, and by a small portion coming from Argentina. Major gas consumers are the industrial, thermo-electric (power generation and co-generation), automotive, household and commercial segments.

The development and consolidation of a regulatory framework for the natural gas sector is in progress. The new Gas Law (2009), providing for and regulating the gas transportation segment, has been supplemented by ANP, the Brazilian agency for oil, natural gas and biofuels, by way of a new law based on the Gás para Crescer (fuel for growing) program – still under review at the Brazilian Congress. If enacted, this law will provide for market deregulation, making it more competitive. Noteworthy is the fact that for contracts in force, a basic neutrality assumption is in place and, therefore, significant changes are not expected until after the expiration of each contract.



...Prospects for Itaúsa's investees in the medium term

In view of this scenario, investees have included these new market prospects in their strategies to take advantage and achieve positive outcomes in future results.

Itaú Unibanco, as it reduced NPL rates in recent years and took advantage of the economic recovery, should increase credit granting particularly to consumers (individuals), real estate and very small, small and medium-sized companies. Moreover, areas such as asset management and investment banking should also experience recovery, together with capital markets, thus becoming significant source of value creation in the medium term. With the set-up of the Digital Advisory Board and the evolution of Cubo, a pioneering initiative in Brazil, Itaú Unibanco has increasingly connected with brand-new technology developments and worldwide fintech trends.

Based on the prospective recovery of the real estate industry, jobs and income, **Duratex** has sought to speed up initiatives to review its portfolio, by focusing on the

production and sale of more value-added products. The Company has implemented some internal initiatives that have brought gains in operational efficiency and cost reduction that, together with the expected recovery of the domestic economic activity, should impact sales and profitability in coming years.

Based on the prospective estimates of the footwear sector, in 2018 **Alpargatas** revised its strategic planning to focus on the internationalization of the Havaianas brand in geographical locations to be served by dedicated structures and on the strengthened capture of new growth leverages in Brazil. Aligned with the scenario expected for the footwear industry in the near future, this new structure will help strengthen the Company's position in the world's footwear market.

NTS remains in a good position as a significant link in Brazil's gas logistics chain, an integral part of the Brazilian energy matrix. Brazil's economic growth expected for the coming years should cause energy demand to increase, and NTS,

operating in the main industrialized and highly populated regions of our country, may take advantage of this growth. Furthermore, we do not anticipate any risks that may affect the continuity of long-term permits in effect.

... Composition of assets

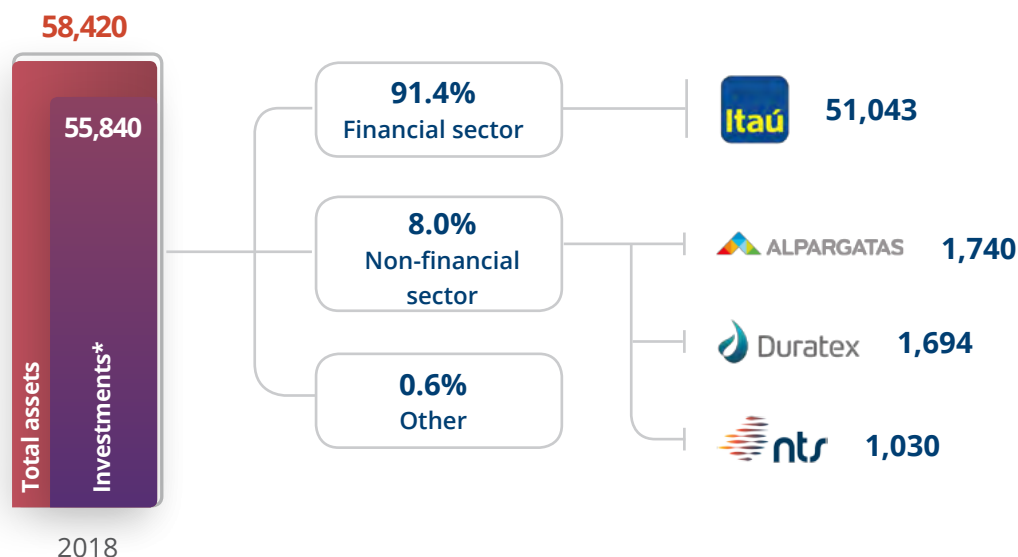
Itaúsa's assets are basically composed of investments made in companies of its portfolio, with highlight to the financial sector, which concentrates the Company's highest investment, Itaú Unibanco. Equity interests held in Duratex, Alpargatas, and NTS are investments made in non-financial sectors.

In line with the continuous monitoring of the investees' performance and based on the investment portfolio revision strategy, as well as focusing on profitability and better use of capital, in 2018 Itaúsa sold the total equity interest it held in Elekeiroz, a chemical sector company, for R\$160 million. Also in 2018, Itaútec sold the remaining stock of 10.3% held in Oki Brasil.

Itaúsa's current portfolio, at book value, is composed as follows.

... Total assets

R\$ million – individual balance sheet



* Includes investment in NTS not booked under the equity method.

Unique financial features

- High liquidity
- Low indebtedness
- Robust and consistent cash flow free
- High dividend yield

... Composition of liabilities

individual balance sheet

On December 31, 2018, Itaúsa's individual balance sheet is mainly composed as follows:

- Dividends payable, including interest on capital payable, in the amount of R\$408 million.
- Debentures issued in 2017, totaling R\$1.2 billion, accounting for about 2% of total liabilities and stockholders' equity at the end of 2018.
- Tax contingencies basically related to a controversy concerning the PIS/Cof-ins rate levied on income from interest on capital totaling R\$1.3 billion on December 31, 2018.

Itaúsa's stockholders' equity was R\$55.1 billion on December 31, 2018.

... Results

attributable to controlling stockholders

Share of income attributable to controlling stockholders comprises a significant portion of Itaúsa's results and is calculated based on the performance of its investees. In 2018, recurring share of income totaled R\$9,790 million, up 6.4% from 2017. The financial sector had accounted for the largest share, in the amount of R\$9,394 million.

	2018	2017	Change
	R\$ million	R\$ million	
Financial sector	9,394	8,868	5.9%
Non-financial sector	362	304	18.9%
Alpargatas	11	48	-77.1%
Duratex	99	66	49.1%
Itautec	(7)	(23)	69.6%
NTS*	259	213	21.6%
Other companies	34	33	3.0%
Total recurring share of income	9,790	9,205	6.4%

* The investment in NTS is not booked under the equity method. Includes dividends/ interest on capital, adjustment to fair value of shares, interest on debentures convertible into shares, and expenses on the time installment in foreign currency (includes impact of exchange variation).

... Expenses

Itaúsa's main expense refers to tax expenses, which totaled R\$308 million and basically comprises PIS/Cofins levied on income from interest on capital received from investees.

In November 2008, upon the Itaú and Unibanco merger, Itaúsa and the Moreira Salles family granted to IUPAR (the company incorporated to control Itaú Unibanco) shares of Itaú Unibanco's capital stock, establishing the usufruct of dividends/ interest on capital for a 10-year period, which elapsed in November 2018. With the termination of such usufruct, the financial impact in 2019 arising from the additional payment of PIS/Cofins is estimated at about R\$120 million (cash effect).

General and administrative expenses totaled R\$80 million and comprise the Company's staff structure, expenses on advisory services to support M&A projects, and technology and insurance expenses in connection with lawsuits.

	2018	2017	Change
	R\$ million	R\$ million	
Share of income	9,790	9,205	6.4%
Results of Itaúsa	(470)	(418)	-12.4%
Financial income/expenses	(88)	(68)	-29.4%
Administrative expenses	(80)	(53)	-50.9%
Tax expenses	(308)	(308)	0.0%
Other operating revenues/expenses	6	11	-45.5%
Income tax/ social contribution	46	74	-37.8%
Recurring net income	9,366	8,861	5.7%
Non-recurring results	70	(717)*	109.8%
Consolidated income	9,436	8,144	15.9%

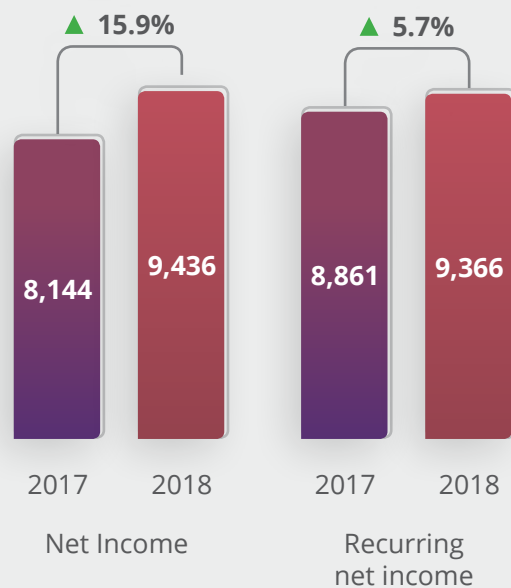
* Mainly impacted by non-recurring results of Itaú Unibanco arising from buyback of treasury shares (R\$403 million), and provisions for contingencies (R\$123 million) and expenses on integration of Citibank business (R\$103 million).

... Net income

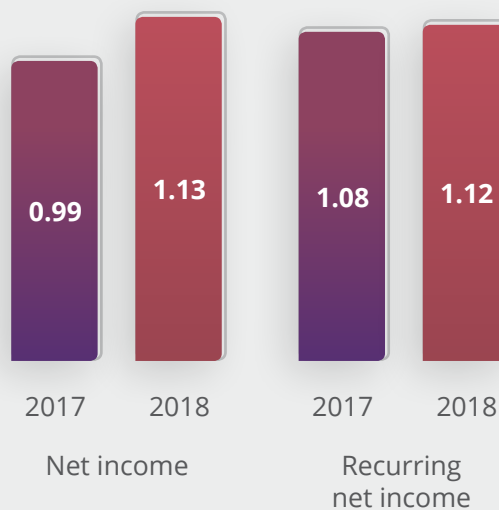
Itaúsa's net income* totaled R\$9.4 billion in 2018, up 15.9% from the previous year. This result was impacted by some non-recurring events, among which we highlight the transfer of treasury stock in Itaú Unibanco, the sale of Elekeiroz by Itaúsa, the sale of Duratex's forest assets, and the effects of the disposal of business in Argentina by Alpargatas.



R\$ million



R\$ per share



* Attributable to controlling stockholders.

... Return to stockholders

As a result of our strategy, we seek an active, effective invested capital management aimed at long-term value creation. For our stockholders, this principle comes into fruition in two ways: share appreciation and payment of higher dividends.

... Dividends

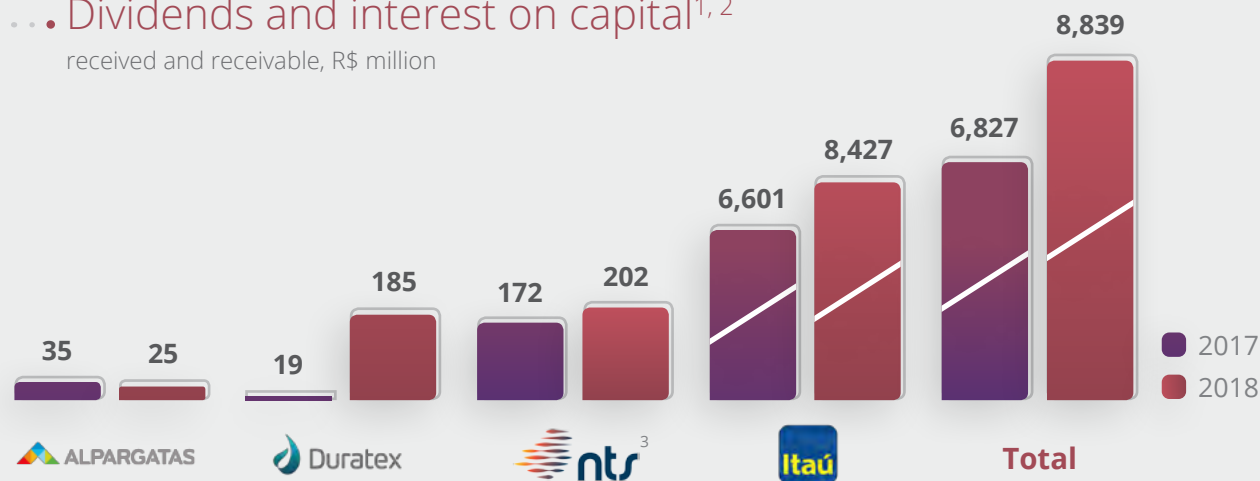
Dividends paid to Itaúsa's stockholders basically derives from inflows of dividends and interest on capital received and receivable from investees, which totaled R\$8.8 billion in 2018.

In 2018, Itaúsa increased quarterly dividend by 33.3%, as stockholders now receive R\$0.02, from R\$0.015, per share in connection with the third quarter of 2018. This resolution was taken at the Board of Directors' meeting held on November 12, 2018.

It is a practice adopted by the Company to fully transfer to stockholders the portion of gains from investments made in the financial sector. Amounts received from other investees have remained in cash to defray the costs of the Holding Company's administrative and financial expenses. In November 2018, Itaúsa approved its Stockholders' Remuneration Policy, thus increasing the transparency of the rules governing the distribution of dividends over the year.

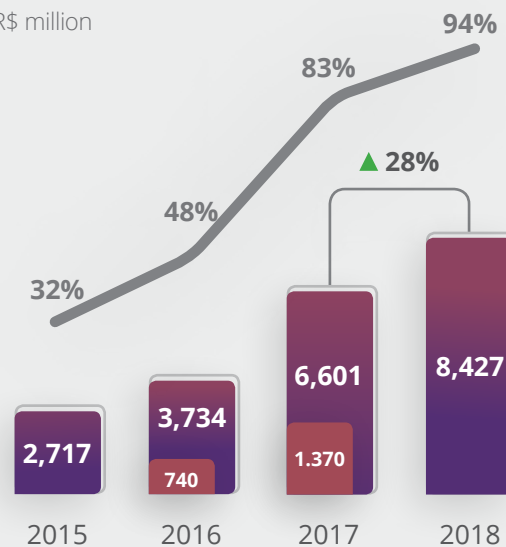
... Dividends and interest on capital^{1, 2}

received and receivable, R\$ million



... Dividends, interest on capital and payout³ paid and payable

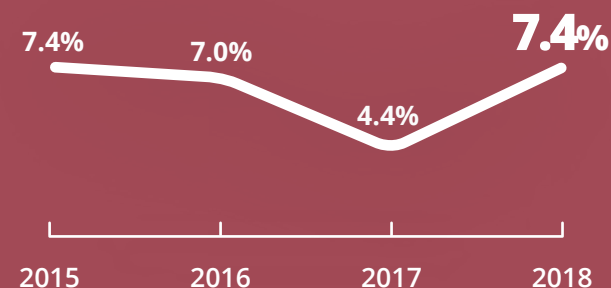
R\$ million



- Dividends and interest on capital
- Capital call
- Payout

... Dividend yield⁴

(%)



¹ Refers to individual balance sheet. 2018 base year.

² Interest on capital, net of withholding income tax.

³ Includes capital decrease, approved by NTS's Meeting held on August 6, 2018.

⁴ Dividend yield includes dividends/ interest on capital paid in the last 12 months, divided by close price.

... Share appreciation

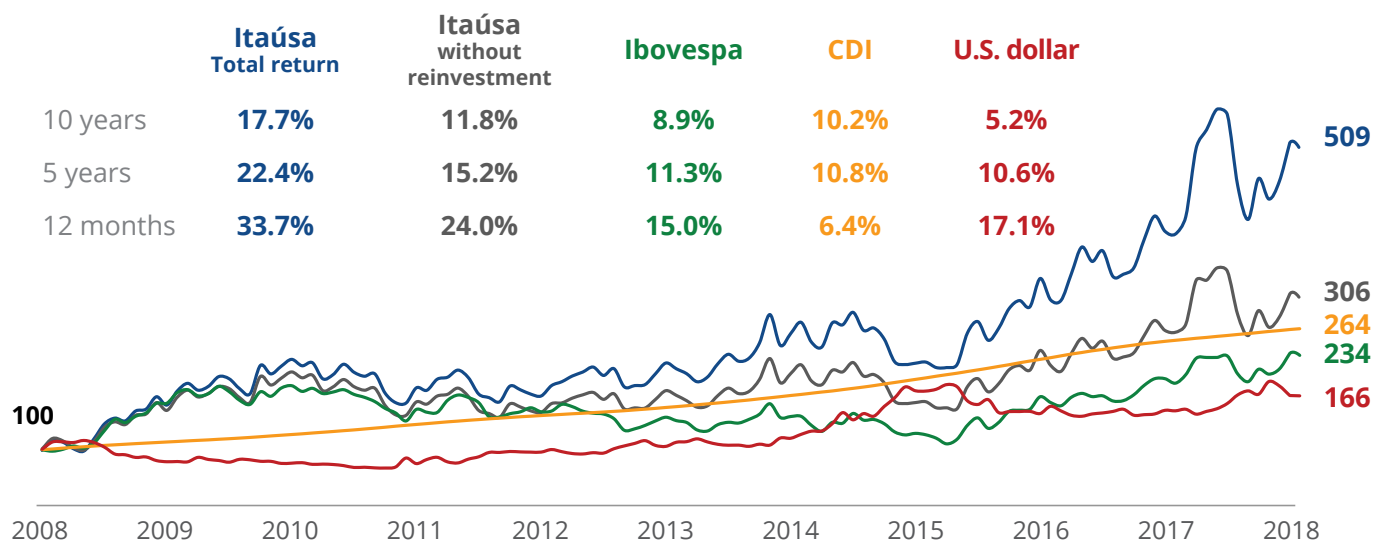
In general, share appreciation reflects the improved prospects of a company and long-term expectations, from the viewpoint of the stockholder, the one who ultimately makes up the share price on an organized market (stock exchange).

The appreciation of Itaúsa's shares over the last years has outperformed market's main benchmarks.

... Stockholders base

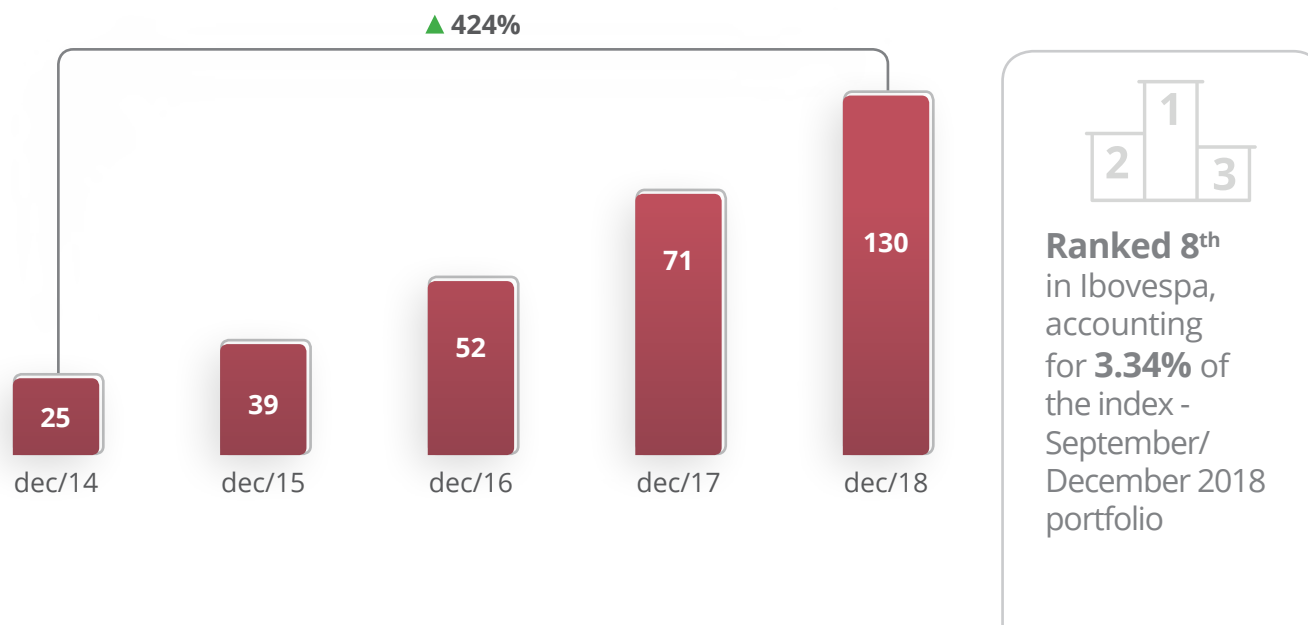
Itaúsa's consistent delivery of value and resulting higher return to stockholders, aligned with market conditions, have been decisive to change the composition of the Company's stockholders base these last quarters. At the end of 2018, Itaúsa had over 130,000 direct stockholders, up 83.1% year-on-year.

... CAGR



... Evolution of individual stockholders base

thousands of stockholders

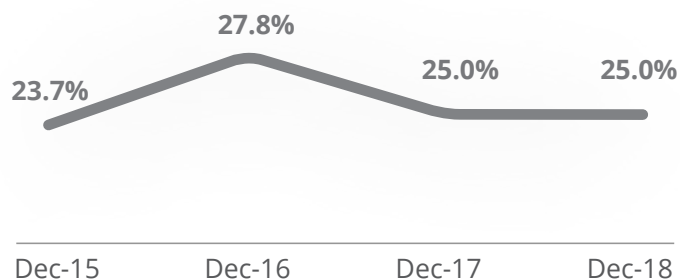


... Holding discount

Discount calculation is one of the indicators most used by analysts, stockholders and investors to value investments in holding companies, and concerns the difference between the market price ascertained for the holding company and the sum-up of the market value of the equity interests held in the companies in the portfolio ("sum of the parts").

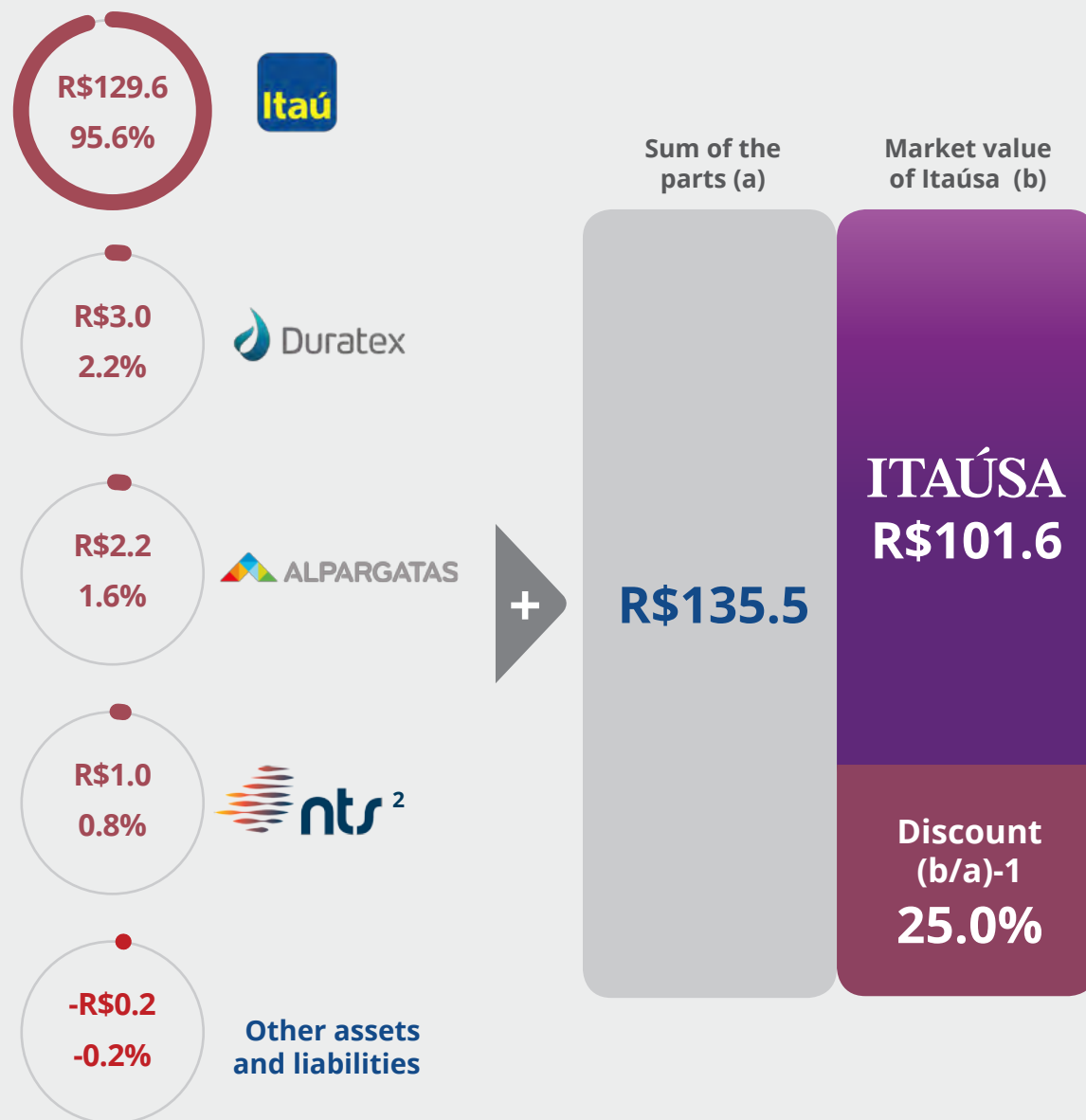
At Itaúsa, the discount is applicable, partially, by expenses on the maintenance of the holding company, basically comprising the administrative structure and taxes levied on part of the inflow of cash received from investees (fiscal inefficiency). Other less objective measures, in connection with potential risks to which the holding company would be subject, could also raise the discount. Nevertheless, Itaúsa's Management understands no rationale exists to support discounts at the current level.

... Discount history



... Itaúsa Portfolio – Market value¹

R\$ billion – on 12/28/18



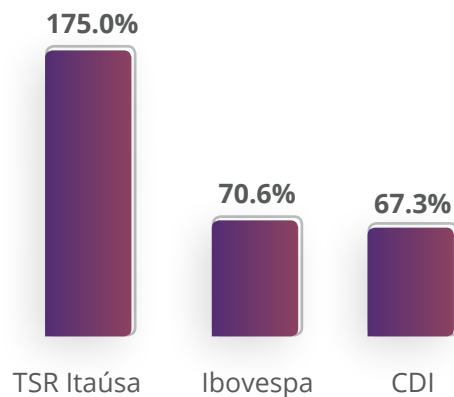
1. Calculated based on price of preferred shares.
2. Effects of fair value of asset on 12/31/18 on Itaúsa's balance sheet.

... Total shareholder return (TSR)

The total shareholder return (TSR), which is the sum of the amounts paid to stockholders as dividends and interest on capital and the increase of the Company's market value to the amount invested, was 34% in 2018 and, as consistently occurring in the last years, was higher than market benchmarks such as Ibovespa and CDI. This indicator evidences Itaúsa's soundness and its capacity to create value to stakeholders over time.

... Shareholder return in five years

%



... Return on equity (ROE)

Itaúsa has been recording returns higher than its cost of capital on a recurring basis, evidencing the value creation to its stockholders.

In 2018, return on equity (ROE) rose 160 bps to reach 18.2% from 2017.

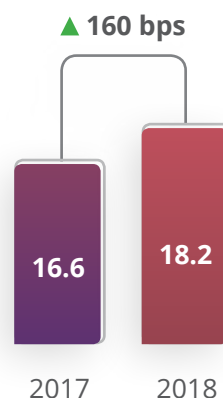
Itaúsa's improved ROE in 2018 was driven by the growth in the results of its investees, mainly Itaú Unibanco, which recorded increased recurring and non-recurring income (in 2017, the result was impacted by negative non-recurring events in expressive amounts, such as buyback of treasury shares, expenses on integration of Citibank business and provision for contingencies. Furthermore, Duratex improved results driven by a sharp rise in the volume of

panels' sales from the previous year, with better margins, and also sold idle assets (such as forests and land), in line with the principle of discipline in capital allocation and focus on value creation.

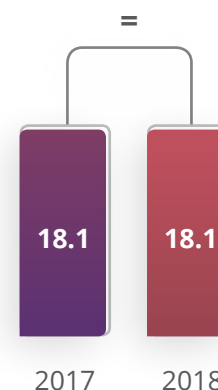
Recurring ROE, which measures normalized return and excludes the result from extraordinary gains or losses, totaled 18.1%, consistent with 2017. In this analysis, major adjustments were the exclusion of gains from sales of land and forest, the restructuring of panel and Deca Hydra business, and the impairment of Duratex's intangible assets. Alpargatas recorded a reversal of provision for contingencies and the completion of the sale of ASAIC (Topper brand in Argentina and in the world).

... Annualized return on equity (ROE)

%



ROE



Recurring ROE

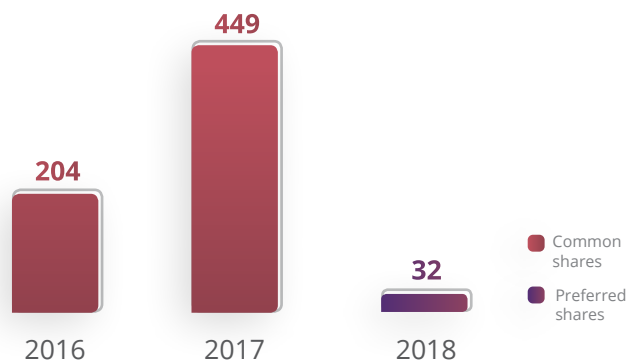
... Share buyback program

Itaúsa has a Share Buyback Program as an alternative to capital allocation. Given its attractive return, in view of the level of securities discount, the Company has invested about R\$700 million to buy back shares of own issue (common and preferred shares) in the last years.

Trading treasury shares is governed by the company's own rules under some conditions as follows: not exceeding the daily volume of 25% of the average daily volume of shares traded in the 20 sessions prior to the offering date; informing CVM, B3 and capital market agents every month about volume traded and minimum prices; and not trading shares either in the first 30 minutes or the last ten minutes of the session.

... Executed buybacks*

R\$ million



* Shares bought back in 2016, 2017 and 2018 were cancelled.

... Funding for new business

Itaúsa has recorded annual net income over R\$8 billion for the last four years. The Company's cash generation capacity on a significant and consistent basis, together with its low indebtedness level, makes it possible to make new investments by using proprietary funds in cash or other funds raised through borrowings, capital markets or capital calls.

With low indebtedness and high liquidity levels, Itaúsa has a great leverage capacity. These features, added to a solid cash flow generation, enable the Company to evaluate the best ways to repay any debts owed in connection with the investments made.

In view of its portfolio increase strategy, a good payer of dividends has the intended profile to be targeted by Itaúsa, as any amounts received from such an investee may also be allocated to repay the debt owed by Itaúsa upon such acquisition.

Itaúsa adopts the practice of having a conservative cash management and keeping indebtedness at low levels. The purpose is keeping liquidity of cash and cash equivalents properly, by limiting exposure to market, credit, liquidity and operational risks, while preserving capital.

To defray part of the investments made by Itaúsa in NTS and upon buyback of shares of own issue, in 2017 the Company incurred a debt of R\$1.2 billion by issuing debentures maturing at first as of 2022. At the end of the year, this debt accounted for 2.1% of Itaúsa's total liabilities and stockholders' equity.

... Debentures detailed

Issue: May 2017	2019	
Amount: R\$1.2 billion	2020	
Rate: 106.9% of DI rate	2021	
Interest: semiannual	2022	400
Repayment schedule	2023	400
R\$ million	2024	400

... Rating

Credit rating agency Moody's revalues Itaúsa's financial health and creditworthiness from time to time. The long-term rating of Itaúsa remains at Ba3, with stable outlook. Rating remained unchanged in the last two years, with last update on August 10, 2018.

... Efficient capital allocation

Itaúsa, by way of its executive board and internal governance bodies, assesses alternatives to allocate the Company's capital from time to time, among which we highlight investments in new business, share buyback and dividend distribution.

Therefore, Itaúsa carries out an active, efficient capital management, giving priority to:

- Discipline when evaluating opportunities and management intended to improve total shareholder return measures.
- Carrying out rationally merger and acquisition moves, including review of possible divestitures.
- Conservative management of capital structure, with low indebtedness and resulting easy access to capital (leverage), so as to take advantage of market opportunities while preserving liquidity and dividend flows.
- Ongoing portfolio monitoring and periodic monitoring of investees' performance, being alert to any actual vs. planned events.
- Itaúsa's long-term vision and strength, by preserving its culture and recognized values.

The search of growth potential and investment opportunities are among the core strategic elements of Itaúsa's business model. For its investments, Itaúsa seeks returns of two to three hundred basis-points above its cost of capital (currently at 14%), according to the risk of the new investment. New business origination and investment monitoring process is as follows.

... New business – investment origination and monitoring



... New business

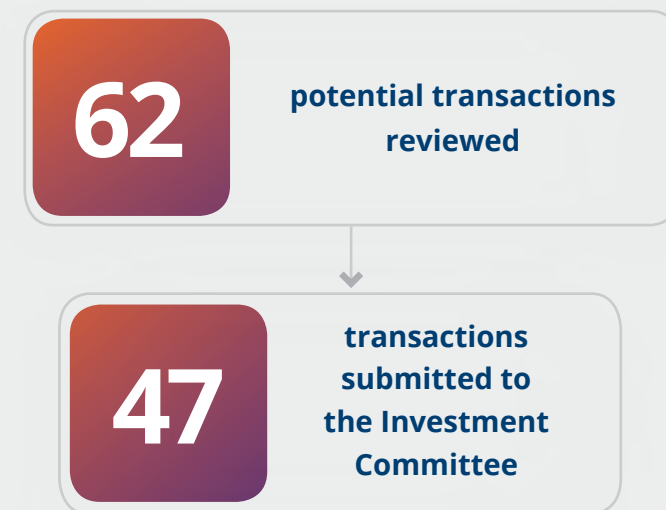
Itaúsa's New Business Office is responsible for originating and making new investments for the Company. It has an expert team of six members knowledgeable about investment banking, asset management, private equity, project finance, strategic advisory on M&A of large companies.

Following an early review of the business opportunity and after the Investment Committee signals interest to proceed, a Non-disclosure Agreement is signed by the involved parties. At this stage, the New Business team receives more detailed information about the opportunity, refines its review and resumes discussions with the Investment Committee. If the intended business is aligned with Itaúsa's strategy and meets the internal investment criteria, terms for submitting a Non-binding agreement for acquisition of the target business are defined with the Committee.

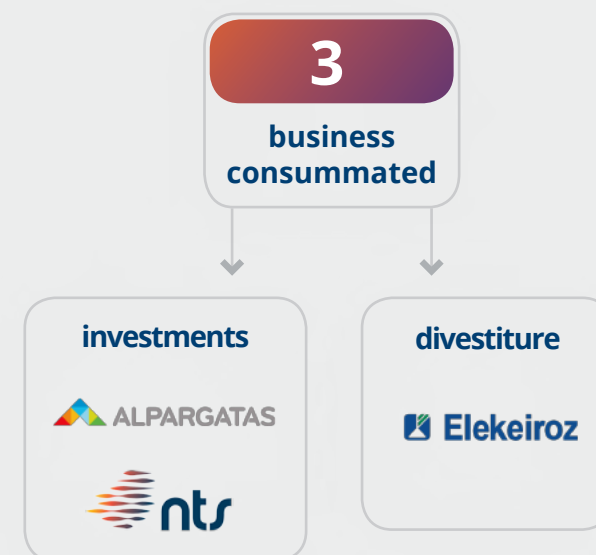
If the transaction proceeds, the team will carry out a due diligence process with the support of top consulting and law firms renowned in their lines of business, seeking to assess risks of all types involving this new business and refining the investment rationale. After consolidating and reviewing the outcomes of the due diligence process, the New Business Office will submit a memorandum of investment to the Investment Committee, including any risks identified, valuation scenarios of the business to be acquired and a revised investment rationale. If the investment is approved, the project will be submitted for approval from the Board of Directors, and a Binding Offer will be forwarded accordingly. If consummated, this investment will become an integral part of Itaúsa's portfolio, and an investment monitoring will begin.

... Prospecting for new business

From 2017 to 2018



... Business consummated in the last two years





06 HUMAN CAPITAL











Ability to attract and develop talents and skills of employees to carry out management and governance activities in an ethical manner and in line with its culture.

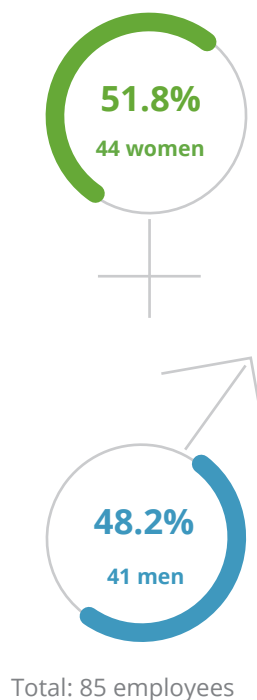
... Profile

Itaúsa believes that one of its main types of capital is the human capital. Therefore, it seeks to encourage personnel diversity and the development of skills and abilities regarded as essential for the continuity and sustainability of its business.

The Company has 85 professionals from both the group and external companies, of which 44 are women and 41 are men. In terms of education level, 82.3% of the professionals have a college degree, including all the professionals in leadership positions.

... Share by position and gender

Position	Number	Women	Men
Interns/ apprentices	5	60.0% 	40.0% 
Administrative	39	59.0% 	41.0% 
Specialists	13	38.5% 	61.5% 
Management	17	58.8% 	41.2% 
Board of Directors and Executive Board	11	27.3% 	72.7% 



... Itaúsa's appreciation of human capital in the portfolio

Itaú Unibanco, Duratex and Alpargatas – investees controlled by Itaúsa – employ over 129,000 people, of which 112,000 are allocated in Brazil. Therefore, in order to share its values and management culture with these professionals, Itaúsa's executives are fully engaged in the investees' Board of Directors and People Committee.

... Itaúsa's influence

In accordance to investees' People Committee Internal Charter, Itaúsa's members nominated to these bodies participate in the planning and monitoring of culture and human capital management activities, such as:

- Evaluation of the Chief Executive Officer
- Discussion about the guidelines for attraction and retention of talents
- Development and review of the annual evaluation process for executives and the Board of Directors itself
- Discussion about the culture, profile suitability and the needs for training
- Analysis and approval of the company's administrative structure and corporate governance
- Management succession

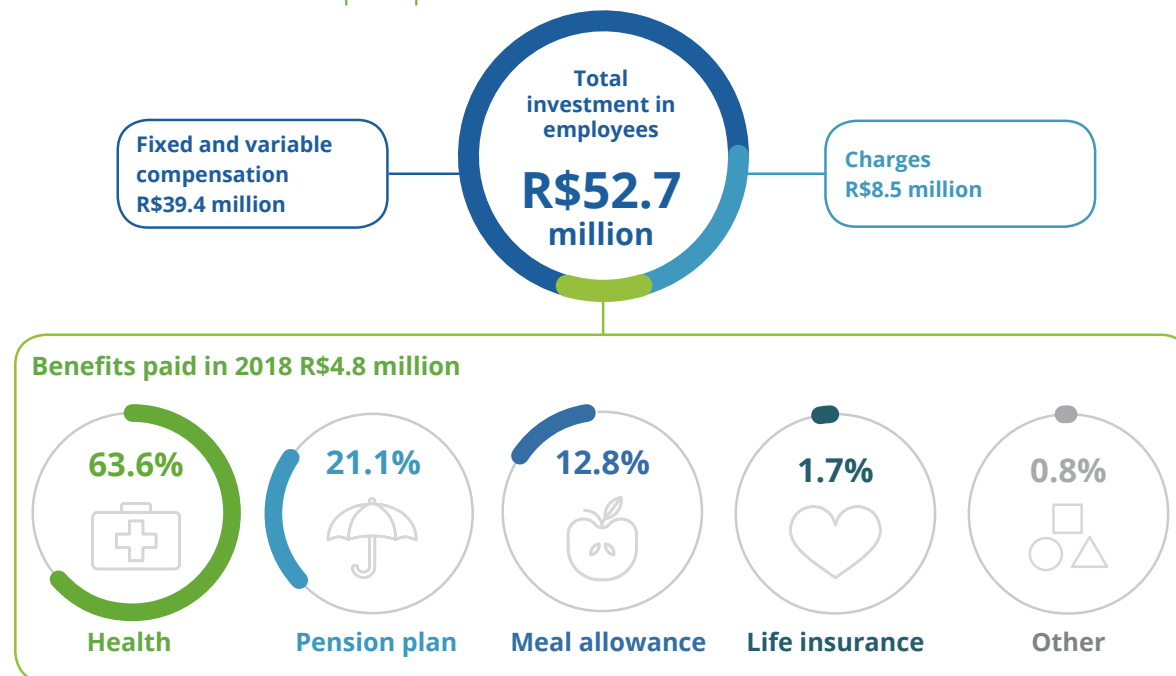
... Attraction, training and development opportunities

The selection process evaluates the potential and skills of possible employees to make up the organizational structure so that they may add value to the strategy and support future needs.

In 2018, Itaúsa focused on investing in the continuous education of its employees, allocating R\$150,000 for training, aiming at enhancing technical knowledge, especially in the fields of Finance and Technology.

Furthermore, it redesigned the Finance and Administration Department aiming at adjusting to the organization's needs, offering growth opportunities to employees, developing new skills by means of job rotation and contributing to share and manage internal knowledge.

... Investments in people



 102-8 | 103-2 | 103-3: Employment | 401-2 | 103-2 | 103-3: Occupational health and safety | 103-2 | 103-3: Training and education | 404-2 | 404-3

... Performance evaluation process, feedback and meritocracy

Itaúsa adopted a new feedback formalization and recording system, which was also used in the Performance Evaluation process and self-evaluation of skills by employees and Statutory Officers.

Based on the feedback, Individual Development Plans are discussed and developed, which guide training and development activities and provide career guidelines to employees, thus contributing to a sounder and more consistent career.

Additionally, the Company has a compensation structure developed with an external consulting firm, based on market surveys, in order to maintain competitive compensation and, consequently, attract professionals and retain talents. Compensation comprises a fixed and a variable portion, paid annually in accordance with the results obtained in the Performance Evaluation process. For top management positions, long-term compensation is possible and it is analyzed by the People and Ethics Committee.

... Employee engagement

In 2018, Itaúsa carried out the PULSE Climate survey, provided by an expert third party and comprising questions about people management and work environment, to monitor the employees' perception of their experience in the Company in an expeditious, simple and consistent manner. One of the main survey results is that **95.4%** employees recommend Itaúsa as a good place to work.

07 REPUTATIONAL CAPITAL

Solid corporate and
organizational reputation
that guides Itaúsa's business.



... Governance

Itaúsa's business is guided by the search for an efficient and sustainable performance, sustained by ethics and integrity. Company adopts solid corporate governance principles based on ethics and transparency.

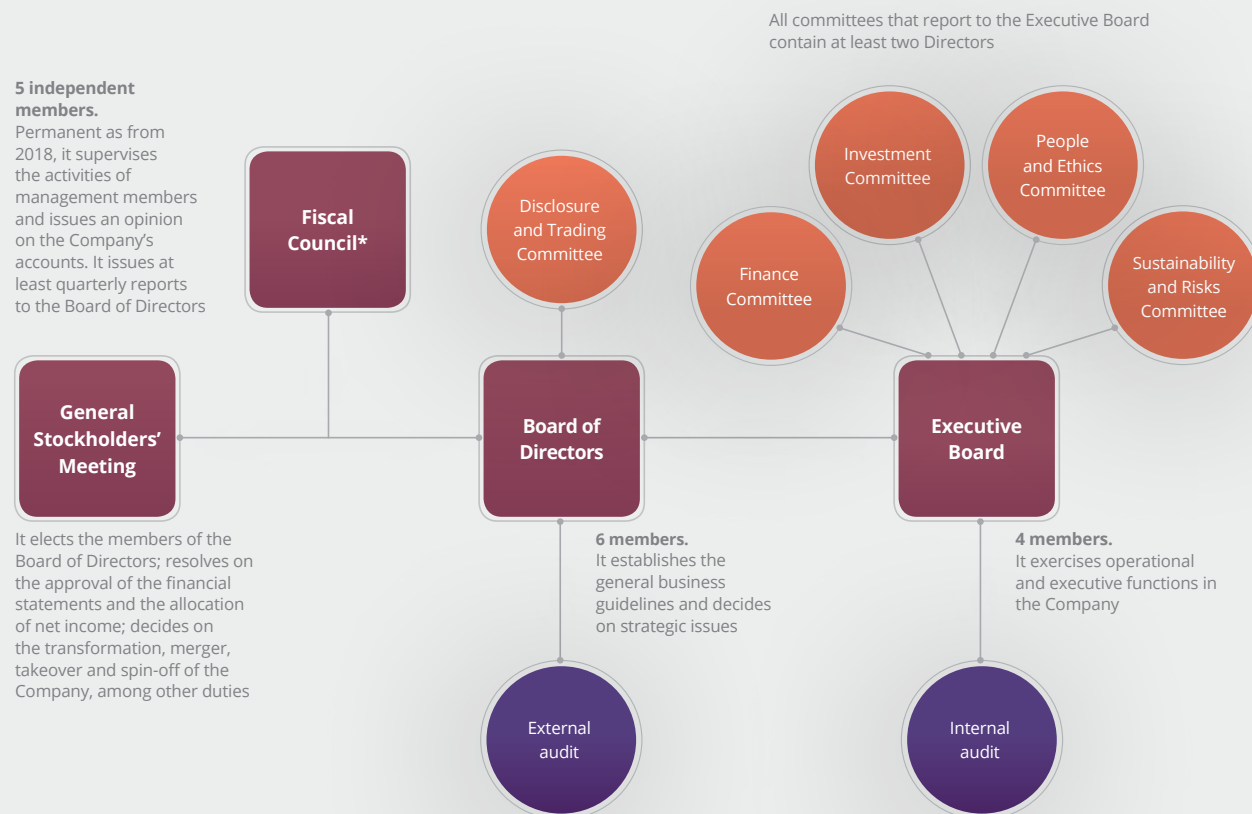


Actions adopted or strengthen in 2018

- Permanent Fiscal Council
- Completion of the first internal audit cycle in all departments of the Company
- Committees that support the Board of Directors and Executive Board
- Review and development of new policies, such as Corporate Governance and Transactions with Related Parties
- Disclosure of the new Itaúsa's Code of Conduct and implementation of a reporting channel operated by an internationally renowned and independent service provider
- Disclosure of the Corporate Governance Form to the market



... Governance structure



* Itaúsa has no audit committee since it is not an operating company. All the companies of its portfolio have audit committees installed.

... Committees



Disclosure and Trading Committee

The Committee reports to the Board of Directors and its responsibilities include, among others, reviewing and approving information disclosed to the market and analyzing answers to questions raised by regulatory bodies. The Committee meets whenever convened by the Investor Relations Officer).



Finance Committee

The Committee reviews and recommends the financial statements to the Board of Directors; proposes the allocation of net income for the year and the distribution of stockholders' payouts; determines the adequate liquidity level, when required; approves annual budgets; analyzes funding options; monitors investees' indebtedness level; and proposes share buybacks, profit sharing and allocation to investment.



Investment Committee

This Committee determines the guidelines for prospecting new investment opportunities; assesses Itaúsa's position on business opportunities; analyzes and discusses due diligence deliverables; determines the financial, contractual and governance conditions to carry out acquisitions; and discusses strategic issues with the investees.



Sustainability and Risks Committee

The Committee determines the main risk control guidelines, in line with the risk appetite established by the Board of Directors; approves the methodology for the risk management process and analyzes, based on the work developed by the outsourced internal audit department, the issues raised and the action plans to be adopted to mitigate the identified risks; determines guidelines to the Compliance and Corporate Risks department for implementing the integrity program; and reviews the Company's policies, and submit them to the evaluation and approval from the Board of Directors, when necessary.



People and Ethics Committee

It determines the main guidelines on the Company's people policies; assesses the content of Itaúsa's Code of Conduct, resolving on its improvement; and analyzes the Reporting Channel's indicators, activities performed and any material misconduct incidents.

... Ethics and anti-corruption actions

Itaúsa fights and does not tolerate any form of illicit or criminal act, such as corruption, influence peddling, undue favoring, fraud and money laundering. For this end, it is supported by the following policies, among others:

- Policy for Relationships with Private Entities and Public Authorities and for Corruption Prevention
- Policy for the Disclosure of Material Information
- Securities Trading Policy
- Transactions with Related Parties Policy

Furthermore, Itaúsa actively participates in the Audit and Risk Committees of the investees, and shares its concerns with risk management in the investees' Boards of Directors. Additionally, reports on Transactions with Related Parties are submitted to and discussed with the Fiscal Council, which is also responsible for approving transactions over R\$5.0 million in advance.

This commitment was reaffirmed through the approval, in 2018, of the Policy for Relationships with Private Entities and Public Authorities and for Corruption Prevention by Itaúsa's Board of Directors, aimed at ensuring good practices in the Company's relationship with third parties, either private entities or public authorities.

In implementing this policy, the Company seeks to strengthen its commitment to develop relationships under high integrity, ethics and transparency standards and to prevent and fight all forms of corruption.

The Company's governance structure includes several **advisory bodies**, and the highlight is the People and Ethics Committee. Additionally, it monitors its risks through the Sustainability and Risks Committee and Internal Audit, which is carried out by an outsourced company (a 'Big Four'). In 2018, the first internal audit cycle was completed in all Company's departments. No involvement of the Company or its executives in corruption activities was recorded to date.

 102-16 | 102-17 | 102-29 | 102-30 | 102-31 | 102-33 | 102-34



Policies approved by the Board of Directors in 2018 related to ethics and anti-corruption actions:

- Policy for Relationships with Private Entities and Public Authorities and for Corruption Prevention
- Itaúsa's Code of Conduct: relaunched and widely disseminated
- Independent reporting channel linked to the code of conduct: <http://www.ethicsdeloitte.com.br/Itausa/>

... Compliance and internal controls

In 2018, Itaúsa strengthened its compliance structure that, along with Internal Audit, reviewed and implemented several rules and policies and adopted processes and reviewed notes about improvements in the different Company's departments.

... Activity flow



... Risk management

Since Itaúsa's results are directly linked to the investees' operations, activities and results, the Company is basically exposed to the risks of the companies of its portfolio. The full list of the risks to which the Company is exposed is available in the Reference Form on Itaúsa's website and on the CVM website.

Through Itaúsa's senior management participation in the Boards of Directors and advisory committees of the investees, in addition to the presence of independent members with expertise in the corresponding operating markets, good practices in risk management and compliance, including integrity, are encouraged. Examples are the participation of Itaúsa's members

in (a) Itaú Unibanco's Risk and Capital Management Committee, (b) Duratex Audit and Risk Management Committee and (c) Alpargatas Statutory Audit Committee. Good practices guidelines, as well as Itaúsa's Code of Conduct, which is responsible for resolving any interpretation doubts and supervising compliance with the rules, must guide the investees' codes of conduct and their risk management and compliance related practices.

The Company follows the Risk Management Policy guidelines, approved by the Board of Directors. Subsidiaries that do not have their own policies must follow the terms of Itaúsa's Risk Management Policy, based on their respective management structures.

 102-15 | 102-19 | 102-20 | 102-29 | 102-30 | 102-31 | 103-2 | 103-3

[+ Learn more on:](#)

Besides these risks, many others may influence the decision to invest in Itaúsa's securities, described in the Reference Form on www.itausa.com.br/en/ | Financial Information | Reference Forms.

... Risk management flow



... Communication to the market

Itaúsa prioritizes transparency in its relationships with different stakeholders and takes advantages of several channels for interacting and engaging with them. Its Corporate Governance Policy establishes, among other guidelines, public meetings to be held by the Investor Relations department, and the maintenance of the Disclosure and Trading Committee, which previously assesses all the communications with the markets, in accordance to internal normative, as well as those considered to be material by that body to be disclosed to the market.

 102-21 | 102-33 | 102-40 | 102-42 | 102-43 | 102-44

... Relationship with the market

In order to capture and understand the main market trends, as well as to listen to stockholders' needs to improve its practices, in 2018, Itaúsa held meetings with the investees' Investor Relations professionals, and the main topics discussed were: governance principles, improvements in **sustainability practices**, disclosure to the CDP platform, IR benchmark, frequently questions raised to the IR, supporting systems to the department, national and international conferences.

In addition, Itaúsa performed a study with investors, carried out by an outsourced company, about IR communication related topics. As a result of this study, it was suggested that Itaúsa increase its market exposure, which led to an adjustment to the events calendar, such as a half-yearly conference call and participation in **international investor's conferences**, in addition to the promotion of nationwide conference calls and meetings with investor groups intended for achieving a closer relationship with the market.

Itaúsa has over 130,000 individual stockholders and, aiming at a good relationship with this audience, provides customer service channels online and via phone, periodic newsletters sent by email ("Shares on Focus" newsletter, monthly "Discount Newsletter", share buyback announcements, among others), as well as the Dividend Reinvestment Program. In 2018, the Stockholders' Remuneration Policy was formalized, which presents the remuneration criteria in more detail.

Interactions	Main activities
Public meeting with investors – in partnership with Apimec/SP	<ul style="list-style-type: none"> Public meeting with investors in partnership with Apimec SP for the 18th consecutive year. Features, with a representative of the investees, the results, strategies and guidelines of the companies is also presented on the internet. In 2018, approximately 450 people attended the meeting and the event was also broadcasted to 290 people on the internet.
Earnings call	<ul style="list-style-type: none"> Conference calls on half-yearly results are held. Executives of Itaúsa and its investees make themselves available for a transparent communication and interaction with the market.
International conference	<ul style="list-style-type: none"> In 2018, Itaúsa attended to an international conference held in New York, with top-notch investors. Individual meetings or meetings with small groups were held with Itaúsa's CEO and Chairman of the Board of Directors.
Meetings with groups of investors	<ul style="list-style-type: none"> Meetings with groups of investors held all over the year. Discussion about the Company's strategy, economic scenario, developments in governance and innovation in investees, among others.
Electronic media	<ul style="list-style-type: none"> Publication of updated information to the market on Itaúsa's website and periodic newsletters, such as "Discount Newsletter" and "Shares on Focus" made available.
Service channels	<p>All channels are constantly checked and the demands received are responded on a timely basis.</p> <p>Investor.relations@itausa.com.br <i>"Fale com RI"</i> (Contact IR) www.itausa.com.br/en <i>"Fale com RI"</i> (Contact IR): +55 11 3543-4177 741 emails and 276 phone calls received.</p>



.. Relationship with regulatory bodies

In order to maintain a good relationship with regulatory bodies and ensure that our stakeholders' demands do not turn into formal complaints with these bodies, Company constantly monitors its channels dedicated to this type of request. The service time for most requests is lower than two days. Additionally, requests made through external channels are also monitored.

Interactions	Main activities
Citizen Service Center (local acronym SAC), maintained by the Brazilian Securities and Exchange Commission (CVM)	In the last four years, the Company received three information requests, which were promptly answered. In the same period, no Administrative Proceeding or Administrative Sanctioning Proceeding was filed by CVM in which the Company was under investigation.

.. Participation in trade associations

Itaúsa has representatives in several trade associations. Therefore, it interacts with the market and contributes to discussions involving, among other issues, amendments to legislation and policies that may impact the Company and its investees.

Interactions	Main entities
Interacts with the market and contributes to discussions involving, among other issues, amendments to legislation and policies that may impact the Company and its investees.	<p>Main entities in which Itaúsa is represented:</p> <ul style="list-style-type: none"> Brazilian Association of Publicly-Held Companies (Abrasca) Brazilian Confederation of Industries (CNI) Brazilian Institute of Corporate Governance (IBGC) Brazilian Institute of Investor Relations (IBRI)



... Media monitoring

The Company constantly monitors its exposure in the press, especially monitoring possible image and reputations' risks. All professionals receive main news (clipping) about Itaúsa.

The news flow about Itaúsa, its investees and the competition is monitored on a daily basis. Itaúsa also publishes a daily newsletter with news about business

and legal aspects, which is emailed to all professionals. Economy-related topics, changes in the legal environment and issues in progress in the executive/legislative, as well as changes in accounting standards that may impact Itaúsa and its investees are also monitored. For relevant amendments to legislation and government-related topics, alerts are emailed to professionals and executives at any time of the day.

GRI

... Sponsorships and supports

Itaúsa has always sponsored events and supported relevant entities in the market. In 2018, the following entities received support:



The Company's practice is to sponsor events that contribute to the development of capital markets and, in 2018, the events sponsored were as follows:

- IBGC Annual Congress and Directors' Summit
- Rio Money Fórum
- Codemec Forum – Comitê para o Desenvolvimento do Mercado de Capitais (Committee for the Development of Capital Markets)
- Abrasca Award – Best Annual Report

GRI 102-13 | 102-21 | 102-40 | 102-42 | 102-43 | 102-44

... Sustainability management and relationship with the community

Itaúsa and its investees are aware of what is going on in the Brazilian society and around the world as regards environmental and social causes. Company understands the importance of such rapport for its long-term value creation strategy focused on its stakeholders.

In 2018, the Company established a working group to debate and improve the discussion about sustainability and foster experience interchange between companies of the portfolio. As climate change was one of the World Economic Forum megatrends, it was the topic of two meetings with the companies' teams.

GRI 102-21 | 102-34 | 102-40 | 102-42 | 102-43 | 102-44

The search for further developing carbon management and improving reports to CDP (former Carbon Disclosure Program) also involved a study carried out by a specialized consulting firm. Accordingly, improvement opportunities were shared with the investees. Based on the study, Company had access to the main points for improvement required (gap analysis), when compared to companies around the world that are benchmark of environmental impact mitigation. The study was reviewed by the companies of the portfolio and Itaúsa's senior management, focusing on improving practices and, consequently, the disclosure level.

Additionally, Itaúsa hosted a meeting of the CDP Supply Chain and Benchmark Club members to discuss about better sustainable practices and the main trends in carbon emission mitigation. The event included talks and case studies by sustainability benchmark companies, which shared their experiences with Itaúsa and its investees.

Reaping the benefits of the good practices developed and as a way of recognizing that the strategies adopted by Itaúsa and its investees were right, Itaúsa and Itaú Unibanco make up the Dow Jones Sustainability World Index (DJSI), and Itaúsa, Itaú Unibanco and Duratex are included in the B3 Business Sustainability Index (ISE).

... Good practices

MEMBER OF
**Dow Jones
Sustainability Indices**
In Collaboration with RobecoSAM  **Since 2003**

The Dow Jones Sustainability World Index (DJSI) is promoted by RobecoSAM and it is aimed at making the financial community apply the measures as a benchmark for socially responsible investment, and is a catalyst for good practices. DJSI World selects renowned corporate sustainability companies, capable of creating long-term value to stockholders. Selection not only takes into account financial performance, but mainly the quality of management, which should combine economic value with environmental and social activities.

ISEB3
2019 **Since 2006**

The index is promoted by B3 with methodology developed by the FGV Center for Sustainability Studies (GVces), and was originally financed by the International Finance Corporation (IFC), the financial branch of the World Bank. ISE aims at encouraging corporate responsibility towards ethics and sustainability, and is a tool for the comparative performance analysis of companies listed on B3. It also enhances the understanding of commitment to sustainability, distinguishing companies in accordance with their quality, engagement level, equity, nature of product, transparency and accountability, in addition to performance in economic and financial, social, environmental and climate change dimensions.

 **CDP**
DRIVING SUSTAINABLE ECONOMIES **Since 2011**

CDP consolidates a collection of self-reported environmental data in the world. Since Itaúsa first report in 2011, this disclosure has improved driven by the adoption of good practices and the commitment to CO₂ emission reduction targets. The methodologies, responses and assessment of Itaúsa in the two initiatives – ISE and CDP – are fully available to society.

... Sustainability in Itaúsa's investees

Through its representatives in the Boards of Directors and committees dedicated to sustainability issues, Itaúsa seeks to promote discussions on in order to include the commitment to environmental and social responsibility in the business model of each company, thus encouraging them to develop business sustainable practices and projects with social impact in the communities they serve, as well as to develop eco-efficient products.

... Sustainability highlights – Itaú Unibanco

Itaú Unibanco is a sustainability management benchmark in Brazil. The bank includes this topic in the evaluation of its different business. Additionally, it contributes to society by means of private social investments in several locations, taking into account the UN Sustainable Development Goals.

Main highlights:

- **Environmental and Social Risk Policy** oriented **credit analyses**, which may restrict or even prevent credit granting to companies operating in certain sectors and/or following practices not in compliance with the Policy (e.g. , slave labor).
- Product offer such as **environmental and social credit and funds** that promote projects with positive impact to society and the environment.
- **R\$631 million** allocated to **1,438 projects**, in Brazil and Latin America, of which R\$518 million to non-incentivized projects, **mainly to education, culture and urban mobility**.

90% of all assets managed by Itaú Asset Management were analyzed by the methodology that includes Environmental, Social and Corporate Governance aspects.

... Sustainability highlights – Duratex

Sustainability is the topic that permeates all business levels in Duratex. The company includes analyses of social, environmental and economic impacts in its strategic planning and, in the social level, it develops relationships with the communities surrounding its units, thus being able to know their actual needs to determine and allocate financial, human and material resources.

Main highlights:

- **Deca Comfort technology: saves up to 60% of water consumption.**
- Recognized as **“Leading Company in Transparency”** by CDP due to its efficient water management.
- **More than 90% of the panel energy matrix of the plants comes from renewable energy.**
- **Benchmark for forest management and conservation of biodiversity** in its units (**1,152 flora and 836 fauna species**).
- **R\$2 million** invested in 17 sports, culture and education oriented social projects, benefitting **over 15,000 people**.

... Sustainability highlights – Alpargatas

Alpargatas seeks to operate in a responsible manner, fostering the development of the best sustainability practices for its business and supply chain. Total waste generated by manufacturing its products is managed by the company. Furthermore, it has a line of products exclusively aimed at preserving Brazilian fauna and flora, and has a social branch that works in the cities where its plants are installed.

Main highlights:

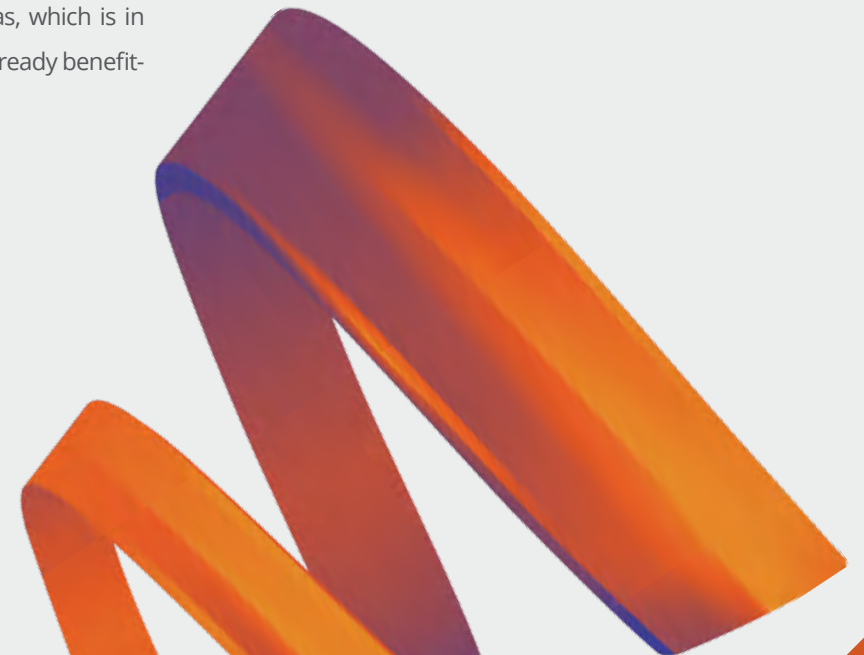
- **Total waste generated in the manufacturing process is managed** and reused to manufacture carpets, synthetic grass, and rubber floor, among others.
- Fostering the preservation of the Brazilian fauna by allocating 7% of net sales of an exclusive Havaianas product to Instituto de Pesquisas Ecológicas (IPÊ – “Ecological Research Institute”).
- **R\$3.5 million** invested in Instituto Alpargatas, which is in charge of sports and education initiatives that already benefited 152,000 children and teenagers.

... Sustainability highlights – NTS

With the mission of ensuring safe and sustainable natural gas powered transportation, NTS complies with strict security standards, seeking to mitigate environmental externalities and promote social benefits inherent in its activities.

Each new undertaking is based on studies and programs developed to identify and assess any possible impacts on communities, fauna and flora, soil, water resources and the air. In addition, measures to eliminate, minimize or make up for any adverse impacts are also proposed.

Through the Rouanet Law, a tax incentive law, in 2018, R\$8 million was invested in Projeto Conexões Musicais (Musical Connections Project) of the Brazilian Symphony Orchestra (OSB).



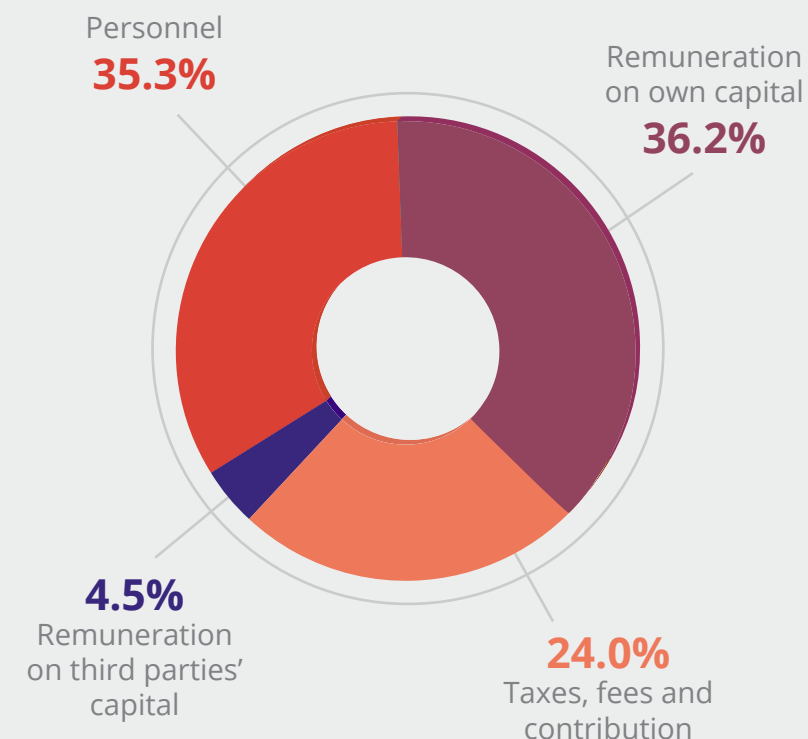
... Value Creation to society

The Value Added Statement measures the wealth generated by an organization to society.

In 2018, Itaúsa generated value added of R\$26.8 billion, distributed as follows:

	From 01/01 to 12/31/18	From 01/01 to 12/31/17
CONSOLIDATED VALUE ADDED STATEMENT (PRO FORMA)¹	R\$ million	R\$ million
Income	70,869	71,582
Expenses	(29,835)	(33,297)
Input purchased from third parties	(12,831)	(10,986)
Gross value added	28,203	27,298
Depreciation, amortization and depletion	(2,106)	(1,763)
Net value added created by the company	26,097	25,535
Value added received as transfers	751	253
Total value added to be distributed	26,848	25,788

	From 01/01 to 12/31/18		From 01/01 to 12/31/17	
	R\$ million	%	R\$ million	%
Value added distribution	26,848	100.0	25,788	100.0
Personnel	9,473	35.3	8,965	34.8
Taxes, fees and contribution	6,451	24.0	7,358	28.5
Remuneration on third parties' capital	1,214	4.5	1,203	4.7
Remuneration on own capital	9,710	36.2	8,263	32.0



¹ Pro forma Value Added Statement: also includes the Value Added Statements of Itaú Unibanco and Algaratas proportionally to Itaúsa's ownership interest in their capital (note: companies not consolidated in Itaúsa's financial statements and accounted for by the equity method).

Itaúsa and its investees employ more than **129,000 people**, of which **17,000** are abroad



08 Intellectual Capital

Knowledge, ability to develop investees and strong brands recognized in the domestic and foreign markets are characteristics of Itaúsa.

In accordance with its Bylaws, the corporate purpose of Itaúsa is to hold equity interests in other companies, sharing with investees its principles of efficient capital allocation, appreciation of human capital, governance and ethics in business, and value creation to stockholders on a sustainable basis. To reach this purpose, Itaúsa is managed by a Board of Directors and an Executive Board composed of highly knowledgeable professionals, updated with the latest developments, and with diversified backgrounds.

In addition to this qualified executive team, the years of experience and continuous search to become aligned with good market practices have enabled Itaúsa to systematize a series of codes and policies to guide daily activities towards value creation

+ Learn more on:

<http://www.itausa.com.br/en/corporate-governance/highlights>

Diversity of experiences and knowledge of Directors

... Knowledge of the Board

Itaúsa's Board of Directors is currently composed of six effective and three alternate members, and one of them (16.7%) is a woman. The Directors' experiences and knowledge are as follows:



* The knowledge of the Board was determined taking into account educational background, experience as executives and work in Boards and Committees.

... Members of the Board of Directors of Itaúsa and its investees

In May 2018, the Company approved the Policy for the Nomination of Members of the Board of Directors, which sets the rules for nominating Itaúsa's Directors and ensures good corporate governance practices. Accordingly, the guidelines of this policy include:

- High qualification
- Outstanding technical, operational and academic experience
- Alignment with Itaúsa's values and culture
- Unblemished reputation
- Availability for the appropriate dedication
- Supplemental skills to the Board
- Diversity, whenever possible

In line with the assumption of participating in the investees' controlling group, Itaúsa strives to constantly improve its management practices.

Regarding independent directors for the Boards of Directors of investees, Itaúsa looks for people with experience with and skills in the market investees operate and who will be able to enhance their performance. These nominations guide the nomination of independent members for the Board of Directors and advisory bodies of Itaú Unibanco, Duratex and Alpargatas.

Henri Penchas

Chairman of the Board of Directors



Mr. Penchas is Chairman of the Board of Directors of Itaúsa and a member of the Board of Directors of Nova Transportadora do Sudeste S. A. – NTS, and a member in several committees of Itaúsa and its investees. He was CEO of Duratex and a member of the Board of Directors of Itaú Unibanco, Duratex and Elekeiroz, and Executive Vice President of Itaú Unibanco. In the last 20 years, Mr. Penchas participated in the most important M&A operations carried out by the holding company and investees. In third sector organizations, he is a member of the Board of Directors of Fundação José Luiz Setubal and of Instituto Itaú Cultural, and also a member of the Fiscal Council of Instituto Alana.

Alfredo Egydio Setubal

CEO, Investor Relations Officer and Vice-Chairman of the Board of Directors



Mr. Setubal is CEO, Investor Relations Officer, and Vice Chairman of the Board of Directors. He is also involved in the investees as a member of the Board of Directors of Itaú Unibanco, Alpargatas and Duratex, being a Co-chairman of the latter, in addition to participating in several committees of Itaúsa and its investees. Mr. Setubal has worked for over 20 years as an executive in Capital Markets and Investor Relations and his longest experience has been with Itaú Unibanco. He works for third sector organizations as a member of committees of the following entities: Brazilian Association of Publicly-Held Companies (Abrasca), Brazilian Institute of Investor Relations (Ibri), São Paulo Art Museum (Masp), São Paulo Bienal Foundation and Fundação Tide Azevedo Setubal. Mr. Setubal is also the Financial Officer of the São Paulo Museum of Modern Art (MAM)

Rodolfo Villela Marino

Member of the Board of Directors (Executive Vice-President of Itaúsa)



Mr. Marino is Executive Vice-President and a member of the Board of Directors. He monitors portfolio companies by being member of the Board of Directors of Duratex and Alpargatas and integrating several of their committees as well as at Itaúsa. He was Chairman of the Board of Directors of Elekeiroz, and is currently a member of the Board of Directors of Instituto para Estudos do Desenvolvimento Industrial (Iedi - Institute for Industrial Development Studies), Brazilian Association of Publicly-Held Companies (Abrasca), Initiative of Businessman for Innovation of National Industry Confederation (MEI/CNI), Communitarian Association Despertar, Sao Paulo Dancing Company. He is also member of the Governance Board of All For Education and executive of Cultural Artistic Society.

Paulo Setubal Neto

Member of the Board of Directors (non-executive director)



Mr. Setubal Neto is a member of the Board of Directors. In the companies of the portfolio, he was a member of the Board of Directors and CEO of Duratex for 25 years, and he was CEO of Itautec and Elekeiroz. In third sector organizations, he stands out as a fiscal advisor in Fundação Tide Azevedo Setubal.

Ana Lúcia de Mattos Barretto Villela

Vice-Chairman of the Board of Directors (non-executive director)



Ms. Villela is Vice-Chairman of the Board of Directors. As for the investees, she is member of the Board of Directors of Itaú Unibanco and of the Social Responsibility Committee of Itaú Unibanco. In third sector organizations, she is recognized for her involvement in Instituto Alana and Alana Foundation, as President, and in the Boards of Directors of Campaign for a Commercial Free Childhood (CCFC), Akatu Institute, Itaú Cultural and Brincante Institute. She is a Fellow Ashoka since 2010 and participates in the Innovation Board of XPrize.

Victorio Carlos De Marchi

Member of the Board of Directors (non-executive director)



Mr. De Marchi is a member of the Board of Directors. At Ambev he is Co-chairman of the Board of Directors and Chairman of the Operations, Finance and Compensation, Competition Compliance and Related Parties committees. In third sector organizations, he is recognized for his work as Vice-Chairman of the Board of Directors of Fundação Antonio e Helena Zerrener Instituição Nacional de Beneficência and as member of the Board of Directors of IEDI and of the Economic Studies Board of the Federation of Industries of the State of São Paulo (Fiesp).

Learn more about the executives' and directors' experience and educational background on:

<http://www.itausa.com.br/en/corporate-governance/management>

...Intellectual property

Brands that are strong and recognized in domestic and foreign markets are the features used by Itaúsa to assess investments. Company encourages the appreciation of the investees' brands and the filing of patents of inventions important to achieve the desired results and benefit their image.

... Itaú Unibanco

Deemed to be the most valuable brand in Brazil by Interbrand, top in the 2018 ranking, with an estimated market value of **R\$29.8 billion**, and by The Banker magazine, which valued the brand at US\$8.0 billion (US\$6.9 billion in 2017) in 2018. This brand is also relevant to the activities of its investees: Itaú, Itaú Personalité, Uniclass, Itaú BBA, Itaucard, Hipercard, Unibanco, Itaú Unibanco, Garantec, Redecard, Rede and Credicard.

World's Most Valuable Banking Brands.

Itaú Unibanco is the most valuable bank in South America, according to Brand Finance

Itaú Unibanco

Itaú Unibanco ranked first as the best bank in Latin America in the **Euromoney for Excellence award**

World's Best Digital Bank Awards.

Itaú Unibanco was the winner in the Best Digital Mortgage Bank in the Latin America category, awarded by Global Finance



... Duratex

Through brands Deca, Hydra, Ceusa, Durafloor and Duratex, Duratex produces bathroom fixtures and fittings, electric showers and faucets, ceramic tiles, laminated floors, medium density particle boards (MDP), and medium and high density fiber boards (MDF and HDF). In compliance with legislation in force, Duratex lodges a prior trademark application with the Brazilian National Institute of Industrial Property (INPI/BR) for all the brands and patents it uses in the sale of its products. The Company has over **350 brand trademark registrations** and applications in the countries where it sells its products.

Deca won the **Top of Mind** award for bathroom fixtures and fittings in 2018

First place in **Prêmio Valor Inovação Brasil 2017** (2017 Brazil Innovation Value Award) in the construction material and decoration segment

Deca won the **Red Dot Award: Product Design**, one of the world's most important design awards

 **Duratex** *Solutions for better living*

deca  | hydra  | ceusa  | durafloor  | duratex 

... Alpargatas

Alpargatas currently has over **3,000 trademark and 150 patent / industrial design filing and applications in Brazil and abroad.**

To mitigate and monitor the risk associated with the impairment of its brands, Alpargatas makes investments in studies on consumer habits and behaviors, surveys on trends on choices/purchases and behavior in relation to the features of the category and products. Top brands are: Havaianas, Mizuno, Dupé, and Osklen. Havaianas is the most valuable brand in Alpargatas' portfolio, the 18th most valued brand in Brazil, the **first in the footwear industry**, according to Interbrand 2018.

Havaianas is instantly remembered by over 80% of Brazilian consumers when sandals come to mind. Regarding how well Havaianas meets the needs in terms of sandals, this brand reaches out to 81% of consumers, who assigned scores from 9 and 10. According to 74% of respondents, Havaianas is the brand that creates trends, with 63% stating that our brand outclasses all others.

Based on the innovation concept, Alpargatas has designed a Havaianas brand franchise model, and the whole know-how on store implementation, operation and management is held by the franchisor.

Havaianas is top of mind by over **80% of Brazilian consumers** when sandals come to mind



The **most valuable brand in Brazil's footwear industry**



18th most valued brand in Brazil



havaianas®



OSKLEN



09 ATTACHMENTS



... Materiality

In 2017, Itaúsa carried out a materiality review process that took into account the guidelines of the Global Reporting Initiative (GRI) and the International Integrated Reporting Council (IIRC). Its objective was to concisely show the relevance of significant topics capable of influencing investors' assessments and Itaúsa's decisions, and that can reflect the positive and negative economic, environmental and social impacts for both the Company and its stakeholders.

The idea in this review cycle was to portray a new management reality at Itaúsa, with more attention to portfolio management, and its position as a player that resumed seeking market opportunities.

Early in this analysis, Itaúsa has reviewed the topics included in the materiality of the previous cycle, internal documents, questionnaires from stock exchanges' indices, news reported on the media, Company's communications to the market, interviews with executives, and the local and global sustainability context of the sector to predetermine topics to be consulted and validated with stakeholders and senior management.

- The process has set and aligned topics material to Itaúsa's management and strategy. They were organized under three pillars to facilitate stakeholders' understanding and guide Company's management.

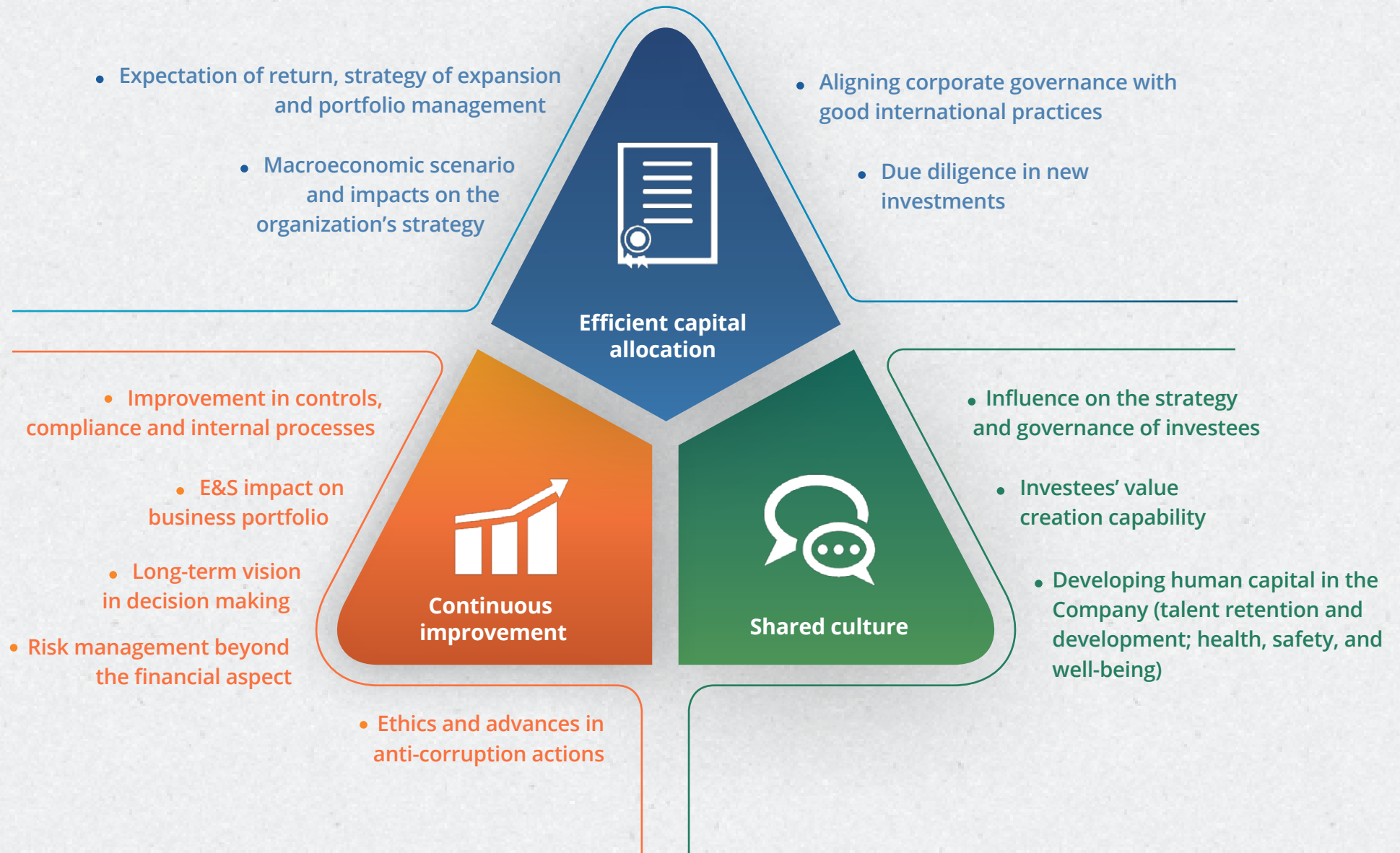
- During the prioritization stage, Itaúsa conducted 14 interviews with representatives from investors, civil society organizations and industry associations. The people selected have a deep knowledge of Itaúsa's business, which increased the quality of interviews and the assertiveness of the results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

In the 2018 cycle, under the scope of the Disclosure and Trading Committee, which has the participation of Itaúsa's CEO and the Chairman of its Board of Directors, some adjustments to the materiality nomenclature were made, seeking to better clarify the accountability and enhance alignment with management. These adjustments were as follows:

- Adjusting the pillar nomenclature by changing the first pillar of asset protection and valuation to efficient capital allocation.
- Reallocating some topics between the following pillars:
 - "Risk management beyond the financial aspect" from "Efficient capital allocation" to "Continuous improvement".

- "Ethics and advancements in anti-corruption measures" from "Efficient capital allocation" to "Continuous improvement".
- "Macroeconomic scenario and impacts on the organization's strategy" from "Continuous improvement" to "Efficient capital allocation".
- "Development of human capital in the company (talent retention, development, health management, security and well-being)" from "Continuous improvement" to "Shared culture".

- Adjusting the topic nomenclature:
 - "Expected ROI, portfolio increase and management strategy" became "Expected return, portfolio increase and management strategy".
 - "Aligning corporate governance with the best international practices" became "Aligning corporate governance with good international practices".
 - "Development of human capital in the company (health management, security and well-being; and talent retention, development)" became "Development of human capital in the company (talent retention, development, health management, security and well-being)".
 - "Role of sustainability and long term in decision making" became two topics to facilitate the reader's understanding: "Environmental and social impact on business portfolio" and "Long-term vision in decision making".



... Material topics vs. GRI Standards

Pillar	Topic	Materiality assessment	In	Out	GRI Topic	Indicators
			Administrative	Investee	Management approach 103-1 103-2 103-3	
Efficient capital allocation	Expectation of return, strategy of expansion and portfolio management	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 opportunity	102-18 to 102-39 – See below 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
Continuous improvement	Improvement in controls, compliance and internal processes	Very important	X	X	Management approach	103-2 – The management approach and its components
	E&S impact on business portfolio	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	Muito importante	X	X	Economic performance	201-2 – Financial implications and other risks and opportunities due to climate change
	Ethics and advances in anti-corruption actions	Very important	X	X	General disclosures	102-17 – Mechanisms for advice and concerns about ethics
Shared culture	Influence on the strategy and governance of investees	Very important	X	X	Management approach	103-2 – The management approach and its components
	Investees' value creation capability	Very important	X	X	Management approach	103-2 – The management approach and its components
	Developing human capital in the Company (talent retention and development; health, safety, and well-being)	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 401-3 – Parental leave 403-2 – Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities 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

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.








This service was performed on the Portuguese version of the report.



GRI 101: Foundation 2016



GRI 102: General disclosures 2016	Item	Page	Omission	External assurance
Organizational profile				
	102-1: Name of the organization	10		
	102-2: Activities, brands, products, and services	10		
	102-3: Location of headquarters	79		
	102-4: Location of operations	13, 15, 17, 19 and 79		
	102-5: Ownership and legal form	10		
	102-6: Markets served	10, 13, 15, 17, 19		
	102-7: Scale of the organization	11, 22 and 43		
	102-8: Information on employees and other workers	43 and 44		
	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	GRI 102: General disclosures 2016			
	Item	Page	Omission	External assurance
Organizational profile				
	102-13: Membership of associations	51 and 52 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	4 and 5		
	102-15: Key impacts, risks and opportunities	4, 5 and 49		✓
Ethics and integrity				
	102-16: Values, principles, standards, and norms of behavior	48		✓
	102-17: Mechanisms for advice and concerns about ethics	48		✓
Governance structure				
	102-18: Governance structure	46		✓
	102-19: Delegating authority	49		✓
	102-20: Executive-level responsibility for economic, environmental and social topics	49		✓
	102-21: Consulting stakeholders on economic, environmental, and social topics	7, 50 to 53, 64		
	102-22: Composition of the highest governance body and its committees	46, 47 and 58 to 60		✓
	102-23: Chair of the highest governance body	59		✓
	102-24: Nominating and selecting the highest governance body	46		✓



GRI 102: General disclosures 2016	Item	Page	Omission	External assurance
Governance structure				
	102-25: Conflicts of interest	Itaúsa's Stockholders' Agreement sets rules and parameters so that there are no conflicts of interest among the Company's controlling stockholders. Meanwhile, the Board of Directors' internal charter provides for the abstention of its members from voting on any matters involving a possible conflict of interest. The Transactions with Related Parties Policy sets forth that a Fiscal Council member is prevented from deciding on a matter due to a potential conflict of interest. A similar process is applied to General Stockholders' Meetings when a stockholder potentially has an interest conflicting with the resolution agenda. In participating in the boards of directors of investees, Itaúsa's representatives are also subject to this topic-specific policies. For further information, please see the Reference Form, item: 12.3 – Rules, policies and practices related to the Board of Directors.		
	102-26: Role of highest governance body in setting purpose, values and strategy	46		
	102-27: Collective knowledge of highest governance body	58 to 60		
	102-28: Evaluating the highest governance body's performance	The Company has no mechanism to evaluate the performance of the Board of Directors and the Disclosure and Trading Committee. However, in compliance with the best corporate governance practices, the reelection process of management members takes into account their good performance during the term of office and the attendance to and participation in the meetings during the previous term of office, as well as their experience and level of independence. Source: Reference Form, item 12.1 – Describe the issuer's administrative structure.		
	102-29: Identifying and managing economic, environmental and social impacts	48 and 49		
	102-30: Effectiveness of risk management processes	48 and 49		
	102-31: Review of economic, environmental, and social topics	48 and 49		
	102-32: Highest governance body's role in sustainability reporting	7 The annual report is approved by the Disclosure and Trading Committee, which has the CEO as one of its members.		
	102-33: Communicating critical concerns	48 and 50		
	102-34: Nature and total number of critical concerns	48, 51, 53 and 64		

GRI 102: General disclosures 2016	Governance structure			
	Item	Page	Omission	External assurance
	102-35: Remuneration policies	For further information, please see the Reference Form, item: 13.1 – Describe the policy or practice for compensation, including the non-statutory executive board; 13.2 – Compensation of the Board of Directors, Statutory Executive Board, and Fiscal Council; and 13.3 – Variable compensation of the Board of Directors, Statutory Executive Board, and Fiscal Council.		
	102-36: Process for determining remuneration	For further information, please see the Reference Form, item: 13.1 – Describe the policy or practice for compensation, including the non-statutory executive board; 13.2 – Compensation of the Board of Directors, Statutory Executive Board, and Fiscal Council; and 13.3 – Variable compensation of the Board of Directors, Statutory Executive Board, and Fiscal Council.		
	102-37: Stakeholders' involvement in remuneration	Stakeholders' opinions about compensation are taken into account and submitted to the Disclosure and Trading Committee through a channel that ensures the right to anonymity and protection for subsequent forwarding to the Board of Directors.		
	102-38: Annual total compensation ratio	See Reference Form, item 13.11 - The amount of the highest, lowest and average individual annual remuneration for the members of the board of directors, statutory executive board and fiscal council.	The annual total compensation ratio is not disclosed because it is considered confidential information.	
	102-39: Percentage increase in annual total compensation ratio	See Reference Form, item 13.11 - The amount of the highest, lowest and average individual annual remuneration for the members of the board of directors, statutory executive board and fiscal council.	The annual total compensation ratio is not disclosed because it is considered confidential information.	

GRI 102: General disclosures 2016	Stakeholder engagement		Page	Omission	External assurance
	Item				
	102-40: List of stakeholder groups		7, 50 to 53 and 64		
	102-41: Collective bargaining agreements		All eligible employees of Itaúsa are covered by collective bargaining agreements.		
	102-42: Identifying and selecting stakeholders		7, 50 to 53 and 64		
	102-43: Approach to stakeholder engagement		7, 50 to 53 and 64		
	102-44: Key topics and concerns raised		7, 50 to 53 and 64 to 66		
	Reporting practice				
	102-45: Entities included in the consolidated financial statements		Please see: http://www.itausa.com.br/en/financial-information/financial-statements		
	102-46: Defining report content and topic boundaries		64 to 66		
	102-47: List of material topics		8, 64 to 66		
	102-48: Restatements of information		7 As from this publication, Itaúsa will disclose its performance in accordance with the integrated reporting model of the International Integrated Reporting Council (IIRC).		
	102-49: Changes in reporting		7, 64 and 65 As from this publication, Itaúsa will disclose its performance in accordance with the integrated reporting model of the International Integrated Reporting Council (IIRC).		<input checked="" type="checkbox"/>
	102-50: Reporting period		January 1 st to December 31, 2018.		<input checked="" type="checkbox"/>
	102-51: Date of most recent report		April 2018.		<input checked="" type="checkbox"/>
	102-52: Reporting cycle		7		
	102-53: Contact point for questions regarding the report		For questions and comments on this publication, please email: investor.relations@itausa.com.br		
	102-54: Claims of reporting in accordance with the GRI Standards		7		
	102-55: GRI content index		67 to 73		<input checked="" type="checkbox"/>
	102-56: External assurance		7, 74 and 75		

Material topics	Standard	Page	Omission	External assurance
GRI 201: Economic performance 2016				
GRI 103 Management approach 2016	103-1: Explanation of the material topic and its boundary	66		
	103-2: The management approach and its components	21 to 23, 25 and 26		
	103-3: Evaluation of the management approach	21 to 23, 25 and 26		
	201-1: Direct economic value generated and distributed	56		
	201-2: Financial implications and other risks and opportunities due to climate change	Climate change and its financial implications are addressed mainly by the investees because of their business models. For further information see the Reference Form, item: 4.1 – Description of risk factors, item “j” – Social and environmental issues.		
GRI 401: Employment 2016				
GRI 103 Management approach 2016	103-1: Explanation of the material topic and its boundary	66		
	103-2: The management approach and its components	43 and 44		
	103-3: Evaluation of the management approach	43 and 44		
	401-1: New employee hires and employee turnover	In 2018, Itaúsa hired ten new employees based on the CLT (five male and five female). It also hired two trainees (female) and one apprentice (male). In this year, there were eight terminations (four male and four female).		
	401-2: Benefits provided to full-time employees that are not provided to temporary or part-time employees	44		
	401-3: Parental leave	In 2018, the only occurrence was the continuation of the maternity leave, started in 2017, of a female professional who remains in the company.		

Material topics	Item	Page	Omission	External assurance
GRI 403: Occupational health and safety 2016				
GRI 103: Management approach 2016	103-1: Explanation of the material topic and its boundary	66		
	103-2: The management approach and its components	43 and 44		
	103-3: Evaluation of the management approach	43 and 44		
	403-1: Workers representation in formal joint management-worker health and safety committees	None.		
	403-2: Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	No absenteeism rate is implemented at Itaúsa.		
	403-3: Workers with high incidence or high risk of diseases related to their occupation	None.		
	403-4: Health and safety topics covered in formal agreements with trade unions	None.		
GRI 404: Training and education 2016				
GRI 103: Management approach 2016	103-1: Explanation of the material topic and its boundary	66		
	103-2: The management approach and its components	44		
	103-3: Evaluation of the management approach	44		
	404-1: Average hours of training per year per employee	The average number of training hours per employee hired under CLT was 10.65 hours, of which 13.80 hours on average for male employees and 8.08 hours for female. Per functional category, the average was 20.44 hours for managers and 7.18 hours for teams.		
	404-2: Programs for upgrading employee skills and transition assistance programs	44 Itaúsa has no career transition programs due to employment contract terminations or retirement.		
	404-3: Percentage of employees receiving regular performance and career development reviews	44		

Material topics	Item	Page	Omission	External assurance
GRI 405: Diversity and equal opportunity 2016				
GRI 103: Management approach 2016	103-1: Explanation of the material topic and its boundary	66		
	103-2: The management approach and its components	43		
	103-3: Evaluation of the management approach	43		
	405-1: Diversity of governance bodies and employees	43, 58 to 60		
	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%. This sample included less than five employees per gender for other positions and therefore was not assessed.		

... Independent auditor's limited assurance report on information related to sustainability included in the 2018 Integrated Report

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

Introduction

We have been engaged by Itaúsa – Investimentos Itaú S.A. ("ITAÚSA" or "Company") to present our limited assurance report on the compilation of the information related to sustainability included in the 2018 Integrated Report of ITAÚSA for the year ended December 31, 2018.

Responsibilities of the Company's management

The management of ITAÚSA is responsible for the preparation and fair presentation of the information included in the 2018 Integrated Report, in accordance with the Global Reporting Initiative (GRI Standards) and for such internal control as it determines is necessary to enable the preparation 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 2018 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 application of the Brazilian Standard on Quality Control (NBC PA 01) and, therefore, the maintenance of a comprehensive quality control system, including documented policies and procedures regarding the compliance with the applicable

ethical requirements, professional standards and legal and regulatory requirements.

Moreover, the aforementioned standards require that the work be planned and performed to obtain limited assurance that the information included in the 2018 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 him 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 included in the 2018 Integrated Report, other circumstances of the engagement 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 that were used to prepare the information included in the 2018 Integrated Report of ITAÚSA;
- (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 information included in the 2018 Integrated Report;
- (d) comparing the financial indicators with the financial statements and/or accounting records.

The limited assurance engagement also included application of procedures to assess compliance with the Global Reporting Initiative (GRI Standards) applied in the compilation of the information related to sustainability included in the 2018 Integrated Report.

We believe that the evidence we 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 issue of an opinion on the sustainability information included in the 2018 Integrated Report. Consequently, we were not able to obtain reasonable assurance that we would become aware of all significant matters that might be 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 information related to sustainability included in the 2018 Integrated Report. Therefore, we do not express an opinion on this information.

Non-financial data are 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 the data reported for prior periods, nor future projections and goals.

Conclusion

Based on the procedures performed, described herein, no matter has come to our attention that causes us to believe that the information included in the 2018 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, March 18, 2019

PricewaterhouseCoopers
Auditores Independentes
CRC 2SP000160/O-5

Washington Luiz Pereira Cavalcanti
Contador CRC 1SP172940/O-6

... Glossary

Asset Management: a term applied generally to the Asset Management area, it is a service offered by banks in connection with third-party fund management. It mainly comprises investment funds available to the general public.

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.

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.

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.

Dividend yield: an important indicator used to value investments, calculating the ratio of earnings paid to stockholders to the company's value. It is determined by the proportion of dividends and interest on capital paid per share, usually for a 12-month period, divided by the current share price. A company that distributes 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 and analysis of information about a given company with the purpose of confirming 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 investee company, and recognizes its effects in the statement of income for the year.

Fintech: a company that combines technology and financial services. This term is simply a combination from the English words financial and technology. A fintech offers financial services that stand out by the facilities provided by technology and the internet.

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.

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 the sale of assets, extraordinary gains or losses from the outcome of lawsuits, effects from acquisition and/or takeover of new business, among others.

M&A: mergers and acquisitions refer to 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.

PAEs: electronic banking service centers.

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. 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 or 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.

Private equity: a type of investment in which a fund, owning the capital, acquires interest in companies already mature, usually taking over the control of the former, to improve operations and achieve profits in the medium- or long-term with the subsequent sale of such interest.

Project finance: a financing structure based on the attractiveness of a specific project rather than on the review of the creditworthiness of a corporation as a whole. Generally used for special purpose companies (SPC).

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 under analysis. The most renowned international rating companies are: Standard&Poor's, Moody's, and Fitch Investors Services.

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)

... Corporate information

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