



Essence of Sustainability

Itaú Unibanco Banco Múltiplo S.A.



Essence of Sustainability

Many years from now when our grandchildren face the challenges of their time, Itaú Unibanco wants to be present, contributing to the realization of their dreams. For us, sustainability means maintaining our business over the short, medium and long term, to deliver continual value to our stakeholders. We try to meet the needs of these groups, based on the challenges of today's world.

This publication distils the essence of the challenges Itaú Unibanco sees as its priorities, after meetings with stakeholder representatives, analyzing the global financial sector's best practices, and listening to the experts. Our world changes rapidly, so we regularly review and update these challenges.

We've combined the experts' views on the relevance and prevalence of these issues with how Itaú Unibanco is positioned to confront these financial sector challenges, in a brief, concise format that is the essence of sustainability.

Itaú Unibanco's principal challenges:

- Transparency and governance
- Customer satisfaction
- Socio-environmental criteria
- Diversity
- Climate change
- Financial education
- Microfinance
- Engagement of stakeholders

LEARN MORE

> The online version of the Annual Sustainability Report is available at www.itauunibanco.com.br/relatoriodesustentabilidade

Transparency and governance

//

Today we are experiencing two crises that overlap and converge: the financial meltdown and climate change. While the crisis in the financial system is related to trust, the global warming crisis stems from a model. The better that companies can deal with the second challenge the more they'll understand the financial system's profound implications on our society that have brought us to this crossroads.

We must build a culture of transparency, and to-date sustainability reports that use Global Reporting Initiative (GRI) guidelines have been fundamental in this respect. An international non-governmental organization headquartered in Amsterdam, the Netherlands, the GRI released the Declaration of Amsterdam, which insists that transparency be essential to overcoming the deep crises that affect us today. In this context, the publication of the Sustainability Report covering Itaú's merger with Unibanco is a milestone: it shows the commitment of these institutions to the challenges ahead and their desire to lead the discussion on sustainable development."

Ricardo Young

Ethos Institute of Companies and Social Responsibility



At Itaú Unibanco

Transparency and governance are mandatory requirements in the business world and particularly so in the financial sector. Not surprisingly, Itaú Unibanco has inherited from its founding institutions the tradition of following the market's best corporate governance and accountability practices, although these require continual improvement. Throughout their history, Itaú and Unibanco have established corporate policies, ethical conduct and transparent management structures and procedures designed to ensure impartial decision making and the ability to react quickly to changing conditions.

Examples of this approach include the presence of independent members on the Board of Directors and other boards and committees, our participation in Corporate Governance Level 1 of the São Paulo Stock Exchange (Bovespa) and compliance with the Sarbanes-Oxley Act, which requires the adoption of a series of internal control and risk management procedures. The market recognizes these efforts in several ways, including the inclusion of both banks in the Bovespa Corporate Sustainability Index (ISE). Additionally, Itaú is the only South American bank to have been part of the Dow Jones Sustainability Index since this metric began in 1999.



Customer satisfaction

//

Now that twenty years have passed since Brazil's Consumer Defence Code came into effect, we need to think: where have we been, where we are now and where we going? Nineteen years ago it was hard to find people who believed in the promise that this new law would revolutionize consumer relations and, primarily, awaken the conscience of the Brazilian public. The crisis came about because our society lacked the means to resolve conflicts: suppliers and consumers were not on a level playing field. Today, no one doubts the extent of the Code, not just because the Supreme Court (STF) has declared its constitutionality, including how it regulates the provision of banking services, but mainly because its effects are clear when we make our daily purchases. The Code was sanctioned by Brazil's first directly elected president after decades of authoritarian rule, and has since been instrumental in raising the awareness of the populace.

We must continue to recognize that respect for the consumer is a valuable means of attracting customers and use it proactively to promote trust, which is the most valuable intangible asset that a company can have to enjoy market share. Consumer awareness, which is the power to choose among a wide variety of goods and services providers, must now meet the primary objective of improving the provision of services, which will mobilize everyone around the common goal of mutual satisfaction."

Rodrigo Terra

Minister of Public Defence, Rio de Janeiro

At Itaú Unibanco

To satisfy tens of millions of account holders and all manner of corporate clients is an ongoing challenge for Itaú Unibanco. We seek to maintain long-term partnerships based on trust and respect, which has been the guiding principal of both institutions from the beginning. Since 2005, two years before it became a legal requirement, Itaú has maintained an Ombudsman service which provides an open relationship channel with customers. That same year Unibanco launched the Customer Council, a quarterly forum where Uniclass and Exclusivo segment representatives meet to give us suggestions and criticisms on how we can improve our service quality.

Satisfaction is a measure of how well the institution is attuned to the needs of its customers, which Itaú Unibanco sees as essential for long-term success. Since the merger the new bank has been sharing the best practices and services of each organization to continue offering the finest products and services to its customers. Listening to customers through market research and studies has been a priority in the wake of the Itaú Unibanco merger. These initiatives help us better understand the perception of the groups with whom we interact. Our surveys are designed to highlight expectations, value added, warning signs and issues such as service, products and services. The result has helped us establish management and service models for the new institution.





Socio-environmental criteria

“

The activities undertaken by the financial sector have a reduced direct socio-environmental impact compared to those of industry. However, this does not diminish the sector's responsibility.

On the contrary, the financial sector can incorporate socio-environmental criteria into its policies and management and thereby take action on several different fronts, namely: risk analysis, selection of suppliers, disclosure of performance, and the development of new products and investment vehicles.

Among the many possibilities, one of the most important aspects is the incorporation of socio-environmental policies for granting credit, especially for those ventures which have a high impact on the environment or on society. This practice leads to more accurate mapping of all risk categories (tangible and intangible) of a given project, resulting in image, and above all, financial benefits. It also serves as a multiplying tool for change, as it induces companies seeking financing to comply with the criteria. To allow the various stakeholders to monitor the socio-environmental commitment and performance of financial institutions, companies must use appropriate indicators and targets, and disclose their results transparently and on a timely basis.”

Clarissa Lins

The Brazilian Foundation for Sustainable Development

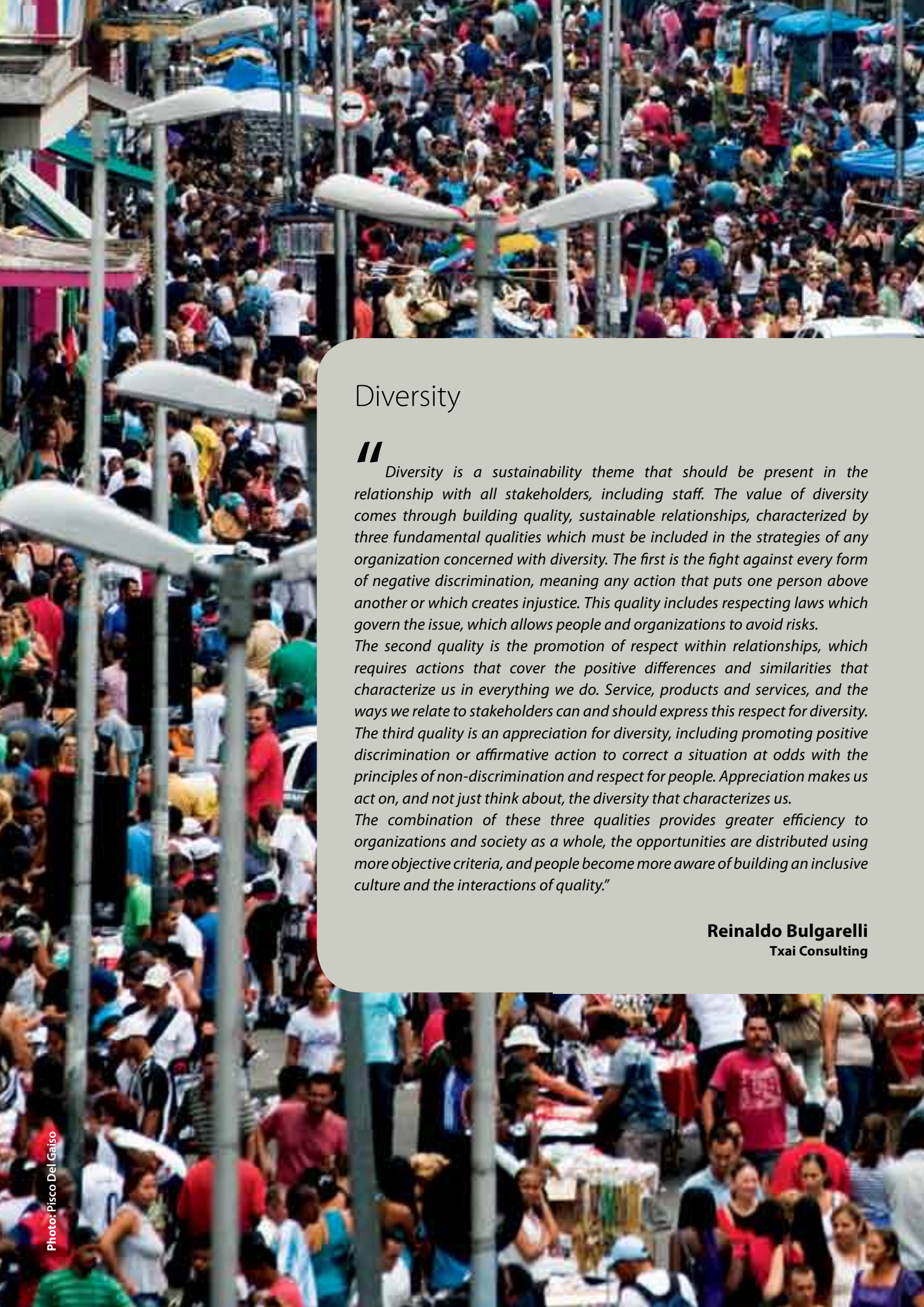
At Itaú Unibanco

Adopting socio-environmental criteria is the principal means to integrate sustainability into traditional business practices. There have been major advances to-date, but there is still plenty left to do, particularly within the number and type of products and services offered.

Since 2004 Itaú and Unibanco have adopted the guidelines of the Equator Principles, and in September 2008 Itaú was appointed for a one-year term to chair this forum's steering committee. Itaú Unibanco also relies on Itaú's experience with incorporating socio-environmental requirements into its procedures for corporate client loans in excess of R\$5 million, in order to reduce its credit risk and contribute to the sustainable development of its customers.

In 2008 Unibanco joined the Principles for Responsible Investment (PRI), a set of social, environmental and corporate governance standards to be employed in investment decision making. In addition, Itaú Unibanco's portfolio features socially responsible investments funds which focus on companies with good social responsibility and corporate governance practices, as well as other socio-environmental-related products such as insurance and credit cards that provide money for environmental conservation projects and organizations. Finally, Itaú Unibanco suppliers are selected in part on their socio-environmental aspects, with contractual clauses for companies to adopt good employment practices, respect for human rights and environmental preservation.



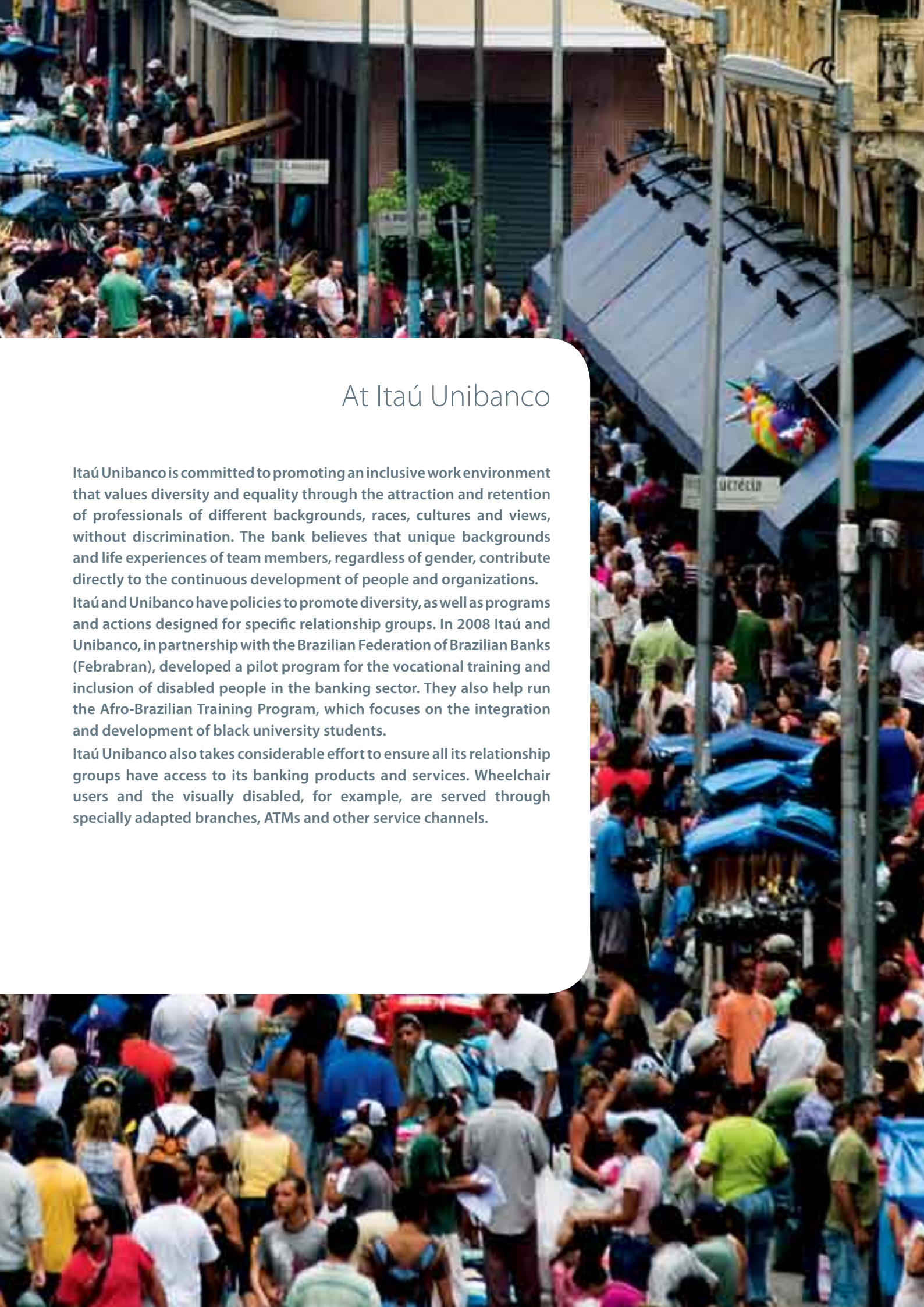


Diversity

“

Diversity is a sustainability theme that should be present in the relationship with all stakeholders, including staff. The value of diversity comes through building quality, sustainable relationships, characterized by three fundamental qualities which must be included in the strategies of any organization concerned with diversity. The first is the fight against every form of negative discrimination, meaning any action that puts one person above another or which creates injustice. This quality includes respecting laws which govern the issue, which allows people and organizations to avoid risks. The second quality is the promotion of respect within relationships, which requires actions that cover the positive differences and similarities that characterize us in everything we do. Service, products and services, and the ways we relate to stakeholders can and should express this respect for diversity. The third quality is an appreciation for diversity, including promoting positive discrimination or affirmative action to correct a situation at odds with the principles of non-discrimination and respect for people. Appreciation makes us act on, and not just think about, the diversity that characterizes us. The combination of these three qualities provides greater efficiency to organizations and society as a whole, the opportunities are distributed using more objective criteria, and people become more aware of building an inclusive culture and the interactions of quality.”

Reinaldo Bulgarelli
Txai Consulting



At Itaú Unibanco

Itaú Unibanco is committed to promoting an inclusive work environment that values diversity and equality through the attraction and retention of professionals of different backgrounds, races, cultures and views, without discrimination. The bank believes that unique backgrounds and life experiences of team members, regardless of gender, contribute directly to the continuous development of people and organizations.

Itaú and Unibanco have policies to promote diversity, as well as programs and actions designed for specific relationship groups. In 2008 Itaú and Unibanco, in partnership with the Brazilian Federation of Brazilian Banks (Febrabran), developed a pilot program for the vocational training and inclusion of disabled people in the banking sector. They also help run the Afro-Brazilian Training Program, which focuses on the integration and development of black university students.

Itaú Unibanco also takes considerable effort to ensure all its relationship groups have access to its banking products and services. Wheelchair users and the visually disabled, for example, are served through specially adapted branches, ATMs and other service channels.



Climate Change

“

Hurricane Katrina, which struck the southern United States, is clear proof that we were unable to enact early stage mitigation under the Kyoto Protocol, and that we are unprepared to adapt to the new climatic conditions which are approaching. Adaptation will not reduce the frequency and magnitude of the effects. However, it may protect businesses and society from extreme events such as droughts, floods, fires, hurricanes and the resurgence of insect-borne diseases.

The responsible management of mitigation and adaptation is the basis for obtaining good results. However, this goes well beyond just taking a moral or social stance: the Brazilian financial sector, whose strengths and skills are rare in the midst of this current international crisis, will have its civic responsibility put to the test when required to deal with and prevent events and effects related to climate change. Examples of these include breaking the supply chain, reputational risk, inability to meet peak energy demands due to heat waves, reduced availability of water for hydroelectric plants and cooling systems for thermoelectric facilities, volatility of the insurance market, breakdowns in the distribution network, and, like sustainable production, increased demand for energy, goods and “green” services.

The social and economic role of financial firms which are committed to our survival will be decisive.”

Fernando Almeida

Brazilian Business Council for Sustainable Development

The background of the entire page is a high-resolution photograph of parched, cracked earth. The cracks are irregular and form a complex, interconnected pattern across the surface, highlighting the severity of drought. The color is a dusty, light brown. A white, rounded rectangular box is overlaid on the left side of the image, containing the text.

At Itaú Unibanco

Itaú Unibanco shares the view that climate change represents one of the most pressing challenges facing us today and in future. It brings with it risks and opportunities for the corporate world. We seek to incorporate its variables in our business, managing risk and developing appropriate solutions to reduce greenhouse gas emissions.

In addition to making an environmental impact assessment part of our lending and investment criteria, Itaú Unibanco employs practices to mitigate the direct environmental impacts of its operations. Since 2007 Itaú has used a group of professionals focused on identifying actions which can produce a more efficient use of natural resources, while in 2008 Unibanco created a specific structure to centralize all information and establish an integrated action strategy for the entire institution. To control their emissions of greenhouse gases, Itaú and Unibanco conducted inventories in accordance with the international GHG Protocol standard. Itaú is a founding member of this initiative and both banks are signatories and respondents to the Carbon Disclosure Project (CDP), a global effort to identify risks and opportunities caused by climate change. Itaú also sponsored the CDP's expansion in Latin America.

Financial Education

“

The lives of people who have difficulty paying their debts are pervaded by stress and frustration, with direct consequences on their social relations, work and health. Loan defaults also affect the financial sector by increasing credit risk and interest rates, which brings a burden to society as a whole.

A pioneer among financial institutions in talking about the conscientious use of credit, Itaú stresses the importance of not just focusing on having good customers that repay their loans and use credit to have a good banking partner and quality of life. Education on the conscientious use of money and credit is an extraordinary tool to build sustainable relationships between banks and their customers. Conscientious consumers think not only about their budget limits, but also about the environmental and social limits of their consumption, keeping them consistent with their real needs and, through their consumption actions, helping to benefit society. A world made of aware citizens and responsible companies is the seed of a sustainable society”.

Helio Mattar

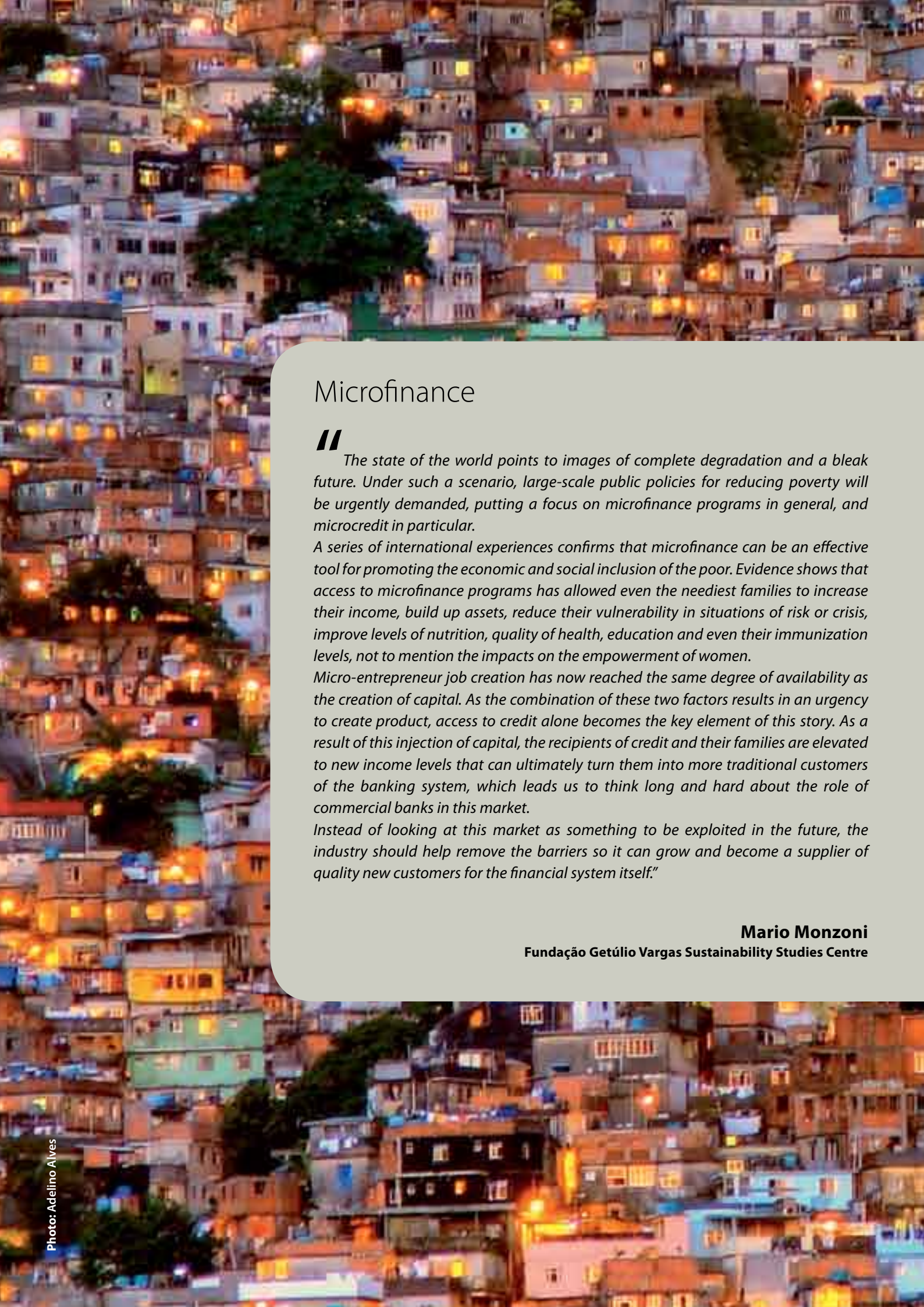
Akatu Institute for Conscientious Consumption

At Itaú Unibanco

The bank has a commitment to its clients and society to promote economic development and social inclusion by broadening access to banking services and its customer base. For this growth to occur in a sustainable manner, our advice on the responsible use of money and financial services is made widely available.

One example of this commitment is the Conscientious Use of Money program, a financial education initiative begun in 2004 with the *Conscientious Use of Credit* and the *Conscientious Use of a Current Account* booklets. In 2008 the program was expanded and launched four new publications, distributed to clients in branches and available to the general public on the Itaú website: *Family Budget*, *Time to invest*, *Getting out of the red* and *Talking about money with your children*. Also during 2008, through Microinvest, Unibanco's microcredit arm, 569 micro-entrepreneurs received basic training in accounting, business management and the conscientious use of credit for microcredit customers.

The challenge is to increase the capillarity of these financial education programs so they can benefit more people and better demonstrate the significance of the conscientious use of money.



Microfinance

“

The state of the world points to images of complete degradation and a bleak future. Under such a scenario, large-scale public policies for reducing poverty will be urgently demanded, putting a focus on microfinance programs in general, and microcredit in particular.

A series of international experiences confirms that microfinance can be an effective tool for promoting the economic and social inclusion of the poor. Evidence shows that access to microfinance programs has allowed even the neediest families to increase their income, build up assets, reduce their vulnerability in situations of risk or crisis, improve levels of nutrition, quality of health, education and even their immunization levels, not to mention the impacts on the empowerment of women.

Micro-entrepreneur job creation has now reached the same degree of availability as the creation of capital. As the combination of these two factors results in an urgency to create product, access to credit alone becomes the key element of this story. As a result of this injection of capital, the recipients of credit and their families are elevated to new income levels that can ultimately turn them into more traditional customers of the banking system, which leads us to think long and hard about the role of commercial banks in this market.

Instead of looking at this market as something to be exploited in the future, the industry should help remove the barriers so it can grow and become a supplier of quality new customers for the financial system itself.”

Mario Monzoni

Fundação Getúlio Vargas Sustainability Studies Centre



At Itaú Unibanco

Credit for micro-entrepreneurs who have difficulty accessing traditional financing lines is a field in which Itaú and Unibanco, have, in recent years, sought to build their knowledge and acquire experience for the time when gains in scale will enable a major transformation of the potential of this banking segment.

The merger between Itaú and Unibanco allows us to unite our different yet complementary experiences. Itaú has established partnerships with social organizations to identify projects to be supported, and provide loans to account holders through the branch network. It also constantly invests in systemizing and providing knowledge through the Itaú Entrepreneur Award, the *Microcredit Institutions in Brazil Diagnostic*, and the *Guide to Creating Microcredit Institutions*.

Unibanco has developed expertise in providing direct credit to non-account holders. Since 2003 Microinvest has been active in the states of Rio de Janeiro, São Paulo, Minas Gerais, Espírito Santo and Rio Grande do Sul, including 150 service points in low-income communities like Rocinha in Rio de Janeiro and Paraisópolis in São Paulo. In 2008 it signed a new agreement with the Inter-American Development Bank (IDB) to strengthen its own management structure and support the implementation the sector's best practices. These three activities form the basis for Itaú Unibanco's considerable growth potential in this segment.

Engagement of stakeholders



Brazil's emergence as an economic and an ecological powerhouse depends on learning and actions associated with the current global crisis. First, global integration means that Brazil must be more forceful in shaping an international political economy on which it is increasingly dependent. Second, the domestic and international financial community must align around Brazil's aspirations for sustainable development, investing in the long-term prospects contributing to ecology and people rather than gambling on short-term trading and rewards. Third, Brazilians need to see this alignment turned into practice through greater transparency and deeper engagement. Brazil's success in large part depends on its financial community adopting a three-way approach to stakeholder engagement as part of a revitalised social compact, engaging with its stakeholders in defining a responsible approach to investment, demonstrating its own commitment through aligning actions to this approach, and working with stakeholders in advancing a responsible investment internationally."

Simon Zadek
Chief Executive, AccountAbility

The background of the page is a light blue color with a pattern of thick, braided blue ropes. The ropes are arranged in a grid-like fashion, with some ropes crossing each other to form knots. The ropes are slightly out of focus, creating a sense of depth. The overall aesthetic is clean and professional, with a nautical or maritime theme.

At Itaú Unibanco

To engage and enlighten employees, customers, suppliers and other strategic relationship groups are strategic actions for Itaú Unibanco. The current challenge is to undertake them on a more integrated and structured basis with increasing size and scope.

Since 2006 Itaú has been a pioneer in the Brazilian financial system through the implementation of the AA1000 standard, which establishes criteria for collecting information, auditing and reporting, with a focus on dialoguing with strategic relationship groups. The bank is also adopting the SA 8000 standard, which seeks to improve the welfare and working conditions of its employees and those of its suppliers.

Itaú Unibanco has different ways to interact with its stakeholders, as we are always looking for diverse viewpoints. These methods include: the Itaú Customer Forum, the Unibanco Customer Council, Sustainability Dialogues and organizational climate surveys. The organization also has the challenge of further engaging its suppliers by facilitating the generation of sustainable value across its supply chain.

Itaú Unibanco Banco Múltiplo S.A.
Praça Alfredo Egydio de Souza Aranha, 100
Torre Olavo Setubal – 04344-902 – São Paulo – SP
www.italu.com.br
www.unibanco.com.br



The paper used in this Report was manufactured from wood from certified forests and other controlled sources which meet FSC criteria.



Photo cover: Photocase