



FIFTH THIRD BANCORP

# 2021 Task Force on Climate-related Financial Disclosures Report



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## INTRODUCTION

# About this Report

In 2019, Fifth Third became the first regional bank to publish a Climate-related Financial Disclosure Report following the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). This report presents Fifth Third's progress toward implementing the TCFD's recommendations and reflects a summary of our advancement toward fully incorporating the identification and management of climate-related risks and opportunities into our business strategy and disclosure efforts.

Climate risk management continues to evolve for many companies, including Fifth Third, and we expect the methodology and tools for managing these risks will continue to improve over time. **This report represents another important step on our climate journey and toward our Purpose: to improve the lives of our customers and the well-being of our communities.**

The data used in this report covers the period of Jan. 1 through Dec. 31, 2021, unless otherwise noted, and the narrative may include updates through February 1, 2022, where applicable.

The goals discussed in this report are aspirational. While we are committed to achieving them, we cannot guarantee or promise that these goals will be met. Statistics and metrics in these disclosures include estimates and may be based on assumptions. Furthermore, some of the figures in this report may be unaudited. This report uses certain terms, including "material" topics, to reflect the issues of greatest importance to Fifth Third and our stakeholders. Used

in this context, these terms are distinct from and should not be confused with the terms "material" and "materiality" as defined by or construed in accordance with securities laws or as used in the context of financial statements and reporting.

This report is for general informational purposes only and does not constitute an offer or sale of any securities issued by Fifth Third Bancorp. All such offers and sales shall be made only pursuant to an effective registration statement filed by Fifth Third Bancorp with the Securities and Exchange Commission and a current prospectus. The information in this report shall not be deemed to be incorporated by reference in any filing under the Securities Exchange Act of 1934 or the Securities Act of 1933, except as shall be expressly set forth by specific reference.

All information in this report is as of the date indicated thereon. We do not undertake any obligation to update the information in this report or otherwise notify you in the event that any views, opinions or facts stated in this report change or subsequently become inaccurate. This report is not comprehensive and contains only voluntary disclosures on important ESG topics. For that reason, this report should be read in conjunction with our 2020 Environmental, Social and Governance Report; 2021 CDP Climate Change Questionnaire Response; 2021 Annual Report on Form 10-K (particularly the "Forward-Looking Statements" and "Risk Factors" sections); and 2022 Proxy Statement, all of which can be found on our Investor Relations [website](#). ■

### About Fifth Third

*Fifth Third Bancorp is a diversified financial services company headquartered in Cincinnati, Ohio, and the indirect parent company of Fifth Third Bank, National Association, a federally chartered institution. As of Dec. 31, 2021, the Company had \$211 billion in assets and operates 1,117 full-service Banking Centers, and 2,322 Fifth Third branded ATMs in Ohio, Kentucky, Indiana, Michigan, Illinois, Florida, Tennessee, West Virginia, Georgia, North Carolina and South Carolina. In total, Fifth Third provides its customers with access to approximately 54,000 fee-free ATMs across the United States. Fifth Third operates four main businesses: Commercial Banking, Branch Banking, Consumer Lending, and Wealth & Asset Management. Fifth Third is among the largest money managers in the Midwest and, as of Dec. 31, 2021, had \$554 billion in assets under care, of which it managed \$65 billion for individuals, corporations and not-for-profit organizations through its Trust and Registered Investment Advisory businesses. Investor information and press releases can be viewed at [53.com](#). Fifth Third's common stock is traded on the NASDAQ® Global Select Market under the symbol "FITB."*



# A Message from the Chairman & CEO



In 2021, I was named Responsible CEO of the Year for Community Impact by 3BL Media. I note this not because it honors me personally, but because it acknowledges, in a very public way, the work that Fifth Third's employees have done to improve the lives of all our stakeholders. We all depend upon a healthy environment to live our best lives, and that's why **we've made accelerating the transition to a sustainable future a key priority of our Company.** We are committed to doing well by doing good. We have worked hard to become an industry leader in environmental sustainability since we launched our program and began our journey in 2011.

We believe it is important to our stakeholders to provide transparency along our journey. **We have published sustainability reports for nearly two decades**, first as community investment reports, then corporate social responsibility reports and now Environmental, Social, and Governance (ESG) Reports. We began reporting progress on our climate journey in 2010 by adding a section in our Corporate Social Responsibility (CSR) report and responding to the Carbon Disclosure Project (CDP) climate change questionnaire. I am proud that we were again recognized as a leader by CDP in the 2021 survey for the third consecutive year, as well as other ESG data providers.

Along the way, we achieved a many "firsts," such as being the first regional bank to publish a Task Force on Climate-related Financial Disclosures (TCFD) Report in 2019; to achieve 100% renewable power use through a single, solar project, also in 2019; and becoming the first regional bank to achieve carbon neutrality for its own operations in 2020. Just a few months ago, in November 2021, Fifth Third settled the issuance of its inaugural Green Bond for \$500 million. The proceeds will fund green projects that align with the Bank's sustainability priorities as outlined in our **Sustainable Bond Framework**. With the issuance, Fifth Third became the first U.S. financial institution with under \$250 billion in assets to issue an ESG bond of any type. The bond also enabled us to align our financing with our investment and lending priorities, providing liquidity to our customers as they transition to a sustainable future, and to provide additional options to help our investors achieve their goals.

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**We recognize that climate change is bigger than us, as individuals or a company.** The financial sector plays an important role in making necessary changes to adapt to a changing planet and create more resilient communities. Through our membership in the Partnership for Carbon Accounting Financials (PCAF), we are committed to assessing and disclosing client greenhouse gas emissions associated with loans and investments. We also are partnering with the Ceres Company Network to help guide our climate strategy. We describe in this report how our lending and investment businesses are growing to support the transition to renewables and a low carbon economy. Additionally, we are being vigilant for physical risk, such as flood zone-mapping changes and increased extreme weather events. We are committed to understanding how these changes could materialize over time and impact our customers and portfolios.

**We also appointed our first climate risk officer to lead our climate risk team and ensure that climate-related risks are top of mind** in every division—and every decision—as our Bank works to serve our customers. The team is actively integrating climate risk into our Risk Management Framework and planning for scenarios that reflect climate change. This will, in turn, allow us to establish conversation points to guide our lines of business in discussions with our customers, and enable the Bank to develop a net-zero aligned strategy not only to manage risk but also to continue transparency around the Bank's emissions across our portfolios. I expect that you will see actions in the future that address how we are thinking about climate change in every aspect of our business.

Although the banking industry is still in various stages of the climate risk strategy and management journey, **our Bank begins with a solid legacy of environmental sustainability leadership and a strong foundation for risk management and governance.** Combined, this places us in an ideal position to be leaders for change for both the short and long term. Thank you for your interest in our second TCFD Report and our work to help communities navigate climate-related risks and opportunities. ■

Sincerely,

**Greg D. Carmichael**  
Chairman & CEO

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***We recognize that climate change is bigger than us, as individuals or a company. The financial sector plays an important role in making necessary changes to adapt to a changing planet and create more resilient communities.***

—GREG D. CARMICHAEL, CHAIRMAN & CEO

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## INTRODUCTION

# Task Force on Climate-related Financial Disclosures (TCFD) Introduction

In 2017, the TCFD released its voluntary, but recommended, guidance for consistent financial disclosures designed to be used by investors, lenders and insurance underwriters in understanding material climate-related risks. In 2019, Fifth Third began reporting based on the TCFD's recommendations in our first [Climate-related Financial Disclosure Report](#), which focused on the TCFD themes of Governance, Strategy, Risk Management and Metrics & Targets. We continue to focus on these themes and our achievements and goals in this report as we publish the TCFD recommended disclosures. In Sept. 2020, Fifth Third signed on as a TCFD supporter and as of Feb. 2022, there are over 3,000 companies that have joined. ■



	Achievements
2010	<ul style="list-style-type: none"><li>• Environmental sustainability section included in annual CSR Report.</li><li>• CDP (formerly Carbon Disclosure Project) Investor Information Request completed.</li></ul>
2014	<ul style="list-style-type: none"><li>• Environmental Sustainability Policy formerly adopted by Board of Directors.</li></ul>
2017	<ul style="list-style-type: none"><li>• The Task Force on Climate-related Financial Disclosures published its <a href="#">Recommendations of the Task Force on Climate-related Financial Disclosures Final Report</a>.</li></ul>
2019	<ul style="list-style-type: none"><li>• Inaugural TCFD Report published.</li></ul>
2020	<ul style="list-style-type: none"><li>• Environmental &amp; Social Policy published.</li></ul>
2022	<ul style="list-style-type: none"><li>• Second TCFD Report published.</li></ul>



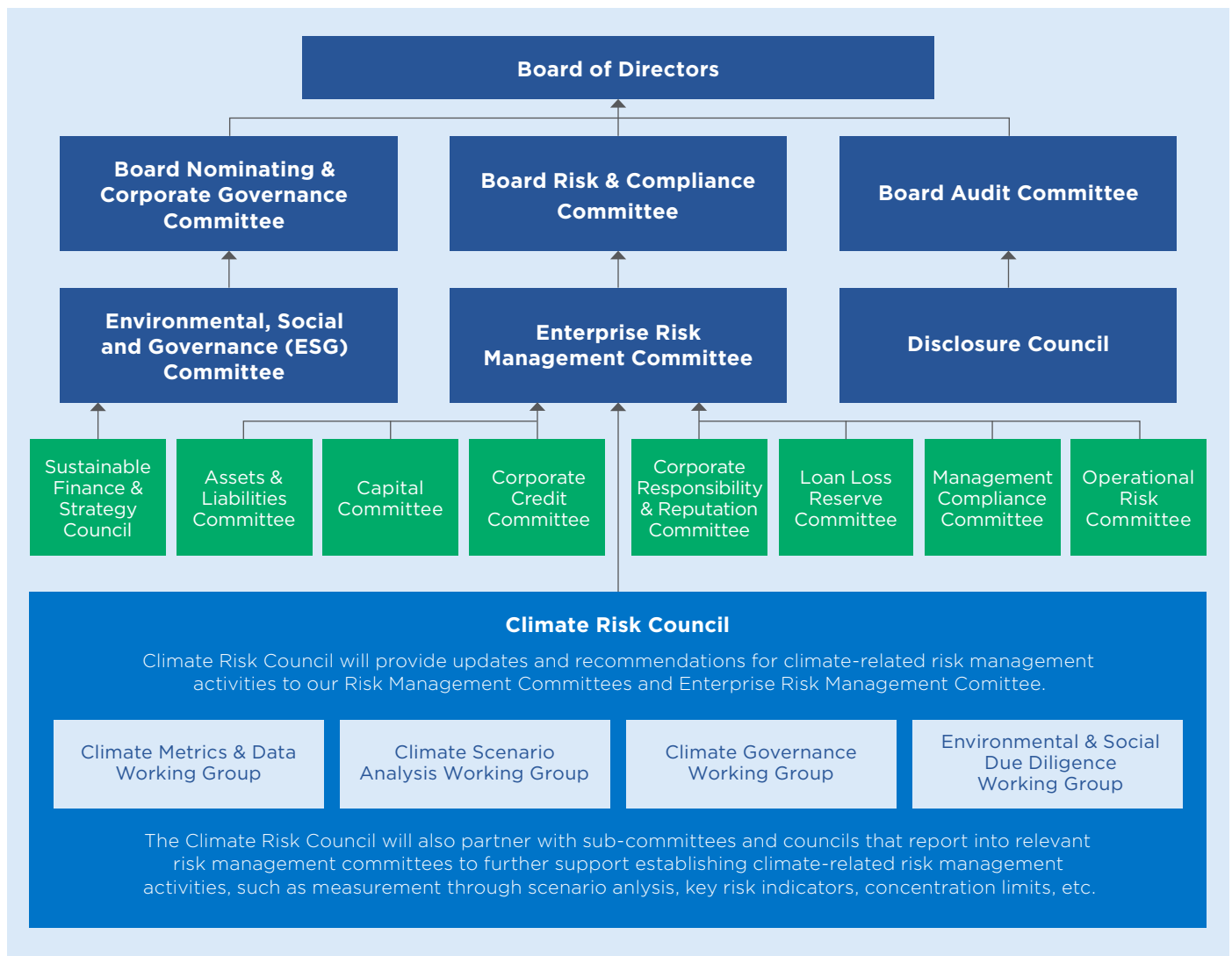
## TCFD Implementation Progress

	Achievements	Current Priorities	Goals
Governance	<ul style="list-style-type: none"> <li>Published Environmental Sustainability Policy establishing board oversight of climate-related risks and opportunities (2014).</li> <li>Hosted executive and management education sessions on climate risk in partnership with the Ceres Company Network (2021).</li> </ul>	<ul style="list-style-type: none"> <li>Ensure board and management committees are provided ongoing reporting to monitor climate-related risks.</li> <li>Maintain leadership performance in CDP.</li> </ul>	<ul style="list-style-type: none"> <li>Relevant board and management committees leverage robust data and analytics to continuously inform on climate-related risk oversight.</li> <li>Continuous development of climate-related risk intelligence and reporting to incorporate into existing risk assessment and aggregation reporting.</li> </ul>
Strategy	<ul style="list-style-type: none"> <li>Financed first renewable energy project (2012).</li> <li>Announced operational sustainability goals (2017).</li> <li>Ran a flood analysis study on our North Carolina mortgage portfolio (2021).</li> <li>Launched Scenario Analysis Working Group to qualitatively assess climate scenarios (2021).</li> <li>Hosted a Climate Risk Workshop in partnership with the Ceres Company Network (2021).</li> </ul>	<ul style="list-style-type: none"> <li>Climate working groups driving implementation of climate-related risk capabilities.</li> <li>Further develop climate scenario analysis capabilities in alignment with NGFS.</li> <li>Continued education of our board and employees on climate-related risks and opportunities.</li> <li>Development of climate-related educational materials for customer-facing roles.</li> <li>Engagement with suppliers on climate-related risks and opportunities.</li> </ul>	<ul style="list-style-type: none"> <li>Integrate climate-related risk and opportunities into the strategic planning process.</li> <li>Integrate climate-related risk into credit assessment and management processes.</li> <li>Support our customers and communities with transitional opportunities.</li> </ul>
Risk Management	<ul style="list-style-type: none"> <li>Included climate-related risk considerations into the Enterprise Risk Management Framework (2017).</li> <li>Published Environmental and Social Policy (2020).</li> <li>Appointed first climate risk officer (2021).</li> </ul>	<ul style="list-style-type: none"> <li>Develop internally driven performance indicators, risk indicators and/or concentration metrics to measure and monitor climate-related risks in the portfolio.</li> <li>Leverage enhanced customer due diligence data for customer transition planning strategies.</li> </ul>	<ul style="list-style-type: none"> <li>Continue to enhance and embed climate-related considerations into risk programs and assessment methodology</li> <li>Broaden qualitative statements and quantitative metrics for monitoring climate-related risk across applicable risk types.</li> </ul>
Metrics and Targets	<ul style="list-style-type: none"> <li>Measured, disclosed and independently verified Scope 1, Scope 2 and Scope 3 business travel emissions (2014).</li> <li>Announced first operational sustainability goals to be achieved by 2022 (2017).</li> <li>Announced \$8 billion sustainable finance goal for lending and financing toward renewable energy (2020).</li> </ul>	<ul style="list-style-type: none"> <li>Measure and report other relevant Scope 3 categories, including loans and investments.</li> <li>Achieve previously announced operational sustainability and sustainable finance goals, and announce new goals.</li> </ul>	<ul style="list-style-type: none"> <li>Define pathway to net-zero emissions and define sector-specific targets for 2030 and beyond.</li> </ul>

# Governance

We believe that a strong corporate governance program is the foundation for a sustainable and well-governed company, not just within the climate space.

Accordingly, we continuously evaluate our structures, processes and controls to ensure they support and promote accountability, effectiveness, transparency and sustainability. Since our 2019 TCFD report, we have made changes to our governance structure to enhance oversight and monitoring of climate-related risks and opportunities.







## GOVERNANCE

# Board Oversight

The Board of Directors is responsible for overseeing the corporate governance, strategy and risks of Fifth Third, which include risks and opportunities related to climate.

In fulfilling its responsibilities, the Board has delegated responsibilities to the following Board-level committees:

### Risk and Compliance Committee (RCC)

The **RCC** has been delegated the **responsibilities to monitor and oversee risks**, including climate-related risks. The RCC's purpose is to oversee development and implementation of Fifth Third's Enterprise Risk Management Framework, including risk appetite and corresponding metrics and limits; to review, approve, and oversee the development of effective policies, processes and programs to ensure risks are properly managed and controlled; and to review material risk management policies annually.

### Nominating and Corporate Governance Committee (NCGC)

The **NCGC** has been delegated **responsibilities to monitor and oversee governance matters**. The NCGC is responsible for developing and recommending corporate governance policies and guidelines, recommending policies to enhance Board effectiveness, creating and reviewing corporate governance policies, reviewing and advising on the governance structure, and overseeing ESG-related commitments, issues and strategy. Climate-related issues are addressed in this committee in the context of stakeholder concerns, including those articulated by institutional investors, employees, customers and civil society.

### Audit Committee

The **Audit Committee** has been delegated **responsibilities to monitor and oversee management financial statements and audit functions**. Climate-related matters are addressed in this committee in the context of our disclosure on the risk posed by physical and transition risks facing the Bank.

The Board is supported by the chief executive officer, who is also the Board chair. The chief executive officer is well positioned to help the Board understand how climate change is integrated into the Bank's strategy and risk management and to help the Board fulfill its oversight responsibilities related to climate change. ■

**Fifth Third Bancorp's Corporate Governance Guidelines, including charters of the six Board Committees, provide the foundation for our governance and help ensure that we retain our integrity and merit public trust and confidence. The Board of Directors has delegated responsibilities for oversight of climate-related risks to three of the Board committees.**

## GOVERNANCE

# Management Committees, Councils and Working Groups

Our Enterprise Risk Management Framework includes a hierarchy of risk management committees to review and manage all major risk types that affect the Bank.

Risk-related issues are communicated to risk management committees that are dedicated to specific risk types based on materiality, and the most significant risks are communicated up to the RCC, NCGC, and Audit committee.

### Enterprise Risk Management Committee (ERMC)

The ERMC is chaired by the chief risk officer, comprises senior management across the three lines of defense and reports into the RCC. The committee is **responsible for overseeing all risk types to ensure that risks remain within the Bank's appetite**. For climate-related risks, the ERMC reviews all activities to identify, assess and manage climate-related risks effectively.

- The **Climate Risk Council** is chaired by the climate risk officer and was established in 2021 to coordinate the effective identification, management and reporting of climate-related risks impacting the Bank, and to support appropriate awareness and training efforts. The council will also directly oversee the work of the four climate-related risk working groups:
  - Climate Scenario Analysis Working Group.
  - Climate Governance Working Group.
  - Climate Metrics and Data Working Group.
  - Environmental & Social Due Diligence Working Group.

### Environmental, Social and Governance (ESG) Committee

The ESG Committee is chaired by the director of ESG reporting and analytics, comprises senior management and reports to the NCGC. The ESG Committee supports the NCGC and **provides guidance and feedback on the assessment of environmental, social, and governance disclosures and performance risks** facing Fifth Third.

- The **Sustainable Finance and Climate Strategy Council** is co-chaired by the leaders of operational sustainability and renewable finance and was established in 2020 to assist the ESG Committee in developing the Bank's climate strategy and setting, reporting, and disclosing the Bank's goals relating to sustainable financing and operational sustainability. ■

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*Fifth Third's strong performance is enabled by sound risk management practices that deliver on our commitments to customers, employees, communities and shareholders.*



—BOB SHAFFER,  
EXECUTIVE VICE PRESIDENT &  
CHIEF RISK OFFICER

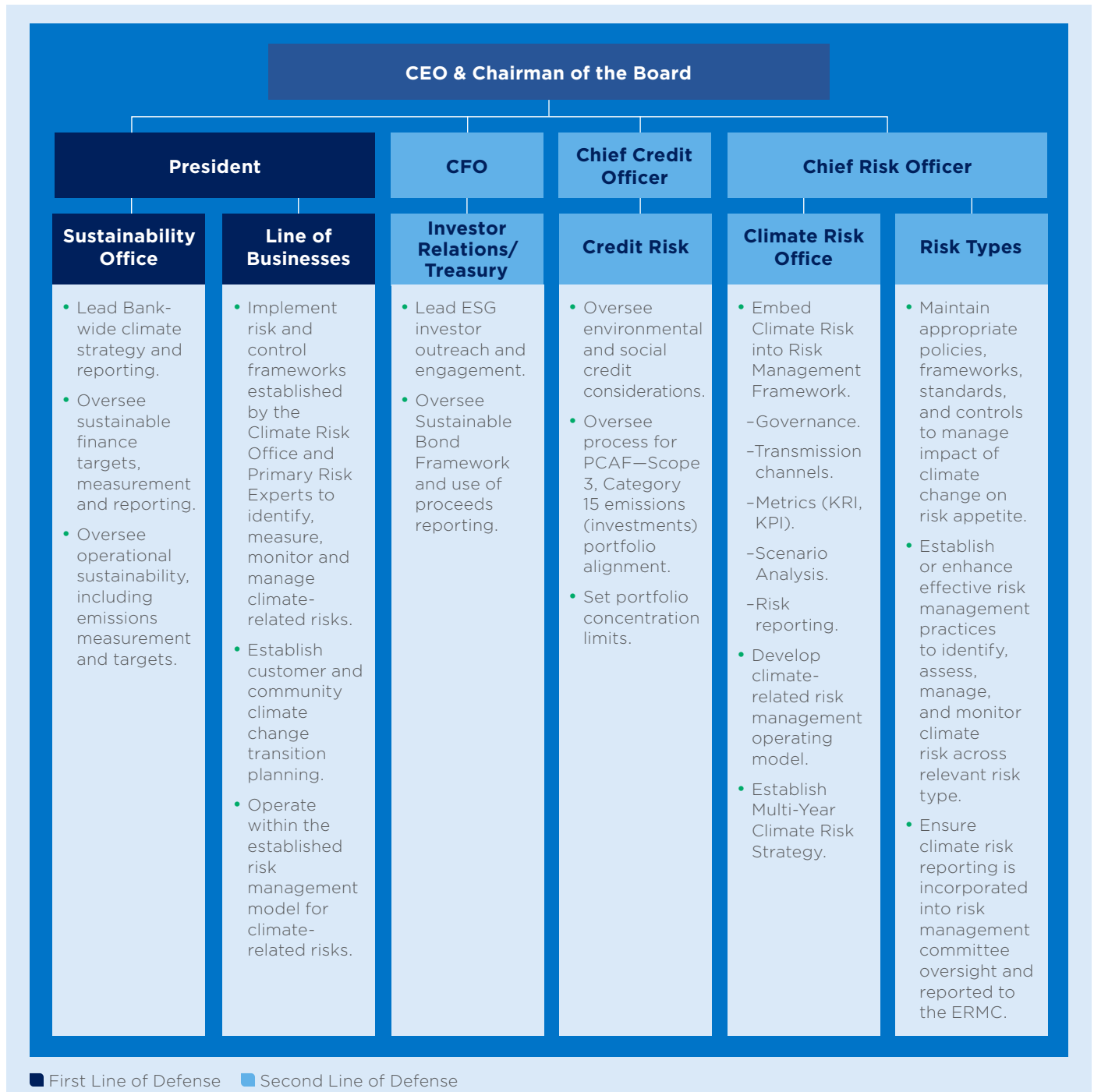
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## GOVERNANCE

# Senior Management

Management of climate-related risks and opportunities is collectively shared across Fifth Third Bank. Senior level managers from all lines of business and across our three lines of defense contribute to manage climate-related risks to the Bank and the Bank's impact to the climate. ■



# Strategy

## Climate Strategy

As the global impacts of climate change continue to be felt around the world, we are beginning to see significant changes emerge in the way many of our customers do business.

**These changes are driving a larger shift in the national and global economy as the push towards decarbonization accelerates.** Key industries on the frontline of this transition (e.g. power generation, auto manufacturing) are already experiencing substantial disruption. For many, it is no longer about whether this change will happen, but instead about how quickly it will transpire.

Fifth Third has had a historic commitment to environmental leadership in the financial services sector. **That commitment is rooted in our desire to build strong communities, to serve our customers well and achieve our Vision** to be the One Bank people most value and trust. We are driven by our understanding that integrating sustainability into all aspects of our Bank creates long-term sustainable value and strengthens the communities we serve. As part of that leadership, we recognize the need for financial service providers to support the transition towards decarbonization and a more sustainable future. Banking offers a key component to support the development of new technologies, finance new infrastructure, and help customers transition operations.

In addition to supporting our customers and the environment, our commitment is also about our future prosperity as a company. **By preparing ourselves for these changes, we better mitigate risks and open new opportunities to grow.** Companies that succeed through the coming transition will be those best prepared with a strategy that supports a proactive approach for managing climate-related risks and opportunities. Our climate strategy will help Fifth Third grow for many years to come.

To advance our commitment and achieve our Vision, Fifth Third is focused on three strategies:



**Managing our climate-related risk**



**Supporting a sustainable transition**



**Reducing our environmental footprint**

## Support and recognition of key sustainability initiatives and networks



For over 10 years, Fifth Third has reported our environmental impacts through the climate change disclosure system run by **CDP** (formerly the Carbon Disclosure Project). Fifth Third has received a leadership score of “A-” for the last three years (2019-2021), demonstrating we are implementing current best practices in many areas.



In March 2021, Fifth Third joined **PCAF**, an industry-led partnership of financial institutions world-wide that work together to develop and implement a consistent and transparent standard for financial institutions to assess and disclose client greenhouse gas emissions associated with loans and investments.



In May 2021, Fifth Third joined the **Ceres Company Network**, becoming part of a network of companies committed to the transition to a sustainable, low-carbon future.



The 17 **United Nations Sustainable Development Goals** are a universal call to action to end poverty, protect the planet and improve the lives and prospects of everyone, everywhere. We believe we have a role to play in all 17 goals, but we have identified 12 that align to our ESG priorities. Specifically, the four goals that align with our environmental sustainability efforts include 6 (Clean Water and Sanitation), 7 (Affordable and Clean Energy), 12 (Responsible Consumption and Production) and 13 (Climate Action).



The **Intergovernmental Panel on Climate Change** of the United Nations was created to advance knowledge of human-induced climate change. The IPCC provides policymakers with regular scientific assessments on climate change, including the [\*Special Report on Global Warming of 1.5°C\*](#) (October 2018) and [\*Climate Change 2021: The Physical Science Basis\*](#) (August 2021). Fifth Third's climate strategy is informed by these reports and the 2015 Paris Agreement.



### Trade Groups and other financial institutions

Collaborating with peers is an important part of our climate risk strategy. Together our subject matter experts can share best practices and gain insight into climate-related risk areas other where banks are looking. Our trade groups have facilitated conversations with regulatory leaders and outside experts, and we look for this participation to continue to ramp up.



## STRATEGY

# Managing Our Climate-related Risks

Our focus on managing climate-related risks is an organization-wide focus with direct oversight through the Board of Directors.<sup>1</sup> The transverse nature of climate transition and physical risks will require continued investment to understand the impact across our eight risk types.

In 2021, the Bank appointed its first climate risk officer, who is charged with developing and overseeing a Bank-wide climate risk strategy across the three lines of defense. The climate risk officer organized the climate risk program within the Enterprise Risk Governance organization and established a team, including a director, program manager and analyst to support the integration of climate risk considerations across the Bank.

**Ceres***Sustainability is the bottom line.*

In 2021, the Bank partnered with Ceres to advise and support the creation

of our formal climate risk strategy through education sessions. **Key members of our senior management team participated in a Ceres-facilitated leadership symposium** focused on climate-related risks and opportunities in the banking industry. This session was used to inform leadership on the range of climate-related disclosures and practices in the industry. In addition, the Bank's climate risk officer organized a Ceres-facilitated climate risk workshop for over 40 individuals across our three lines of defense. The half-day event included background information on the identification, assessment and measurement of

climate-related risks with breakout sessions focused on regulatory change, physical risks and transition risks. The Enterprise Risk Management Framework was updated to define climate risk for the Bank, and physical and transition risk was incorporated into each of our risk types to qualitatively describe how climate risk could impact inherent or residual risk.

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*The educational sessions facilitated by Ceres brought together leaders from across the Bank to hear further insights into climate-related physical and transition risks, and opportunities to support customers in their journey as we shift to a lower carbon economy. The sessions also helped to accelerate incorporating climate risk considerations into the Bank's Risk Governance Framework.*



—MICHELE MULLINS,  
SENIOR VICE PRESIDENT & CLIMATE  
RISK OFFICER

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**CONTINUED ►**

<sup>1</sup>See [Governance](#).



The framework and climate risk strategy were provided to the Board's RCC for review and confirmation in December 2021. The Climate Risk Council will provide **oversight of the four working groups focused on the execution of initiatives to drive the maturation of climate risk management capabilities.** The council will provide routine updates to ERMC and RCC on climate-related risk management activities.

## Working Groups and Directives

Fifth Third's climate risk strategy is supported by cross-functional working groups, each with a specific set of objectives. ■

Governance	Metrics & Data	Scenario Analysis	E&S Due Diligence
<b>Key Members:</b> <ul style="list-style-type: none"> <li>• Reputation Risk</li> <li>• Investor Relations</li> <li>• Enterprise Risk Management Governance</li> <li>• Government Affairs</li> <li>• Enterprise Workplace Services</li> </ul>	<b>Key Members:</b> <ul style="list-style-type: none"> <li>• Risk Strategies and Reporting</li> <li>• Investor Relations</li> <li>• Operational Risk</li> <li>• Credit Risk</li> <li>• Decision Sciences Group</li> <li>• Corporate Strategy</li> <li>• Commercial Data</li> </ul>	<b>Key Members:</b> <ul style="list-style-type: none"> <li>• Capital Planning</li> <li>• Treasury Analytics</li> <li>• Credit</li> <li>• Operational Risk</li> <li>• Environmental Risk Management</li> </ul>	<b>Key Members:</b> <ul style="list-style-type: none"> <li>• Reputation Risk</li> <li>• Commerical KYC</li> <li>• Business Banking KYC</li> <li>• Commercial Sales</li> <li>• Credit Risk</li> <li>• Third Party Management</li> </ul>
<b>Objectives:</b> <ul style="list-style-type: none"> <li>• Third-party management</li> <li>• Risk Framework climate integration</li> <li>• Governance structure for climate</li> <li>• Climate strategy</li> <li>• Regulatory change management</li> </ul>	<b>Objectives:</b> <ul style="list-style-type: none"> <li>• Financed emissions tracking (PCAF) for Oil &amp; Gas</li> <li>• Climate data management strategy</li> <li>• Climate risk KRI and KPI dashboard creation</li> <li>• Define Metrics and Targets</li> </ul>	<b>Objectives:</b> <ul style="list-style-type: none"> <li>• Create a framework for a climate scenario analysis</li> <li>• Run scenario analyses for physical and transition risks</li> </ul>	<b>Objectives:</b> <ul style="list-style-type: none"> <li>• ESG/Reputation/Climate enhanced customer/supplier due diligence strategy</li> <li>• Create a client climate transition outreach plan</li> </ul>





## STRATEGY

# Time Horizons and Risk Examples

Risk Type	Definition	Physical Risk Examples	Transition Risk Examples	Time Horizons*
Credit	Risk to current or projected financial condition and resilience resulting from the failure of a borrower or counterparty to honor its financial or contractual obligations to the Bank.	Diminished ability to pay due to loss of income or devalued assets, resulting from extreme weather events or long-term climate changes.	Decline in financial health within susceptible industries as a result of the global governmental and economic shift toward a low-carbon economy.	Short Medium Long
Liquidity	Risk to current or projected financial condition or overall safety and soundness due to the inability (or perceived inability) to meet obligations when they come due.	Deposit runoff to fund recovery from significant adverse weather events.	Assets priced incorrectly on a relative basis driven by transition risk factors.	Medium Long
Interest Rate	Risk to earnings or capital arising from movement of interest rates. Movements in interest rates cause changes in the profile of assets and liabilities as interest rates fluctuate.	Changes in the time horizon of principal and interest cash flows from assets due to significant adverse weather events.	Demand for banking products and services changes in response to climate-related societal changes, changing the profile of the Bank's balance sheet and earnings sources.	Medium Long
Price	Risk to earnings or capital arising from changes in the value of financial instruments and portfolios due to movements in interest rates, volatilities, foreign exchange rates, equity prices and commodity prices.	Adverse weather events, such as hurricanes and ice storms, causing more frequent energy supply disruptions, affecting prices and volatilities of related commodities.	Low-carbon transition impact on commodities cause inflationary pressures which could further impact the direction and volatility of interest rates.	Medium Long
Operational	Risk to current or projected financial condition and resilience arising from inadequate or failed internal processes or systems, human errors or misconduct, or adverse external events.	Sustained operational disruptions due to acute weather events damaging facilities.	Increased costs for building and operating climate-resilient facilities.	Short Medium Long
Reputation	Risk to current or projected financial condition, resilience or brand health arising from negative public opinion.	Stakeholder scrutiny due to the inability to provide timely support to customers and employees impacted by extreme weather events.	Negative public perception for lending exposures in carbon intensive sectors, industries impacted by transitions, or the Bank's financed emissions performance.	Short Medium Long
Strategic	Risk arising from adverse business decisions or improper implementation of those decisions that could result in negative impacts to long-term earnings, capital sufficiency, resiliency or competitive position of the Bank.	Flawed assumptions or poor strategy execution in geographies with increasing exposure to acute and chronic severe weather or sea-level rise.	Untimely adjustments to the Bank's strategy in response to changes in regulatory requirements and shifting markets.	Medium Long
Legal & Regulatory Compliance	Risk of legal or regulatory sanctions, financial loss or damage to reputation as a result of noncompliance with applicable laws, regulations, rules and other regulatory requirements, internal policies and procedures, standards of best practice or codes of conduct, and principles of integrity.	Inability to meet compliance timelines or requirements due to business disruptions from acute weather events.	Difficulty implementing new climate-related regulations on bank disclosures, operations, or activities.	Medium Long

\***Short:** Operating planning, 1 year or less; **Medium:** Strategic planning, 1-5 years;  
**Long:** Climate scenario planning, 5 years or more.





## Physical Risks

Physical risks from a changing climate can be acute (event-driven) or chronic longer-term shifts in the environment. Examples of physical risks include, but are not limited to, **extreme weather events such as hurricanes, floods, winter storms, heat waves and droughts, as well as chronic sea-level rise and desertification.** The Bank has taken several steps to better understand how physical risks could impact the Bank.

In May 2021, Fifth Third's Decision Sciences Group undertook a project to understand our exposure to flood risk, concentrating first on North Carolina mortgage loans. The team partnered with First Street Foundation, a leading, nonprofit research and technology company that models current and future flooding risks. Those include pluvial, storm surge and tidal flooding. The models used in the analysis consider factors such as the building footprint elevation, home value, height of the first finished floor, and building materials.



The project resulted in identifying potential additional flood risk in North Carolina that is unaccounted for in FEMA's Special Flood Hazard Areas. Fifth Third owned or serviced over 500,000 North Carolina mortgages as of Jan. 31, 2021 that met the risk criteria. Leveraging flood models provided by First Street, the Bank was able to evaluate our exposure in 1% flood areas, which produced a considerable increase of coastal and inland flooding compared to FEMA's flood risk model.

In 2022, the Bank is expanding the analysis to apply the First Street flood risk models across Bank assets, exposures and our supply chain to understand current and incremental flood risks better and to incorporate risk mitigating actions into the Bank's strategy.

## Transition Risks

Moving to a lower-carbon economy involves energy transition policies, disruptive technological advancements (including clean energy development and storage), shifts in consumer and investor preferences or other disruptions to legacy business models. As companies, whether clients or third-party

suppliers, adapt to potential new regulations to reduce carbon emissions, that **transition could impact their overall financial health or business model, which could lead to potential credit and operational impacts to the Bank.** Transition and physical risks from a changing climate will manifest in many ways and can be driven by a multitude of factors, including the adaptation and mitigation efforts to slow the warming of the average temperature increase to 1.5°C.

The Bank's [Environmental and Social \(E&S\) Policy](#) identifies sectors that pose heightened environmental and social risks. **The policy provides guidance on lending activities or clients in certain sectors that are prohibited or that are subject to enhanced customer due diligence** and may require escalated review and approval from senior leaders. The Bank assesses the entity's reputation, safety, social responsibility and transition strategies, and through this process the Bank will better understand customer risks and opportunities in the transition to a lower carbon economy.

Clients in sectors with heightened E&S risks are subject to enhanced due diligence to ensure a comprehensive understanding. E&S sensitive sectors include, but are not limited to:

- Biodiversity & Ecosystems
  - Forestry
  - Palm Oil
  - Large Dams
  - Construction
- Energy with the following focus:
  - Coal-related
  - Nuclear Power
  - Arctic Drilling
  - Fracking/Shale Oil & Gas
  - Midstream
  - Oil Sand Development

During the client selection process, the first line conducts due diligence to identify and seek approval to onboard any clients in E&S sensitive sectors. First and second line senior leadership approval is required for all identified clients engaged in E&S sensitive sectors. After the client selection process, high-risk clients continue to be subject to ongoing due diligence and periodic reviews that are coordinated by the first line and overseen by the second line. ■



## STRATEGY

# Exposure to Sectors with Sensitivity to Climate-related Transition and Physical Risks

As our climate risk focus has grown, we have identified tools to help assess short and medium-term climate-related risks across the organization.

Our initial focus was on commercial lending in sectors with elevated environmental or climate risk across short- and medium-term time horizons. In developing this focus, we used environmental risk heat maps as developed by [Moody's Investor Service](#). This approach helps the Bank focus on sectors facing elevated climate-related risk to track and report on our own exposure. Moody's 2020 release<sup>1</sup> identifies 13 sectors facing heightened environmental credit risk, 16 sectors with higher carbon transition risk, and 18 sectors with higher physical risk.

## Summary of Key Findings for Inherent Risk Exposure to Climate-related Credit Risks

Environmental risk	The five environmental categories Moody's consider most material to credit are (1) carbon transition, (2) physical climate risks, (3) water management, (4) waste and pollution and (5) natural capital. <b>For the Bank, environmental considerations pose a very high inherent risk to 1 sector with \$8M in funded exposure and high inherent risk to 11 sectors with approximately \$4.4B in funded exposure.</b>
Physical climate risk	The physical climate risk category is defined by Moody's as sectors that have a high concentration of valuable physical assets in regions vulnerable to extreme weather events. <b>For the Bank, physical climate risk considerations pose a high inherent risk to 14 sectors with approximately \$5.8B in funded exposure.</b>
Carbon transition risk	The carbon transition risk category is defined by Moody's as sectors that have a high sensitivity to the acceleration in the transition to a low-carbon economy. <b>For the Bank, carbon transition risk considerations pose a very high inherent risk to 3 sectors with approximately \$2.2B in funded exposure and high inherent risk to 10 sectors with approximately \$4.3B in funded exposure.</b>

This data allows the Bank to understand exposures, as a percentage of our overall portfolio, to sectors with very high or high direct environmental hazards, such as pollution, drought and severe natural and human-caused disasters; and sensitivity consequences of regulatory or policy initiatives that seek to reduce those hazards, such as policies to reduce carbon emissions. **The Bank will use this exposure to begin targeted engagement with clients in sectors with very high and high inherent climate credit risk to better understand transition plans, opportunities, and risks.** Our approach will include partnering with our clients to enable an orderly transition to a lower carbon economy.

The following chart, which has been used internally since 2018 and is now being publicly reported, offers insight into Fifth Third's exposure to each sector. Each has been designated by Moody's as high or very high inherent risk (for environmental credit, carbon transition or physical climate).

**CONTINUED ►**

<sup>1</sup><https://esg.moody's.io/reports>



Exposures (Millions)					Moody's Climate Inherent Credit Risk Rating		
Sector	Total \$ Exposure	% of Total Exposure to C&I Portfolio	Total \$ Funded	% of Funded Exposure	Environ.	Transition	Physical
Airlines	404	.030%	179	44.32%	Low	High	Moderate
Automobile Manufacturers	353	0.27%	159	45.12%	High	Very High	Moderate
Automotive Suppliers	1,167	0.88%	395	33.82%	High	High	Moderate
Building Materials	738	0.55%	347	47.05%	High	Moderate	Moderate
Chemicals - Commodity	897	0.67%	538	59.93%	High	High	High
Chemicals - Specialty	1,116	0.84%	639	57.21%	Low	Moderate	High
Coal Mining & Coal Terminals	49	0.04%	8	15.83%	Very High	Very High	High
Environmental Services & Waste Management	790	0.59%	393	49.77%	Moderate	Moderate	High
Mining – Metals & Other Materials, excluding Coal	621	0.47%	256	41.23%	High	Moderate	High
Oil & Gas – Independent Exploration & Production	4,284	3.22%	2,114	49.34%	Low	Very High	Moderate
Oil & Gas – Midstream Energy	754	0.57%	198	26.29%	Low	High	High
Oil & Gas – Oilfield Services	480	0.36%	216	44.97%	Moderate	High	High
Oil & Gas – Refining & Marketing	825	0.62%	254	30.81%	High	High	High
Ports	112	0.08%	104	92.78%	Moderate	Moderate	High
Power Generation Projects	1,988	1.49%	1,142	57.44%	Low	Moderate	High
Property, Casualty & Reinsurance	1,402	1.05%	236	16.83%	Low	Low	High
Protein and Agriculture	2,352	1.77%	1,373	58.35%	Moderate	Moderate	High
Shipping	267	0.20%	221	82.71%	High	High	High
Steel	1,665	1.25%	633	38.04%	High	High	Moderate
Surface Trans. & Logistics	2,125	1.60%	1,381	65.02%	High	High	Moderate
Unregulated Utilities & Power Companies	1,837	1.38%	306	16.68%	High	High	High
Totals	24,226	18.21%	11,092	8.34%*			

■ Very High
 ■ High
 ■ Moderate
 ■ Low

## STRATEGY

# Scenario Analysis

In 2021, the Climate Scenario Analysis Working Group began qualitatively assessing climate-related risks using the 2020 Network for Greening the Financial System (NGFS) Overview of Environmental Risk Analysis by Financial Institutions (September 2020).<sup>1</sup>

Two cases in which climate-related risks became financial risks were selected for review and discussion:

## Flood risk impact to operational risk, credit risk and liquidity risk

**Floods may disrupt supply chains and operations of our clients and could threaten our business continuity by damaging our buildings.** These disruptions could reduce revenue and increase repair or maintenance costs, for our operations and customers. These disruptions could also weaken a borrower's ability to repay bank loans and increase loan default rates and losses.

- **Key takeaways:**

- The Bank will need to consider flood risks against existing and future physical branch locations to mitigate business disruptions.
- Increasing flooding will create supply chain impacts for the Bank's operations and its customers. This can lead to market repricing and high economic volatility.
- Chronic flooding will create a drop in property values and an increase in insurance premiums, disproportionately impacting homes in low and moderate income communities and critical infrastructure.

## Energy transition policies impact to market and credit risks

**Energy transition policies include measures (e.g., carbon taxes or pricing schemes) to limit use of fossil fuels that result in higher costs** for a number of industries energy-consuming and producing companies reduce market demand for their products. The higher costs and reduced revenues cut profits and reduce the future cash flows of these companies and may result in higher loan default rates and LGD of carbon-intensive companies.

- **Key takeaways:**

- A change in carbon policies could have an impact on client's profitability.
- The direct impact to the Bank could stress credit risk metrics across several portfolios, such as oil and gas.
- Secondary and tertiary impacts are larger and much more difficult to determine.
- The Bank must understand broad counterparty exposures across different derivative products to understand longer term volatility.
- Any carbon tax that impacts a company's cash flow will spur investment into new business models and low carbon technology.

The Climate Scenario Analysis Working Group will oversee the development of an internal Climate Scenario Analysis Framework and is making use of third parties to support the execution of physical and transition temperature-aligned climate scenarios in 2022. ■

<sup>1</sup>[https://www.ngfs.net/sites/default/files/medias/documents/overview\\_of\\_environmental\\_risk\\_analysis\\_by\\_financial\\_institutions.pdf](https://www.ngfs.net/sites/default/files/medias/documents/overview_of_environmental_risk_analysis_by_financial_institutions.pdf)



## STRATEGY

# Financed Emissions

Measuring financed emissions is a key metric in assessing our climate risk and developing net-zero aligned business strategies. By doing so, we derive key insight into the carbon intensity of our portfolios.

It also acts as a key barometer to gauge the vulnerability to many risks related to climate change. To quantify further how transition risks, such as a carbon tax, would impact our portfolios, the Bank will need to assess the greenhouse gas emissions tied to our lending.

As a member of PCAF, **Fifth Third's credit risk team is developing an internal process to improve tracking of PCAF data elements**

that could be applied to our financial portfolio. This work has become a key focus of our Climate Metrics and Data Working

Group. This data will help inform our future climate strategy and will demonstrate our commitment to supporting our clients and communities in the transition to a more sustainable future.



Going forward, the Bank will begin the process of incorporating financed emissions considerations into various risk and strategy processes, including climate scenario analysis. In 2022, the Climate Scenario Analysis Working Group will run multiple transition risk analyses to more fully understand our clients' sensitivity to changes in energy policies and market sentiment. ■

“

*PCAF is pleased that Fifth Third Bank has joined over 110 financial institutions globally that are committed to measuring and disclosing the emissions of their portfolios to support meeting the goals of the Paris Climate Agreement. Fifth Third's drive to keep measuring and reducing its emissions across all scopes will make it a valuable collaborator in PCAF.*

—CHRIS SNYDER, PCAF NORTH AMERICA LEAD

”



## STRATEGY

# Climate-related Opportunities

Fifth Third is committed to supporting our customers and communities in the transition to a low-carbon, sustainable future.

Just as Fifth Third seeks to be an environmental leader in our industry, we want to help our customers and communities identify and capitalize on their own transition to a more sustainable future. This transition also presents a growing opportunity to expand our lending in existing and new areas. In so doing, we will seek to provide our customers with products and services that will help them meet their evolving needs, and simultaneously to inspire and support communities to drive sustainability on a local, national and ultimately global scale.

**Climate-related opportunities for Fifth Third include:**

Opportunity	Definition
Renewable energy	Investments or financing related to construction, development, acquisition, maintenance and operation of new wind and solar renewable energy generation, including long-term (5 years or more) power purchase agreements.
Green buildings	Investments or financing related to design, development, operation, construction, materials, maintenance and certification costs of real estate projects that have received or are expected to receive third-party sustainable certifications or verification, such as LEED® Gold or Platinum, BREEAM® Excellent, and ENERGY STAR®85+.
Energy efficiency	Investments or financing related to energy efficiency projects and technologies that are designed to enable energy and emissions reductions, such as energy efficient heating (excluding those powered by fossil fuels) and cooling.
Clean transportation	Investments or financing related to clean transportation designed or expected to reduce greenhouse gas emissions. These may include electric vehicles, electric vehicle charging stations and clean mass transportation such as electric rail and electric buses.
Sustainable bonds	Any type of bond instrument whose proceeds or an equivalent amount will be applied exclusively to finance or refinance, in part or in full, new or existing eligible green projects and which are aligned with the four core components of the Green Bond Principles. <sup>1</sup>
Sustainability-linked corporate loans	Loans aim to facilitate and support environmentally and socially sustainable economic activity and growth by enabling lenders to incentivize the sustainability performance of the borrower. <sup>2</sup>

**CONTINUED ►**

<sup>1</sup><https://www.icmagroup.org/assets/documents/Sustainable-finance/2021-updates/Green-Bond-Principles-June-2021-140621.pdf>

<sup>2</sup><https://www.lsta.org/content/sustainability-linked-loan-principles-sllp/>



## Renewable Energy

Fifth Third began financing renewable energy in 2012 when the Bank financed the construction and operations of numerous solar projects in North Carolina. In 2018, a national renewable energy finance group was established and organized under our national energy, power and renewables vertical, which drastically expanded our sustainability practice. **We currently provide services to more than 100 borrowers across 28 states, which have helped lead to the completion of more than 600 projects.** The Bank's renewable energy finance practice makes use of resources from our energy Commercial Banking team, whose expertise helps clients reach their business goals. We expect to expand the practice and maintain our leadership position in the renewable energy marketplace.

### FEATURE

## Dividend Finance

**Fifth Third recently announced a definitive agreement to acquire Dividend Finance, a leading fintech point-of-sale (POS) lender for residential renewable energy and sustainability-focused home improvement.** Dividend Finance was founded in 2003 in San Francisco and is currently the nation's #4 solar lender. With a vision of creating a more efficient and sustainable world by enabling more investment in renewable energy, Dividend pioneered a financing model to improve the outcome for all parties and help accelerate the growth of solar across the U.S.

Fifth Third and Dividend share a commitment to accelerate the transition to a sustainable future through a focus on renewable energy financing. The acquisition is expected to close in the second quarter of 2022.

**D I V I D E N D**

**50 Fifth Third locations  
are Energy Star certified**



## Green Buildings

We recognize there is ongoing growth in the green building/green construction sector. Building processes are becoming more efficient and materials selection less environmentally harmful and less carbon intensive. These improvements will expand opportunities in green building financing in the years ahead. **Fifth Third has its own experience with green buildings, certifying a number of our buildings as either LEED or ENERGY STAR certified.** These programs are trusted systems for evaluating the environmental performance of buildings and will provide future opportunities for the Bank.

## Energy Efficiency

Energy efficiency is a core component of sustainability and climate emissions reduction. Fifth Third has taken significant steps toward our goal of reducing energy use by 25%. We invested in LED lighting, HVAC upgrades and building controls. We made improvements that allowed us to use less space and have expanded the sustainability of our new construction, renovation and facilities-related operations and maintenance practices. We will continue to assess new technologies across our portfolio to manage our energy needs and improve the performance of our buildings. We anticipate clients will pursue energy efficiency projects in their transition to a low-carbon future and we will support them in those endeavors.

## Clean Transportation

Fifth Third recognizes the environmental benefits of electric transportation and the growth of the EV market. We recently installed electric vehicle charging stations at our headquarters in Cincinnati, allowing employees to charge their vehicles while they work at no incremental cost. Through the purchase of 100% renewable electricity for our operations, employees can now charge their vehicles in an environmentally responsible manner.

**CONTINUED ►**





Fifth Third helps clients in our leasing business reduce their own environmental impact by converting internal combustion (e.g., propane or diesel) forklifts to electric. As of Dec. 31, 2021, Fifth Third leased over 6,000 electric forklifts to more than 147 clients across 45 states. For every 10,000 hours of use, internal combustion powered forklifts emit 120,000 more pounds of carbon emissions than electric forklifts.<sup>1</sup> Electric forklifts, with zero local emissions, ensure cleaner, more healthful air, indoors and out. This is not only good for the environment, it's good for employee health.

## Sustainable Bonds



Fifth Third published its Sustainable Bond Framework with a second-party opinion from Sustainalytics, which indicated that the framework is credible, impactful and aligned with the ICMA Green Bond, Social Bond and

Sustainability Bond principles. Refer to Fifth Third's investor relations [website](#) for details.

In addition, Fifth Third is also helping clients by underwriting sustainable finance bond offerings, where the proceeds are applied to eligible projects under ICMA principles. **In 2021, Fifth Third participated in sixteen sustainable finance bond transactions (15 green, 1 sustainability-linked) totaling \$8.4BN, with Fifth Third's share of ~\$418MM.**

## Sustainability and Corporate Loans

Fifth Third participates in credit facilities with the concept of "green" or "sustainable" pricing, whereby the borrower is able to achieve reduced pricing by meeting certain sustainability metrics. These metrics can be a certain percentage of "green" assets in a portfolio for a real estate customer or reductions in greenhouse gas emissions for other corporate banking clients. Fifth Third believes incentivizing customers to achieve agreed upon sustainability or other ESG metrics will help support them through the transition to a low-carbon economy. ■

## FEATURE

### The Fifth Third Green Bond

In October 2021, Fifth Third issued its inaugural Green Bond and became the first U.S. financial institution with under \$250 billion in assets to issue an ESG bond of any type. The Fifth Third Green Bond is aligned to the Green Bond Principles published by the International Capital Markets Association for use of proceeds, process for project evaluation and selection, management of proceeds and reporting. The bond will fund eligible projects in the following categories: green buildings, renewable energy, energy efficiency and clean transportation.

Key Transaction Terms	
Issuer	Fifth Third Bancorp
Security Ratings	Baa1 / BBB+ / A- ; Stable / stable / stable (Moody's / S&P / Fitch)
Security Type	Senior unsecured
Size	\$500mm
Tenor	6NC5 Fixed-to-Floating (Compounded SOFR back-end)
Maturity Date	November 1, 2027
Optional Redemption	One-time par call on November 1, 2026 30-day par call prior to maturity
Use of Proceeds	To finance or refinance, in whole or in part, Eligible Green Projects in accordance with the Sustainable Bond Eligibility Criteria set forth in the Fifth Third Bancorp Sustainable Bond Framework (October 2021).

<sup>1</sup>"Electric Forklift Conversion Transforms Building Products Manufacturer" Electric Power Research Institute, article 3002000292, December 2013



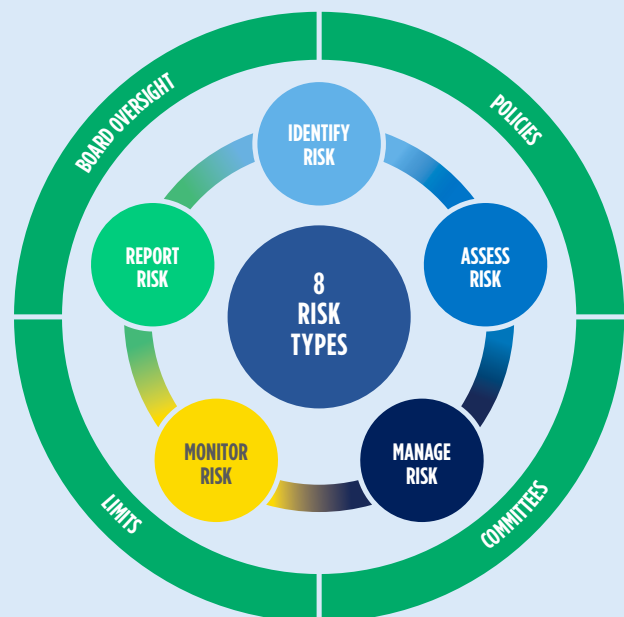
# Risk Management

Climate risk is one aspect of a more holistic risk management framework. Our risk management process ensures a consistent and comprehensive approach to how we identify, measure and assess, manage, monitor and report risks.

We also have established processes and programs to manage and report concentration risks; to ensure robust talent, compensation and performance management; and to aggregate risks across the enterprise. Accountability for managing risk is driven through a three lines of defense structure, as outlined in our [ESG report](#). ■

## Fifth Third's eight risk types are:

- Credit risk.
- Liquidity risk.
- Interest rate risk.
- Price risk.
- Operational risk.
- Reputation risk.
- Strategic risk.
- Legal and regulatory compliance risk.





## RISK MANAGEMENT

# Identification and Assessment of Climate-related risks

Climate-related considerations were first included into our Enterprise Risk Management Framework in 2017 through environmental and social risk oversight. In 2021, we began to look more closely at how to incorporate climate-related risks—including physical risks and transition risks—into our framework.

The framework identifies that **climate-related risks can arise from the impact of extreme climatic events and human efforts to address environmental and climate challenges**, including changes in public policies, technology breakthroughs, shifts in investor or public sentiments, and disruptive business model innovations. The Bank has classified these risks as physical and transition risks.

Climate-related risks were first tracked in March 2018 as “emerging” and are captured in the Bank’s quarterly risk profile, which is reported through management-

level and board risk committees. A “Watch/Emerging Risk” is a risk that, if materialized or uncontrolled (i.e., “inherent risk”) may cause an adverse impact to the front-line unit or Bank’s risk profile and achieving the organization’s goals and objectives. Climate-related risks are challenging to quantify and assess due to limited data and other uncertainties. Given the transverse elements of climate-related risks, they are not managed as a singular risk type but rather as risk that could create impacts across all eight risk types.

As described in the Governance section of this report, **the climate risk officer provides oversight of risk management practices for effective aggregation of climate risk across the first and second lines of defense.** Management-level councils and committees provide direction on risk management activities to effectively identify, assess and manage climate risk across their respective areas of oversight, such as Operational and Credit Risk. Each of the Bank’s primary risk experts is responsible for maintaining appropriate policies, standards, controls and reporting to manage the impact of climate change to the Bank. Our front-line units and other support functions are responsible for implementing risk and control frameworks in alignment with defined tolerances and appetites and adherence to risk management practices defined in the Framework. The Bank’s Climate Risk Council coordinates and provides oversight of the implementation of management and reporting of climate-related risks into the Bank’s risk assessment and aggregation process.

As we continue to improve our data, measurement and scenario analyses, updates will be incorporated into the Enterprise Risk Management Framework and processes, which may include revisions to risk appetite statements or metrics. ■

**Climate-related risks are challenging and will require continued evolution in data and modeling capabilities. The Bank is focused on understanding how these risks could transmit across all eight existing risk types coordinated through a centralized climate risk program.**

## RISK MANAGEMENT

# Management of Climate-related Risks

### Credit and Reputation Risk

**Credit and Reputation Risk teams have oversight of environmental and social risks, including climate change.** Oversight is primarily through monitoring of our reputation among stakeholders with respect to acting responsibly in protecting the environment, client selection in sensitive sectors and use of lending proceeds in transactions with enhanced environmental or social risks.

**In 2020, we published our Environmental and Social Policy that identifies sectors that pose heightened environmental and social risks.** The policy provides guidance on clients in sectors and activities that are prohibited or that are subject to enhanced customer due diligence and may require escalated review and approval from senior leaders. The Bank maintains internal reputational and credit policies for evaluating relationships and transactions related to companies in environmentally sensitive and high carbon emitting sectors. The enhanced customer due diligence in these sectors will be used to advise our clients on potential solutions to address climate-related risks.



### Commercial Lending

**All commercial loans secured by commercial real estate are subject to environmental due diligence.** In accordance with our Commercial Loan Policy, each collateral property is assessed for actual or potential environmental liabilities from the transaction. Our Environmental Risk Group is responsible for supporting our commercial lending teams to manage or mitigate any identified environmental risks. Managing

environmental risks not only enables the Bank to avoid losses due to environmental liabilities, but also allows the Bank to finance the remediation and redevelopment of properties where the redevelopment or reuse is complicated by actual or potential presence of contamination.

### Operational Risk

**Climate-related physical risks can impact the Bank's facilities, operations and employees.** As the climate continues to warm, it may result in more frequent and severe weather events, such as hurricanes, tornadoes or flooding. This could lead to damage to bank facilities that could disrupt operations. Fifth Third maintains an Operational Risk Scenario Analysis program to identify potential high-impact events that could affect risk measurement and approaches. This process has been used to evaluate and report on climate-related risks and will continue to inform climate risk scenario analyses. In 2018, the Bank began to quantify this risk through an operational loss scenario to calculate the impact of an acute weather event that temporarily impacts our data centers. The results were incorporated into our risk management process to prepare, respond and recover from potential severe weather events.

The Bank's Enterprise Workplace Services & Security and Business Continuity teams help monitor, prepare and respond to issues, including severe weather, that may impact facilities, operations and employees. Enterprise Workplace Services and Security monitors events and takes steps to safeguard facilities to reduce physical damage. The Business Continuity team works to ensure there are plans in place to resume operations as quickly as possible in the event of a disruption. ■



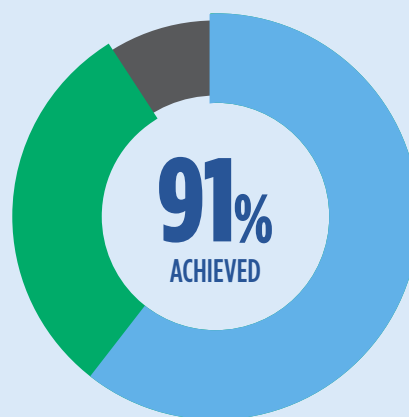
# Metrics and Targets

Robust metrics and strategic targets help Fifth Third align to internal goals and measure success. These metrics also provide benchmarks for external stakeholders seeking to monitor Fifth Third's efforts to assess and mitigate climate-related risks.

## Sustainable Finance Target

**In 2020, Fifth Third set our first sustainable finance goal of \$8 billion to be achieved by 2025.** The goal includes lending and financing for renewable projects since our first project in 2012. These projects include lending and financing for renewable energy, which we define as solar, wind, geothermal, biomass and hydropower. We limited the scope of our public commitment to include only lending and facilitation of capital raising because these services contribute most directly to attracting new investments in renewable power. Through Dec. 31, 2021, Fifth Third has provided \$7.3 billion in lending and capital raising services. These services have helped lead to the completion of more than 600 renewable energy projects across 28 states. ■

### Progress\* (As of 12/31/21)



- **\$4.3B in Lending Commitments and Asset Finance:** Providing direct financing to companies and projects. This capital is provided by Fifth Third and is reported on our balance sheet.
- **\$3B in Facilitation of Capital Raising:** Helping customers raise debt and equity financing from other investors.

\*The methodology used to prepare these figures is available in the Additional Disclosures section of [ir.53.com/esg](https://ir.53.com/esg).

## METRICS AND TARGETS

# Operational Sustainability Targets

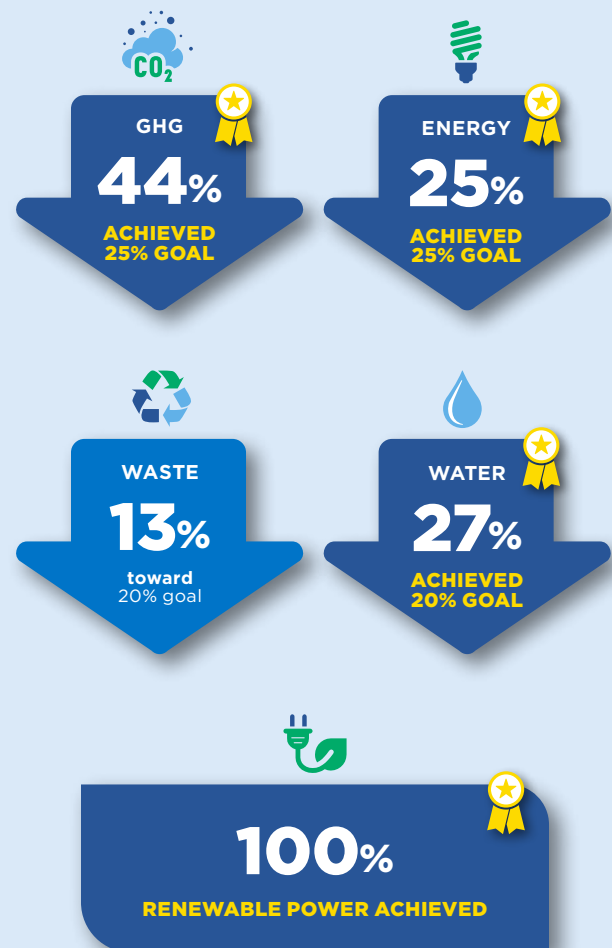
Operational sustainability is a foundational element of sustainability and climate risk management. By addressing our own climate impact, we better prepare our own organization for future changes by reducing our exposure and risk to decarbonization, energy market volatility and potential carbon pricing scenarios.

Further, by building our own sustainability and climate mitigation activities, we better understand the needs and challenges that our customers and broader stakeholders face.

**Fifth Third established its first set of climate-related metrics in 2017 with a commitment to achieve five bold sustainability goals:** to purchase 100% renewable power, to reduce energy use and greenhouse gas emissions by 25%, and to reduce water use and waste sent to landfill by 20%. We sought to accomplish each of these goals by 2022. These goals represented Fifth Third's commitment to reducing its operational impact and building our ability to achieve key sustainability milestones. Fifth Third plans to update these goals in 2022.

Fifth Third has shown great progress toward these goals. Since their adoption, we have achieved four of five—purchasing 100% renewable power, 25% energy reduction, 44% greenhouse gas emissions reduction and 27% less water use—and are making progress toward the fifth (we've cut waste across our portfolio by 13%). ■

### Sustainability Goal Progress\* (As of 9/30/21)



Energy and water consumption KPI calculations are calculated per square foot for owned or ground-leased buildings where we receive a utility bill and are relative to a 2014 baseline. GHG KPI is location-based using national average emissions factors for all locations where we receive a utility bill and is relative to a 2014 baseline. Landfill waste is calculated per FTE using locations where we receive waste data and is relative to a 2018 baseline. Consumption information from locations acquired as part of the merger with MB Financial are not included in energy, water and waste KPI. Year-end 2020 KPI results have been independently verified with statements are available in the Additional Disclosures section of [ir.53.com/esg](https://ir.53.com/esg). Data shown is as of Sept. 30, 2021, and has not been independently verified. Data as of Dec. 31, 2021, will be independently verified and included in Fifth Third's 2021 ESG Report.



## METRICS AND TARGETS

# Purchasing 100% Renewable Power

Fifth Third recognizes the importance of the transition to renewable energy and has been growing its use of renewable power since 2010.

Fifth Third has been purchasing renewable energy certificates, known as RECs, to offset our energy consumption beginning in 2010. In 2017, Fifth Third set a goal to purchase 100% renewable power, a goal we achieved in 2019 with the opening of the 80 MWac/120 MWdc Aulander Holloman solar facility. This project was facilitated through a virtual power purchase agreement (PPA) signed by the Bank. ■

## Fifth Third's percent of power from renewable sources:

2014	2015	2016	2017	2018	2019	2020
31.7%	32.2%	33.6%	37.7%	32.2%	97.4%	100%

## FEATURE

### Aulander Holloman Solar Facility

The PPA's March 2018 signing facilitated the construction of this solar field by guaranteeing that Fifth Third would purchase all of the electricity generated at an agreed price, thereby enabling the project developer to secure funding and begin construction. In return for guaranteeing to purchase the energy produced, Fifth Third receives all the RECs generated from the project. In 2020, the solar generation from the project was more than 180,000 MWh, more than Fifth Third's total electric energy consumption and enough to power over 21,000 homes.





## METRICS AND TARGETS

# Achieving Carbon Neutrality

Building upon our 100% renewable power achievement and significant reduction in greenhouse gas emissions, we achieved another key milestone in 2020, when Fifth Third's operations became carbon neutral for the first time.

This means that, as an organization, **we are now removing as much carbon dioxide as we emit from our buildings (including data centers), corporate vehicles and business travel.** In terms of greenhouse gas accounting, this includes all Scope 1 emissions, all Scope 2 emissions and Scope 3 business travel emissions. Our carbon neutral achievement includes the purchase of carbon offsets for emissions that we are unable to abate through efficiency improvements or other measures. Offsets are an important tool that enables companies to invest in projects that reduce emissions and, in many cases, create valuable social and community co-benefits. When purchasing carbon offsets, we look for projects that are located within the markets we serve, certified in accordance with acceptable standards, independently verified, and aligned to United Nations Sustainable Development Goals. ■



We are proud to have achieved carbon neutrality for our operations\* in 2020.



Fifth Third's 2020 carbon offsets were purchased from the Recast Energy biomass project, a thermal energy generation conversion project in Louisville, Kentucky. The project achieves GHG emissions reductions by displacing over 50,000 tons of carbon emissions per year in thermal energy generated from the biomass system that would have been generated from the old coal-fired system. Photo courtesy of Recast Energy Louisville. Used with permission.

\*For Fifth Third's Scope 1, Scope 2 and business travel under Scope 3 emissions

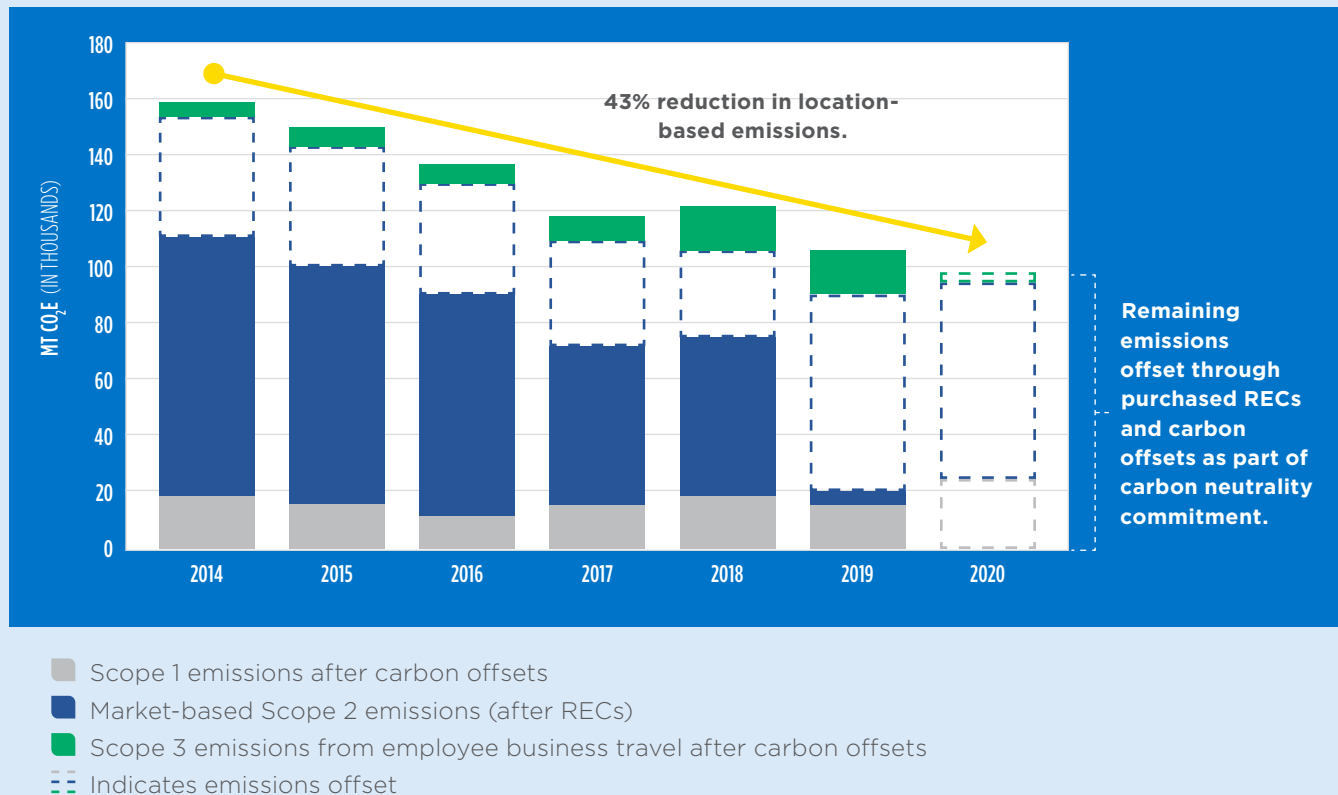


# Greenhouse Gas Emissions

Beyond developing operational sustainability targets, Fifth Third has continued to annually calculate and report on its corporate greenhouse gas emissions.

Fifth Third uses the Greenhouse Gas Protocol methodology<sup>1</sup> in calculating our operational GHG footprint. Our calculations have been independently verified by a third party since 2014. (Verification statements are available on our investor relations website<sup>2</sup>.) **Fifth Third's operational greenhouse gas emissions are primarily generated through power and climate control in our buildings** (mostly using electricity and natural gas) and our business travel. Since we began measuring our emissions in 2014, we have reduced our reported Scope 1, Scope 2 (location-based) and Scope 3 emissions by over 43%. We began offsetting our Scope 2 emissions in 2010 by purchasing RECs and our Scope 1 and 3 emissions in 2020 by purchasing carbon offsets.

## GHG emissions reduction since 2014

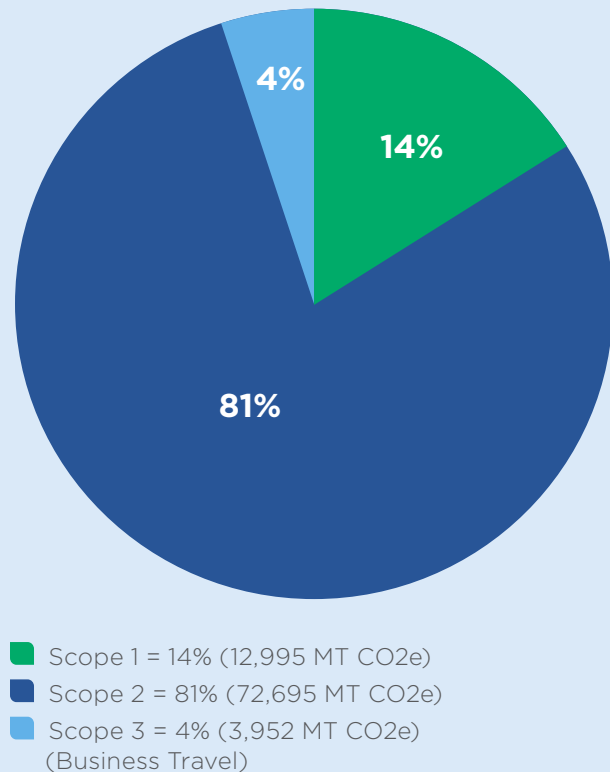
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<sup>1</sup>Prepared in accordance with the "WRI/WBCSD GHG Protocol Corporate Accounting and Reporting Standard (Scope 1 and 2)," and "WRI/WBCSD Greenhouse Gas Protocol Corporate Value Chain Accounting and Reporting Standard (Scope 3)."

<sup>2</sup>Available at <https://ir.53.com/esg/additional-disclosures/default.aspx>



## Fifth Third's 2020 emissions by GHG Protocol category



**Scope 1 covers “direct GHG emissions”** from sources owned or controlled by the company, including natural gas used for heating, refrigerants, diesel and fuels used in corporate vehicles. Since we began measuring in 2014, Fifth Third has reduced these emissions by more than 30% through investments in advanced building management controls, among other changes.

**Scope 2 covers “indirect GHG emissions”** from purchased or acquired electricity and similar sources. Since we began measuring in 2014, Fifth Third has reduced these emissions by more than 45% through investments in LED lighting, HVAC upgrades and advanced building controls, among other changes.

There are two accounting methods for Scope 2 emissions:

- The *location-based* method uses average emissions intensity for the electric power grids on which energy consumption occurs.

- The *market-based* method allows companies to account for power they have contracted to buy, including through the purchase of unbundled renewable energy certificates or through contractual agreements that lead to new renewable power plants and the bundled RECs they generate.

We report our Scope 2 emissions under both methods to illustrate the impact of our renewable energy commitment. Fifth Third does not generate any Scope 2 market-based emissions through the purchase of 100% Green-E certified RECs from renewable sources.

**Scope 3 covers 15 categories of other indirect GHG emissions**, such as business travel, capital goods and investments. Fifth Third reports on Scope 3 emissions for business travel, which includes emissions related to air, rail, reimbursed personal vehicle and rental travel. In 2020, these emissions were reduced by the pandemic as business travel restrictions were put in place to ensure the safety of our workforce. Fifth Third continues to use videoconferencing and other technology to reduce the need for business travel.

We continue to evaluate methodologies to quantify other Scope 3 emissions and will expand our reporting to several other relevant categories in our 2021 ESG Report. Category 15, investments, is particularly relevant for financial institutions and includes emissions associated with loans and investments. **In March 2021, Fifth Third joined PCAF, a partnership of financial institutions that work together to develop and implement a consistent and transparent standard for these emissions.** Fifth Third is committed to measuring and reporting on these emissions, beginning with a focus on carbon-intensive sectors in our commercial portfolio. Providing this additional information will offer greater transparency to third-party stakeholders and helps us focus on those categories having the greatest impact and the greatest potential for emission reductions. ■



## METRICS AND TARGETS

## GHG Data Table

Greenhouse Gas Emissions <sup>a</sup>	2020	2019	2018	2017	2016	2015	2014
<b>Scope 1 direct GHG emissions (in MT CO<sub>2</sub>e)</b>							
Natural Gas	10,983	10,803	12,100	10,715	11,003	14,286	17,936
Diesel	86	62	189	73	129	47	148
Refrigerant	1,363	1,042	477	115	288	335	587
Corporate Vehicles	8	8	6	61,5	N/A	N/A	N/A
Corporate Jet	557	1,317	1,274	1,208	N/A	N/A	N/A
<b>Total Scope 1</b>	<b>12,995</b>	<b>13,233</b>	<b>14,046</b>	<b>12,116</b>	<b>11,421</b>	<b>14,668</b>	<b>18,671</b>
<b>Scope 2 indirect GHG emissions (in MT CO<sub>2</sub>e)</b>							
Electricity	72,695	79,400	91,487	94,562	119,244	130,049	134,135
Chilled Water	0	18	31	56	71	50	41
<b>Total Scope 2 (Location-based)</b>	<b>72,695</b>	<b>79,417</b>	<b>91,519</b>	<b>94,617</b>	<b>119,315</b>	<b>130,099</b>	<b>134,176</b>
<b>Total Scope 2 (Market-based)</b>	<b>0</b>	<b>2,108</b>	<b>61,380</b>	<b>58,315</b>	<b>78,283</b>	<b>86,807</b>	<b>90,052</b>
<b>Scope 3 other indirect GHG emissions (in MT CO<sub>2</sub>e)</b>							
Air Travel & Rail	1,157	4,617	3,956	3,863	4,298	3,920	3,833
Car Rentals	1,102	3,962	5,370	2,711	2,135	2,245	1,959
Personal Vehicles	1,693	3,692	3,578	3,675	N/A	N/A	N/A
<b>Total Scope 3 from business travel</b>	<b>3,952</b>	<b>12,271</b>	<b>12,904</b>	<b>10,249</b>	<b>6,432</b>	<b>6,165</b>	<b>5,792</b>
<b>Total Scope 1, Scope 2 (Market-based) and Scope 3</b>	<b>16,947</b>	<b>27,612</b>	<b>88,330</b>	<b>80,330</b>	<b>96,136</b>	<b>107,640</b>	<b>114,515</b>
Purchased carbon offsets for Scope 1 and 3 GHG emissions	16,947	0	0	0	0	0	0
<b>Net GHG emissions</b>	<b>0</b>	<b>27,612</b>	<b>88,330</b>	<b>80,330</b>	<b>96,136</b>	<b>107,640</b>	<b>114,515</b>

N/A=Not available

Totals shown may not foot due to rounding.

<sup>a</sup>Scope 1, 2, and 3 emissions have been independently verified. Verification statements are available in the Additional Disclosures section of [ir.53.com/esg/](https://ir.53.com/esg/). For calendar year 2020, carbon offsets were obtained from Recast Energy biomass project (Louisville, KY). All carbon offsets have been NSF certified.



# Next Steps

As described in this report, Fifth Third has undertaken significant steps to incorporate climate-related considerations into our risk management framework and to implement governance enhancements for the oversight of these risks. These enhancements will enable the Bank to continuously improve our identification of climate-related risks and opportunities. We recognize that maintaining net-zero aligned strategies across our Bank will help generate long-term sustainable value for our shareholders and improve the well-being of our communities.

In 2022 and beyond we are focused on the following key activities:

Key Climate Activities in 2022 and Beyond		Section Linked
1	Renew our commitment to reducing our own operational impact on the climate by updating our targets across the five bold sustainability goals.	<a href="#">Metrics and Targets</a>
2	Update our sustainable finance goal to increase lending commitments that will help meet evolving needs and support communities drive sustainability on local, national, and global scale.	<a href="#">Metrics and Targets</a>
3	Expand our flood risk exposure analysis to apply the First Street flood risk models across Bank assets, exposures and our supply chain to understand current and incremental flood risks and incorporate risk mitigation actions into the Bank's strategy.	<a href="#">Time Horizons and Risk Examples</a>
4	Begin targeted engagement with clients in the energy sector to better understand transition plans and how the Bank can support the acceleration of those activities.	<a href="#">Risk Exposure</a>
5	Execute scenario analysis using financed emissions baseline calculations for our energy portfolio, in alignment with current climate science, to understand our client's sensitivities to transition risks across short, medium, and long-term horizons.	<a href="#">Scenario Analysis</a>

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