



FIFTH THIRD BANK

Environmental and Social (E&S) Policy

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Introduction

Fifth Third is committed to improving its Environmental, Social and Governance (ESG)-related disclosures and outcomes. This commitment is rooted in our desire to build strong communities, to serve our customers and to be the One Bank people most value and trust. Integrating ESG principles into all aspects of our business creates long-term value and strengthens the communities where our customers, employees and other stakeholders live and work. These principles enable us to pursue business opportunities and manage risks associated with addressing society's challenges today and in the future.

The **Environmental and Social (E&S) Policy** and associated internal policies form the framework through which we pursue this commitment. It defines processes designed to deliver sustainable growth while respecting both the environment and human rights from a client due diligence, operations and third-party management perspective.

Fifth Third's ESG reporting and **E&S Policy** are guided by a range of internationally-recognized best practices and organizations with the goal of assessing E&S impacts and promoting responsible banking, including:

- [Task Force for Climate-related Financial Disclosures \(TCFD\)](#)
- [Sustainability Accounting Standards Board \(SASB\)](#)
- [Global Reporting Initiative \(GRI\)](#)
- [United Nations Universal Declaration of Human Rights](#)
- [United Nations Sustainable Development Goals \(UNSDGs\)](#)

Environmental and Social Risk Management

We approach E&S management through the lens of the key risk types we identified in our **Risk Management Framework**. Our materiality assessments help us to better understand that enterprise risk also includes risks that threaten the safety, human dignity and equal treatment of our employees, clients and the communities where we do business.

Accordingly, we have an established process to review certain higher risk clients. This process has been expanded to include a review of clients in specific industries that present outsized E&S risks. In addition, the higher the risk posed by the particular client, the more we perform regular reviews over the lifetime of our relationship. The policy governing that process and this **E&S Policy** are continually updated in response to emerging risks.

Approach to Risk Management

Risk management is critical to effectively serving our customers' financial needs, while protecting Fifth Third and achieving our strategic goals. It is essential to reducing earnings volatility and safeguarding our brand and reputation. Our **Risk Management Framework** outlines our approach to managing risks in support of our Vision of being the One Bank people most value and trust. As described above, prior to onboarding a client and over the life of a client relationship, we consider the environmental, social and human rights risks along with credit risks.

This **E&S Policy** and associated internal policies and activities are intended to prevent unintended or undesired exposures to clients that have an unacceptable level of risk, including E&S risks, potentially

resulting in reputational damage or financial loss to Fifth Third. This involves management oversight, reporting and risk controls such as enhanced due diligence and reputation risk review. It requires risk measurement, including the use of metrics, exposure aggregation and concentration management, and stress testing as appropriate.

These principles and business strategies must remain aligned with our **Risk Management Framework**. The first line of defense is accountable for managing risk and is required to adhere to this framework, which includes identifying, assessing, monitoring, mitigating and reporting on risks, with effective challenge and independent oversight from the second and third lines of defense (such as Credit Risk, Reputational Risk and Internal Audit). Internal policies and procedures outline specific risk management standards and requirements related to risk. Policies contain acceptable transaction terms, underwriting requirements, limits, and escalation processes for review and approval of exceptions. Procedures describe how the lines of business comply with those policies.

Fifth Third has a low tolerance for reputational risk, and therefore seeks to conduct business in a responsible manner and participate in corporate citizenship activities that best serve communities and other stakeholders.

Client Selection Process

Based on governing laws and the associated risks, Fifth Third has established governance around client selection to identify and monitor high-risk businesses and prevent opening accounts with prohibited businesses. Internal policies and procedures define high-risk and prohibited businesses, outline specific due diligence requirements designed to identify such businesses, ensure an adequate assessment of the associated risks, and continuously monitor for any changes to their risk profile. Fifth Third continuously monitors developments and changes to E&S risks. We are committed to evaluating and improving our governance on an ongoing basis to assure adherence to our Core Values in the management of E&S risks when necessary.

Fifth Third has identified certain types of business relationships which are prohibited, meaning we will not knowingly engage with businesses directly involved in the following activities:

- Bribery – including giving, offering, receiving or requesting bribes.
- Child labor, forced labor or human trafficking.
- Illegal logging or uncontrolled fire.
- Illegal wildlife trafficking.
- Marijuana¹.
- Mountaintop removal mining practices extracting more than a de minimis of their total annual tonnage.
- Natural resource extraction in UNESCO World Heritage sites.
- Private prisons and immigration facilities (except existing relationships).

¹ As a federally regulated financial institution, Fifth Third is bound by federal laws, including federal criminal laws. That means we will continue to follow our current financial crimes policy, which prohibits directly banking marijuana-related businesses and credit policies prohibiting lending on commercial properties leased by marijuana-related businesses.

Other business activities exist that— while not illegal—are considered high-risk and require enhanced due diligence to ensure they align with our Core Values and Code of Conduct. These include, but are not limited to:

- Debt collectors.
- High interest rate lenders.
- Manufacturers and distributors of military-style firearms for non-law enforcement, non-military use.

For these and other high-risk clients, including the E&S sensitive sectors noted below, Fifth Third has a process in place to review whether we are willing to do business with these clients.

E&S Risk Review Process

During the client selection process, the first line conducts due diligence to identify and seek approval to onboard any high-risk clients, including clients in E&S sensitive sectors. First and second line senior leadership approval is required for all identified high-risk clients. 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 and second lines.

Enhanced Due Diligence

Clients in sectors with elevated E&S risks require enhanced due diligence. Sector-specific due diligence assessment criteria are integrated into general policies and applicable industry-specific policies. This enhanced due diligence review is conducted by the first and second lines prior to account opening, as the review may result in additional conditions or requirements. While each client opportunity is unique and therefore requires a customized process, examples of the types of due diligence conducted include:

1. Review the client's internal governance and external E&S / ESG disclosures, and,
2. Compare the client's disclosures and efforts relative to competitors and industry best practices.

Environmental risks to be evaluated may include, but are not limited to, land and water use impacts, climate risk reporting, community and stakeholder engagement, and overall transparency. Social risks and issues may include engagement with local communities (including indigenous peoples), impact on adjacent residences or local infrastructure and systems in place for dealing with complaints.

E&S Sensitive Sectors Requiring Enhanced Due Diligence

In addition to the high-risk business relationships requiring enhanced due diligence listed above, certain clients in sectors with heightened E&S risks also require enhanced due diligence to ensure a comprehensive understanding. E&S sensitive sectors include, but are not limited to:

Biodiversity & Ecosystems

While Fifth Third does not have material lending exposures in these sectors, we recognize certain ecosystems are vulnerable to the negative impacts of irresponsible development and unsustainable environmental practices and are committed to ensuring that sustainable best practices are used, defined as:

- **Forestry:** Preference for [Forest Stewardship Council](#) (FSC) certification when financing forestry clients that impact high conservation value forests unless a comparable assessment process underpins a conservation plan.
- **Palm Oil:** Preference for clients whose business is focused on ownership and management of palm oil plantations and operations, including growers and mills, to have their operations certified (e.g. [Roundtable on Sustainable Palm Oil](#) certification or equivalent).
- **Large Dams:** Clients involved in the construction of dams for hydroelectric power projects with more than 20MW of installed capacity or dams for other purposes where the dam wall is greater than 10 meters high shall be assessed using the [International Hydropower Association Sustainability Assessment Protocol](#).

Energy

- **Coal-related:**
 - **Coal mining:** Fifth Third applies enhanced due diligence to clients with diversified mining and industrial companies where proceeds will primarily be used to finance new coal mining capacity.
 - **Coal-fired power generation:** Fifth Third applies enhanced due diligence to clients involved in coal-fired power generation and considers the type of technology, regulatory drivers and the company's commitment, capacity and track record in managing E&S risks. Fifth Third anticipates that the proportion of coal-fired technology contained in power generation portfolios will continue to decline.
- **Nuclear Power:** Fifth Third recognizes there are sensitivities regarding the use of nuclear energy, including the safety and handling of nuclear fuel and waste. Clients involved in the development of nuclear projects are subject to enhanced due diligence, which includes a requirement that clients adhere to industry best practices, as well as a review of the client's track record on environmental compliance, safety and training.
- **Oil & Gas:**
 - **Arctic Drilling:** Clients involved in new greenfield development within the broader Arctic region, including the Arctic National Wildlife Refuge, are subject to enhanced due diligence focused on stakeholder engagement, including indigenous peoples of Alaska, ecosystems and biodiversity as well as region-specific water risks.
 - **Fracking/Shale Oil & Gas:** Clients engaged in the exploration and/or extraction of shale oil or natural gas using hydraulic fracturing is subject to enhanced due diligence focused on the client's management of water (including access, recycling and disposal), air emissions (including fugitive methane), well integrity and community impacts.
 - **Midstream:** Clients involved in midstream operations are subject to enhanced due diligence focused on an assessment on risks of leaks or spills and other ecological impacts, including the engagement of affected communities and other stakeholders in areas of operations.
 - **Oil Sands Development:** Clients involved in oil sands development are subject to enhanced due diligence focused on the client's management of water discharge, use of fresh water, impacts to biodiversity, interactions with First Nations communities, the type of technology deployed (and its environmental footprint) and the client's compliance with Canadian permitting requirements.

Portfolio Analysis & Stress Testing

Portfolio analysis is periodically performed for certain E&S risks that can occur across multiple risk types, products and business units. Credit Risk concentration metrics and limits have been established for a wide variety of exposures, including the energy portfolio, to limit excessive risk-taking by the first line and to ensure appropriate portfolio diversification. In addition, we leverage Moody's risk ratings for sectors facing elevated climate related risk to track and report on our exposure. Further, we analyze the impacts of these sectors in stress scenarios to fully understand these potential risks in our portfolios. Changes to this approach will be implemented as necessary as the risks change in these portfolios and would be approved through the governance process.

Credit concentration risks are also captured and analyzed using quantitative methods such as economic capital measurement and stress testing models. The stress tests leverage multiple scenarios to understand the potential impacts of varied economic environments, including stress, by sector and the portfolio. The impacts across all the risk types are utilized for evaluating capital adequacy and other financial measures, such as net income, under severely adverse conditions. The stress tests may include operational risk scenario analysis to better understand the impact of E&S risks to our operations. The stress test results are reviewed with senior management and overseen by our Board of Directors. We will continue to enhance our quantitative methods to incorporate additional variables to capture E&S related risks.

Sustainable Financing

Fifth Third seeks to facilitate a cleaner environment and energy mix through direct investment, financing and advisory efforts. In 2020, to accelerate these efforts, we set our first sustainable financing goal of \$8 billion committed to renewable energy clients to be achieved by 2025. This goal includes lending and financing in areas such as solar, wind, geothermal, biomass, and hydropower.

Operations

We recognize sustainable leadership begins with addressing impacts from our operations. Like all businesses, Fifth Third consumes energy and water, purchases goods and services, and generates waste, pollution and greenhouse gas emissions.

Energy Consumption & Greenhouse Gas Emissions

Increasing concerns about climate change could lead to new or increased regulations, physical and financial risks, reputational risks, and business opportunities for Fifth Third and our customers. We are taking the following steps to prepare for these possibilities:

- Measure, report and work to reduce our company's greenhouse gas emissions.
- Assess the potential risks that climate change poses to our business and manage those risks.
- Assess opportunities for new and profitable products and services to help our customers manage the risks and opportunities posed by climate change.

Resource Efficiency

Using resources more efficiently is an important first step, but reducing, reusing and recycling provide additional benefits by allowing products and embedded materials to be repurposed, typically with less

energy usage and environmental impact than would be required for new products and materials. Fifth Third is taking the following steps to reduce our use of resources:

- Make our processes more resource efficient.
- Reduce energy and water usage in our facilities.
- Expand access to recycling programs.

Third-Party Management

Fifth Third relies on third-parties for a variety of products and services to support our operations and the successful delivery of products and services to customers. Our [Supplier Code of Conduct](#) sets forth expectations for ethical, human rights, labor and environmental standards throughout our supplier network. Our suppliers are required to uphold these responsible business practices throughout the supply chain by encouraging the same of their next level suppliers.

Human Rights

Fifth Third considers human rights paramount and works to preserve human rights throughout our Company and supplier population. We apply these principles to our employees, suppliers, clients, communities and other stakeholders. Fifth Third's respect for the protection and preservation of human rights is guided by the principles outlined in the [United Nations Universal Declaration of Human Rights](#).

Fifth Third's [Human Rights Statement](#) is available online at ir.53.com/esg.

We set clear expectations for our employees in our [Code of Business Conduct & Ethics](#). We also have set clear expectations for our suppliers in their management of human rights and other key areas in our [Supplier Code of Conduct](#). Beyond the expectation that our suppliers abide by all applicable laws and regulations, we expect our suppliers to take all necessary measures to address human rights, including occupational health and safety, freely chosen employment, avoidance of child labor, working hours, and fair wages and benefits.

Indigenous Peoples

Fifth Third conducts enhanced due diligence in certain sensitive industries covered by this **E&S Policy** to ensure that our customers engage with local communities, including indigenous communities, during the development and operation of projects to protect community health, safety, and security; the environment; cultural identity; and the sacred lands and heritage of affected Indigenous Peoples.

Transparency and Reporting

Fifth Third demonstrates support for greater transparency and disclosures through the following:

- The publication of our inaugural ESG report in 2020, which included ESG performance metrics informed by the GRI, SASB and TCFD frameworks.
- Responses to the CDP (formerly the Carbon Disclosure Project) climate change questionnaire for more than 10 years. See our most recent CDP responses available online at ir.53.com/esg/additional-disclosures. Our 2019 Climate Change response was recognized with a leadership score of A-. The responses provide regular updates on our efforts to address the risks and opportunities related to climate change.

ESG Governance

Our Board of Directors (Board) provides oversight of, and guidance to, our executive management team in the development and implementation of corporate strategy, risk management, corporate culture and other impact aspects of our business, including ESG. In addition, specific ESG risks and opportunities are reviewed in the Board's Nominating and Corporate Governance Committee (NCGC), Risk and Compliance Committee (RCC), and the management-level committees that report up into these Board-level committees. Our annual ESG report contains more information regarding the ESG governance structure at Fifth Third and the Board committee charters are available on [53.com/About/Corporate Governance](https://www.fifththird.com/About/Corporate-Governance).

The NCGC is responsible for developing and recommending corporate governance policies and guidelines, recommending policies to enhance Board effectiveness, reviewing and advising on the governance structure and addressing shareholder concerns. To strengthen our oversight of ESG risks, the NCGC Committee established the Environmental and Social Governance (ESG) Committee. The ESG Committee is responsible for reviewing, recommending for NCGC approval, and overseeing the implementation of ESG strategy, programs, policies and practices, including the ESG Report and disclosure methodologies. This committee monitors emerging ESG risks and trends and recommendations from independent organizations such as SASB, TCFD, GRI and the United Nations. The ESG Committee guides the assessment of E&S risks to Fifth Third, and reviews public policy statements made on behalf of Fifth Third related to ESG topics. The Board, through the NCGC, has charged the ESG Committee with responsibility to review and approve or ratify the **E&S Policy** on at least an annual basis.

Training on the E&S Policy

Fifth Third employees across the Company receive high-level awareness on this **E&S Policy** as part of our enterprise risk communications and training. As necessary, we also conduct specialized training on the **E&S Policy** and related internal policies for relevant employees who regularly deal with specific E&S issues.