



# TCFD Report 2021

Assessing Our Climate-Related Risks and Opportunities



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## Disclosure statement

This publication constitutes the first disclosures of Truist Financial Corporation ("Truist") made in alignment with the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD). Truist's report was prepared using the 2017 TCFD guidelines because the report's preparation began prior to the TCFD's October 2021 updates. Please note some numbers in this report may be rounded.

The objectives, plans, and targets included in this report are aspirational and depend on a number of factors not within the control or influence of Truist; as such, the precise path is unclear, and no guarantees or commitments are made that they will be met or successfully executed. Furthermore, data, statistics, and metrics included in this report are non-audited, non-assured estimates, continue to evolve, and may be based on assumptions believed to be reasonable at the time of preparation, but may be subject to revision.

This report contains forward-looking statements in which we discuss future performance. Forward-looking statements are all statements other than historical facts such as statements regarding our environmental, social, and governance targets, objectives, commitments, and programs and other business plans, initiatives, goals or strategies relating to environmental, social, safety and governance performance, including expectations regarding future execution of our climate strategies, and the underlying assumptions and estimated impacts on our business related thereto; our approach to lower emissions; our plans and expectations in relation to our future clean energy transition, including targeted reductions of GHG emissions and water consumption; our operational resiliency and climate scenarios; and our expectations regarding climate-related risks and future risk mitigation. These statements are typically accompanied by the words "anticipates," "believes," "estimates," "expects," "forecasts," "intends," "plans," "projects," "may," "will," "should," "would," "could," or other similar expressions. All such statements are intended to identify those

assertions as forward-looking statements and intended to enjoy the protection of the safe harbor for forward-looking statements provided by the Private Securities Litigation Reform Act of 1995, as amended. Our actual future results, including the achievement of our targets, goals, objectives, or commitments, could differ materially from our projected results as the result of changes in circumstances, assumptions not being realized, or other risks, uncertainties, and factors. Such risks, uncertainties, and factors include the risk factors discussed in our most recent annual report on Form 10-K, subsequent quarterly reports on Form 10-Q, and other filings filed with the Securities and Exchange Commission (SEC), as well as, with respect to our sustainability targets, objectives, and commitments outlined in this report or elsewhere, the challenges and assumptions identified in this report. Additionally, this report contains statements based on hypothetical scenarios and assumptions. These statements should not necessarily be considered as being indicative of current or actual risk or forecasts of expected risk. While future events discussed in this report may be significant, any significance should not be read as necessarily rising to the level of materiality of the disclosures required under securities laws and regulations. The goals and projects described in this report are aspirational; as such, no guarantees or commitments are made that these goals and projects will be met or successfully executed.

Truist urges you to consider all of the risks, uncertainties, and factors identified above or discussed in such reports carefully in evaluating the forward-looking statements in this report. Truist cannot assure you that the results reflected or implied by any forward-looking statement will be realized or, even if substantially realized, that those results will have the forecasted or expected consequences and effects. The forward-looking statements in this report are made as of the date of this report, unless otherwise indicated, and we undertake no obligation to update this report to reflect subsequent events or circumstances.



## A letter from William H. Rogers Jr.

Throughout 2020 and 2021, the world has faced extraordinary events—from the COVID-19 pandemic, to the racial and social justice movement, to extreme weather events—prompting swift and innovative action from corporations, individuals, and communities.

These events show the intersections between large-scale events and their impacts on economies, communities, and livelihoods. These events also reveal that climate change is adding new stresses to systems that were already unequal and lacking in resilience. As such, we are at an important inflection point in human history—one that requires us to both plan for, and contribute to mitigating, climate change and its effects.

Truist's purpose is to inspire and build better lives and communities, and we should seek solutions to protect the planet upon which we all depend.

Now, as a top 10 U.S. commercial bank<sup>1</sup>, we have the scale and resources to enhance our environmental stewardship, social responsibility, and corporate governance practices. Our stakeholder-focused ESG assessment helped us to further refine and galvanize our efforts around certain priority areas. This includes climate change.

1. Based on total assets of \$530 billion as of September 30, 2021.

The environmental initiatives of our heritage banks provided a foundation for Truist. For example, several years ago, BB&T invested more than \$50 million in decreasing energy and water use in its facilities and achieved its goals of reducing consumption by 25% and 10%, respectively. Likewise SunTrust's LightStream program (now a division of Truist Bank) introduced a paperless loan application process that plants a tree for every loan. As a new company, we embrace and continue to explore the role Truist can play in the transition to a lower-carbon economy, including offering our clients products and financing for new climate-related opportunities.

In addition to new opportunities, we are aware of the risks a changing climate could pose to our business, our clients, our peers, our communities, and the economy at large. Extreme weather events can damage assets and disrupt operations and supply chains, posing significant physical risks to Truist and our clients. Simultaneously, new policies, technologies, and consumer demand shifts related

to climate change represent transition risks that can potentially alter the size and nature of global, regional, and local economies and the financial markets that support them.

The publication of Truist's first Task Force on Climate-Related Financial Disclosures (TCFD) Report is an important milestone in our evolving journey. We issued our first Corporate Social Responsibility (CSR) Report as Truist in 2020—only seven months after the merger of BB&T and SunTrust was completed. Our second CSR and ESG Report was published in July 2021, announcing our first greenhouse gas emissions reduction targets, as well as other goals. We now take the next step, enhancing our efforts to transparently measure and share Truist's climate-related risks, opportunities, goals, and progress. This inaugural TCFD report builds upon our previous CSR and ESG reports but focuses on the implications of climate change to our business and clients, per the recommendations and framework of TCFD.

In line with the TCFD guidance, over the past year, we have taken steps toward building climate capabilities for our business and our clients. These steps include expanding our risk management teams and creating a dedicated climate risk management function that seeks to identify and evaluate climate risks and opportunities and integrate them into our risk management framework and strategic plans. We have also taken measures to expand our sustainable financing activities, including providing \$580 million in renewable energy financing within Truist Securities, which will aim to help our clients accelerate their efforts to address climate change.

Importantly, in October we joined the Partnership for Carbon Accounting Financials (PCAF), so we intend to disclose our financed emissions from loans and investments within the next three years.

As Truist's CEO, I want to emphasize that our Board of Directors, our Executive Leadership team, and I are committed to working to address the

short-term and long-term risks and opportunities presented by climate change. This first TCFD report is a foundational step toward addressing the complex issues related to the changing climate—and an example of Truist's efforts to build better lives and communities, today and in the future.

**—William H. Rogers Jr.**

Truist Chief Executive Officer

# Introduction

Climate change poses unprecedented risks as well as opportunities to Truist and our clients. This introductory section outlines how climate change is impacting market dynamics, our company's unique context, and the evolving disclosure environment in which we operate. We also summarize how Truist's report addresses each of the TCFD's 11 disclosure recommendations as detailed in subsequent sections of this report.

## Climate context

Climate change has led to more frequent and damaging extreme weather events, such as hurricanes, tornadoes, floods, and wildfires—including in regions where Truist's teammates and clients work and live. As the world becomes warmer, we face more significant threats to our environment, economies, infrastructure, food systems, and well-being. Fortunately, accelerating the transition to a low-carbon economy may still allow society to avoid the most severe impacts of climate change.

Globally, we are seeing paradigm shifts in organizational and individual behaviors as societies accelerate decarbonization and adapt to our changing world. Companies are setting net zero targets and moving toward resource-efficient operation models such as rooftop solar installations and more efficient HVAC systems. Consumers are progressively leaning towards purchasing brands with lower environmental impacts.

More governments are establishing climate targets and tightening policies to spur reform and ensure climate action from all stakeholders. In the U.S., the Federal Reserve formally declared climate change as a stability risk to the financial system<sup>2</sup>. The U.S. also elected a new President, whose Administration quickly announced plans for our country to rejoin the Paris Climate Agreement.

Since then, the Administration and numerous agencies—including financial regulators—have created new climate leadership positions and task forces to accelerate efforts to address climate change.

As pressure to decarbonize mounts and new policies emerge, market dynamics are shifting. The cost of doing business may increase due to policies that put a premium on carbon-intensive goods, while some assets in fossil fuel-based markets may lose value or even become stranded assets, threatening entire regions' economies and communities' livelihoods if we all fail to take the necessary steps. These shifts present risks that Truist and other corporations must not only address—but also opportunities that we believe investors and other stakeholders expect us to leverage.

We are committed to working to meet these expectations—with actions that have us taking part in the transition, and that strive to be substantial and long-lasting. Climate change has multi-faceted implications for our environment and communities, and we believe Truist can have a role to play in supporting a sustainable, productive, and thriving society and economy. We look forward to meeting this opportunity with partnership, collaboration, and balanced solutions.

2. U.S. Federal Reserve. November 2020. "Financial Stability Report – November 2020."

## Company context

In December 2019, we combined two forward-looking and like-minded companies, BB&T and SunTrust, in the largest bank merger since the 2008 financial crisis. As a new company, Truist focused on our aspiration to be a purpose-driven financial services institution dedicated to building a better future for clients, teammates, and communities. Our merger significantly increased Truist's size and scale, and Truist is now a Top 10 U.S. commercial bank, holding \$530 billion in total assets and serving households, business clients, and communities in many of the nation's highest-growth markets<sup>3</sup>.

As Truist, we now have more resources that can help us make an even greater impact, and we are combining the environmental practices from our heritage banks while developing an ESG program that is better, stronger, and more transformative. We are proud to report that Truist has designated ESG as a Top Enterprise Strategic Priority. Our Executive Leadership and Board of Directors have dedicated a greater share of their strategic focus and resources to ESG, with a keen focus on enhancing our environmental and climate change initiatives, alongside our dedication to working towards industry-leading corporate social responsibility.

We acknowledge that with increased size comes heightened expectations for environmental programs and disclosures. Our merger gave us an opportunity to understand and improve the

environmental sustainability of our operations, real estate footprint, and business practices. In 2020, we built on past efforts to reduce our greenhouse gas (GHG) emissions by putting \$13 million towards energy conservation investments for our new corporate offices and bank branches. Since 2017, Truist has invested \$56 million in energy efficiency projects. In July 2021, we set 2030 goals to reduce Scope 1 and Scope 2 emissions by 35% each, and to reduce our water consumption by 25%, relative to our 2019 baseline. In addition, Truist recently reached an important milestone: our commitment to join PCAF and our intention to disclose our financed emissions from loans and investments within the next three years. We continue to assess future corporate goals and targets—including dependencies on new policies and technology—as we work to build resilience among our clients and in our communities.

In 2021, to build more capacity and accelerate Truist's progress towards managing climate risks and opportunities, we formed our internal Climate Risk Management and ESG Working Group, and we appointed the following senior-level climate positions:

- Head, Climate Risk Management
- Senior Director, Environmental Sustainability
- Managing Director, Energy Transition, Truist Securities
- Managing Director, Renewable Energy, Truist Securities

## Environmental sustainability highlights

Truist's online consumer lending platform, LightStream, offers a variety of paperless financing solutions, including for solar installations and electric vehicles.

LightStream also partnered with American Forests and pledged to plant 1 million trees by 2022, joining the World Economic Forum's Trillion Tree Movement.

**880**  
acres of trees planted in 2020 through our LightStream-American Forests partnership

**4,000**  
cumulative total of acres of trees planted through our LightStream-American Forests partnership since 2013

**23**  
states have benefitted from LightStream's support for forest restoration since 2013

**In 2020, Truist shredded and recycled more than 13.9 million pounds of paper. This equates to:**

**34,814**  
cubic yards of landfill space saved

**15.7M**  
kilowatt hours of electricity saved

**116,835**  
trees preserved

**10.1M**  
pounds of CO<sub>2</sub> emissions avoided

**190.8M**  
gallons of water saved

## Disclosure context

In 2015, the Financial Stability Board established the TCFD as an independent task force to develop a voluntary, consistent climate-related financial disclosure framework that would help investors, lenders, and insurance underwriters appropriately assess and price climate-related risks and opportunities. The result was a set of reporting recommendations comprised of four core elements:

- **Governance**  
How we manage climate-related risks and opportunities
- **Strategy**  
How climate-related risks and opportunities affect our businesses, strategy, and financial planning
- **Risk Management**  
How we identify, assess, and manage climate-related risks
- **Metrics and Targets**  
How we measure and manage relevant climate-related risks and opportunities

With this context in mind, and in addition to our ongoing efforts, Truist has committed to communicating about our environmental efforts.

Seven months after Truist was formed, we issued our first CSR Report in July of 2020 and disclosed ESG information under leading reporting frameworks including the Sustainability Accounting Standards Board (SASB) and the Global Reporting Initiative (GRI). We also completed our first non-public CDP<sup>4</sup> questionnaire in July of 2020.

This year, we expanded our ESG reporting with more disclosures under SASB and GRI, disclosed our alignment with the United Nations' Sustainable Development Goals (SDGs), and completed our first public CDP survey in July of 2021. As a culmination of these ESG reporting milestones, we are proud to publish our inaugural TCFD report as part of Truist's long-term CSR and ESG reporting and disclosure strategy.

## Disclosure summary

Leading up to the issuance of this TCFD report, we reviewed the TCFD's reporting recommendations and organized the report sections to align with how we think about climate risks and opportunities at Truist. First, we discuss the oversight of climate risks and opportunities in the Governance section, then we describe our Risk Management processes before detailing the specific climate risks and opportunities identified in the Strategy section. We conclude with the Metrics and Targets section. For this inaugural TCFD report, we aimed to set a starting point for climate disclosures, address key TCFD recommendations, and identify future areas for exploration and depth as summarized on the next pages.

4. Formerly known as the Carbon Disclosure Project, but now referred to as "CDP"



TCFD section	Truist's response	Truist's future goals
<b>Governance</b>		
Describe the board's oversight of climate-related risks and opportunities	The Board of Directors primarily oversees climate-related risks through the Board Risk Committee, while ESG topics and opportunities are primarily overseen through the Nominating and Governance Committee; both committees report up to the full Board	Maintain board- and management-level governance cadence to monitor climate risk related exposures and opportunities; future insights derived from scenario analysis; and progress toward climate targets
Describe management's role in assessing and managing climate-related risks and opportunities	The Climate Risk Management and ESG Working Group comprising senior management personnel across various supporting functions developed the Environmental and Social Risk Framework (ESRF) that governs climate risks and opportunities; the group also provides guidance and feedback on workstreams to ensure alignment across the company	<p>Aim to have the relevant board committees engage with the reports generated on climate risk and opportunities</p> <p>Continue to develop capabilities to evaluate and analyze climate-related scenarios and their potential impact to the bank</p>
<b>Risk management</b>		
Describe the organization's processes for identifying and assessing climate-related risks	<p>The Risk Identification Committee meets quarterly to identify current and emerging risks using information from the three lines of defense outlined in the Enterprise Risk Management (ERM) framework</p> <p>Each business unit considers climate-related risks and opportunities during the strategic planning cycle</p> <p>We leverage our ERM framework to identify and assess existing and emerging climate risks</p>	<p>Continue to develop internal climate risk management policies and procedures to provide guidance regarding the identification, measurement, reporting and governance of climate related risks</p> <p>Refine climate risk identification and assessment frameworks to address emerging risks; incorporate scenario analysis insights; and align with industry practices for consistent reporting</p> <p>Develop criteria to prioritize climate risks; formalize plans to update those criteria over time; continue to develop mitigation strategies specific to climate risks, and where necessary, tailor mitigation strategies to specific sectors</p>
Describe the organization's processes for managing climate-related risks	We assess and manage climate-related risks in accordance with our enterprise-wide risk appetite framework	<p>Develop capabilities to assess the quality of counterparty data and data vendors used when sourcing inputs for risk exposure calculations</p> <p>Develop periodic training opportunities to yield consistent and up-to-date understanding of existing and emerging climate risks across business units and the workstreams that collaborate to manage climate risks</p>
Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management	Our ESRF incorporates climate risks into companywide risk management structures for identifying, assessing, and managing risks	



TCFD section	Truist's response	Truist's future goals
<b>Strategy</b>		
Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term	<p>For Truist's portfolios, we believe that key drivers of climate risk are physical risks, and regulatory, technology, stakeholder, and legal risks associated with the transition to a lower carbon economy</p> <p>About 14% of Truist's residential mortgages portfolio is exposed to some level of flooding risk, and about 24% is exposed to hurricane risk</p> <p>About 14% of Truist's commercial real estate portfolio is exposed to some level of flooding risk and about 19% is exposed to hurricane risk</p> <p>About 12% of Truist's C&amp;I portfolio faces high transition risks, concentrated in Oil and Gas, Auto, and Electric Power Generation, Transmission, and Distribution. Another approximately 41% of Truist's C&amp;I portfolio faces moderate transition risk</p>	<p>Continue to evaluate key climate risks through targeted sensitivity testing and analysis</p> <p>Identify, shortlist, and tailor a range of appropriate, temperature-aligned scenarios (e.g., 2°C or lower scenarios) and conduct scenario analyses of our portfolios, including quantifying portfolio-level impacts and opportunities across business lines</p> <p>Identify and size potential near-term market opportunities arising from climate transitions</p> <p>Describe additional climate related events (including wildfires, hurricanes, and flooding) that are currently under evaluation by the Operational Risk Scenario Analysis Program</p> <p>Complete a detailed risk identification exercise to disclose a more comprehensive list of risks classified by short-, medium-, and long-term timeframes</p>
Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning	<p>Identified three types of climate opportunities: increasing our own operational resilience; helping our clients reduce their emissions and pursue new opportunities; and expanding our business to harness new opportunities under climate transitions</p> <p>Identified four examples of sectors with growing climate opportunities: Building Energy Efficiency; Transport Electrification; Renewable Energy; and Grid Modernization</p>	<p>Disclose risk metrics relevant to the insights from the scenario analysis, identify levers to reduce risk exposure, and develop targets to reduce or mitigate those risks over time</p> <p>Develop risk mitigation strategies tailored to the climate risks identified as key to Truist's eight primary risk types</p>
Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario	<p>Our Operational Risk Scenario Analysis Program considers various climate scenarios including the impact of hurricanes impacting the footprint, the results of which are leveraged in stress testing exercises</p> <p>Our Capital Adequacy Process has evaluated various impacts that could result from climate change including a hypothesized demographic shift away from areas subject to chronic physical risks</p>	

TCFD section	Truist's response	Truist's future goals
<b>Metrics and targets</b>		
<p>Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process</p>	<p>\$13M dedicated to energy conservation efforts in Truist facilities in 2020; \$10.3M realized in net losses from physical damages to Truist facilities between 2015-2020; approximately \$2.4B in clean energy and sustainable-related financing in 2020.</p>	<p>Disclose Scope 3, Category 15: Financed Emissions, and improve the completeness and data quality over time</p>
<p>Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks</p>	<p>Scope 1: 26,027 MT CO<sub>2</sub>e            Scope 2 (location): 178,161 MT CO<sub>2</sub>e            Scope 2 (market): 177,549 MT CO<sub>2</sub>e            Scope 3 (Category 6 - Business Travel): 7,483 MT CO<sub>2</sub>e</p>	<p>Establish science-based short- and longer-term emissions reduction goals for Scope 1, 2, and 3 emissions (including Category 15: Financed Emissions) and identify key dependencies, including new policy and technology, and reduction levers</p> <p>Establish additional metrics and targets to report climate opportunities and monitor progress over time</p> <p>Monitor and review possibility of joining voluntary programs that support setting targets while concurrently identifying and accounting for dependencies on new policies, technology, and engagement by other stakeholders</p>
<p>Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets</p>	<p>In July 2021, we set targets to reduce Scope 1 and Scope 2 emissions by 35% each and to reduce our water consumption by 25% by 2030, each relative to a 2019 baseline</p>	

# Governance

We understand the importance of climate-related issues and considerations when setting our financial strategy and action plans. In line with TCFD recommendations, we oversee and manage climate risk at two levels—the Board of Directors and senior management. As Truist, we integrated our new climate risk management function into our existing ESG and risk management functions and processes to help ensure that the management and governance of climate risk is incorporated into enterprise-wide risk management practices. In the following sub-sections, we briefly describe the primary committees and working groups that govern climate risk management, and in the subsequent climate-risk governance organizational chart, we include additional committees and workstreams that support climate risk management.



## Board oversight

The Board oversees climate risk management primarily through two standing committees that have distinct but related responsibilities as described below and captured in the subsequent organizational chart. From time to time, the full Board and other Board committees receive updates on climate and ESG topics.

- 1. The Board Risk Committee (BRC)** is responsible for overseeing Truist's enterprise risk management framework and meets monthly, or more frequently as needed. Among other risk oversight responsibilities, the committee oversees ESG and climate change risk management initiatives and activities.
- 2. The Board Nominating and Governance Committee** is responsible for overseeing CSR and ESG at Truist. This committee met five times in 2020 and, among other CSR and ESG oversight responsibilities, it approved Truist's first and second CSR reports in 2020 and 2021. It also reviews the company's ESG due diligence process on an ongoing basis.

## Management

Management of climate risk and ESG activities is primarily bifurcated into two executive level committees, with responsibilities detailed below.

- 1. The Enterprise Risk Committee (ERC)** serves as the enterprise-wide risk governance body responsible for broad strategic oversight of all risk types, including climate change related risks. The ERC meets monthly and develops enterprise-wide strategies for identifying, assessing, controlling, measuring, monitoring, and reporting risk at the enterprise level. This committee reports to the BRC.
- 2. The Ethics, Business Practices, and Conduct Committee (EBPCC)** assesses Truist's business practices so that they align with our core values. The EBPCC primarily reports to the BRC and occasionally, the Board Nominating & Governance and the Compensation & Human Capital Committees as appropriate. The EBPCC holds quarterly meetings and reviews risk education and awareness, strategic partner practices, and ESG issues related to business practices.

The executive committees are primarily supported by the Climate Risk Management and ESG Working Group, the Risk Identification Committee, and other management-level committees and working groups as shown in the accompanying organizational chart.

- 1. The Climate Risk Management and ESG Working Group**, comprising senior management personnel across various supporting functions, identifies and manages climate risk, and oversees public disclosures and stakeholder engagement. The group meets monthly, or more frequently as needed. They developed and will continue to update Truist's Environmental and Social Risk Framework (ESRF), which is part of the Enterprise Risk Management (ERM) framework further described in the risk management section of this report. While the working group does not have ultimate decision making authority, it is responsible for making recommendations to the ERC and EBPCC as appropriate, and also collaborates with the Disclosure Committee on climate-related disclosures. The working group will coordinate with other committees as it evaluates changes to climate risk assessments and oversees enhancement and production of financed emissions calculations.

- 2. The Risk Identification Committee** provides governance and support for the Risk Identification Framework process and provides a forum for review and assessment of the corporate risk inventory as well as the identification and monitoring of potential horizon risks. The committee meets quarterly and reports to the ERC.

Management-level oversight is supported by a broad range of functions that are currently developing new capabilities to identify, assess, and address climate risks in addition to other types of risks traditionally included in their roles. Each of the management level committees and the working group described are supported by a pillar of workstreams and subcommittees. We believe the combination of these committees, the working group, and frameworks help enable governance of climate risk and opportunities at Truist as detailed on the next page.

## An overview of climate-risk governance at Truist

### Truist Board of Directors & Committees

Board Risk Committee (BRC)

Board Nominating and Governance Committee

Other Board Committees

### Executive Leadership & Executive Committees

Enterprise Risk Committee (ERC)

Ethics, Business Practices, and Conduct Committee (EBPCC)

Disclosure Committee

Market Risk, Liquidity, and Capital Committee

### Management Committees

#### Climate Risk Management and ESG Working Group

##### Executive Leadership:

Chief Risk Officer, Chief Financial Officer, and Chief Legal Officer and Head of Public Affairs

##### Core Working Group Members:

Head of ERM, Head of CSR/ESG, Head of Climate Risk Management, Enterprise Ethics Officer, Sr. Director of Environmental Sustainability, Head of Corporate Strategy

#### Risk Identification Committee

##### Executive Leadership:

Chief Risk Officer, Chief Financial Officer, Chief Information Officer

#### Operational Risk Management Committee

##### Executive Leadership:

Chief Risk Officer, Chief Financial Officer, Chief Legal Officer & Head of Public Affairs, Chief HR Officer, Chief Information Officer, Chief Digital Officer

#### Capital Committee

##### Executive Leadership:

Chief Risk Officer, Chief Financial Officer, Chief Operating Officer

### Workstreams & Sub-Committees

#### Risk Measurement & Scenario Analysis

Data collection & infrastructure, modeling, scenario development, & sensitivity testing of climate risks

#### Public Disclosure & Investor Outreach

External reporting & public disclosure, investor relations, and other stakeholder engagement

#### Risk Identification Working Group

Review and assessment of the risk inventory gathered from the Company's various risk identification activities

#### Business Unit Risk Committees

Identification and review of business unit specific risks and priorities

#### Horizon Risk Meeting

Identification and monitoring of emerging and long horizon risks

#### Scenario Analysis Working Group

Development and analysis of operational risk scenarios covering key operational risks including the evaluation of potential impacts caused by physical climate risks

#### Scenario Committee

Develops scenarios for Capital Adequacy, CECL, Climate Risk and other macroeconomic forecasts

#### Forecast Sensitivity Analysis and Overlay Working Group

Responsible for quarterly evaluation of baseline forecast range of outcome analysis and targeted risk scenario analysis

#### Coordination, Strategy, & Sustainable Growth

Cross-functional group responsible for discussing climate related risks and opportunities for Truist's businesses, strategy, and financial planning

#### Metrics & Reporting

Setting & monitoring metrics & targets to help optimize and manage risks and opportunities

### Key functions that support ESG and Climate Risk activities

Risk

Audit

Investor Relations

Sourcing

Enterprise data and technology

Public Affairs & Legal

Finance

Lines of Business

Human Resources & Diversity, Equity, and Inclusion

Strategy

Digital & client, experience

Truist Foundation & Truist Community Reinvestment Act

# Risk management

The Truist Risk Management Organization (RMO) is responsible for overseeing the identification, measurement, monitoring, assessment, controlling, and reporting of risk. In order to help effectively meet its obligations, the RMO established an ERM Framework that consists of eight elements executed across the eight primary risk types. Climate risk management has been established as a unique function within the RMO, and is responsible for integrating climate risk into all elements of the ERM Framework.



# Three lines of defense

The ERM framework is supported by three lines of defense to manage risk, as described on this page.

**Truist's Board of Directors provides oversight of, and executive leaders are responsible for, the effectiveness of the enterprise risk framework, the management of risk, and the approval of risk appetite**



**1st line of defense:** Consisting of the Business Units and Business Unit Risk Management (“BURM”) and operating at the point at which risks originate, the 1st line of defense has several key responsibilities related to identifying, assessing, controlling, monitoring, and reporting risk. As the centralized first line risk function for each Business Unit, the BURM has key responsibilities for identifying, assessing, controlling, monitoring, and reporting risk.

**2nd line of defense:** The RMO provides independent oversight and challenge of risk-taking across the enterprise. The RMO aggregates, integrates, and correlates risk information into a holistic picture of the corporation’s risk profile. The RMO establishes policies and limits and reports sources and amounts of risk to executive leadership and board of directors.

**3rd line of defense:** Truist Audit Services (Truist’s internal audit function) evaluates the design and effectiveness of the risk framework and its results. Results are reported to executive leadership and the board of directors according to the Audit Services Policy.

## Climate risk identification

We use a variety of tools to identify existing and emerging climate risks across Truist, including the Environmental and Social Risk Framework (ESRF), which incorporates climate risks into the company-wide risk management structures for identifying, assessing, and managing risks. The primary tool for identifying risk is the Risk Identification Framework, which capitalizes on multiple sources of information from all three lines of defense. This framework supports the Corporate Risk Inventory, consisting of current and emerging risks. Risks are primarily identified through quarterly evaluation of the risk inventory by the Corporate Functions and Lines of Business, where risks are added or removed as appropriate. The Horizon Risk Process is also leveraged to proactively identify risk exposures that are forming in the industry in order to evaluate and understand their potential future impact on the industry and Truist.

After identifying risks in the business units, the Risk Identification Committee reviews the risk inventory. The Risk Measurement and Scenario Analysis workstream of the Climate Risk and ESG Working Group reviews all identified climate related risks and evaluates opportunities to assess how severely each could impact asset balances, capital ratios or our income statement.

These assessments can be conducted on a targeted basis through the Forecast Sensitivity Analysis Program or on an enterprise level through macroeconomic scenarios incorporating climate risks evaluated by the Capital Adequacy Process. Separately, a Scenario Analysis Working Group develops and analyzes operational risk scenarios including potential impacts from climate risks. We then determine the appropriate risk response through continued or enhanced monitoring, or mitigation strategies. When it comes to climate risks, we are building capacity to respond in one of two ways:

### 1. Invest in proactive near-term strategies

to reduce those risks to levels that align with our strategy and risk appetite.

### 2. Monitor long-term risks

for which we currently do not have sufficient clarity on transmission channels or magnitude.

## Primary risk examples

Climate change poses physical risks—from the direct impacts of changing climate patterns and extreme weather events like damage to assets and service disruptions, and transition risks—from disruptions and changes in regulations, technologies, and market dynamics as we move towards a lower carbon economy. These risks are compiled into a comprehensive risk inventory and classified into eight primary risk types—strategic, credit, market, liquidity, compliance, operational, technology, and reputational risk. To better understand how climate change can impact our business and clients, we considered how physical and transition risk could affect each of the eight primary risk types, and how we can mitigate those impacts as summarized on the next pages.

## Risk monitoring and reporting

After identifying and determining the appropriate response to risks, we conduct additional analyses to evaluate the potential impact over various scenarios, as well as the effectiveness of our risk mitigation strategies. For material risks, this process involves stress testing and other scenario analyses, to generate forecasts and quantitative metrics. These forecasts and other non-stressed metrics are considered for inclusion in the risk appetite framework, to monitor risk relative to certain thresholds. Historically, Truist has included climate-related factors in enterprise stress-testing scenarios, such as increasing hurricane frequency and severity because of the risk to our retail footprint. Climate risk is being incorporated into our risk appetite framework and as we build more advanced capabilities to forecast and measure the potential impact of climate risk, we will aim to transition from a qualitative assessment of climate risks, to quantitative climate scenario analyses to evaluate and monitor the range of potential impacts, considering a spectrum of possible risk severity.



Primary risk type	Definition	Examples of physical risks	Examples of transition risks	Risk mitigation strategy
<b>Strategic</b>	Risk of financial loss, diminished stakeholder confidence, or negative impact to human capital due to ineffective strategy planning and/or execution	Decline in current or future earnings across business lines and clients due to unpredicted trends of climate hazards in strategic planning	Decline in current or future earnings across business lines and clients due to inadequate preparation for regulatory and market changes or disruptive technological innovations	Risk management framework facilitates the development of mitigation strategies to address physical and transition climate risk drivers
<b>Credit</b>	Risk of loss in current or anticipated earnings due to borrower, obligor, or counterparty default, or inability to pay obligation on time and/or in full	Increase in probability of default and deterioration in asset quality due to damage from acute events—for example, floods, hurricanes or wildfires in our real estate portfolios, especially in climate sensitive regions	Increase in obligor's costs due to inadequate preparation for regulatory and market changes, impacting source of income, resulting in the reduced ability to re-pay obligations and value of collateral	Climate specific risks are being integrated into credit risk assessment practices to evaluate impact on probability of default
<b>Market</b>	Risk of loss in current or anticipated earnings due to changes in interest rates, spreads, or prices of financial instruments	Increase in shocks to the financial system and unexpected repricing events due to acute climate events and chronic, longer-term climate risks	Decline in current or future cash flows due to increased volatility of market variables (e.g., interest rates, commodity prices, FX rates, etc.) driven by changes in climate drivers of disruptions due to rapid transition	Truist's banking book and trading book market risk management processes help safeguard against the impact of market shocks and unexpected repricing events
<b>Liquidity</b>	Risk of Truist's inability to meet its expected and unexpected cash flow needs at a reasonable cost, without jeopardizing its financial condition	Increase in drawdowns on commitments and/or deposits due to unexpected climate events, both from corporate and retail clients	Decline in liquidity sources or value of liquidity investment portfolio including the mortgage backed securities (MBS) exposure due to transition risk drivers disproportionately affecting certain regions and sectors of the economy	Truist's liquidity risk management framework monitors weakening financial markets and funding concentrations; climate-related effects can be incorporated into ad-hoc scenario analysis as appropriate

Primary risk type	Definition	Examples of physical risks	Examples of transition risks	Risk mitigation strategy
<b>Compliance</b>	Risk of legal or regulatory sanctions, financial loss, or damage to reputation due to noncompliance with applicable laws, rules, and regulations; internal policies and procedures; or applicable principles of integrity and fair dealing	Deterioration of current or future financial standing due to noncompliance resulting from business and market disruptions associated with acute events	Increase in operating costs, failure to meet new evolving disclosure requirements	Internal procedures, standards of best practice, codes of conduct, and principles of integrity and fair dealing broadly mitigate compliance risk
<b>Operational</b>	Risk of loss resulting from inadequate or failed internal processes, people, systems, or from external events affecting business continuity	Increase in operating losses associated with damage to physical assets like branches and corporate offices, data-center downtime, outages across supplier/third-party services due to acute weather events	Increase in operating costs to incorporate requirements for carbon reduction or climate resiliency and accelerated asset impairment due to climate change mitigation policies	These risks are evaluated by the Operational Risk Scenario Analysis Program to help ensure Truist holds sufficient capital for severe operational losses; transition risks can also be incorporated into ad-hoc scenario analysis as appropriate
<b>Technology</b>	Risk associated with the use, ownership, operation, involvement, influence, and adoption of Information Technology within Truist	Increase in system downtime due to technological failures or disruptions caused by acute weather events	Increase in operating costs to incorporate requirements for carbon reduction, e.g., using only renewable energy to cool data centers	Enterprise Technology and Technology Risk programs manage technology risks stemming from climate change; BTCM program and enterprise response framework help ensure the continuity of critical business operations and resiliency through severe weather events
<b>Reputational</b>	Risk of real or perceived negative publicity regarding Truist's business practices, products, services, transactions, or activities undertaken by Truist's representatives or partners	Increase in risk of negative publicity associated with actual or perceived harmful impacts from our clients, e.g., an acute event could compromise a Truist client's waste management protocol causing harmful contamination	Increase in negative publicity due to changing stakeholder expectations of our and our clients' transition to a lower-carbon economy	Internal practices identify and evaluate risks that conflict with the expectations of the company's stakeholders, including clients, teammates, investors, regulators, and communities

# Strategy

According to the United Nations' 2021 Intergovernmental Panel on Climate Change (IPCC) report, despite ongoing mitigation efforts, some short- and long-term climate change disruptions are unavoidable<sup>5</sup>. While we may be able to make some of these impacts less severe, the IPCC report asserts that the world will still experience—and is currently experiencing—an increase in surface temperatures, rising sea levels, higher precipitation levels, and less predictable extreme weather events. These impacts pose physical climate risks to our business, our clients' businesses, and our communities.

Furthermore, as governments, international organizations, and civil society work to advance a low-carbon economy, new policies, regulations, and technological advancements present transition risks that may impact our clients' cost of doing business, their ability to remain in compliance, and their competitiveness in the markets in which they operate. These transition risks need to be monitored and mitigated to ensure growth for our clients and for our business. As we work on Truist's own internal climate risk management processes, we also can assist our clients in identifying and mitigating the risks most relevant to them, engaging with clients on risk management and providing loans for energy efficiency retrofits, for example.

Our merger gave us the scale and resources to help accelerate our ESG efforts, and we are seeking to thoughtfully position our business to assist and enable our clients as they transition to a cleaner and more sustainable economy through our lending, financing, and investing activities. In the past, our heritage banks' ESG initiatives focused on high-level aspects of corporate responsibility and associated disclosures. As Truist, we are focusing on the role that ESG considerations play in value creation, risk management, and sustainable growth. In 2021, we established the ESRF to provide additional context and transparency about our approach to environmental and social risks. Our ESRF is aligned with our overarching, company-wide ERM framework.

In our preliminary efforts to map and prioritize the strategic climate risks and opportunities that can impact our operations and businesses, we took three steps:

- 1. Scenario review of widely used climate scenarios**, ranging from business as usual to 1.5-degree Celsius scenarios, e.g., International Energy Agency Net Zero by 2050 (IEA NZE), IPCC Representative Concentration Pathway (IPCC RCP), and the Network for Greening the Financial System (NGFS) scenarios, for example, to understand the broad contours of how both physical and transition risks can impact the banking sector and Truist's clients at large.
- 2. Climate risk identification** to understand the physical and transition risks that could impact Truist's bottom line, highlight risk hotspots, and evaluate the extent to which climate risks are impacting our business.
- 3. Opportunity identification** based on already existing and emerging product lines broadly available to financial institutions.

In our future reports, we aspire to delve deeper into scenario analysis and quantify how physical climate impacts and low-carbon transitions can impact our bottom line and shape our future business opportunities.

<sup>5</sup> IPCC. [Climate Change 2021: The Physical Science Basis](#)

## Scenario review

As part of our long-term strategy, we are working on better understanding the landscape of climate transition scenarios. We are developing capabilities to further integrate climate risk scenarios into our stress-testing processes and considering longer-term models that would be independent of our capital stress-testing processes. For this inaugural TCFD report, we reviewed a subset of scenarios to understand the general magnitude and direction of potential risks, and to identify factors that may be relevant to our business.

Broadly, for Truist and our clients, changes in carbon prices and energy mix are likely to be the most impactful drivers of climate transition risk, while floods, wildfires, and cyclones are added key sources of physical risk. These drivers are particularly relevant to the sectors represented in our portfolios and the geographic regions in which our clients operate.

Our preliminary review found that transition scenarios and their implications vary by both temperature target and the form of transition. For example, using the NGFS scenarios<sup>6</sup>, under the “Orderly Below 2°C” scenario—in which climate

policies are introduced immediately and become gradually more stringent to limit global warming to below 2°C—carbon prices reach about \$50 per ton in 2030 and about \$200 per ton in 2050. In contrast, under the “Divergent Net Zero by 2050” scenario—in which divergent climate policies are introduced, with stricter policies only in the transportation and building sectors and a quicker phase-out of fossil fuels to reach net zero—carbon prices reach about \$300 per ton by 2030, and almost \$800 per ton by 2050. These prices are critical transition risk drivers in emissions intensive sectors, raising the cost of doing business and living expenses.

Similarly, the NGFS scenarios expect that net zero transitions will necessitate both the U.S. and global energy mix to shift towards more renewables, requiring more investment in clean energy. Under current policies, we expect the renewables share of the energy mix to increase to almost 25% by 2050. However, under the “Net Zero 2050” scenarios analyzed by NGFS, the renewables share of the energy mix increases to more than 30% by 2030 and about 70% by 2050, which presents both risks and opportunities for Truist and our clients, especially in fossil-fuel driven and dependent

sectors. These transitions can also create new investment opportunities, for example, arising from the bipartisan infrastructure bill currently moving through Congress. If passed, this bill is expected to lead to the largest investment in clean energy transmission and EV infrastructure in U.S. history<sup>7</sup>.

In contrast, the “Hot house world” scenario assumes we continue business as usual and only the currently implemented policies remain in place. Under this scenario, GHG emissions continue to grow, global warming exceeds 3°C, and we face irreversible physical risks.

We are currently developing quantitative evaluation methods, monitoring processes, and mitigation efforts for near- and long-term risks and opportunities to better understand the exposure and vulnerability Truist faces from these potential scenarios. The insights from these exercises will likely be incorporated into Truist’s future TCFD reports.

6. Network for Greening the Financial System (NGFS), June 2021: [NGFS Climate Scenarios for Central Banks and Supervisors](#).  
7. The White House. August 2, 2021. Updated fact sheet: Bipartisan Infrastructure Investment and Jobs Act.



# Climate risks identified

As a bank, it is important for Truist to try to identify and assess how climate risks could impact our business through our clients. In our preliminary effort, we identified three portfolios that are most vulnerable to climate risks: our residential mortgages portfolio, our commercial real estate portfolio (CRE), and our commercial and industrial (C&I) portfolio.

To assess the vulnerability of our residential portfolio to climate risks, we evaluated how physical risks could impact property value at varying levels of granularity. There are two main climate risk aspects that affect the residential portfolio—direct damage from hazards, and home price impact, with the latter having a larger impact given clients' anticipation about changes in hazard. We found that flooding and hurricane risk present the largest threat to our residential mortgages due to the geographic distribution of the portfolio. Currently, approximately 14% of Truist's residential mortgage portfolio is exposed to some level of flooding risk, whereas about 24% of the residential portfolio is exposed to hurricane risk. While hurricane frequency is not expected to change, we expect severity to increase<sup>8</sup>.

For our CRE portfolio, we assessed how climate risks could impact property values. Specifically, we focused on how business interruptions caused by direct physical damage to assets during acute weather events and local GDP decline

due to transition risks could impact property values. Although approximately 14% of the CRE portfolio is exposed to some level of flooding risk, and approximately 19% is exposed to hurricane risk, our preliminary analysis indicates that the aforementioned climate-related risks have a limited impact on the CRE portfolio.

Within our C&I portfolio, the Oil and Gas sector faces high regulatory and stakeholder risks. Regulatory risk is primarily driven by the Paris Climate Agreement, encouraging governments to prioritize regulating the highest emitting industries, in order to meet Nationally Determined Contributions (NDCs). These regulations may lead to higher operational costs (e.g., compliance reporting and litigation) and limit the sector's growth potential (e.g., reduced drilling on federal land). Over time, this could reduce the profitability and overall size of the Oil and Gas market. Stakeholder risk stems from investors and consumers increasing pressure on financial institutions not to serve non-renewable energy sectors. This could result in higher interest costs, margin deterioration, and capital flight as climate awareness increases and Oil & Gas economics decline.

The Auto sector faces high technology risk, as auto companies will invest significantly in research and development (R&D) to meet regulatory and consumer demands for low-emission vehicles.

Auto Manufacturers will need substantial R&D investments to develop low-emission vehicles that meet regulatory and societal demands. Auto Dealers will face a decrease in consumer demand for conventional vehicle repairs and maintenance, and will need to invest in the proper tools and technologies to service low emission vehicles.

Lastly, the Electric Power Generation, Transmission, and Distribution sector faces high regulatory, technology, and stakeholder risk due to pressure to decarbonize and transition away from fossil fuels. Regulatory risk will increase as governments start requiring emission reductions in line with decarbonization pathways. For utilities with owned generation, such regulations will require shifting the generation mix towards renewable sources, which in turn drives technological risk because it requires significant investment in transmission and distribution infrastructure, and grid modernization for example. Stakeholder risk is primarily driven by shifting customer preferences and attitudes towards utilities that are lacking in decarbonization efforts.

In addition, Truist also monitors a list of sensitive industries with higher exposure to environmental risks, including coal mining, coal-fired generation, and arctic drilling, to determine if further diligence is required prior to decision-making related to our business activities.

We look forward to partnering with all our clients to help them address these risks and opportunities.

This transition will take shape and evolve in the years to come. As it does, Truist will continue to monitor evolving energy market dynamics and support our clients as they develop and implement innovative energy strategies while also taking responsible steps to safeguard against significant energy market disruptions.

## Translating climate events into operational impact

Between 2015 and 2020, Truist realized over \$10M in net losses from physical damage to Truist facilities due to acute events like Hurricane Irma and Hurricane Florence. While these losses constitute a small proportion of our facilities, climate scientists project an increase in the intensity and frequency of acute weather related hazards that pose physical threats to our branches. We must prepare for these hazards to increase and develop strategies to manage these costs and ensure our continued ability to serve our clients.

Our C&I portfolio is most vulnerable to transition risks and less susceptible to physical risks as corporate operations and facilities are built to be more resilient than other real estate due to economic incentives, regulation, and more sophisticated risk mitigation strategies. We classified Truist's C&I clients primarily using Global Industry Classification Standard (GICS) codes, and then assessed each sector's vulnerability based on how these industries operate today. Our preliminary analysis found that approximately 12% of Truist's C&I portfolio faces high transition risks, concentrated in Oil & Gas, Auto, and Electric Power Generation, Transmission, and Distribution, and another approximately 41% faces moderate transition risk.

## Heatmap of climate risks and credit exposure of Truist's C&I portfolio by GICS codes

● High ● Medium ● Low

Sector <sup>a</sup>	Outstanding Loan Balances (\$ billions)	Outstanding Loan Balances (% of total C&I)	Transition risk	Physical risk
<b>Energy</b> (i.e., Oil, Gas and Consumable Fuels, Equipment and Services)	4.3	3.5%	● High	● Low
<b>Utilities</b>	2.8	2.3%		
Electric Power Generation, Transmission, and Distribution	1.6	1.4%	● High	● Medium
Natural Gas and Water Utilities	0.8	0.6%	● Medium	● Medium
Renewable Electric Power Generation	0.4	0.3%	● Low	● Low
<b>Auto</b> (e.g., Auto and Parts Manufacturers, Auto Retail)	9.0	7.5%	● High	● Low
<b>Transportation</b>	3.8	3.2%		
Marine	1.0	0.8%	● Medium	● Medium
Road and Rail	2.0	1.6%	● Medium	● Low
Aviation	0.9	0.7%	● Medium	● Low
<b>Industrials</b>	12.0	10.0%		
Industrial Products and Distribution	5.8	4.8%	● Medium	● Medium
Metals, Mining and Chemicals	1.3	1.1%	● Medium	● Medium
Paper, Forest Products, and Packaging	0.9	0.8%	● Medium	● Medium
Building Products, Construction and Engineering	4.1	3.4%	● Medium	● Low
<b>Consumer</b>	19.3	16.0%		
Food, Beverage, and Tobacco (including Agriculture)	3.6	3.0%	● Medium	● Medium
Hotels, Restaurants and Leisure	4.5	3.7%	● Low	● Medium
Other Consumer <sup>b</sup> (e.g., Consumer Durables and Apparel)	11.2	9.3%	● Low	● Low
<b>Real Estate</b> (i.e., REITs, Management, Development)	8.0	6.6%	● Medium	● Medium
<b>Financials</b>	21.5	17.8%	● Medium	● Low
<b>Government</b>	7.3	6.0%	● Low	● Medium
<b>Telecom, Media, and IT</b>	8.6	7.1%	● Low	● Low
<b>Health Care</b>	14.2	11.8%	● Low	● Low
<b>Commercial and Professional Services</b>	8.7	7.2%	● Low	● Low
<b>Other</b>	1.1	0.9%		
<b>Grand Total</b>	120.6	100.0%		

a. The loan population for this heatmap is limited to commercial and industrial loans and leases with a committed balance greater than or equal to \$1 million. Sector segmentation was developed based on Global Industry Classification Standard (GICS) but adjusted for Truist's exposure and sector risk assessment. Namely, sectors with lower exposure and a lower risk assessment are combined. Loan data was sourced from heritage commercial bank systems. Sector aggregations may differ from other reporting based on scope and data requirements unique to this analysis.

b. Includes sub-sectors within consumer space determined to have a lower risk assessment. Sub-sectors in this bucket with the largest exposure are Diversified Consumer Services, Distributors, Consumer Durables & Apparel.

# Climate opportunities identified

At Truist, our purpose is to inspire and build better lives and communities. We have been thinking deeply about how to put this purpose into action in the climate resilience context. Momentum to address climate change has been building as governments create incentives to address decarbonization, and as the private sector mobilizes financing to help realize climate targets. Simultaneously, investors are asking for more action from financial institutions, our commercial clients are increasingly concerned about sustainability, and retail consumers are seeking sustainable offerings more and more. We are keeping all of this in mind as we think more critically about the climate opportunities we explore as one of the largest U.S. banks.

Financial institutions have an important responsibility in financing the transition to a low-carbon economy. We believe Truist's role in helping build climate resilience can be broadly categorized into three key areas:

## 1. Aiming to increase our operational resilience

Aiming to increase Truist's resilience to physical and transition risk through cost-effective internal emissions abatement, including reducing energy and water use; switching to greener and more resilient

infrastructure and resource inputs; and engaging with our suppliers to increase their sustainability and resilience.

## 2. Helping our clients strive to reduce their emissions and pursue new opportunities

Partnering with all of our clients on effective ways to strive to mitigate potential climate risks and pursue new opportunities, and supporting and helping enable our clients in decarbonization efforts by providing them with new and tailored financial products and services.

## 3. Expanding our business to try to harness new opportunities under climate transitions

Investing in and expanding our business in low-carbon verticals (e.g., renewable energy) and innovative companies that find ways to reduce emissions below business-as-usual technologies (e.g., lower-carbon construction materials, and electric vehicles and related supply chains).




## A deep dive on investing in low carbon verticals

Decarbonizing our economy will require the widespread deployment of renewable energy infrastructure, technological disruptions in high emitting sectors, and the development of low carbon products, all of which will require financing. At Truist, we have already started leveraging these opportunities through renewable energy and sustainable financing. In February of 2021, we issued our inaugural social bond and concurrently published our first ESG Bond Framework, which outlines guidelines for any future issuances of green, social, and sustainable instruments. To expand our investment in climate opportunities we added a new position Managing Director, Truist Securities Energy Group to oversee clean energy technology, decarbonization, sustainability, and mobility.

## Sustainable financing in 2020

Some numbers are rounded

 **\$1.8B**  
active book runner roles in green bonds and sustainability linked bonds

+

 **\$580M**  
in direct capital commitments to renewable energy projects (debt and tax equity)

+

 **\$75M**  
in financing to help fund the construction of an offshore wind turbine installation vessel

**= \$2.4B**  
in clean energy and sustainable related financing

Beyond our ongoing investments, there are various other financing opportunities that we are considering exploring. In our planning processes, in 2021 we conducted workshops with all lines of business to identify potential climate opportunities that Truist could incorporate into our forward-looking business strategy. In those workshops, we attempted to identify examples of sectors that would enable us to leverage our expertise while delivering the most impact towards a lower carbon economy. The example sectors include but are not limited to Building Energy Efficiency; Transport; Power; Agriculture; Oil & Gas; Circular Products and Packaging; as well as Water and Wastewater Management. To illustrate what climate opportunities in these sectors could look like, we describe a few examples in a little more detail below:

Historically, improving home and building energy efficiency has been a successful approach with attractive payback and benefits for households and companies looking to make budget savings and/or lower energy consumption. Today, energy efficiency in buildings remains a sizeable opportunity as climate awareness increases and efficiency retrofits become even more mainstream.

Opportunities in transport electrification include, but are not limited to, EV motors and batteries. This subsector presents a substantial opportunity as emission mandates come into play and the public sector provides more subsidies to support EV market expansion. Further, consumer preferences and technological changes are increasingly favoring EVs and the total cost of ownership for EVs continues to decline relative to conventional cars.

Financing for renewable energy deployment is becoming more critical as more states declare goals for clean energy and introduce regulatory mechanisms that facilitate decarbonization in the power sector. In the U.S., 29 states and the District of Columbia have put in place legally binding renewable portfolio standards (RPS) and clean energy standards (CES) requiring utilities to provide a certain proportion of electricity from renewable or other clean energy sources, respectively<sup>9</sup>.

As we move away from centralized to more decentralized power systems, we need to modernize electricity generation, transmission, and distribution infrastructure to integrate renewables. This will also improve grid resiliency and reduce costs for consumers.

<sup>9</sup> U.S. Energy Association Information



# Metrics and targets

To set the foundation for future progress, we currently report metrics associated with our operations, and discuss considerations to calculate and disclose metrics associated with our loans and investments, i.e., financed emissions. In future reports, we hope to disclose additional metrics on climate risks and opportunities, as well as our assessment of how future targets would depend on new policy, technology, and engagement by other stakeholders.

## Operational emissions and targets

We are conscious of the impact of Truist's operations on the environment, and we are thoughtfully identifying measures to continue improving the resource efficiency of our facilities and teammates' activities.

For our operational metrics, we currently measure and report our energy consumption, Scope 1, Scope 2, and some categories of Scope 3 GHG emissions. In general, Scope 3 emissions fall within 15 categories, including but not limited to business travel and use of sold products. Not all categories of Scope 3 emissions are relevant to Truist. In this report, we disclose only business travel (Scope 3 Category 6), and we are working to measure and report on more Scope 3 categories in future TCFD reports.

Since measuring our baseline emissions as Truist in 2019, we have realized a reduction in our Scope 1 and 2 emissions. Our Scope 1 emissions are from facilities and vehicles controlled or owned by Truist, e.g., emissions associated with fuel combustion in corporate buildings, aircraft, and cars, while our Scope 2 emissions comprise location-based or market-based indirect emissions from the purchase

of electricity, steam, heat, and cooling. The location-based approach uses the average emissions intensity of the regional electric grids that Truist consumes energy from, while the market-based method uses emissions intensity factors from specific utilities or electricity generators. For 2020, we obtained third-party verification of our Scope 1, Scope 2, and Scope 3 Category 6 emissions from Wood Environment and Infrastructure Solutions. The verification statement is available [here](#).

When Truist combined the corporate real estate of our two heritage banks and addressed the challenges of the COVID-19 pandemic, we saw a slight reduction in total energy consumption in 2020. As we continue our integration efforts, we aim to continue reducing our energy consumption by optimizing our real estate footprint and continuing to invest in energy efficiency.

### Summary of Truist's energy consumption for 2019 and 2020

Energy consumed	Units	2019	2020
Electricity	MWh	487,004	482,842
Natural gas	MWh	125,758	134,865
Other fuels	MWh	15,583	6,465
<b>Total</b>	<b>MWh</b>	<b>628,345</b>	<b>624,172</b>

### Summary of Truist's operational GHG emissions for 2019 and 2020

GHG Emissions <sup>a</sup>	Units	2019	2020
<b>Scope 1</b>			
Natural Gas	MT CO <sub>2</sub> e	22,791	24,441
Other sources	MT CO <sub>2</sub> e	3,852	1,586
<b>Total Scope 1 emissions</b>	<b>MT CO<sub>2</sub>e</b>	<b>26,643</b>	<b>26,027</b>
<b>Scope 2</b>			
Electricity purchased (location-based)	MT CO <sub>2</sub> e	194,611	178,161
Electricity purchased (market-based)	MT CO <sub>2</sub> e	193,301	177,549
<b>Total Scope 1 and Scope 2 (location-based)</b>	<b>MT CO<sub>2</sub>e</b>	<b>221,254</b>	<b>204,188</b>
Percent reduction from 2019 baseline	percent	N/A	-7.7%
<b>Scope 3</b>			
Category 6 - business travel <sup>b</sup>	MT CO <sub>2</sub> e	7,096	7,483

Note: Values reported may differ from previously reported values due to rounding

a. Details on our GHG calculations are available as part of Truist's public CDP submission which is available at [www.cdp.net](http://www.cdp.net) and through the 3rd party verification statement at <https://ir.truist.com/corporate-social-responsibility>

b. Business Travel. 2019 includes only car rentals. 2020 includes car rentals and air travel.

In 2021, we set our first operational sustainability goals. We aim to reduce Scope 1 and Scope 2 emissions by 35% and reduce our water consumption by 25% by 2030 relative to a 2019 baseline.

↓ 35%

reduction in Scope 1  
emissions by 2030

↓ 35%

reduction in Scope 2  
emissions by 2030

↓ 25%

reduction in water  
consumption by 2030

We expect to meet these goals by:

- Realizing the benefits of \$54.7 million spent on LED lighting retrofits, HVAC upgrades, and energy management systems implemented to date, as well as future projects, and
- Continuing to reduce our real estate footprint, including closing roughly 800 retail banking locations by 2022 and reducing our non-branch building space by 4.8 million square feet.



## Financed emissions and targets

Measuring financed emissions is important to better understanding our portfolios' vulnerability to climate risks and identifying opportunities where we can help our clients decarbonize their businesses. Accounting for financed emissions is a new practice, therefore, methodologies for calculating the relevant metrics are still evolving. Various factors make this process especially complex. For example, in the U.S., not all businesses are required to publicly report, let alone measure their GHG emissions, which makes it difficult for financial institutions to obtain reliable emissions data for all clients in their portfolios. Further, the importance of Scope 1, 2, and 3 emissions varies widely by industry, and current methodologies differ in their recommendations for which Scopes to include in financed emissions calculations.

In 2020, the Partnership for Carbon Accounting Financials (PCAF), an international industry-led initiative developing methodologies to measure and disclose financed emissions, published a Global GHG Accounting and Reporting Standard for the financial industry<sup>10</sup>. This standard provides guidance for calculating financed emissions for six asset classes—listed equity and corporate bonds; business loans and unlisted

equity; project finance; commercial real estate; mortgages; and motor vehicle loans.

After reviewing the PCAF methodology, we undertook a preliminary assessment of the financed emissions for three of our portfolios most exposed to climate change—commercial real estate (CRE), residential mortgages (Resi), and commercial and industrial lending (C&I). This preliminary assessment helped us identify the data needed for such calculations, the importance of data quality on the accuracy of the calculations, and the benefits of integrating the needed data and calculations directly into key systems so we can leverage existing internal processes. As we continue working to merge our heritage banks' data collection systems and improve our processes to gather more comprehensive, higher quality data, we will be better positioned to disclose our financed emissions in the future.

Given our increased understanding of methodologies to calculate financed emissions, Truist is proud to join PCAF and commit to publishing the financed emissions from our loans and investments within three years.

<sup>10</sup>. Guidehouse. April 2021. A Standard for Measuring and Disclosing Financed Emissions.

# Next steps for Truist

When we established Truist in 2019, we firmly committed to building on our heritage banks' climate actions. Today, we are bolstering our sustainability efforts by reducing the environmental impact of our operations and being more thoughtful about how we build climate resilience for our business, clients, and communities. At this point in our journey, we have disclosed and set reduction targets for our operational emissions. We have also conducted a preliminary mapping of our financed emissions, climate risks and opportunities, and committed to disclose the financed emissions from our loans and investment within the next three years.

In alignment with our purpose to inspire and build better lives and communities, Truist plans to announce goals early in 2022 with a focus on:

## **Financed Emissions Baseline Calculation**

We are currently in the process of calculating the financed emissions from our loans and investments using the PCAF methodology. As part of this effort, we are focused on integrating financed emissions calculations into our underlying processes and improving the completeness and quality of our data to achieve higher precision in the estimates.

## **Further Analysis**

Once we have a baseline, we will be better-positioned to articulate our vision, and establish targets that align with our purpose, mission, and values and acknowledge key dependencies on the adoption of new policies and technology.

## **Future**

Truist will advance plans to partner with our clients and stakeholders across the economy to finance and invest in the engines of growth and innovation that will pave the path for the announcement of targets, acknowledging that success will require widespread innovation and adoption of new low-carbon technologies and systems.

In early 2022, we will provide an update on these efforts, including a specific timeline for disclosing our financed emissions and progress toward setting targets.

As we continue to measure and report more metrics on our climate actions, we also plan to review and act, as appropriate, on emerging guidelines, regulations, and industry practices on climate-related disclosures. We will monitor and review developments in climate scenario analyses and methodologies for quantifying financed emissions. We will continuously improve our risk management governance and processes and future TCFD reports. We are currently reviewing the landscape of climate action alliances and programs most relevant to our businesses to position ourselves to measure and report even more pertinent metrics that convey our commitment to climate action, as well as how achieving potential future targets would depend on new policy, technology, and engagement by other stakeholders.

## Additional online resources

Published December 2021

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[Truist Environmental and Social Risk Framework](#)

[Assurance Statement for 2020 Greenhouse Gas Inventory](#)