TCFD Report

Task Force on Climate-Related Financial Disclosures

Climate Change Risks and Opportunities Report

November 2022

Citizens Financial Group, Inc.™

LETTER FROM OUR CHAIRMAN AND CEO

Welcome to our inaugural Task Force on Climate-related Financial Disclosures (TCFD) report.

Citizens strives to help create a more inclusive and sustainable future, which must include meaningful action on climate change. While we have much work ahead of us, we are committed to the journey and to providing transparency around our efforts. We recognize that this is both a business imperative and an extension of Citizens Credo, which calls for us to do more every day for all those we serve.

This report provides details about our journey to leverage the business opportunities inherent in the global transition to a low-carbon economy, and manage the risks presented by climate change.

We understand that our own operations have an impact on the environment. In 2021, we set targets to reduce our Scope 1 and 2 Greenhouse Gas (GHG) emissions 30% by 2025 and 50% by 2035, based on our 2016 baseline. We have made consistent progress toward achieving these goals through implementation of energy conservation measures and emissions-reduction initiatives. In addition to reducing emissions, renewable energy is a key part of the transition to a low-carbon economy. In 2022, we signed a virtual power purchase agreement supporting the construction of the Sunflower Wind Project, which will match 100% of our power consumption with renewable energy credits.

Through dedicated leadership, formalized processes and reporting frameworks, we seek to understand the potential risk of climate change on our business. We are investing resources and leveraging our expertise to address sustainability challenges and drive change to create a more sustainable future.

We see banks as uniquely positioned to ensure that the communities they serve are ready for the best possible tomorrow. Our commitment to sustainability extends to helping clients and customers navigate the challenges and opportunities inherent in climate change. As such, we are exploring sustainability-linked innovations and investing in the green economy. Through tailored ideas, advice, and solutions, we are dedicated to helping clients and customers identify more sustainable choices while forging positive impact together.

Responsible citizenship has always been at the core of our identity. It is rooted in our belief that good citizens support each other, and that when our communities prosper, we all thrive. We recognize that the actions we take now as a responsible corporate citizen will shape the future — not just for our business, but for our society and our planet. I am proud of the work we have done to advance environmental, social and governance (ESG) efforts within the company since we became an independent bank in 2015, and the focus we are bringing to understanding and mitigating climate risks and leveraging the opportunities presented in helping our clients transition to a low-carbon future.

Our work is a journey of continuous improvement and we feel that we are well-positioned to effectively manage those efforts through the foundation we have established. We look forward to expanding on this climate reporting as this important work progresses.

Kind regards,

Bruce Van Saun
Chairman and Chief Executive Officer
Citizens Financial Group, Inc.

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Important Information About this Report

This is Citizens' inaugural TCFD report. It is intended to be viewed as a companion to our 2021 Corporate Responsibility Report. Metrics in this report are current as of December 31, 2021, unless otherwise noted, but the report provides an overall view of our climate approach that reflects current efforts. For purposes of this report, we use the Task Force on Climate-related Financial Disclosures risk framework, which differs from our approach to the disclosure of risks in our filings with the Securities and Exchange Commission (SEC). This report includes information about Citizens Financial Group, Inc. and describes potential future events, which may be significant, but any significance should not be read as necessarily rising to the level of materiality or disclosure in our SEC filings.

Forward-looking Statements

This report contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, 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; our operational resiliency and climate scenarios; and our expectations regarding climate-related risks and future risk mitigation. Any statement that does not describe historical or current facts is a forward-looking statement. These statements often include the words "believes," "expects," "anticipates," "estimates," "intends," "plans," "goals," "targets," "initiatives," "potentially," "probably," "projects," "outlook," "guidance" or similar expressions or future or conditional verbs such as "may," "will," "should," "would," and "could." Forward-looking statements are based upon the current beliefs and expectations of management, and on information currently available to management. Our statements speak as of the date hereof, and we do not assume any obligation to update these statements or to update the reasons why actual results could differ from those contained in such statements in light of new information or future events. We caution you, therefore, against relying on any of these forward-looking statements. They are neither statements of historical fact nor guarantees or assurances of future performance. More information about factors that could cause actual results to differ materially from those described in the forward-looking statements can be found under "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2021 and our Quarterly Report on Form 10-Q for the period ended March 31, 2022 as filed with the SEC.

OUR REPORTING JOURNEY

We have issued five annual Corporate Responsibility Reports; our latest was issued in July 2022. Beginning with our 2020 report, we have aligned our reporting with the Global Reporting Initiative (GRI) Standards Core option and the Sustainability Accounting Standards Board (SASB) Commercial Banks sector standard.

We have responded to the CDP's Climate Change Questionnaire since our IPO in 2015 and have filed a publicly viewable response since 2018. Our 2022 response is available to view in the report archive on the Corporate Responsibility page of our website.

In 2020, we conducted our first materiality assessment to formally review and prioritize the ESG topics that matter most to our stakeholders and our business.

The assessment allowed us to establish a foundation for our ESG work and disclosure efforts moving forward. Our materiality assessment reviewed a comprehensive set of ESG topics that intersect with our business. We interviewed external stakeholders and completed a landscape review of industry trends and research to understand the importance of each ESG topic. We also interviewed our executive team and surveyed internal subject matter experts to assess which topics have or may have the most significant impact on our business success.

Through the materiality assessment process, we confirmed our priority ESG topics, including Climate Change. To view the full set of priority and important issues, see the ESG Materiality Assessment on Page 11 of our 2021 Corporate Responsibility Report.

TCFD OVERVIEW

The Financial Stability Board created the TCFD in 2015 to develop consistent reporting recommendations that companies could use to provide risk disclosures to investors, lenders, and insurance underwriters to help them appropriately assess and price the risks related to climate change.

In 2017, the TCFD released climate-related financial disclosure recommendations for companies to use to provide better information to stakeholders. The disclosure recommendations are structured around four thematic areas that represent core elements of how companies operate: governance; strategy; risk management; and metrics and targets. The four recommendations are interrelated and supported by 11 specific recommended disclosures that build out the framework, with information to help investors and others understand how the organization thinks about and assesses climate-related risks and opportunities.

GOVERNANCE

BOARD OVERSIGHT

Board of Directors

- Nominating and Corporate Governance Committee
- Risk Committee
- Audit Committee

MANAGEMENT STRUCTURES

Executive Committee

- ESG Executive Steering Council
- Reputation Risk Forum

RISK GOVERNANCE

Executive Risk Committee

- Compliance and Operational Risk Committee
- Credit Policy Committee
- Business Initiatives Review Committee
- Strategic Transactions Committee
- Commercial and Consumer Divisional Risk Committees

ESG-RELATED WORKING GROUPS

- Climate Risk Working Group
- Sustainability Working Group
- Commercial ESG Working Group
- Credit Climate Working Group

Climate change presents risk to our business and operations, including physical risks posed by changing temperatures and extreme weather events, and regulatory and/or market changes that emerge during the transition to a low-carbon economy. Climate change also presents opportunities as we seek to help our clients and customers successfully manage through this transition. Management considers these risks and opportunities in our strategic planning and risk management structures and processes, which are overseen by our Board of Directors.

We are leveraging our corporate governance structure to address ESG risks and opportunities broadly, and have specific forums in place to address ESG topics. We are utilizing this governance structure to oversee, guide and manage the climate-related financial risk management work underway across the enterprise.

Board of Directors: Oversight of Our Climate Efforts

The Board of Directors is committed to overseeing our ESG work, which includes climate-related risks and opportunities.

In February 2022, our Board received a briefing on our overall ESG progress and was specifically engaged for their feedback on our sustainability strategy.

Individual Board committees have oversight responsibilities for ESG matters that pertain to each committee's directive. The following committees have the most direct oversight responsibility for climate-related financial risk:

Nominating and Corporate Governance Committee

The Nominating and Corporate Governance Committee oversees our overall commitment to ESG matters and Corporate Responsibility reporting. The committee meets approximately four times a year and is briefed on the evolution and progress of our ESG and climate work at least twice during the year.

Risk Committee

The Risk Committee, which meets approximately six times a year, oversees the design, implementation, and operation of the Company's Enterprise Risk Management (ERM) Governance Framework. The committee oversees climate-related financial risk matters in conjunction with their broader remit for risk oversight. The Risk Management Division leads discussions with the Risk Committee in reviewing climate-related financial risks on an as-needed basis.

Audit Committee

The Audit Committee meets approximately 12 times a year and oversees the integrity of our financial reporting and the independence and performance of our independent auditors. In June 2022, the committee's responsibilities were expanded to include oversight of material ESG disclosures, including the related internal control environment.

The Corporate Governance Guidelines and Board Committee Charters are available to review on the **Corporate Governance** page of our website.

Management: Execution of Climate Strategies

Strategic Execution

In 2021, we created a new Head of Sustainability position to coordinate a proactive climate-related strategy across business lines. We have also formalized a management structure with executive responsibility on climate-related matters. This structure leverages a set of existing councils and forums to guide our ESG strategies, help integrate our efforts across lines of business, and monitor progress.

The members of our Executive Committee with primary responsibility for climate strategy are:

- Chief Experience Officer and Head of ESG — In 2022, our Chief Experience Officer was appointed Head of ESG, with the goal of accelerating and aligning our ESG efforts with a centralized strategy. In this role, our Head of ESG is focused on enhancing mechanisms to measure progress on ESG priority topics (including climate-related financial risk) and support of our businesses as they develop and execute ESG products and strategies.
- Chief Risk Officer — Our CRO oversees execution of the ERM Governance Framework, through which climate-related financial risks are identified, assessed and managed.
- Chief Financial Officer — Our CFO ensures alignment of our ESG efforts with overall corporate strategy and has management oversight of the company's Financial Reporting division which is responsible for all ESG-related disclosures, and Property division which is responsible for the company's operational sustainability.

The following key management structures are engaged with strategic execution of our ESG work, and climate-related issues.

- Executive Committee — The Executive Committee advises on overall ESG-related commitments with business impacts and guides strategic alignment on ESG-related progress.
- ESG Executive Steering Council — Co-chaired by our CFO, and the Chief Experience Officer and Head of ESG, the council meets at least six times per year. The council provides oversight and strategic guidance on our sustainability and climate strategies, helps integrate our efforts across our lines of business, and monitors our progress.
- Reputation Risk Forum — The Forum reviews our business exposure and external landscape, assessing reputational risk associated with companies in potentially sensitive sectors including climate-related sectors. The sector-level reputational risk agreed upon by Forum participants is used while considering recommendations for future exposure.

Climate Risk Governance

Across our business, we have an integrated approach to managing risks that is governed by a set of committees that provide various risk oversight functions. The committees described below are currently addressing climate risks or have been identified as the governing bodies that would address emergent climate risks, examples of which are outlined in the chart on **page 9.**

- Executive Risk Committee (ERC) — Chaired by our CRO, this is the primary governance committee that provides enterprise-wide risk oversight and management for all risk types. The ERC oversees the ERM Governance Framework, which sets the standards and provides guidance for identifying, assessing, monitoring and controlling material risks, including climate-related risks. This integrated approach enables climate-related risks to be evaluated in connection with other broad-ranging risks that may affect the company.
- Compliance and Operational Risk Committee (CORC) — CORC oversees operational and compliance risks including data quality, change management, third party risk management, IT risk management, regulatory change, legal risk, and physical security, among other risk types. The committee monitors risk exposure, risk control effectiveness, risk remediation and risk appetite in a manner consistent with achieving strategic goals and organizational objectives. CORC is co-chaired by the Head of Non-Financial Risk Management and Chief Compliance Officer.

- Credit Policy Committee (CPC) — Chaired by the Chief Credit Officer, the CPC oversees and monitors the credit risk profile to ensure that credit risk is understood and managed properly across the company. The CPC assesses significant current and emerging risks, monitors the direction of credit risk and approves material changes to credit policies, procedures and limits. Aligned with this remit, the CPC provides oversight and management of the impact of climate risk on the credit portfolio and recommends governance changes including limits and/or policy to the ERC or the Board Risk Committee, as appropriate.

- Business Initiatives Review Committee (BIRC) — BIRC assures that, when launched, business initiatives involving new, materially expanded or materially modified products or involving material change to business process can maintain compliance with relevant regulations, laws and requirements, can be sustainably controlled and changes to products are designed to deliver to Citizens' customers. BIRC is chaired by the Head of Non-Financial Risk Management.

- Strategic Transactions Committee — Chaired by the Head of Strategy, this committee assesses proposed corporate transactions to determine potential impact on Citizens' risk profile and financial position.

- Commercial Banking Divisional Risk Committee and Consumer Banking Divisional Risk Committee — These committees, chaired respectively by our Head of Commercial Banking and Head of Consumer Banking, assess significant current and emerging risks and monitor the direction and trending of risk across all risk types, to ensure the achievement of strategic goals and organizational objectives is in alignment with the enterprise risk appetite.

Working Groups Related to Climate

Our ESG-related initiatives are supported by working groups comprised of colleagues across the enterprise. Those that specifically address climate-related matters are listed below.

- Climate Risk Working Group — Led by the CRO, this group includes senior leaders from across the Risk organization, as well as key partners across the bank, and meets monthly. This group was established to drive a coordinated approach to climate-related risk management and a cohesive framework that enables the identification, measurement, monitoring, and control of physical and transition climate-related risks. It ensures that we are advancing processes and methodologies to support our overall climate risk management agenda.

- Sustainability Working Group — Led by our Head of Sustainability, this group meets weekly to coordinate activity related to the company's sustainability-related initiatives and confirms alignment of efforts across the enterprise. Representatives from key functions including Risk, Commercial, Property and Finance participate in this coordinating body.

- Commercial ESG Working Group — This group, led by our Commercial Banking Director of Strategy, Planning and Business Design, guides commercial banking strategies across the division, evaluates emergent opportunities, ensures the integration of key initiatives across functions, and monitors performance on ESG initiatives. Our Head of Commercial Banking participates in these working group meetings to help provide overall alignment of initiatives with business strategy.

- Credit Climate Working Group — Led by our Head of Risk Analytics, this group, which meets on an ad hoc basis, was created to execute deliverables related to climate change for the Credit Risk function. It advances and tracks progress on key Credit Risk efforts such as the identification of priority sectors within our Commercial portfolio, evaluation of scenario analysis efforts, development of data requirements for climate change work, and evaluation of necessary changes to Commercial and Consumer credit policies and/or underwriting procedures.

RISK MANAGEMENT

The risks associated with climate change are categorized into physical risks and transition risks:

- Physical risks arise from acute and chronic climate events.
  - Acute climate events include storms, floods, droughts, and wildfires.
  - Chronic climate events include temperature increases, sea level rises, ocean acidification, and other gradual changes to the climate.
- Transition risks arise from the transition to a low-carbon economy and can include market preference changes, reputational impacts, policy changes, legal implications, and technology shifts.

Consideration of these climate risks is embedded into our integrated and proactive approach to the management of all risks to which we are exposed in pursuit of our business objectives.

Enterprise Risk Management Governance Framework

We believe our existing ERM Governance Framework effectively enables us to identify, assess and manage climate-related physical and transition risks because these stresses tend to manifest as traditional risks. The Framework sets standards and provides guidance for the identification, assessment, monitoring, and control of material risks that affect or have the potential to affect the company's shareholders, customers, and colleagues and the safety and soundness of Citizens.

Risk Identification and Classification

Climate risks can expose the bank to a variety of threats, including negative reputation, credit losses, regulatory violations, technology and operational hazards, and lost business opportunities.

We approach climate risk management through the lens of the key risk types identified and managed through the ERM Governance Framework, which provides a standard set of tools to evaluate all risk categories and establishes a governance structure to identify and communicate risks to senior management and the Board of Directors.

At this time, Citizens considers a climate-risk event to be substantive if it has the potential to adversely impact our business, facilities, customers, third-party vendors, stakeholders, or financial condition. Citizens measures the materiality of risk by impact and severity using a consistent scale across all risk disciplines to facilitate a common classification of risks and to enable ease of risk data aggregation.

The following time horizons are used in our assessment of risks:

	From (years)	To (years)
Short-term	0	3
Medium-term	3	6
Long-term	6	20

We use a Risk Taxonomy to classify and aggregate risk information into distinct risk categories. The taxonomy includes the eight risk categories from the Office of the Comptroller of the Currency (OCC) — Credit, Compliance, Interest Rate, Liquidity, Operational, Price, Reputational, and Strategic — and further delineates Technology, and Security, Fraud, and Financial Crimes risks.

As we mature our framework and practices surrounding the assessment of climate risk, the table on **Page 9** demonstrates that we will be able to align Physical Climate Risk and Transition Climate Risk to our existing risk taxonomy.

Risk Category	Physical Climate Risk	Transition Climate Risk
Credit	Decreased capacity to repay debt or physical damage to the underlying collateral assets caused by Climate Physical Risk events.	Decreased capacity to repay debt due to the adverse impact of Climate Transition Risk on the borrower's financial performance.
Compliance	Failing to comply with regulatory requirements due to a business disruption caused by a physical climate risk event.	Failing to comply with new and evolving requirements put in place due to Transition Risk.
Interest Rate	Unexpected interest rate change because a physical climate risk event impacts markets.	Unexpected interest rate change due to Transition Risk impacting the value of assets and liabilities on the Bank's balance sheet or the interest rate markets.
Liquidity	Bank customers withdraw deposits or draw on lines of credit to cover their recovery costs associated with physical climate risk events.	Inaccurately calculating asset prices that change due to Transition risk.
Operational	Operational disruptions due to physical climate risk events, (e.g., facility closures, unavailable third parties, disruption to employee availability, etc.)	Change management risk as internal processes evolve to comply with requirements and increased operating costs to comply with new regulations, (e.g., cost of retiring assets early because they are non-compliant, added expense of operating buildings and using transportation that are compliant, etc.)
Price	Unexpected changes in value to trading portfolios, structural market disruptions, or market liquidity due to physical climate risk events.	Market changes, technology shifts, and increased compliance costs affecting the value of trading portfolios, market liquidity, or other obligations.
Reputation	Reputational harm if Citizens is perceived as not providing support to customers or employees impacted by physical climate risk events or if Citizens is believed to not embrace improving climate change.	Citizens' reputation could be harmed if it is perceived as not adapting to policy action or technology shifts.
Security, Fraud, and Financial Crimes Risk	Increased susceptibility to crime and fraud due to physical climate risk events, (e.g., decreased security at Bank facility due to flooding, unavailable data protection controls because of destroyed servers, alarm connectivity issues, unavailable video surveillance, etc.)	Increased risk if Citizens fails to adapt controls as technology and processes change.
Strategic	Failing to adapt strategy based on the business environment changes caused by physical climate risk, (e.g., lending or operating in susceptible geographic locations.)	Unsuccessful strategy for responding to policy actions, market changes, and technology shifts.
Technology	Technology is unavailable due to physical climate risk event, (e.g., a storm causes server outages.)	Increased technology operating costs to meet new requirements, (e.g., data center cooling costs.)

Three Lines of Defense

Our ERM Governance Framework is implemented through a Three Lines of Defense model, which is designed to ensure effective management, control, and oversight of all risks. We are working to incorporate climate risk factors across each line of defense described below.

1

The business lines are the first line of defense and are accountable for identifying, assessing, managing, and controlling the risks associated with the products and services they provide, regardless of where the activity is performed.

2

Corporate Risk Management (CRM) is our independent risk management function and the second line of defense; it is accountable for owning and developing the policies, risk and control frameworks, and tools that the business lines/first line of defense use to manage risk in their businesses.

3

Our Internal Audit function is the third line of defense providing independent assurance that the ERM Governance Framework is appropriate considering the size, business model, complexity of operations, and risk profile of the organization.

STRATEGY

Climate change and its impacts are important to our business and our stakeholders. As a result, over the past two years, we have increased staff focus on climate work in our Risk, Commercial and Property divisions and added a Head of Sustainability role to drive our overall strategy.

We are advancing work to assess and act on both the impact the company has on climate change as well as the impact climate change has on the company.

There are three pillars of our climate strategy:

1. Partnering with our clients to prepare for and finance the low-carbon transition;

2. Understanding and managing the risks presented by climate change; and

3. Reducing our operational impact on the environment.

Partnering With Our Clients To Prepare for and Finance the Low-Carbon Transition

We earn our role of trusted advisor for our clients by consistently delivering clear and objective advice and providing products and services that help them achieve their goals. Embedded in that role is our commitment to help our clients navigate the challenges and opportunities related to climate change.

Citizens has the opportunity to use our financial products and services to help clients and customers in their sustainability journeys. In Commercial Banking, the transition to a low-carbon economy presents a growing opportunity to expand our lending in existing and new areas. We are building capabilities to support our clients with the advice, products and solutions that they need to manage a low-carbon transition.

As we think more critically about climate-related business opportunities to explore, the following key areas have emerged:

Accelerating the Green Economy

We believe there is a key role for Citizens to play in financing the technologies and companies that are advancing low-carbon solutions. Building on our existing portfolio of investments in renewable energy and investments in green buildings, we are evaluating ways to expand our support for green and sustainable projects.

Today, through Citizens Asset Finance, we provide tax-equity investments to support a greener and more independent energy future. We have participated in the funding of nine U.S. wind farm projects since mid-2015, with our investments totaling approximately $429 million at the end of 2021. We continue to explore opportunities to increase lending and investments in renewable energy, energy efficiency projects, and LEED-certified commercial real estate construction.

We are continuing to build out a network of partnerships and relationships with experts in various climate-related sectors to continue to inform our thinking and advance our exploration of new opportunities for our business and our clients. We have hosted, and will continue to host, forums to share learnings with clients. For example, in the second quarter of 2022, we convened a gathering of industry experts and our clients to explore and discuss the impact of wind infrastructure projects on the East Coast.

Supporting the Transition

There is no way to deliver the emissions reductions the world needs without working with hard-to-abate sectors. Multiple industries are impacted by the transition to a low-carbon economy and the scale of that transition is significant. As a trusted advisor to our clients, our intent is to work with our clients as they transition, while at the same time, ensuring that our economy thrives.

Culture of Innovation

Our internal community of practice — the Innovation Forum — has 1,200 colleague participants who regularly engage to discuss bank-wide initiatives and advance ideas to drive our success and better serve our customers. The companion Innovation Fund provides targeted, venture capital-style investments in early-stage ideas from colleagues. Our Green Deposits product, launched in 2021, was developed from a concept that was supported through the Innovation Fund.

In 2022, we held a hackathon — an agile-style internal event where colleagues come together to brainstorm on a problem, generate ideas to solve that problem and create a prototype. One of the two themes that our 2022 hackathon focused on was differentiated sustainability-linked ESG offerings. More than 20 ideas were submitted for further evaluation in the first phase of the hackathon.

Continued Focus on Product Innovation

Our culture of innovation positions us to create solutions to finance positive change and respond to increased client interest for green- and sustainability-linked products. In 2021, our Treasury Solutions team launched our Green Deposits product, allowing customers to direct their balances to support companies and projects that are expected to create a positive environmental impact. The product is governed by the **Green Deposits Framework,** developed to define eligible lending activities and product guidelines for application of client deposits to eligible loans to ensure alignment with best practices and standards.

In 2022, we followed up with the introduction of the **Carbon Offset Deposit Account.** With this deposit offering, credit earned on a client's deposit balances is used to purchase high quality carbon offsets, which are retired on the client's behalf for their exclusive use. Additionally, emissions estimate services help clients understand the scale of their own carbon impacts and tailor offsetting options. This product falls within our **Carbon Offset Program Framework** developed to support meaningful action on climate and mitigate risk for our clients.

We will continue to work with our clients, connecting them to products linked to achieving their sustainability targets. Additional opportunities we are currently exploring include sustainability-linked products and use-of-proceeds products such as bonds and loans.

Understanding and Managing Climate-Related Risks

Coordinated by our Climate Risk Working Group, we are working to advance our organizational capability to enable the identification, measurement, monitoring, and control of physical and transition climate-related risks within the construct of our existing ERM Governance Framework.

Our immediate focus is on building the infrastructure that will enable us to identify, measure and monitor climate risk, ensuring that we have the data to enable prudent risk management and inform business strategy. As part of this effort, we are building the knowledge base and developing the tools to advance our climate risk management program, inclusive of policies, risk assessments, measurement metrics and scenario analysis.

Measuring Climate-Related Risks in our Lending and Investments

We are continuing to refine our assessment of climate risk in our portfolio. We have formalized a set of actions to review data and assess the tools and approaches for measuring, monitoring and reporting exposure to climate-related risks, prioritizing sector portfolios posing greater transition and/or physical risk.

We are currently assessing various tools that will enable us to effectively capture client carbon emissions data to support our climate risk advisory capabilities and to position us to meet future regulatory and financial disclosure requirements. Our preliminary assessment of transition risk sensitivity across industry sector portfolios is outlined on the next page.

Climate Change Transition Risk Heat Map (as of June 30, 2022)

Sector	Outstanding Loan Balances ($Bn)	Outstanding Loan Balances (%)
Accommodation and Food Services	$4.3	5.3%
Administrative and Waste Management Services*	1.5	1.8
Arts, Entertainment, and Recreation	1.4	1.7
Automotive	1.4	1.8
CRE (RE Rental and Leasing)	27.2	33.5
Chemicals	1.2	1.4
Consumer Products Manufacturing	1.4	1.8
Educational Services	0.7	0.8
Energy & Related	2.2	2.7
Finance and Insurance	12.3	15.2
Health, Pharma, Social Assistance	3.4	4.2
Other Manufacturing	4.5	5.5
Other Services	2.5	3.1
Professional, Scientific, and Technical Services	3.0	3.7
Retail Trade	2.8	3.4
Technology	4.8	5.9
Transportation and Warehousing	1.1	1.3
Wholesale Trade	3.1	3.8
All Others**	2.4	2.9
Total	**$81.2**	**100.0%**

- Limited Transition Risk for sector overall; some sub-sector risk and/or for certain market participants
- Moderate Transition Risk for the sector overall; impacts vary materially by sub-sector/participants
- Material Transition Risk for the sector overall; less for certain sub-sectors and market participants
- Material Transition Risk for the sector overall, as well as most individual participants

* The majority of CFG's outstandings in this sector are to Administrative Services companies.
** Deferred fees and costs are reported in All Others for Outstanding Loan Balances, as are Leases.

Our Commercial Credit Policy, which provides principles and requirements core to our commercial credit risk framework, currently includes an Environmental, Social, and Ethical (ESE) Screening. This Screening is being enhanced via the development of a more in-depth client climate risk questionnaire that will be an important tool for us to better assess climate risk exposure at the client level, as well as ways in which we can assist our clients with their own climate risk mitigation.

Our work has intentionally been structured to achieve alignment with the OCC Draft Principles for Climate-Related Financial Risk Management, as well as to prepare for potential future regulatory guidance and industry trends. As supervisory and/or regulatory requirements are finalized, additional assessment of our action plans will be completed to ensure continued alignment.

Scenario Analysis

To continue to inform and refine our climate strategies, we intend to utilize scenario analysis in our exploration of potential climate developments and possible implications of climate-related risks to our business. We currently use scenario analysis in assessing various risks across our business, and we expect to leverage existing routines for implementing various climate-related scenario analyses.

We are in the early stages of gathering and assessing data and refining the tools required to effectively implement climate-specific scenario analysis. During initial stages of implementation, we have focused on qualitative analyses that explore the potential implications of climate change. As we collect more appropriate data to build the relevant models and tools, our efforts will continue to evolve to include both qualitative and quantitative analysis and disclosure. We plan to leverage scenario analysis, and/or models and tools driven by it, to evaluate risk for various portfolios in our business with initial physical risk focus on Commercial Real Estate, Mortgage and Home Equity. For transition risk, initial work will be on Network for Greening the Financial Systems (NGFS) macroeconomic scenarios and then over time we will look to customize these based on material risks for the CFG portfolios.

Industry Collaboration

In 2022, we joined the Partnership for Carbon Accounting Financials (PCAF), which is a collaboration among worldwide financial institutions working to develop and implement a harmonized approach to assess and disclose GHG emissions associated with loans and investments. By doing so, we are helping to drive a consistent framework for GHG emissions-related disclosures. By using the PCAF methodologies, we can begin accounting for carbon across our lending and investment portfolios and disclosing in line with PCAF requirements. This work is underway.

Also in 2022, we joined the Risk Management Association Climate Risk Consortium, a financial industry group dedicated to advancing best practices in climate risk management. Through our participation, we are collaborating with peers to address climate risk within our company and in the industry.

Reducing our Operational Impact

The management of our operations reflects the value we place on environmental sustainability and continuous improvement.

Our operational GHG emissions are primarily produced by energy consumption in our buildings, which are powered by electricity and heated by fossil fuel sources, including oil and natural gas. Our upstream supply chain emissions are also an important part of our operational sustainability impacts. We track and report emissions in several upstream supply chain categories including waste, business travel, and employee commuting, and are working to expand the scope of our reporting in this area as we identify more quality data sources.

To help combat climate change, in 2021 we set targets to reduce our Scope 1 and 2 GHG emissions 30% by 2025 and 50% by 2035, based on our 2016 baseline. These reductions align with the recommendations of the Paris Agreement and the ambition to limit the average global temperature increase to well below 2° Celsius compared to pre-industrial levels.

See Metrics & Targets for current progress and key performance indicators.

To achieve these goals, we have focused on improving energy efficiency at our locations, managing building energy use to increase conservation, and adjusting our branch footprint. Changing customer preferences and needs drove a redesign of bank branches to align with increased desire for digital banking tools. These digital banking tools allow branches to have reduced square footage, resulting in lower overall energy use. Additionally, migration from traditional data centers to the Cloud has offered opportunities to realize greater efficiencies in energy use for these services. Our 2021 GHG emissions bring us in line with our 2025 target; however, we need to sustain those reductions year-over-year as the COVID-19 pandemic recedes.

In 2022, we expanded our operational footprint through acquisition, including HSBC's East Coast branches in February and Investors Bancorp, Inc. in April. We will be adjusting our GHG inventory to reflect that expansion and integrating this change into our climate targets.

We are committed to insuring that our targets remain aligned with global ambition with regard to temperature rise.

In addition to reducing our energy use and associated emissions, Citizens recognizes the importance of transitioning to renewable energy. In September 2022, Citizens announced that it has entered into a virtual power purchase agreement with Ørsted, supporting the construction of the Sunflower Wind Project, which will match 100% of Citizens' power consumption across its entire operational footprint with renewable energy credits. Sunflower Wind is a 200-Megawatt (MW) wind generation facility in Marion County, Kansas. Ørsted began construction of the project in 2022, and by 2023 it is expected to generate enough electricity to power approximately 96,000 homes annually. Citizens' share of the project is 25.8 MWs.

The agreement commits Citizens to buying a share of the renewable electricity produced by the project for a term of 12 years. The electricity generated will be delivered to and resold in the local electricity grid (SPP-South) while Citizens utilizes the associated renewable energy credits (RECs) to achieve 100% renewable power. All RECs will be Green-e Energy Certified. Given the distribution of our operational footprint and energy use across 28 states and more than 1,200 branches, a virtual power purchase agreement presented Citizens with the opportunity to support construction of a new wind generation facility that will bring clean energy into the local grid.

In conjunction with supporting the development of additional renewable energy capacity, selecting a project with strong community benefits was a priority for Citizens. Sunflower Wind is expected to create at least 200 jobs during construction and will require ongoing support for operations and maintenance over the 30-year estimated life of the project. It will inject new revenue into the tax base, generating tens of millions in new property tax revenue over the project life without an increase in demand for local infrastructure, schools, or emergency services.

Engaging Our Supply Chain

Our suppliers play a critical role in helping us execute our mission and we view our suppliers and their impacts on the environment as an extension of our own.

Our **Supplier Code of Conduct** makes clear that our suppliers must comply with all applicable environmental laws and regulations and should strive to reduce their carbon footprints, better protect and preserve the environment, and help limit the rise in global temperature in accordance with the Paris Agreement. We expect suppliers to measure their GHG emissions, set goals for reducing those emissions, take meaningful action to do so, and disclose progress using widely accepted methods and disclosure frameworks.

In 2022, we engaged an Environmental Defense Fund Climate Corps Fellow to conduct a preliminary analysis of emissions associated with our purchased goods and services, and to identify opportunities and strategies for working with suppliers to improve measurement of environmental impacts and reductions of those impacts. This preliminary analysis identified key vendors, representing 35% of Citizens spend, for inclusion in Phase 1 of our supplier engagement program. Engagement includes communication, education, and piloting resources and tools to support each vendor's sustainability and emissions reporting journey. We plan to expand this program year-over-year in an effort to scale our engagement to 80% of our spend, in alignment with industry standards.

Engaging Our Colleagues

Colleague expertise, learning, and innovation play an important role in our sustainability strategy and our ability to recognize key climate risks and opportunities. In 2021, we launched a colleague engagement strategy focused on increasing awareness and understanding of climate-related issues through education, volunteerism, network building, and recognition.

More than 500 colleagues have participated in internal learning sessions and discussions on our sustainability strategy. Colleagues are invited to continue these conversations, share resources, and ask questions through an internal networking site and regular working groups, roundtables, and other forums.

Ocean Conservancy

In April 2022, Citizens announced a new partnership with Ocean Conservancy in support of its International Coastal Cleanup® initiative. Through this partnership, Citizens colleagues have cleaned up more than 1,000 pounds of trash in the communities where they live and work. This volunteerism builds interest in environmental topics, connects colleagues with natural places that are meaningful to them, and motivates learning and network building that drives engagement in additional learning opportunities.

METRICS & TARGETS

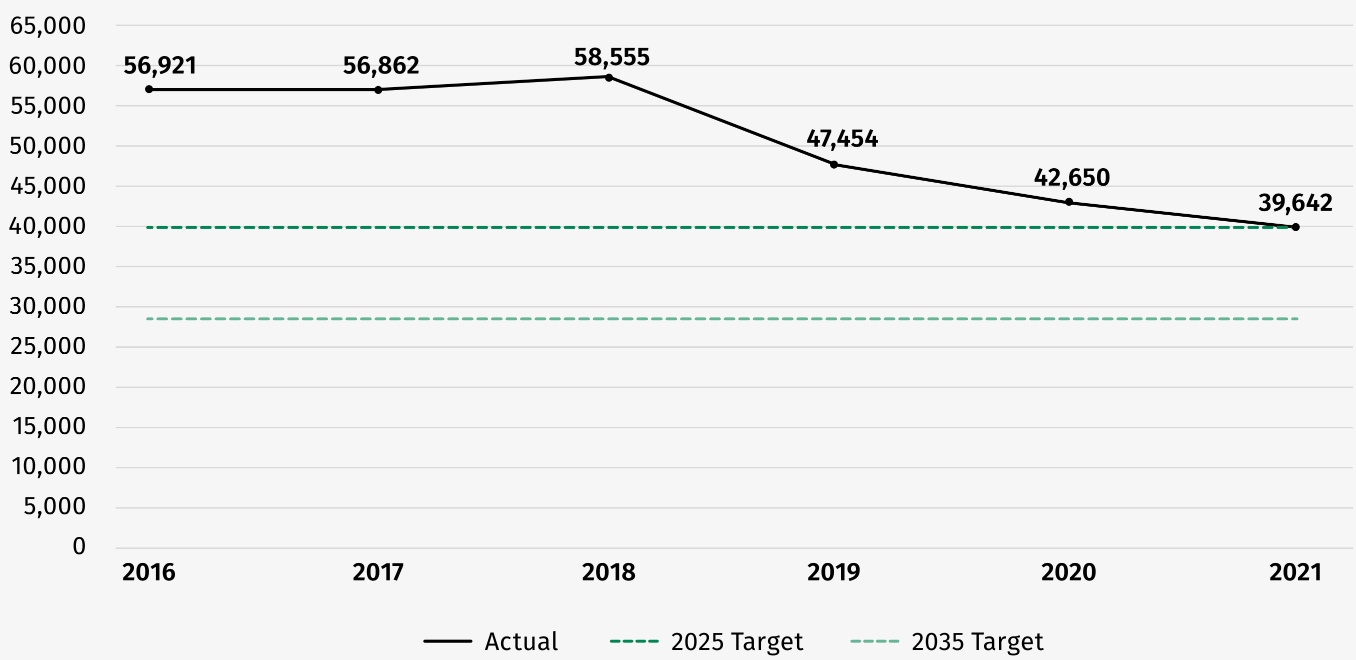
The metrics we are sharing in this section of the report reflect the metrics that we use to track our operational environmental impact. Citizens currently tracks and reports on Scope 1, Scope 2, and several categories of upstream Scope 3 emissions as part of our GHG inventory and annual CDP response. These metrics help us understand our exposure to climate-related risks that may impact our operations, such as increased heating degree days, increased severe storm events, changes in energy markets, and policy changes related to carbon pricing. Our environmental policy requires that we measure and track our performance using methods aligned with the Greenhouse Gas Protocol. As part of our public disclosures, we have our GHG inventory independently verified.

Our recently announced participation in PCAF gives us access to methodologies to assess and disclose GHG emissions associated with loans and investments. We are currently completing a baseline measurement of these emissions, are committed to disclosing them over time, and anticipate they will be a key metric for identifying climate-related risks and opportunities that will be included in future reporting.

Citizens tracks its progress against our Scope 1 and 2 GHG emissions reduction targets of 30% by 2025 and 50% by 2035, based on our 2016 baseline. A summary of our GHG emissions performance (MTCO2e, Actual + Estimates) and progress toward our stated targets is below and reflects market-based emissions along with a summary table that also includes Scope 3 emissions from business travel and our total energy consumption as key metrics for understanding our operational environmental impacts. Our most recent CDP response can be viewed on our **website** and includes a complete summary of our emissions, with data segregated by scope and intensity metrics. For more information on how we are achieving our reduction targets, see the **Strategy** section of this report.

Citizens GHG Emissions and Climate Targets

Summary of our Scope 1 and 2 GHG emissions performance (MTC02e, Actual + Estimates) and progress toward our stated targets.*



* Scope 2 emissions included in this summary reflect market-based emissions. As of December 31, 2021, Citizens has not used any contractual instruments to procure renewable energy and achieve Scope 2 emissions reductions.

Summary of Operational Sustainability Metrics for 2020 and 2021

Greenhouse Gas Emissions (MTCO2e)	2020	2021
Scope 1	10,209	9,782
Scope 2 (location based)	31,392	29,599
Scope 2 (market based)	32,441	29,860
Total Scope 1 and 2 (market based)	42,650	39,642
Scope 3, Category 6, Business Travel*	3,208	3,294

Energy Consumption (MWh)		
Total Energy Use	151,273	146,673
Fuels	48,484	47,563
Purchased electricity	102,789	99,110

* The COVID-19 pandemic significantly impacted business travel emissions, reducing these emissions by more than 70% from pre-pandemic levels.

NEXT STEPS

We view our climate work as a journey, and while we have established a strong foundation, we know there is important work that lies ahead. To facilitate accelerated progress, we will focus our efforts on the following workstreams:

Support our Clients

- Continue to develop and expand the climate competence of our colleagues, particularly within Commercial Banking, where we aim to help our clients thrive through the climate transition.
- Continue to explore and develop products and solutions that support our Commercial and Consumer clients as the world transitions to a more sustainable future.

Identify and Fill Data Gaps

- Leverage PCAF methodologies to measure and evaluate Scope 3 emissions from loans and investments.
- Identify and use data tools to capture client carbon emissions and targets; and launch a client-level climate questionnaire to more fully identify climate risk and opportunities and assist our clients with climate risk mitigation.
- Continue gathering and assessing data and refining tools to implement climate-specific scenario analysis.
- Engage top-tier suppliers to better assess emissions associated with our purchased goods and services, and to identify opportunities to improve measurement and reduction of environmental impacts.

Monitor Regulation

- Continue to monitor regulatory guidance and industry best practices through engagement with regulators, industry groups and networks.

Reduce Emissions

- Integrate acquired sites into our GHG inventory, ensure our climate targets remain aligned with global ambitions for limiting temperature rise, and continue to invest in absolute emissions reductions on a per site basis across our operational footprint.

ABOUT CITIZENS FINANCIAL GROUP

Citizens Financial Group, Inc. is one of the nation's oldest and largest financial institutions, with $224.7 billion in assets as of September 30, 2022. Headquartered in Providence, Rhode Island, Citizens offers a broad range of retail and commercial banking products and services to individuals, small businesses, middle-market companies, large corporations and institutions. Citizens helps its customers reach their potential by listening to them and by understanding their needs in order to offer tailored advice, ideas and solutions.

In Consumer Banking, Citizens provides an integrated experience that includes mobile and online banking, a full-service customer contact center and the convenience of approximately 3,400 ATMs and approximately 1,200 branches in 14 states and the District of Columbia. Consumer Banking products and services include a full range of banking, lending, savings, wealth management and small business offerings.

In Commercial Banking, Citizens offers a broad complement of financial products and solutions, including lending and leasing, deposit and treasury management services, foreign exchange, interest rate and commodity risk management solutions, as well as loan syndication, corporate finance, merger and acquisition, and debt and equity capital markets capabilities.

More information is available at **www.citizensbank.com** or visit us on **Twitter, LinkedIn** or **Facebook.**

Citizens Financial Group, Inc.™

One Citizens Plaza, Providence, RI 02903

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