Citizens Financial Group

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Introduction

In July 2021, Citizens Financial Group ("CFG" or the "Bank") launched the "Citizens' Green Deposits" product (the "Product"), a themed liability instrument for CFG's corporate clients. The Product requires the Bank to hold the equivalent amount of proceeds raised from Green Deposits to finance or refinance eligible loans that are expected to create positive environmental impact (collectively "Eligible Loans"). In June 2022, CFG engaged Sustainalytics to review the portfolio of Eligible Loans that was refinanced through the equivalent proceeds raised by the Product (the "Eligible Portfolio") and provide an assessment as to whether the Eligible Loans meet the Eligibility Criteria outlined in the Citizens Green Deposit Framework (the "Framework").[1] The Eligibility Criteria, as a standalone document, were reviewed by Sustainalytics in November 2020 to verify their alignment with market practice.

Evaluation Criteria

Sustainalytics evaluated the Eligible Portfolio based on whether the Eligible Loans met the Eligibility Criteria outlined in the Framework.

Table 1: Themes, Sub-themes, Eligibility Criteria and Exclusions

Theme	Sub-theme	Eligibility Criteria	Exclusions
Renewable Energy	Electricity generation	Acquisition, development, operation and maintenance of electricity from: • Wind • Solar • Geothermal (with less than 100 gCO_2/kWh) • Waste to energy (Biomass or biogas power, forestry and agricultural residues, animal manure) • Hydropower (Small scale run of river hydropower under 25 MW) • Ocean power	Nuclear power generation Production of bioenergy from waste with any of the following characteristics: • takes place on land with high biodiversity; • competes with food sources; • does not achieve substantial reduction in life-cycle emissions relative to fossil fuel baseline; • palm oil feedstocks that are not certified sustainable by a credible source such as RSPO (Roundtable on Sustainable Palm Oil)
	Technology, storage and manufacturing	• Manufacture and/or development of renewable energy technologies, including equipment for renewable energy generation and energy storage. Examples include solar panels, air	Batteries or other storage for GHG energy production

[1] Citizens Bank, "Citizens' Green Deposit Framework", at: https://www.citizensbank.com/assets/corporate-finance/pdf/citizens-green-deposits-framework.pdf

		source heat pumps and wind and water turbines • Technologies making batteries more efficient/longer lasting • Manufacture of batteries or other technologies to store renewable energy or reduce fossil fuel consumption (Manufacture of mechanical energy storage solutions can include pumped hydro, flywheels, compressed air energy storage [CAES], etc.) • Manufacture of components used for renewable energy technology such as: solar panels (panels, inverters, racking, battery storage) and air & wind turbines (rotors, tower, gears), etc.	
Energy Efficiency	Commercial, residential and public buildings	• Energy efficiency improvements including lighting, appliances, equipment, building design, with a minimum of 30% reduction in carbon emissions or energy use • Substitution of existing heating/cooling systems with electric energy efficient systems • Waste heat recovery improvements • Retrofit of buildings that are expected to receive an energy efficiency certification such as LEED Gold or higher	
	Industrial processes and supply chains	• Development, manufacture, distribution and/or installation of products or services that increase the energy efficiency of industrial processes • Industrial/utility energy-efficiency improvements involving changes in processes, reduction of heat losses and/or increased waste heat recovery. This includes the installation of renewable-energy-powered cogeneration plants	Projects to improve the energy efficiency of fossil fuel production and/or distribution Energy-efficient technologies /processes powered by fossil fuels, such as oil/gas-fired boilers or cogeneration/CHP units
	Agricultural processes, aquaculture processes and livestock management	• Improving the energy efficiency of equipment, irrigation and other agriculture and livestock management processes • Improving energy efficiency of aquaculture farming and processing facilities	Energy improvements in equipment and technologies that lock in fossil fuel usage. Energy efficiency improvements for fish farms that are not certified sustainable by a credible source such as: Marine Stewardship Council (MSC) or Aquaculture Stewardship Council (ASC)

	Energy efficiency technologies	• Development and/or manufacture of energy efficiency technologies and products such as lighting, appliances, technologies/products or hardware systems[2] that have received third-party environmental or energy performance certifications such as Energy Star	Technologies that improve the energy efficiency of fossil fuel production and/or distribution
	Transportation technologies/ manufacturing	• Development and/or manufacture of technology and infrastructure, such as electric charging stations and low-carbon fueling stations (biofuels and hydrogen), for clean energy vehicles that result in a reduction of harmful emissions • Manufacture of electric vehicles, hydrogen/fuel cell vehicles and hybrids with no more than 75 gCO_2/pkm (passenger), or <25 gCO_2/tkm (freight)[3]	Efficiency improvements involving conventional fossil-fuel combustion engines (hybrid engines and technologies are eligible)
Energy Infrastructure	Transmission and distribution systems	• Improving existing systems to increase efficient use of energy, including but not limited to smart grid technologies, distributed generation, peak demand management, etc.	Projects/systems where 10% or more of electricity transmitted is fossil-fuel generated
Transportation	Urban transportation systems and infrastructure	• Development and operation of low-carbon transport (<75 gCO_2/pkm) or non-GHG public or mass transportation systems. This could also include equipment for bus, BRT systems certified Bronze or higher by the ITDB's BRT standard, and other public rapid transit systems • Development of infrastructure for non-motorized transport (bicycles and pedestrian mobility) • Improvements to energy efficiency of infrastructure and transport • Urban development that leads to a reduction in the use of passenger cars. Examples could include: creating walking communities, improving transit connectivity, mixed-use urban space, developing car-free city areas • Management of transport demand that leads to a reduction	Systems and infrastructure used primarily for the transportation of fossil fuels Parking facilities (even if charging and alternative fuel infrastructure are included) Fossil fuel filling stations and other assets which prolong the life and/or facilitate the use of fossil-fuel powered transport

[2] https://www.energystar.gov/products/office_equipment
[3] Data can be readily available from the vehicle manufacturers

		in use of passenger cars (and GHG emissions)	
	Rail transport	• Development or improvement of railway transport infrastructure to ensure a modal shift from road to rail • Substitution or acquisition of vehicles that reduce emissions against conventional fossil-fuel combustion engines of <75 gCO_2/pkm (passenger), or <25 gCO_2/tkm (freight) (Examples include: electric, hybrid, public, rail, non-motorized and multi-modal transportation)	Systems and infrastructure where fossil fuels account for more than 50% of freight (by tkm)
	Shipping	• Development or improvement of water transport to ensure a modal shift from road to waterways. Example: Shipping infrastructure including bunkering facilities, infrastructure for alternative maritime power including outlets, electrical distribution and control systems • Marine fleet retrofit or replacement with technologies including: electric or hydrogen technologies (hybrid engines and technologies are eligible)	Systems and infrastructure dedicated to the transportation of fossil fuels. Ships dedicated to fossil fuel cargo. New and/or retrofit of fossil-fuel powered ships, which are not in line with International Maritime Organization trajectory.
Sustainable Water and Wastewater Management	Sustainable water	• Activities that allow for better public access to safe water and resolve water scarcity • Construction, maintenance, technology and equipment for water supply infrastructure (i.e. pipework) • Water saving systems and technologies: example smart metering and rainwater harvesting systems • Activities that protect water sources from degradation	Distribution of drinking water without measurable improvements to water quality, water efficiency or climate change resilience components.
	Wastewater management	• Development, manufacture, installation or operation of technologies, systems or facilities that recycle, treat, compost or increase efficiency of wastewater processing • Construction, retrofit and maintenance of technology and equipment for sanitation	A centralized system that decreases the capacity and resiliency of the natural systems at the water source. Treatment of wastewater from fossil fuel operations (such as water from fracking).
Sustainable Forestry,	Sustainable forestry	• Enforce measures to protect water quality, biodiversity, wildlife habitat, species at risk and	All projects not certified by Forest Stewardship Council (FSC) or Program for the

Agriculture and Food		forests with exceptional conservation value • Afforestation (plantations) on non-forested land • Reforestation and the managing, growing, nurturing and harvesting of trees for useful products • Forest management activities that mitigate the impact of forestry. Examples include operations and management that results in increased soil carbon stocks	Endorsement of Forest Certification (PEFC).
	Sustainable agriculture, aquaculture, fisheries and livestock management	• Development and operation of agriculture that does not deplete or that improve existing carbon pools certified by Rainforest Alliance, USDA Organic, Global Good Agricultural Practices, Better Cotton Initiatives (BCI). Examples of projects include: reduction in water use, reduction in fertilizer use, reduction in pesticide use, organic agriculture, precision agriculture, rehabilitation of degraded lands • Projects to reduce methane or other GHG emissions from the management of livestock. Examples include manure management with bio-digesters • Development and operation of aquaculture that is certified sustainable by the Marine Stewardship Council (MSC) or Aquaculture Stewardship Council (ASC)	Monoculture farms/crops, any livestock management projects for industrial-scale meat processors/producers. Non-RSPO certified palm oil operations.
Waste Reduction	Waste management	• Solid waste management that reduces methane emissions. Examples include landfill gas combustion and landfill gas capture • Processes that reduce waste or recycle waste materials as inputs into new products or use waste materials as a resource • Composting food waste for agricultural use • Technologies and manufacturing of recyclable and/or compostable materials • Enhancements that reduce waste and other non GHG pollution	Landfill Gas Capture for Flaring. Recycling of e-waste.
Green Buildings	Commercial, public and	Development or acquisition of buildings that achieve credible third-	

	residential buildings	party building certifications such as LEED Gold or higher, Green Star (5 Stars or higher), or equivalent	
Climate Change Adaptation	Climate change adaptation	• Infrastructure to increase resilience against extreme weather events such as flood mitigation barriers and other rising water level management systems • Monitoring technologies including climate observation and information support systems • Financing for agricultural adaptation to adapt to climate change (i.e. equipment, levies, drought resistant seeds, etc.)	Products or processes that increase GHG emissions or cause ecological damage.
Greenhouse Gas Emission Reduction Not Attained Through Energy Efficiency	GHG emission reduction	Manufacturing, construction and development of technologies that remove and store GHG from the atmosphere such as carbon capture and sequestration	GHG reductions technologies or processes that emit other harmful chemicals or systems that are in place to allow fossil fuel burning to continue.

Issuing Entity's Responsibility

CFG is responsible for providing accurate information and documentation relating to the details of the Eligible Loans, including the description and the amounts of committed and utilized Eligible Loans in the Eligible Portfolio.

Independence and Quality Control

Sustainalytics, a leading provider of ESG and corporate governance research and ratings to investors, conducted the verification of the alignment of CFG's Eligible Portfolio with the Eligibility Criteria defined in the Framework. The work undertaken as part of this engagement included collection of documentation from CFG employees and review of documentation to assess conformance with the Eligibility Criteria.

Sustainalytics has relied on the information and the facts presented by CFG with respect to the Eligible Loans. Sustainalytics is not responsible, nor shall it be held liable if any of the opinions, findings, or conclusions it has set forth herein are not correct due to incorrect or incomplete data provided by CFG.

Sustainalytics made all efforts to ensure the highest quality and rigor during its assessment process and enlisted its Sustainability Bonds Review Committee to provide oversight over the assessment of the review.

Conclusion

Based on the limited assurance procedures conducted,[4] nothing has come to Sustainalytics' attention that causes us to believe that, in all material respects, the reviewed Eligible Loans intended to be refinanced through proceeds of the Product, are not in conformance with the Eligibility Criteria outlined in the Framework. Citizens Bank has disclosed to Sustainalytics that, as at 7 September 2022, it had raised USD 264.9 million through the Citizens' Green Deposits and achieved 100% allocation of proceeds.

Detailed Findings

Table 2: Detailed Findings

Eligibility Criteria	Procedure Performed	Factual Findings	Error or Exceptions Identified
Use of Proceeds Criteria	Verification of the Eligible Loans refinanced by the equivalent proceeds raised through Citizens' Green Deposits to determine if the Eligible Portfolio is aligned with the Eligibility Criteria outlined in the Framework and above in Table 1.	All Eligible Loans reviewed complied with the Eligibility Criteria.	None

[4] Sustainalytics limited assurance process includes reviewing the documentation relating to the details of the projects that have been funded, including description of projects, estimated and realized costs of projects, and project impact, which were provided by Citizens Bank. The bank is responsible for providing accurate information. Sustainalytics has not conducted on-site visits to projects.

Appendix

Appendix 1: Reporting of the Eligible Portfolio by Theme[5]

Theme	Type of Eligible Loan by Eligibility Criteria	Number of Eligible Loans	Committed Amount of the Eligible Loans (USD)	Utilization Amount of the Eligible Loans (USD)[6]
Renewable Energy[7]	Tax equity investments in wind farm projects	8	387,163,609	387,163,609
	Commercial rooftop solar installations	2	31,795,803	27,001,326
Overall Eligible Loans under the Renewable Energy theme		**10**	**418,959,412**	**414,164,935**
Green Buildings	Commercial buildings certified LEED Gold or Platinum	10	758,092,964	569,387,960
	Commercial buildings targeting to achieve LEED Gold or Platinum certification	3	170,142,604	139,194,534
Overall Eligible Loans under the Green Buildings theme		**13**	**928,235,568**	**708,582,494**
Overall Eligible Loans in the Eligible Portfolio		**23**	**1,347,194,980**	**1,122,747,429**
Total amount of proceeds raised through the Product (USD)				**264,900,000**
Percentage of allocation based on the Committed Amount of the Eligible Loans (USD)				**100%**[8]

[5] Citizens has communicated to Sustainalytics that the Eligible Portfolio remains exclusive to Green Deposits and that it is not earmarked to any other green, social or sustainability-labeled instruments issued by the Bank, avoiding the risk of double counting.
[6] As of 7 September 2022.
[7] Sustainalytics notes that the look-back period for refinancing the Eligible Loans is set at six years for the Renewable Energy category and at three years for all other eligible categories under the Framework. Citizens Bank has confirmed to Sustainalytics that the Eligible Portfolio aligns with this requirement.
[8] Pro-rata computation on proceeds to USD 264.9 million given that a total of USD 1,347.19 million was allocated by Citizens Bank to assets (re)financed.

Disclaimer

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Sustainalytics, a Morningstar Company, is a leading ESG research, ratings and data firm that supports investors around the world with the development and implementation of responsible investment strategies. The firm works with hundreds of the world's leading asset managers and pension funds who incorporate ESG and corporate governance information and assessments into their investment processes. The world's foremost issuers, from multinational corporations to financial institutions to governments, also rely on Sustainalytics for credible second-party opinions on green, social and sustainable bond frameworks. In 2020, Climate Bonds Initiative named Sustainalytics the "Largest Approved Verifier for Certified Climate Bonds" for the third consecutive year. The firm was also recognized by Environmental Finance as the "Largest External Reviewer" in 2020 for the second consecutive year. For more information, visit www.sustainalytics.com.