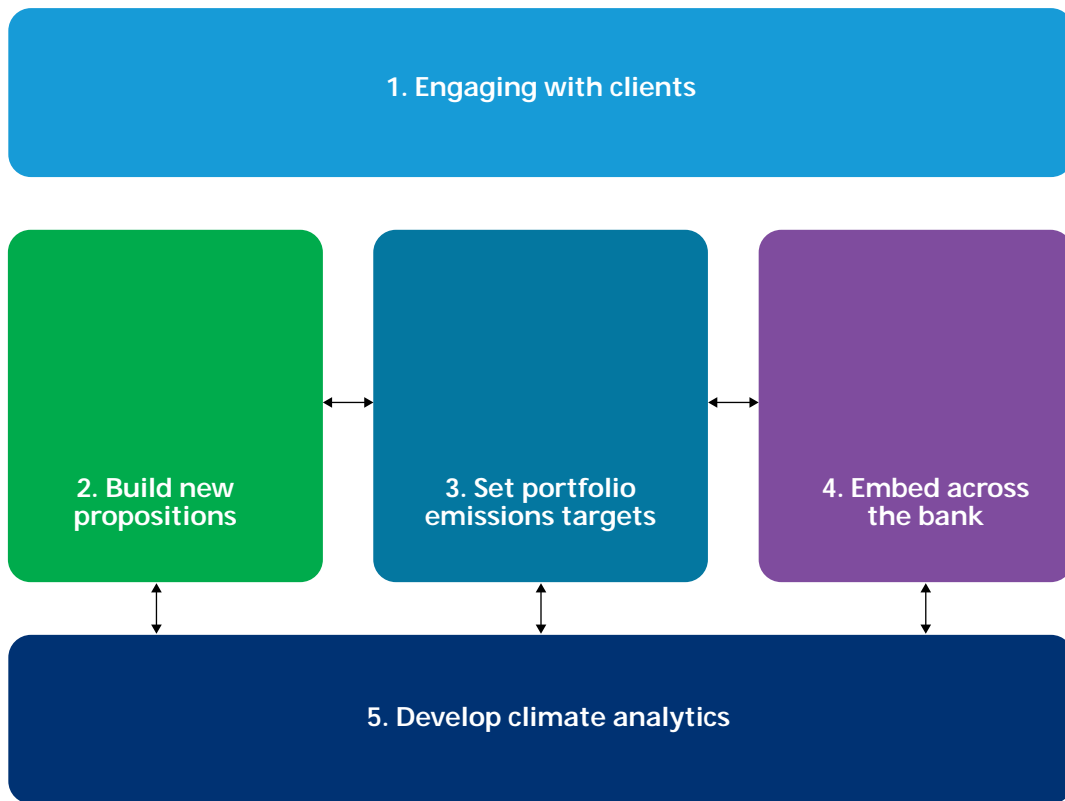




Ronan O'Kelly
Serge Gwynne
James

: i bXUa YbhU`WkUb[Yg'UFY'fYei]fYX'k]h.]b`V&fdcfUH'VUb_g'hc'a YYhW]a UH'W&a a]ha Ybhg` UbX`Wdh fY'h.Y'cddcfh b]m'iK Y'\][\`h' j Y'_YmUFYUg\YfYzUbX'Xf]''Xck b'cb'YUW`]b'h.Y` sections that follow.

Exhibit 1: Five priorities for corporate banks



Engaging with clients on climate can be daunting. Climate change as an issue is both



- **Redrawing the client-relationship map.** Relationship managers will need to engage



5g]bXi ghf]YgUFYfYg\UdYXžh.YVta a YfVU`cddcfH b]h]YgZcfVtfdcfUHYVUb_gUFY`
g][b] Wbhi`Vi hWdhi f]b[`hYa`g]bchghfU[\hZcfk UfX`HAY`a cghcVj]ci g[fYYb! bUbV]b[`
opportunities are already crowded out and increasingly low margin, while others come
k]h`g][b] Wbhf]g_g`UbX WU`Yb[Yg`Cj YfVta`b[`h.YgY`Xck bg]XYg`fYei]fYg]g][b] Wbhi
investment and commitment from senior executives. There is a danger of spreading
resources too thinly and launching a raft of bottom-up initiatives and products that do
not scale.

H.YfYZcfYž]h]g]a dYfU]h] Y`hc`ZcW`g`Y` c`f`h`c`b`U`g`a` U``bi` a` VYf`c`Z`d`f`c`d`c`g]h]c`b`g`h`U`h`a` Y`h`f`Y`U`
W]Y`b`h`b`Y`X`g`ž`U`f`Y`V`ta` a` Y`f`V`U``m`j`]U`V`Y`ž`U`b`X`Z`c`W`g`Y`X`c`b`U`f`Y`U`g`k` \`Y`f`Y`h`Y`V`U`b`_` \`U`g`U`W`U`f`f`][\`h`
to win (see Exhibit 4).

C`b`Y`c`Z`h`Y`a` c`g`h`g][b] WbhcddcfH b]h]Yg]g` bUbV]b[`fUbg]h]cb`hYVWbc`c[]Yg`5WtFX]b[`hc`
h`Y`K`c`f`X`9Wt`b`c`a`]W`c`f`i` a` ž`a` c`f`Y`h`U`b`)` \$`h`f`]`c`b`]`b`W`Y`a` Y`b`H`U`[`c`V`U`]`b`j` Y`g`h`a` Y`b`h`k`]`V`Y`
f`Y`e`i`]`f`Y`X`V`m`&`\$` \$`ž`k`]`h` `a` c`f`Y`h`U`b`)` `h`f`]`c`b`f`Y`e`i`]`f`Y`X`V`m`&`\$` \$`@`U`V`Y``Y`X`[f`Y`Y`b`! b`U`b`W`U`b`X`
g`i` g`h`U`]b`U`V`]`h`m`]`b`_`Y`X``c`U`b`g`U`f`Y`V`c`h`]`a` d`c`f`H`U`b`h`t`c``g`h`U`h`U`j` Y`V`Y`Y`b`k`]`X`Y`m`U`X`c`d`h`Y`X`]`b`f`Y`W`b`h`i`
n`Y`U`f`g`U`b`X`g`l`c`i` `X`V`t`b`h`i`b`i` Y`c`b`h`U`h`d`U`h`"7`c`f`d`c`f`U`H`Y`W`]Y`b`h`g`V`Y`b`Y` h`ž`f`c`a` `h`Y`U`X`X`Y`X`W`Y`X`]V`]`h`m`
h`U`h`U`V`Y``]`b[`V`f`]b[`g`h`c` `h`Y`f` `h`f`U`b`g`]h]c`b`d`U`b`g`ž`k` \`Y`V`U`b`_`g`W`b`V`Y`b`Y` h`ž`f`c`a` `h`Y`V`t`b`h`f`]V`i` h]c`b`
to their net-zero emissions targets, and green- and transition-lending targets.

M`h`h`Y`g`Y`g`c`i` h]c`b`g`U`c`b`Y`U`f`Y`b`c`h`Y`b`c`i` [\`h`c`U`X`X`f`Y`g`g`h`Y`Z`i` `gd`Y`W`f`i` a` `c`Z`V`ta` d`Y`I` ` b`U`b`V`]b[`
challenges clients face. Many areas of climate transition rely on new technologies, which
V`f`]b[`f`]g`_`g`U`g`g`c`V`]U`h`Y`X`k`]`h` d`Y`f`Z`c`f`a` U`b`W`U`b`X`Y`V`t`b`c`a`]`W`j`]`U`V`]`h`m`H`Y`g`Y`h`Y`V`W`b`c`c`[]Y`g`U`f`Y`k`Y`
_`b`c`k`b`]`b` `a` U`c`f`Y`a`]`g`g`]c`b`g`!`]b`h`Y`b`g`Y`]`b`X`i` g`h`f`]Y`g`ž`g`i` W`U`g`g`h`Y`Y`f`l`n`X`f`c`[Y`b`!V`U`g`Y`X`ž`X`]f`Y`W`h`f`Y`X`i` W`X`ž`
iron electrolysis), aviation (sustainable aviation fuel, electric and hydrogen fuel cells), and
g`l`d`d`]b[`f`V`]c`Z`i` Y`g`ž`U`a` a` c`b`]U`l`"b`U`X`X`]h]c`b`h`c`h`Y`V`W`b`c`c`[n`f`Y`U`h`Y`X`f`]g`_`g`ž`h`Y`f`Y`U`f`Y`U`g`c`a` U`c`f`
d`c`]`h`]W`U`b`X`f`Y`[i`U`h`c`f`m`f`]g`_`g`X`i` Y`h`c` `h`Y`X`Y`d`Y`b`X`Y`b`W`h`c`b`d`i` V`]W`d`c`]W`h`c`X`f`]j`Y`W`U`b`[Y`g`]b`
business and consumer behavior.

Exhibit 4:

6Ub_gWb'd`UmUj U'i UV`Y'fc`Y]b`Y'd]b[`W]Ybhg`_b]h'c[Yh`Yf' bUbVb['gc`i h]cbgž`c]b]b[`ZcfWg`k]h`c`h`Yf`Wd]hU`dfcj]XYfg`k]h`X] YfYbhf]g_ UddYh]hYg`cf`fYh fb`fYei]fYa Ybhgž`UbX` bUj][Uh]b[`h`Y`f`Ub[Y`c`Z`df]j UH`UbX`di V`]WgYW`cf`ghU_Y`c`XYfg`"6Ub_g`h`UhV`"UVcfUH`k]h`

6YncbX`Wta d`Yl` bUbVfb[`gc`i h]cbgZ`VUb_g`Wfb`gi ddcfh`h`Y]f`W]YbHg`UbX`hUd`]bhc`bYk`
cddcfh`b]h]Yg`VmUdd`mj`b[`W]YbH`YX`XYg][`b`h`b_]b[`hc`]XYbh]Zm_YmdU]b`dc]bhgZ`UbX`gc`]Y`
the fundamental problems related to climate transition. These approaches, whose solutions
cZhb`[`c`VYncbX`VUb_]b[`Z`Wfb include:

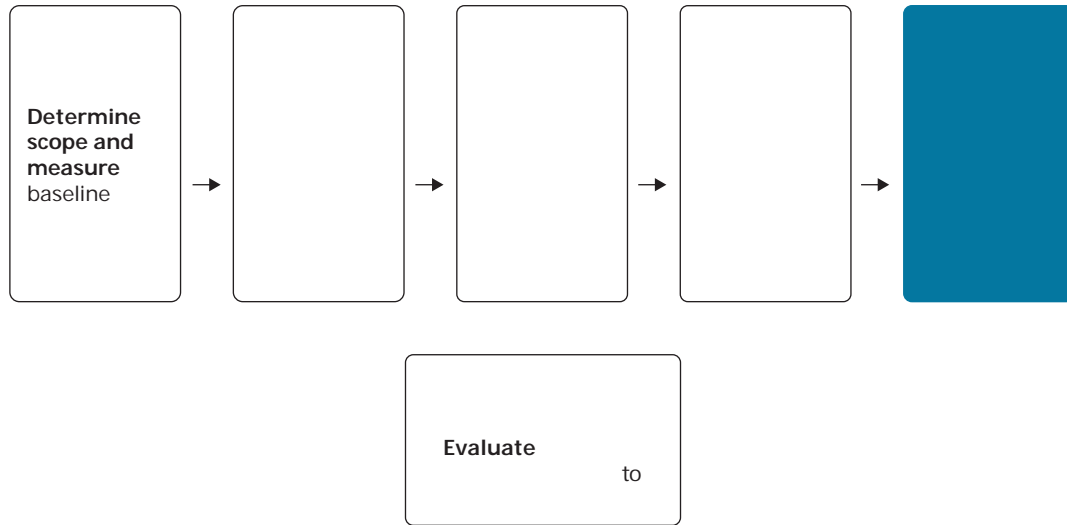
-

Hcd!Xck b`Vta a]ha YbhgbYYX hc`VY WgWXYX]bhc`WUf`hUf[YhgZcf`h`Y VtfdcfUH`VUb_`
cj YfU`UbX`Zcf`gdYVY WgYVtcf`g`h`g]g`U`h`VWb]WU`UbX`UbU`h]WU`VWU`Yb[Yz]bj`c`j]b[`Vta`d`YI`
datasets and new metrics, but also a commercial and strategic one. Fundamentally, emission
reduction in many sectors is heavily dependent on external factors, such as changes in
[cj Yfba Ybhdc`]VhUbX`UXj UbWg]b`h`VWbc`c[n`6Ub_g`UbX`h`Y]f`W]Ybhg`Wb`]b` i`YbW`h`YgY`
Vi`hXc`bchX]fYVh`mVtbf`c`h`Ya`"-b`WU]VfU]b[`h`Y]f`hUf[Yhgzh`YfYZcfYzVUb_g`a`i`ghVWfYZ` ``mi
balance ambition with thdB>1.5 0044>8 0059tance 4030003005>1.505>1 004F>7.1 004C>9.3 0046>4btion8 (t)-7.(8 (t)

H\YgY`XnbUa]Wj\Uj Y`fYU`Vt a a YfVjU`ja d`jWjh]cbg`Zcf`UVUb_""A YYh]b[`Ya]gg]cbg`hUf[Yhg'a Um

Given these dynamics, the process of target-setting is an inherently iterative one that must be necessary to ensure that the commitments are credible and achievable, and is also an excellent way to immerse clients in the practical realities and hard choices (see Exhibit 8).

Exhibit 8: Process for setting feasible net-zero targets



GHh]b['hJf[YhgzcZVwi fgYz]g'bchYbci [\ "7cfdcfUHY VUb_g'U'gc bYYX'hc'a U_Y'gi fY'h.YfY'UFY' WYUF'a YVUUb]ga g]b'd'UW'hc'Xf]j Y'h.Y'Vi g]bYgg'hc'k UfXg'h'cgY hJf[Yhg''H\ Uha YUbg''cc_]b[' Uhh'Y'Ve'fY'dfcWggYg'h UhXf]j Y'XYW]g]cbg]b'h'Y'VUb_z'UbX]b'hc'Xi V]b['bYk 'V'bg b considerations into these. A range of approaches are being trialled.

C bY UddfcUW]g'hc'UX↑ ghidYfZcfa UbW!a YUgi fYa YbU WYUHY]bWbU]j Yg'hc'Xf]j Y'h.Y'Vi g]bYgg'hc'k UfXg'h'Y hJf[YH"5'\UbXZ] ``cZVUb_g'\Uj Y'U'fYUXm implemented green-weighting factors into internal capital metrics, and some are toying with W]fV b!WUf[]b['Z'Ua Y cf_g''H\]g'UddfcUW 'a U_Yg]hd a new lens — considering clients in terms of their Return on Emissions (or expected future emissions) alongside traditional return metrics such as Return on Equity (see Exhibit 9).

- Monitoring.** C j Yf`h`Y`"]Z`cZH`Y`"cUbzVch` f]g_g`UbX`Ya`]gg]cbg`cZH`Y`Vcffck`Yf`k`]"`bYYX`
 hc`VY`a`cb]hc`fYX`U`cb[`g]XY`f`UX]h]cbU`WYX]ha`Yhf]Mg]hc`hfUW`dYfZcfa`UbW`U[`U]bghW]a`UHY`!
 fY`UHYX`Wt`a`a`]ha`Ybhz`dUfh]W`Uf`mZc`f`gi`ghU]bUV]"`m`]"b`_YX`"c`UbG`UbX`gja`]"Uf`ghfi`W`i`fYg`h`Uh`
 \Uj`Y`gdYVW`W`a`VYXXYX`?YmDYfZcfa`UbW`Indicators

Exhibit 10: Climate considerations will need to be factored into many aspects of the end-to-end lending process

Bank lending process step	Climate considerations
1 Strategic planning and client prioritization	<ul style="list-style-type: none"> • bVtfdcfUHY`W]a`UHY`fY`UHYX`f]g`_UddYh]hY`]"brc`ghfUHY[`]"Mplanning • Incorporate client-level transition plans into client prioritization
2 Generate lead	<ul style="list-style-type: none"> • Understand baseline and transition plans • Dfcj`]XY`UXj`]Wz]bW`X]b[`VYbW`a`Uf_]b[`Ya`]gg]cbg`and plans vs peers • -XYbh]ZmhfUbgh]h]cb`"bUbW`opportunities
3 Develop and propose solution	<ul style="list-style-type: none"> • Green products • Transition products • Client climate scoring • 5X4`ghdf]W]b[`z]bW`X]b[`W]a`UHY`f]g`zWfVcb`df]W]b[`zY`]"[`]V`]"mZcf`green funding
4 Complete application	<ul style="list-style-type: none"> • 7Udh`fY`W]YbH]W]a`UHY`fY`UHYX`XUHU`fY`["`";`<`;`zEPC) • Validate data • 6cffck`Yf`]"Yj`Y`W]a`UHY`f]g`_assessment
5 Business approval	<ul style="list-style-type: none"> • Business approval of use of carbon budget and 'Return on Emissions' • Pricing approval, including any climate-driven UX4`gha`Ybhz
6 Climate approval	<ul style="list-style-type: none"> • Approval of alignment with climate policy (e.g. coal exclusion), including potential reputational f]g_g •

For example, our analytics for the auto sector draws together data on forecast volumes and
Ya]gg]cbg]bhYbg]hmcZX] YfYbha cXY`gžUgk Y`Ug'a Ubi ZUVi f]b[`cVWh]cbgžUbX'gi ddcfhg`
k \UH]ZUbU`mg]g'cb`h`Y`gd`Y`YX`cZVWUb[Yg]b`Vi`g]bYgg'a`]l`UbX`cdYfUh]b[`a`cXY`":`cf`U`VUb`ž`
this allows a relationship manager to understand how their client compares to peers today,
to test the credibility of transition plans, identify further optimization levers for clients, and
to share this analysis with clients.

Hc`gi`ddcfhXYV]g]cb`a`U_]b[`h`Y`g`Y`V`a`d`Y`I`]h]Y`g`b`Y`Y`X`h`c`V`Y`V`c`]Y`X`X`c`k`b`]b`h`c`g]a`d`Y`f`a`Y`h`]V]g`
UbX`UggYgga`Ybhg`"6c`]b[`X`c`k`b`a`i`h`d`Y`X]a`Ybg]cbg` `hfUbg]h]cb`f]g`žW`ffYbhYa`]gg]cbg`
dfc` `Y`ž`Ya`]gg]cbg`hUf[Yhgž`_Ym`YUX`]bX]VWh`c`f`g`f]i` V`U`g[fYYb`VWd]hU`YI`dYbX]hi`fYE` `]b`h`c`U`
g]a`d`Y`UggYgga`Ybh`ž`Ua`Yk`cf`_]g`Ub`UddfcUW`gY]YfU`VUb`_g`UfY`YI`d`c`f]b["I`h]a`UhY`mih`]g`
VWb`VY`i`gYX`h`X`f]j`Y`b`Y`h`n`Y`f`c`d`c`f`h`ž`c`]c`g`h`Y`Y`f]b[žUgk`Y`U`g`h`f`U`b`g]h]cb`f]g`_UggYgga`Ybhg`i`gYX`
for regulatory stress test exercises.

6Ub`_g`U`j`Y`a`UXY`[fYUhd]c[fYgg]cb`V`a`a`]h]b[`h`c`gi`ddcfhV]a`UhY`hfUbg]h]cb`Vi`hUfY`
fY`]Ubh]cb`UW]cbg]cZ`h`Y]f`W]Ybhg]h`c`a`YYh`h`Y`g`Y`V`a`a`]h`a`Ybhg`"6Ub`_g`b`Y`Y`X`h`c`U`W`h`e`i`]V`_`m`
to engage with and support corporations in achieving transition in the real economy —
ZUV]hU]b[`U`W`V`g`g`h`c`V`W`d]hU`h`c`a`U`_`Y`h`Y`b`Y`W`g`g`U`f`m]b]Y`g`h`a`Ybhg]b`b`Y`k`h`Y`W`b`c`c[`m]UbX`
V`U`b[Yg]h`Vi`g]bYgg'a`cXY`g`H`]g`k`]`f`Y`e`i`]f`Y`b`Y`k` `g`_]`g`UbX`VWdUV`]h]Y`g`k`]h`]b`h`Y`V`U`b`_`g`ž`U`g`
well as operating-model changes to embed climate considerations in day-to-day activities.
Emissions need to become a binding constraint alongside capital.

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