Task Force on Climate-related Financial Disclosures

Climate Change Risks & Opportunities Report

2020

KeyCorp

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A Letter from our CEO

Resilient communities are thriving communities. Doing our part to address climate change is one way we continue to deliver on our purpose: to help clients and communities thrive. I am pleased to offer this update on both our existing efforts and our path forward to address climate change in KeyCorp's inaugural Task Force on Climate-related Financial Disclosures (TCFD) report.

At Key, being a responsible corporate citizen is central to who we are and how we do business. The combined events of the past two years have demonstrated the need for greater urgency and action to address pressing social and environmental issues. We must act and adapt now to a changing climate. We must build a sustainable business model that manages risks, capitalizes on opportunities, and drives the transition to a low-carbon economy.

Fortunately, we have a strong foundation. We have a robust set of products and services that support green buildings, energy efficiency, and green bonds. As a leader in renewable energy financing in North America, we have world-class proficiency in financing the development of renewable energy at scale which is essential to the decarbonization of power production and electrification of transportation. In 2021, we expanded our National Community Benefits Plan commitments to include a focus on environmental equity and addressing climate change through a $4 billion commitment to renewable energy. We have also made significant progress toward our own operational efficiency commitments.

More importantly, we recognize that our journey toward addressing climate risk will require accelerating our efforts and sharpening our focus. This means evaluating the financed emissions associated with clients and embedding climate change into enterprise risk management, programs and polices, product development, and corporate strategy.

We know this journey will require deliberate actions and commitments. As an industry, we have the opportunity to do what is right for our climate, and at Key, we intend to play an active role. We remain focused on serving all stakeholders – our clients, colleagues, communities, and shareholders. We are addressing climate change and managing associated risks.

We know that our stakeholders expect us to share details about our progress. For many years, we have published an annual Corporate Responsibility Report, Global Reporting Initiative (GRI) Standards Index, and CDP response. This year, we are achieving an even greater level of disclosure through our enhanced and renamed Environmental, Social, and Governance (ESG) Report, this inaugural TCFD Report as well as our inaugural Sustainability Accounting Standards Board (SASB) Index. We will continue to monitor disclosure trends and stakeholder requests for information to further enhance our transparency on important ESG topics.

I invite you to review this report to learn more about where we are today, the progress we have made, where we are headed, and how our strategy on climate change is driving shared value for all of our stakeholders.

Sincerely,

Chris Gorman
Chairman and Chief Executive Officer

Introduction

Key understands the climate challenges facing our planet and is committed to both further reducing our environmental footprint and continuing to enable our stakeholders in their efforts to do the same. To provide our stakeholders with greater transparency about our climate-related journey, we are publishing this inaugural report to specifically address the Task Force on Climate-related Financial Disclosures' (TCFD) recommendations, which should be reviewed as a companion piece to our 2020 annual Environmental, Social, & Governance (ESG) Report. Informed by TCFD's recommendations, this report outlines our approach to managing climate-related risks and opportunities in the areas of governance, strategy, risk management, and metrics and targets.

The data in this report covers the period from January 1, 2020, to December 31, 2020, unless otherwise specified. Our objective in preparing this report is to provide our stakeholders with clarity around our climate-related risks, initiatives, and opportunities.

For additional financial and ESG disclosure, please visit:

- Investor Overview
- Corporate Governance
- Environmental, Social, and Governance Reporting

Feedback and questions about our corporate responsibility and ESG efforts are welcomed and can be addressed to corporate_responsibility@key.com.

The Task Force on Climate-related Financial Disclosures

The Financial Stability Board (FSB) established the TCFD to develop guidance for climate-related disclosures that promote transparency and consistency in companies' external reporting processes. In June 2017, the TCFD developed a framework centered on four thematic recommendations for "disclosing clear, comparable, and consistent information about the risks and opportunities presented by climate change." These four areas – governance, strategy, risk management, and metrics and targets – were developed to help stakeholders understand how reporting organizations evaluate climate-related issues.

Core Elements of Recommended Climate-Related Financial Disclosures

1. **Governance**
   The organization's governance around climate-related risks and opportunities.
2. **Strategy**
   The actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning.
3. **Risk Management**
   The processes used by the organization to identify, assess, and manage climate-related risks.
4. **Metrics and Targets**
   The metrics and targets used to assess and manage relevant climate-related risks and opportunities.

Governance

Effective governance is at the core of our company and its ability to manage all types of risks and opportunities for the benefit of our shareholders and other stakeholders. KeyCorp's success at managing climate change risks and opportunities depends on effectively integrating climate change into our existing governance structure end to end, from the Board to our lines of business.

Board of Directors' oversight

The Board of Directors is actively involved in the oversight of strategies and in holding management accountable, both for the current year and long-term performance of the company. This includes oversight of climate-related issues. The Board is focused on and dedicated to ensuring Key operates in a manner aligned with shareholder expectations. The Board's attention to climate-related issues is embedded in its broader supervision through its committee structure.

KeyCorp's Board of Directors serves as a foundation for the company's ability to manage climate-related risks and opportunities, as it oversees Key's policies and practices on significant issues of corporate responsibility, including environmental, social, and governance (ESG) and sustainability. The Board provides consideration and counsel on environmental initiatives and strategies and oversees management's work to implement these goals.

The Board's awareness of current and emerging climate risks and opportunities is an important aspect of responsible oversight of the company. ESG and climate-related topics are brought to the Nominating and Corporate Governance Committee (NCGC) of the Board at least once annually and presented by the Head of Corporate Responsibility & Community Relations and the Director of the Corporate Center. The NCGC oversees KeyCorp's policies and practices on significant issues of corporate social responsibility, including ESG and sustainability, community and government relations, charitable and political contributions, community development, Community Reinvestment Act activities, and the fair and responsible treatment of our consumer clients.

Climate Risk and Opportunity Governance

The table below depicts our risk management hierarchy and associated responsibilities and activities of each group.

Board- or management-level committees with responsibility for climate-related issues. All management-level committees are not depicted.

Governance

The Risk Committee of the Board oversees KeyCorp's enterprise risk management program and is responsible for strategies, policies, procedures, and practices relating to the assessment and management of enterprise-wide risk. The Risk Committee reviews the Enterprise Risk Management Policy at least annually. The Risk Committee also meets with senior leadership to review significant policies related to risk and opportunity assessment, identification, management, and compliance. KeyCorp and its officers maintain responsibility for designing, implementing, and managing programs and policies with respect to risk management.

The Audit Committee of the Board considers climate-related issues through its oversight of the integrity of KeyCorp's financial statements, including reviewing disclosures made in our SEC filings.

In 2020 and 2021, the Board and its committees received presentations on topics such as:

- ESG and climate-related disclosures
- ESG focus area assessment
- Progress toward developing a climate risk management framework

Managing risk at Key

KeyCorp's Board of Directors approves the Enterprise Risk Management (ERM) Policy and sets the overall level of risk Key is willing to accept and manage in pursuit of our strategic objectives. The ERM Policy encompasses our risk philosophy, policy framework, and governance structure for the management of risks across the company. The included Risk Appetite Statement describes the industries Key will not do business with, including for socially responsible purposes. The Policy also provides a framework for effective governance and regular review and challenge across the three lines of defense (see Risk Management).

Management's role

ESG issues are considered a high priority throughout the organization. Appropriate climate risk responsibility is distributed across several members of senior leadership, including the Chief Financial Officer, the Chief Risk Officer, General Counsel, and the Director of Corporate Center.

Progress toward KeyCorp's sustainability commitments are driven by efforts throughout the company. Management-level committees are a vital part of our governance framework and serve a critical purpose in enacting the appropriate governance for Key initiatives.

Key's Executive Leadership Team (ELT) brings a wide breadth of knowledge and experience in their day-to-day work managing the organization. The team is dedicated to holding one another accountable while delivering on commitments to clients and communities and maximizing long-term value. In 2021, the ELT participated in initiatives to both update the company's ESG focus areas, as well as to inform the development of a climate risk framework.

The Enterprise Risk Management Committee (ERMC), a group chaired by the CEO, supports the management of emerging and top risks, including climate. The ERMC provides governance, direction, oversight, and high-level management of risk. The committee meets regularly and ensures that the corporate risk profile is managed in a manner consistent with KeyCorp's risk appetite and assists in the ability to create sustainable value for our stakeholders.

In 2021, KeyCorp established the Corporate Responsibility (CR) Council to monitor emerging ESG trends, identify strategic ESG opportunities for the company, oversee ESG disclosures, and share knowledge. The cross-functional council is comprised of senior leaders from across the enterprise including Corporate Responsibility, Risk, Legal, Finance, KeyBanc Capital Markets,® Key Equipment Finance,® and Consumer Bank, among others. As appropriate, representatives from the CR Council escalate ESG matters to the ELT, ERMC, and other risk committees.

Key is committed to supporting the transition to a low-carbon economy for the benefit of our environment as well as our clients. Our lines of business are responsible for understanding and appropriately responding to market opportunities and risks relevant to their businesses. For example, the Consumer Bank is responsible for offering interested clients products ranging from solar financing to investment opportunities which consider ESG factors both as a strategy for risk management and long-term value creation. The Commercial Bank is responsible for product offerings ranging from Renewable Energy Finance to Green, Social, and Sustainable bonds to developing customized solutions for medium to large-sized businesses innovating in the green technology market.

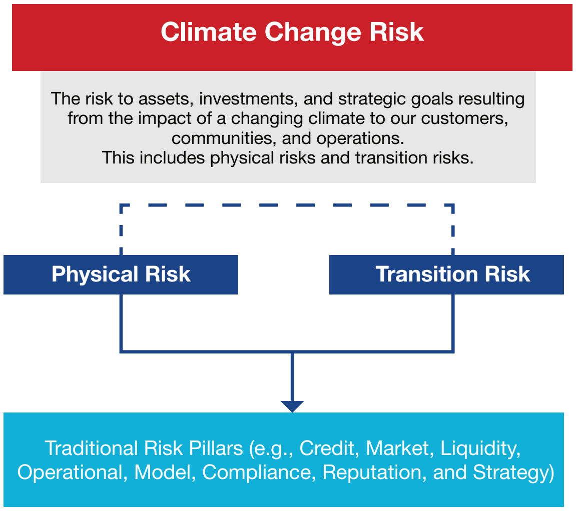
Understanding physical and transaction implications

The implications of climate change can manifest as both business risks and opportunities. For example, rising sea levels may lead to migration from affected regions to unaffected regions. These shifting population centers could result in depressed property values as people leave and inflated property values in the regions to which they move. Innovation may lead to some sectors becoming obsolete while entirely new sectors and technologies may emerge to invest in. To build an effective and impactful climate strategy and climate risk management framework, companies must first understand the positive and negative implications of climate change – typically classified as physical or transition risks.

Physical implications (risks) arise from the physical effects of climate change on businesses' operations, workforce, markets, infrastructures, raw materials, and assets. Physical impacts emanating from climate change can be event-driven (acute) such as increased severity or frequency of extreme weather events (e.g., cyclones, droughts, floods, and fires). They can also relate to longer-term (chronic) shifts in precipitation and temperature and increased variability in weather patterns (e.g., sea-level rise).

Transition implications (risks) result from the policy, legal, technology, and market changes occurring in the shift to a lower-carbon global economy. Transition risks include:

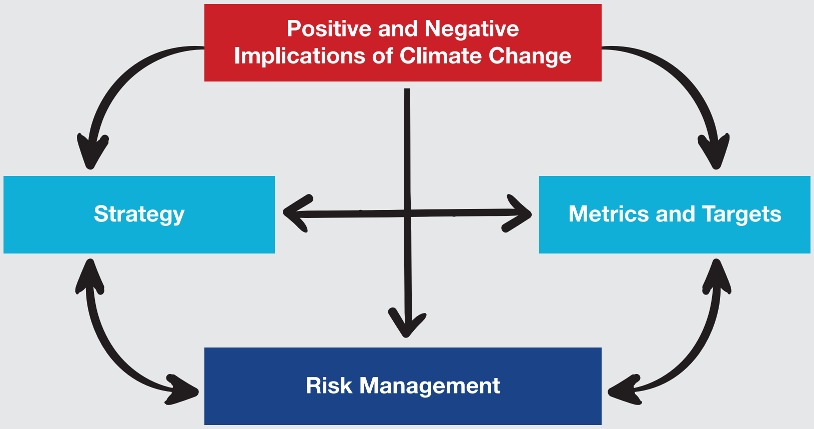
- Policy constraints on emissions
- Imposition of carbon tax
- Water restrictions
- Land-use restrictions or incentives
- Market demand and supply shifts
- Reputational considerations



Depending on the nature, speed, and focus of these changes, transition risks may pose varying levels of financial and reputational risk to organizations (e.g., a disorderly transition may lead to greater risk).

Continuous improvement cycle

Our continued understanding of these risks and opportunities will inform the ongoing development of our climate strategy, climate risk management, metrics and targets. Together, these elements form a continuous feedback mechanism which will drive our ability to respond to the resulting opportunities and risks, with the ambition to contribute to a more sustainable future.



Strategy

Key is committed to leveraging expertise, relationships, market influence, and resources to help address the pressing challenge of climate change. To date, our strategy has primarily focused on operational sustainability and mobilizing capital for energy efficiency and renewable energy projects. As we work to better understand and identify climate-related risks, the climate strategy will evolve both in its level of ambition and its focus on managing and mitigating risks, including engaging and supporting clients through the transition to a low-carbon economy.

Key supports clients in their transition to a low-carbon economy through our market-leading position in Renewable Energy Finance and a variety of other product offerings. Key has been able to expand into new markets over the past decade, providing clients and customers with unique clean energy and environmental investment options or financing. The respective risks and opportunities to our products and services cover the short- to long-term time horizons.

How we invest is essential to supporting strong and resilient communities. In 2020, KeyCorp committed more than $6.6 billion in renewable energy projects through KeyBanc Capital Markets (KBCM), equipment financing through Key Equipment Finance*, and residential solar relationship with Dividend Finance.

$6.6B

Committed to renewable energy projects in 2020

$1.2B

Key Equipment Finance*

$224M

Residential Solar

$5.2B

KeyBanc Capital Markets

Renewable energy financing through KBCM

KBCM continues to invest in renewable power generation in the U.S. and provides services to clean technology firms in the smart grid, energy management, and pollution control sectors. Key is one of the largest U.S. bank lenders to the wind and solar sectors and a national leader in renewable energy investments. In 2020, we added more than 2.9 GW of capacity to our portfolio of investments. By the end of 2020, our renewable energy portfolio investment supported more than 35.9 GW of renewable energy capacity.

Strategy

KeyBank is the number two provider of renewable energy financing in North America.

Since 2010, KeyBank has made more than $15 billion in renewable energy investments and was a top provider of renewable energy financing in North America in 2019 and 2020. In 2020, KeyBank was ranked #2 when measured by deals, and #3 on a volume basis by Dealogic in the Americas for Renewable Energy Project Finance. Recognizing the critical need to mitigate the impact of climate change, we added renewable energy financing as a new element in our Community Benefits Plan. Through the Community Benefits Plan, Key has committed to investing an additional $4 billion in renewable energy financing from 2022 to 2027.

For example, in December of 2020, KBCM successfully financed AES Corporation's $154.2 million Luna Storage project, a 400-megawatt hour standalone lithium-ion battery storage project. Luna is expected to be commercially operational by early 2022, and once operational, the project will generate revenue under a 15-year full-toll capacity contract with Clean Power Alliance.

KBCM renewable energy contributions
2010 – 2Q21

1,900+ projects financed

40.5+ GW installed

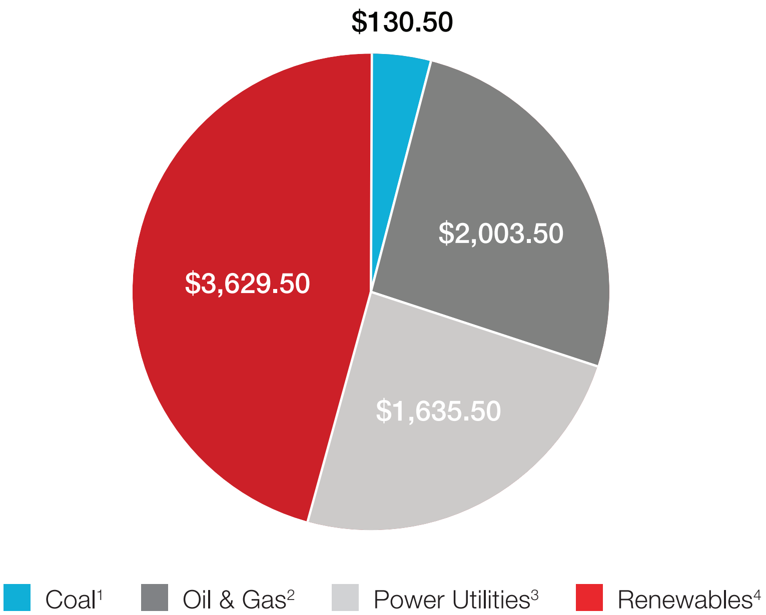
15B invested in renewable energy

270+ project finance transactions

Energy-Related Commercial Portfolio[5]

Outstandings as of December 31, 2020

Compared to our exposure across the energy sector, Key's single largest aggregate outstanding exposure is to the renewables sector.



Includes commercial loans and leases only as of 12/31/2020, in millions

1. "Coal" includes Coal and Support Activities sub-industries of Metals and Mining
2. "Oil & Gas" includes entire Oil & Gas industry
3. "Power Utilities" excludes Renewables, Water & Sewer and Other Waste Disposal from the Utilities industry
4. "Renewables" includes non-carbon Power NAICS codes (e.g., Solar, Wind, Hydro, Nuclear, and Biomass)
5. Credit Risk Industry reporting is done on as 'as-is' basis and reflects most current NAICS industry code assigned, which may vary from NAICS code assigned in historical reporting

Strategy

KBCM's position in league tables for renewable energy finance reinforces the degree to which Key has established a leadership position in renewable energy for the last several years:

North American Renewable Energy Project Finance Deals by Mandated Lead Arranger (2018 – 1H21)

Rank	Mandated Lead Arranger	$MM	Deals	% Share
1	KeyBanc Capital Markets	$8,313	134	9.9%
2	Mitsubishi UFJ Financial Group	$7,047	87	8.4%
3	Santander	$5,899	52	7.0%
4	Sumitomo Mitsui Financial Group	$4,050	45	4.8%
5	CIBC	$2,869	27	3.4%

Key Equipment Finance*

Key Equipment Finance (KEF) helps clients achieve energy efficiencies by providing tailored equipment and lease financing solutions and is a recognized leader in renewable energy finance solutions. In 2020, KEF assisted a Fortune 100 technology company in financing $74 million in energy efficiency upgrades at 56 sites across the United States, saving them $17 million annually. The project is expected to reduce total electricity use for lighting at these sites by 71%, thereby eliminating 138,530 tons of annual CO_2 emissions – the equivalent of taking 26,911 cars off the road annually.

KEF 2020 Results

Asset Type	Amount Financed	MW	Transactions
Energy efficiency	$127 MM	N/A	27
Fuel cells	$485 MM	62	90
Solar	$661 MM	291	304
Total	**$1.2 B**	**353**	**421**

Strategy

Green, Social, and Sustainable bonds

The issuance of green and sustainable bonds, and debt capital linked to impacts on social behavior, has begun to accelerate rapidly even though it constitutes a small percentage of overall bond market volume to date. The issuance of Green, Social, and Sustainable (GSS) bonds is an opportunity given the drivers for this growth include climate change, and many of the assets linked to issuers' GSS designation directly relate to climate change.

KBCM sees continued growth of GSS bond issuances, with more of our clients turning to these instruments to highlight their sustainability plans and investors increasingly demanding the GSS label. In 2020, Debt Capital Markets participated in nine GSS bond offerings, raising more than $7 billion of proceeds to support environmental and social benefits, and Public Finance participated in 14 GSS bond offerings, totaling more than $889 million. KBCM's GSS bond activity through 3Q of 2021 has exceeded that of full-year 2020, and the roles we play have become increasingly more meaningful to our clients.

Solar sites with Sunlight General Capital

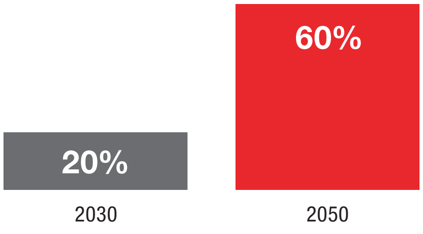
Residential Solar at Key

Since launching the residential Solar Loan relationship with Dividend Finance in 2019 through the end of October 2021, Key has financed $571 million of residential solar loans, $224 million in 2020. Key was one of the first regulated banks to collaborate with Dividend.

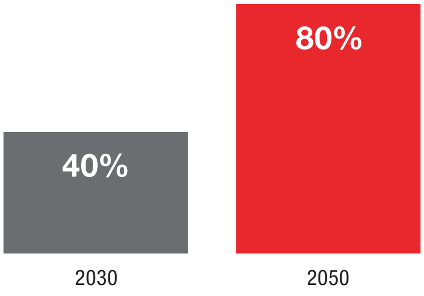
Operational efficiency

A significant focus of KeyCorp's climate strategy to date has been to enhance our operational efficiency. Key measures and manages the impact of operations through an environmental program, and we continue to see the positive effects of Key's multiyear effort to profitably reduce our greenhouse gas (GHG) footprint. By tracking operational energy efficiency at the site level, we can best allocate resources for capital improvements, as well as identify defective systems where repairs may be needed.

Our ambition is to source 20% of our energy from renewable sources by 2030 and 60% by 2050 and reduce our scope 1 & 2 emissions 40% by 2030 and 80% by 2050. Through investments in energy efficiency, strategic site consolidations, and the overall greening of the grid, we have reduced GHG emissions by 24% and energy consumption by 22% since 2016. This progress puts us ahead of our projected pace for GHG emission reductions, having achieved 61% of our 2030 goal and 31% of our 2050 goal.



Committed to Sourcing Energy from Renewable Sources



Committed to Reducing Scope 1 & 2 Emissions

Risk Management

Through the Risk Committee of KeyCorp's Board of Directors, and as outlined in our Enterprise Risk Management Policy and Risk Appetite Statement, we ensure sound, effective policies, structure, and governance in place, including for socially responsible purposes. These governance structures are described in more detail in the Governance section.

KeyCorp remains disciplined in managing our risk and capital. We have maintained our moderate risk profile, including strong underwriting standards, and have taken steps to position the company to perform through any business cycle. To align with the moderate risk appetite, Key employs "Three Lines of Defense" for risk governance.

- The **Lines of Business** act as the "first line of defense" with the primary responsibility to accept, own, and proactively identify, monitor, and manage risk.
- **Risk Management**, which acts as independent centralized oversight, is the "second line of defense," aggregating, analyzing, and reporting risk information and driving the establishment of risk policies reflective of Key's risk appetite.
- The "third line of defense" is **Risk Review**, which provides independent assessment and testing of the effectiveness, appropriateness, and adherence to risk management policies, practices, and controls.

The three lines are balanced in importance and stature and must all operate effectively across the enterprise to manage Key's risks in alignment with the approved risk appetite. Our risk appetite is considered as strategic alternatives are evaluated, performance objectives are established, and mechanisms are strengthened to manage risks.

Three Lines of Defense Against Risk

Risk Management

Preliminary climate risk analysis

Historically, climate risk has been managed on an ad hoc basis at the functional or line of business level. With the increase of investor and regulator interest in climate change in 2020, Key has begun the process of centralizing climate risk management. This enhanced stakeholder focus will result in a need for greater transparency – requiring improved measurement, refinement of risk appetite, and standardized disclosure of metrics and targets used to manage risks and opportunities.

KeyCorp has tested a variety of tools to help inform a broader approach to climate risk management, some of which are described below. With each step, we have expanded our understanding and maturity. Building from this work, in the second half of 2021, Enterprise Risk Management began to consolidate existing work and address opportunities to establish a climate risk management framework.

To inform the framework and other climate risk mitigation practices, we are in the process of launching a robust analysis of climate risk impact through a detailed risk identification and assessment. The framework will include elements related to risk identification, risk measurement, risk management, risk reporting, financed emissions, business opportunities, and governance and will enable more effective oversight and decision-useful disclosure. The framework will guide our thinking about climate change risk mitigation, create alignment across functions and businesses, and accelerate action. We anticipate completing phase 1 of the framework in 2022.

Environmental risk management

Our clients are exposed to a myriad of risks related to climate change, natural disasters, and unexpected events. The increase in severe weather events, along with the pandemic, underscore the need for heightened monitoring. We've made enhancements to our credit risk data mart, including improved geographic mapping of client exposures and the ability to identify subindustry exposure by NAICS Code. This has allowed us to better monitor restricted high-carbon contributors such as the coal industry, to monitor weather-related exposures such as agriculture, and to support greater investment in "clean" technologies such as solar and wind.

KeyCorp has teams that specialize in underwriting by industry. This allows for a heightened level of due diligence on potential deals that may be most affected by climate change, as well as regulatory and legislative changes expected to be focused on climate change. KeyCorp has begun the process of focusing on climate risks within its underwriting processes. In instances where an environmentally sensitive credit request is identified, overall ESG plans of the applicant are reviewed, and where appropriate affirmative covenants or pricing incentives are tied to specific environmental plans. It is anticipated that this practice will be fully matured in support of our climate risk-related efforts. Key is also leveraging available credit capacity to support green transformations among our existing clients as well as new clients.

Residential mortgage risk management example

KeyCorp has conducted a preliminary analysis of the physical climate risks associated with its residential mortgage portfolio. This included a macro-level assessment at the ZIP code-level, while noting that even within a ZIP code, significant differences for flooding risk will exist. This assessment was an expansion of the existing practice to consider flood risks during the origination process. For properties located in a Special Flood Hazard Area, with few exceptions, Key will not make, increase, renew, or extend any designated loan unless the property is covered by and maintains adequate flood insurance for the life of the loan.

Preliminary insights suggest that our mortgage portfolio is geographically diverse, with limited concentrations in vulnerable locations. There is some indication that properties that have not historically experienced severe physical hazards may become the most vulnerable, as they may lack preparedness when severe weather events occur. This analysis has reinforced the importance of identifying where risk is or is not material and focusing on those with the greatest significance to our business.

Coal exposure credit risk example

KeyCorp's Commercial Credit Policy provides the framework through which we control credit risk associated with commercial credit exposure and outlines the general principles that govern credit risk management with appropriate risk and reward. The policy identifies industries, products, and transaction types that present increased risk. As an example of how we are considering environmental and social risks in our credit process, we introduced a lending restriction on coal mining and support activities in 2021. The restriction imposes higher-level approval requirements than the normal course of business for future transactions, prompting appropriate discussion about alignment with our climate risk appetite. Our policies are expected to evolve as our research continues and our climate risk appetite matures.

Climate risks aligned to risk categories

At the enterprise level, KeyCorp evaluates risk across eight categories: credit, market, liquidity, operational, model, compliance, reputation, and strategy. In 2021, we began the process of identifying the physical and transition risks within our credit loan portfolio and across our risk taxonomy. Through this work, we have developed preliminary insights related to commercial lending and consumer residential mortgage portfolios, which broadly indicate:

- Key's portfolio is well diversified across sectors with lower concentrations in sectors with the highest risks.
- Industries subject to high and medium transition risk include those highly dependent on carbon-based energy or that contribute significantly to emissions, including agriculture, automotive, chemicals, metals and mining, oil and gas, power-related utilities, and transportation. The renewables sector will benefit from the transition.
- Industries subject to the greatest physical risk include those with significant real estate footprints located in areas likely to be affected by climate change. As such, Key's assessment focused on non-owner-occupied real estate and consumer residential mortgage.

Transitioning to a lower-carbon economy will entail extensive policy, legal, technology, and market changes to address, mitigate, and adapt to climate change. The nature, speed, and focus of these changes will influence the level of financial and reputational risk to organizations. The more disorderly the transition, the greater risk for negative financial impact. While some aspects of these risks can be predictable, there is increasing uncertainty about how different weather patterns, policies, technological innovation, and consumer sentiment will shape future pathways. Initial analysis and research conclude that climate change is a risk that may be relevant across all existing risk categories.

Risk Management

Sample climate risk factors by category

Risk Category	**Physical** (failure to adapt to acute and chronic weather shifts)	**Transition** (failure to adapt to changes in policy, market, and technology shifts)
Credit	Asset quality deterioration due to physical damage to borrower collateral assets impacting operations and repayment sources	Asset quality deterioration due to declining economic condition of borrowers in carbon-intensive industries
Market	Devaluation of assets due to physical impacts	Market dysfunction or unusual levels of price volatility
Liquidity	Post-disaster recovery may cause counterparties to draw on lines of credit putting pressure on liquidity buffers	Inability to monetize liquidity buffers or deposit run-off
Operational	Increased incidence or severity of natural disasters impacting bank branches, offices, or infrastructure	Early retirement of useful assets due to regulatory or legislative changes
Model	A shortage of accurate climate data may impact model accuracy and feasibility	A shortage of accurate climate data may impact model accuracy and feasibility
Compliance	Forced retrofitting to meet enhanced building standards	Increasing legal and regulatory compliance risk as well as litigation and liability costs associated with climate-sensitive investments and businesses
Reputation	Stakeholder opinion may change based on management of natural disasters impacting bank branches, offices, or infrastructure	Stakeholder opinion may change based on the bank's climate-related commitments or lack thereof, or based on management of climate-sensitive client portfolio
Strategic	Risk framework may not sufficiently account for impact of environmental change	Risk framework may not sufficiently account for impact of client industry change or of direct regulatory/legislative change

Risk Management

Sensitivity analysis using climate change scenarios

Sensitivity analysis is a critical part of KeyCorp's risk management program that strengthens our understanding of the potential range of credit loss forecasts under various economic scenarios and portfolio compositions. It also informs future risk management strategies.

Initial efforts have been to conduct a sensitivity analysis for the commercial portfolio based on the Network for Greening the Financial System[1] (NGFS) scenario and Key's portfolio as of December 2020. The sensitivity analysis utilized three fundamental elements as outlined below:

1. Existing credit models

2. Portfolio quality[2]

3. Economic scenario leveraging NGFS scenario

While we are currently analyzing the results and refining future plans, we benchmarked the sensitivity analysis with publicly available data from a range of sources, including the American Bankers Association (ABA), the Financial Stability Board, and the Bank of France climate risk assessment. In the future, we plan to go beyond sensitivity analysis and project credit losses under various climate-centric scenarios. This includes:

- Incorporating relevant assumptions into the model as deemed appropriate
- Translating climate scenarios to macroeconomic scenarios to relate to credit models
- Evaluating idiosyncratic risks due to climate change
- Refining portfolio classifications based on climate risk
- Expanding the analysis to KeyBank's consumer portfolio with a focus on home lending

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[1] A network of 83 central banks and financial supervisors that aims to accelerate green finance and develop recommendations for central banks' role for climate change, that has been the leader in development of economic scenarios pertaining to climate change and climate risk

[2] Allowing for potential downgrades for industries susceptible to climate change

Metrics and targets

Metrics and targets are critical enablers to managing progress over time. When considering climate-related metrics and targets, we focus primarily on the following six fundamental principles:

- Decision-useful
- Understandable
- Verifiable
- Objective
- Trackable over time and consistent
- Aligned to the other TCFD pillars

Operational Efficiency Metrics

To date, KeyCorp's climate-related metrics and targets have focused on operating emissions. Existing climate-related commitments include:

Operating Emissions

40%
reduction in scope 1 & 2[1] emissions by 2030

80%
reduction in scope 1 & 2[1] emissions by 2050

Operating Clean Energy

20%
renewable energy by 2030

60%
renewable energy by 2050

Sustainable Finance

$4B
renewable energy financing

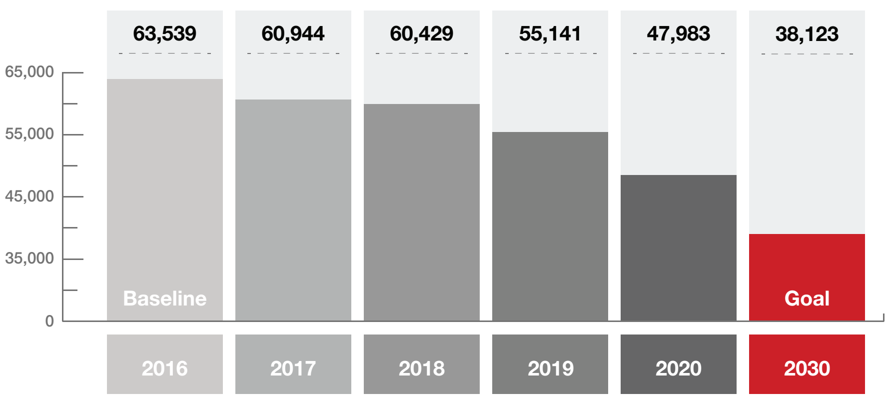
We have utilized several "levers" to make progress toward the 2030 scope 1 & scope 2 carbon emission reduction target. The levers consist of energy efficiency, strategic site consolidations, the greening of the grid, and behavior change. We continue to see the positive environmental impacts of multiyear efforts to optimize operations and have already reduced KeyCorp's GHG emissions by 24% and energy consumption by 22% from a 2016 baseline as indicated in the charts below. We're well on our way to reaching our 2030 goal.

[1] Refer to The Greenhouse Gas Protocol for scope definitions.

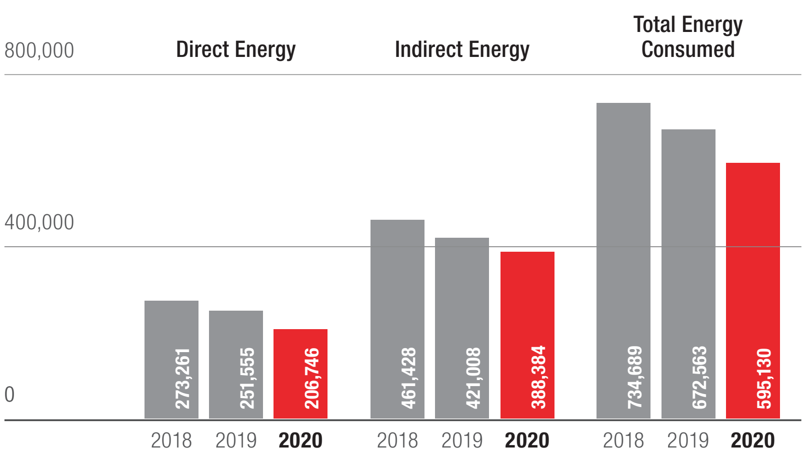
Metrics and targets

From 2016 through 2020, Key has invested approximately $27 million in energy efficiency, lighting, and HVAC projects, resulting in an estimated cost savings between $1.2 million and $3.5 million and the elimination of between 12,200 and 28,200 metric tons of CO_2[1]. We will continue to identify and invest in opportunities to improve facilities.

GHG Emissions (MT CO_2e)



Energy Consumption (GJ)



[1]The low-end of the CO_2e and monetary savings estimates account for savings and efficiencies gained in the year the project was implemented and assumes no future savings beyond the first year. The high-end of the CO_2e and monetary savings estimates assume recurring annual efficiency and monetary gains for the year the project was completed and every year thereafter.

Metrics and targets

Scope 3 quantification

In addition to scope 1 and scope 2 data, Key quantifies several scope 3 categories as shown below. Quantifying these emissions is dependent on the data and methodologies available. This data may not represent 100% coverage of any particular scope 3 category but does represent an effort to quantify scope 3 emissions where data is available. Moving forward, we are committed to exploring new methodologies and approaches to measuring and evaluating scope 3 financed emissions associated with lending activities.

Relevant and available scope 3 GHG emissions (MT CO_2e)

Matrix	2020	2019	2018	2017	2016
Purchased goods and services	3,258	3,213	–	–	–
Capital goods	2,048	2,078	4,091	–	–
Fuel- and energy-related activities (not included in scope 1 or scope 2)	3,441	3,875	683	872	–
Upstream transportation and distribution	7,052	4,675	–	–	–
Waste generated in operations	1,153	2,250	2,353	1,104	688
Business travel	2,931	16,601	18,860	18,338	16,435
Employee commuting[1]	43,030	17,174	17,287	16,705	16,476
Upstream leased assets	8,360	10,210	9,696	15,828	17,455
Scope 3 GHG Emissions	**71,273**	**60,077**	**52,969**	**52,847**	**51,054**

Columns may not total due to rounding
[1]Scope 3 category, "Employee commuting" includes remote working emissions which include energy use from office equipment, home heating, and cooling.

Impact of COVID-19 on environmental performance

COVID-19 profoundly impacted business operations, including the ability to work in person with each other and clients. Given that banking is an essential service, the majority of Key's branches remained open during the pandemic. Even still, approximately 49% of Key's employees were working from home at the height of the pandemic. To account for the shift from office to home, we estimated the GHG emissions associated with remote work. This resulted in an increase in scope 3, employee commuting emissions (see table). Even though more employees were working from home, this did not result in an equivalent decline in the scope 1 and 2 emissions associated with facilities. This is because regardless of whether there is one person working from a location or 50, the building still needs to be maintained, meaning HVAC, lighting, etc. continue to be utilized.

Beyond GHG emissions, COVID-19 also dramatically changed the waste profile. While employees were working from home, waste production declined across all categories. However, now with individuals returning to work, there is an increase in a new waste stream associated with pandemic hygiene – sanitizing wipes, masks, gloves, etc. KeyCorp is exploring opportunities to manage this waste, but we must put the health and safety of employees and clients first.

Next steps

To maximize our ability to positively impact climate change, the scale and speed of the transition efforts will require rapid and far-reaching action across the economy. To meaningfully contribute to this transition, we must continue to build an understanding of the implications of climate change on the business and clients. Progress has been made to begin integrating climate change risk into core risk processes and build appropriate capabilities to meet the expectations of investors, regulators, clients, employees, and other stakeholders. **We are committed to making continued progress.**

Currently, our path forward includes:

1. Continue building internal capacity and knowledge of climate risks and opportunities
2. Complete existing work on climate change risk identification and quantification as well as developing a climate risk management framework
3. Expand scenario analysis capabilities based on lesson learned through pilot projects
4. Formalize a climate strategy
5. Define sustainable finance at Key and evaluate opportunities to set a sustainable finance goal
6. Evaluate and implement methodologies to measure financed emissions
7. Evaluate net zero commitments
8. Continue to research and invest in building infrastructure and technologies that support current environmental goals and regulations, improve building efficiencies and improve the employee and client experience.
9. Engage and support clients on their transition plans

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Note Regarding Materiality and Forward-Looking Statements

Our environmental, social, and governance (ESG) and climate-related disclosures are voluntary disclosures. The definition of materiality used for our disclosures filed with the Securities and Exchange Commission is not the same as that used for our voluntary ESG and climate-related disclosures. It should not be assumed that information included in this report is material under the definition of materiality established under federal securities laws.

This document may contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements usually can be identified by the use of words such as "goal," "objective," "plan," "expect," "assume," "anticipate," "intend," "project," "believe," "estimate," or other words of similar meaning. Forward-looking statements provide Key's current expectations or forecasts of future events, circumstances, results, or aspirations. If underlying assumptions prove to be inaccurate or unknown risks or uncertainties arise, actual results could vary materially from these projections or expectations. Factors that could cause Key's actual results to differ from those described in the statements can be found in KeyCorp's Form 10-K for the year ended December 31, 2020, as well as in KeyCorp's subsequent SEC filings, which have been filed with the Securities and Exchange Commission and are available on Key's website www.key.com/ir and on the Securities and Exchange Commission's website www.sec.gov. Forward-looking statements speak only as of the date they are made or will be, and Key does not undertake any obligation to update the forward-looking statements to reflect new information or future events.