



Socially Responsible Investment Report for:

US BANCORP

Minneapolis, MN

Ticker: USB US Equity

Website: www.usbank.com

Last Updated: 12-28-2020

I. Exclusionary Screening

Does US BANCORP appear on any of the following lists? In our exclusionary screening, a single appearance disqualifies an investment.

Fossil Fuels & Precious Metals Mining

- BICS - Oil, Gas & Coal
- BICS - Precious Metals Mining
- Carbon Underground 200

Pornography, Gambling & Tobacco

- BICS - Casinos
- BICS - Tobacco
- Pornography

Agrochemicals & Animal Cruelty

- BICS - Crop Chemicals & Fertilizers
- Cruelty Free Investing 10 Worst

Defense & Retail Gun Sales

- BICS - Defense Primes
- SIPRI Top 100
- Gun Retailer
- NRA Top Industry Allies

Private Prisons

- BICS - Security Services

BICS = Bloomberg Industry Classification Systems

SIPRI = Stockholm International Peace Research Institute
NRA = National Rifle Association

I. Environmental, Social & Governance Data

What quantifiable environmental, social and governance data, policies or recognition does US BANCORP exhibit? Positive factors may help support a decision to invest.

General

Just Capital Overall (1-922)

#220

RobecoSAM Sustainability Score (1-100)

34

Climate Change & Fossil Fuels

2021 CDP Score

A-

Plans for Climate Risks

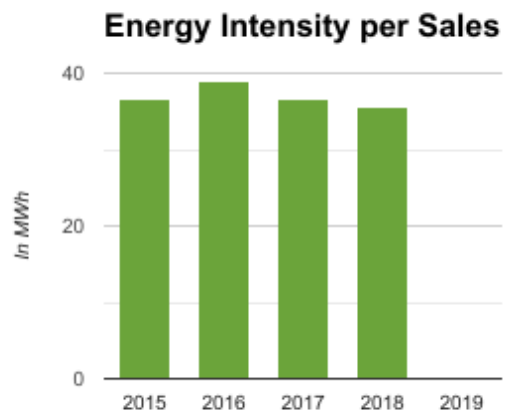
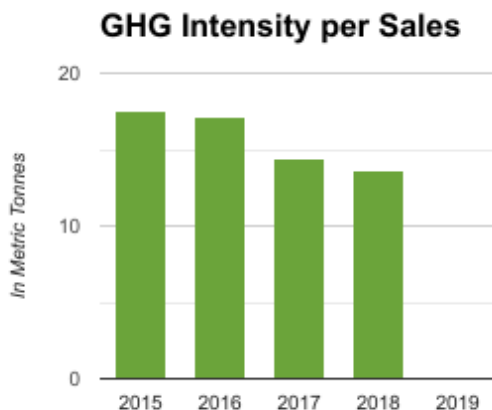
Yes

Net Zero Emissions Target Year

2050

Annual Solar Financing

\$1B



Environmental Stewardship

Just Capital - Environment (1-922)

#115

2021 Mining Loan Exposure

2.8%

Human Rights & Well-Being

Just Capital - Workers (1-922)

#470

Just Capital - Communities (1-922)

#28

Just Capital - Customers (1-922)

#832

Forbes Best World's Employers (1-500)

#426

Initiatives and Policies in Place:

- **Anti-child Labor Policy**
- **Human Rights Policy**
- **Equal Opportunity Policy**

Diversity, Equity, Inclusion and Justice

DiversityInc Top 50 2021

#18

HRC Equality Index (100 points)

100

SSGA Gender Diversity Index ETF

Listed

CEO Action for Diversity & Inclusion Signatory

Yes

Women on the Board

35%

Women Executives

36%

Number of Women on the Board

6

Number of Women Executives

5

Corporate Responsibility

Just Capital - Shareholders (1-922)

#277

Shareholder vote on management remuneration

96%

Initiatives and Policies in Place:

- **Whistle Blower Protection Policy**
- **Ethics Policy**

Data sources may include:

- Sustainability and other report(s) published by the company.
- Banktrack Human Rights Benchmark
- Barron's 100 Most Sustainable US Companies
- Bloomberg LP ESG Data (via Data License).
- CDP
- CEO Action for Diversity & Inclusion Pledge
- Climate Accountability Institute (CAI)
- Corporate Human Rights Benchmark
- Digital Rights Corporate Accountability Index
- Dow Jones Sustainability Indices (DJSI)
- EPA's Green Power Partnership
- Equileap's Top 100 Companies for Gender Equality
- Forbes World's Best Employers
- Fortune's 50 Best Workplaces for Charity and Volunteering
- Fossil Free Funds
- Global Reporting Initiative (GRI)
- Great Places to Work
- HRC's 2020 Corporate Equality Index
- Institute for Clinical and Economic Review (ICER)
- Just Capital Rankings
- KnowTheChain Benchmark
- MSCI ESG Ratings
- National Rifle Association (NRA)
- Newsweek Green Rankings
- PEOPLE's 50 Companies That Care
- Points of Light Civic 50 Honorees
- RobecoSAM Corporate Sustainability Assessment
- Roundtable on Sustainable Palm Oil (RSPO)
- Science-Based Targets initiative (SBTi)
- State Street Global Advisors' Gender Diversity Index
- Stockholm International Peace Research Institute (SIPRI)
- Task Force on Climate-related Financial Disclosures (TCFD)
- The 2019 Top 50 DiversityInc
- The Climate Group's RE100, EV100 and EP100

II. Research Narrative

What else has our research process told us about how US BANCORP conducts business, in terms of its products and services, its environmental impact, and its approach to governance?

Summary

As one of the largest banks in the United States with nearly 2,500 retail banking locations, U.S. Bancorp's primary subsidiary, U.S. Bank, has several banking products and resources it describes as "inclusive," targeting low-income customers and underserved populations. The U.S. Bank Community Development Corporation is also a major investor of tax credit equity and affordable housing lender. The company has strong greenhouse gas emissions targets against which it has made steady progress, and as of 2021 reports that it is committing more than \$1B annually to solar development projects. The company appears to take its diversity and inclusion goals seriously, and has made slow but steady progress against its goals, receiving recognition in this area. In 2020, the company committed \$100 million in capital annually to Black-owned and Black-led businesses, following the murder of George Floyd ten minutes from its Minneapolis headquarters.

In late 2021, our firm filed a shareholder proposal with U.S. Bancorp to ask that the company publish a Human Rights Policy, following a nearly 3-year history of unsuccessful attempts at meaningful engagement over prior loans to at least one gun and ammunition manufacturer. Once the proposal was filed U.S. Bancorp responded quickly and published a detailed Environmental and Social Risk Policy Statement, specifically disclosing its approach to lending and business relationships in high-risk industries. In 2018, U.S. Bancorp settled with the Justice Department over an inadequate money-laundering program, after which the company hired a global ethics officer and disclosed a new prevention-detection-response framework. In May 2021, the company revealed that its sales practices were under investigation by the Consumer Financial Protection Bureau (CFPB), although around the same time the CFPB reported the largest-ever jump in consumer complaints across the board, presumably due to the COVID-19 pandemic.

Products & Services

U.S. Bancorp is a financial services holding company and bank holding company. It was incorporated in 1929 and has evolved from the merger of several regional banks, the history of which in some cases dates back to the mid-1800s. Today U.S. Bancorp identifies its major lines of business as Corporate and Commercial Banking, Consumer and Business Banking (its largest segment, accounting for more than half of its net income in 2020), Wealth Management and Investment Services, Payment Services, and Treasury and Corporate Support.¹ The company's business operations include lending and depository services, cash management, capital markets, trust and investment management services, along with credit card and merchant processing services, mortgage banking, insurance, brokerage and leasing.

U.S. Bancorp's banking subsidiary, U.S. Bank National Association, engages primarily in lending and depository services, and held \$443 billion in deposits at the end of 2020, making it the fifth-largest bank in the United States.^{2 3} At the same time, as of December 2020, U.S. Bank operated 2,434 banking offices and 4,232 ATMs, mainly throughout the Midwest and West regions, and had approximately 68,108 full-time equivalent employees.⁴

U.S. Bancorp identifies a range of efforts it is making to improve customer and employee financial well-being, including online "Financial IQ" resources and its SMART financial habits program, webinars and in-bank seminars, online learning modules used by a majority of students of color, and pilot career and financial coaching programs. It also identifies several "inclusive" products it says were designed to improve the financial well-being of low-income customers in particular, including a direct-deposited, simple emergency loan with no late or prepayment fees, a checking account without overdraft fees, and a low down payment home loan program. Additionally, over the past 30 years U.S. Bancorp says its Community Development Corporation (USBCDC) has invested more than \$34 billion in tax credit equity and more than \$4.5 billion in community lending in affordable housing, new markets (to help start businesses in underserved communities), renewable energy, and historic preservation.⁵

During the COVID-19 pandemic, the company delayed, waived or refunded several fees for individual and small business customers, and processed more than \$7.5 billion in PPP loans, with

¹ <https://www.sec.gov/ix?doc=/Archives/edgar/data/36104/000119312521052547/d14650d10k.htm>

² <https://www.sec.gov/ix?doc=/Archives/edgar/data/36104/000119312521052547/d14650d10k.htm>

³ <https://www.bankrate.com/banking/biggest-banks-in-america/>

⁴ <https://www.sec.gov/ix?doc=/Archives/edgar/data/36104/000119312521052547/d14650d10k.htm>

⁵ <https://ir.usbank.com/static-files/b66cafaca-8012-4958-99aa-dd92cc111d03>

an average size of \$75,000, well below the SBA’s reported industry average (the company reports 85% of loans went to small businesses with 10 or fewer employees).⁶

Environment

U.S. Bancorp received an A- score from CDP (formerly the Carbon Disclosure Project) in 2021.⁷ The company met its own 2029 Scope 1 and 2 emissions reduction target 10 years early, achieving a 44% reduction against a 2014 baseline by the end of 2019 (U.S. Bancorp continues to work toward a 60% reduction target by 2044).⁸ In November 2021, U.S. Bancorp committed to net zero greenhouse gas emissions by 2050, sourcing 100% renewable electricity by 2025, and \$50 billion in environmental financing by 2030.⁹

The USBCDC invests heavily in environmental initiatives through its Renewable Energy Tax Credits, and reports committing more than \$1 billion annually in solar energy investments, including over \$11 billion in solar over the past 10 years. U.S. Bancorp says this is equivalent to more than 15% of all solar projects in the United States during that time frame.¹⁰ In 2017, U.S. Bancorp became the “first major bank to stop financing pipeline construction,” according to Banktrack.org.¹¹

As of December 2020, U.S. Bancorp’s commercial loan exposure to industries with a negative environmental impact was relatively modest, including 2.6% of all loans to energy industry customers and 2.8% of all loans to metals and mining customers.¹² That said, U.S. Bancorp does identify oil and gas as a “specifically targeted industry” of its loan business.¹³ The company also received a “Laggard” score in several fossil fuel categories monitored by Banktrack.org.¹⁴

⁶ <https://ir.usbank.com/static-files/b66cafafac-8012-4958-99aa-dd92cc111d03>

⁷ <https://www.cdp.net/en/responses/19593>

⁸ <https://ir.usbank.com/static-files/b66cafafac-8012-4958-99aa-dd92cc111d03>

⁹

<https://www.businesswire.com/news/home/20211110005819/en/U.S.-Bank-Sets-Goal-to-Achieve-Net-Zero-Greenhouse-Gas-Emissions-by-2050>

¹⁰ <https://ir.usbank.com/static-files/b66cafafac-8012-4958-99aa-dd92cc111d03>

¹¹

https://www.banktrack.org/article/u_s_bank_becomes_first_major_bank_to_stop_financing_pipeline_construction_gm

¹² https://www.usbank.com/annual-report/2020/pdf/USBank_2020Annual_Report.pdf

¹³ https://www.usbank.com/annual-report/2020/pdf/USBank_2020Annual_Report.pdf

¹⁴ https://www.banktrack.org/bank/us_bancorp#policy_assesments

Management Integrity and Ethics

U.S. Bancorp's CEO, Andrew Cecere, began his service with the company in 2000, and after steadily advancing at the company, including serving as CFO, he became President and CEO in April 2017 and Chairman in 2018. U.S. Bancorp's 13-member Board of Directors includes 4 persons of color and 6 women. U.S. Bancorp publicly details its board oversight of environmental, social and governance issues.

U.S. Bancorp's minimum wage is \$15/hour, which the company says it is currently evaluating. The company reports that in a 2020 survey, 89% of employees said they were proud to work at U.S. Bank.¹⁵

U.S. Bancorp requires that recruiters present at least one woman and/or person of color when hiring for any role in the organization. The company's representation of women and people of color at the executive/senior level rose slowly but steadily from 2016-2020. The company reports that 50% of its middle management is women.¹⁶

As a Minneapolis-based company, U.S. Bancorp responded forcefully to the murder of George Floyd in 2020, committing \$100 million in capital annually to Black-owned and Black-led businesses, along with a \$15 million fund for Black- and POC-led nonprofits, and \$1 million to Community Development Financial Institutions (CDFI), with a further \$1.15 million commitment to Black-led CDFIs as well.¹⁷ The company has also donated \$125 million to local Habitat for Humanity affiliates over the course of a 30+ year partnership.¹⁸ In 2019, U.S. Bancorp announced publicly that it would not finance private prison companies.¹⁹

In late 2021, our firm filed a shareholder proposal with U.S. Bancorp to ask that the company publish a Human Rights Policy. This request stemmed from our concerns over prior loans to at least one gun and ammunition manufacturer (Vista Outdoor), loans to the oil and gas industry, and reported prior connections to private prison companies.²⁰ During multiple years of engagement, U.S. Bancorp had been broadly unresponsive to our concerns and requests for dialogue. Once the proposal was filed, however, U.S. Bancorp quickly opened a dialogue with us,

¹⁵ <https://ir.usbank.com/static-files/b66cafaca-8012-4958-99aa-dd92cc111d03>

¹⁶ <https://ir.usbank.com/static-files/b66cafaca-8012-4958-99aa-dd92cc111d03>

¹⁷ <https://www.usbank.com/annual-report/2020/cir/racial-communities.html>

¹⁸ <https://www.usbank.com/annual-report/2020/cir/community-communities.html>

¹⁹ https://www.banktrack.org/article/banks_step_away_from_us_private_prisons

²⁰ <https://www.sec.gov/Archives/edgar/data/1616318/000095015716001831/ex10-1.htm>

and in exchange for our withdrawal of the proposal, published both a Statement on Human Rights and a detailed Environmental and Social Risk Policy Statement, specifically disclosing the bank's approach to lending and business relationships in high-risk industries.^{21 22}

In 2018, U.S. Bancorp reached a \$613 million settlement with the Justice Department, which claimed that U.S. Bank had allowed its inadequate money-laundering program to run from 2009-2014, while ignoring large numbers of suspicious transactions and concealing issues from regulators.²³ U.S. Bancorp now has a global ethics officer and a clearly disclosed prevention-detection-response framework for its ethics and business conduct program. More recently, in May 2021, U.S. Bancorp revealed in filings that the Consumer Financial Protection Bureau (CFPB) was investigating some of U.S. Bank's consumer sales practices.²⁴ Around the same time, the CFPB reported that overall consumer complaints rose nearly 54% year-on-year in 2020, presumably as a result of the COVID-19 pandemic.²⁵

²¹ <https://www.usbank.com/dam/documents/pdf/about-us-bank/community/Ethics/Human-Rights-12152021-v9.pdf>

²² <https://www.usbank.com/dam/documents/pdf/about-us-bank/community/Ethics/12132021-External-ESRP.pdf>

²³

<https://www.reuters.com/article/us-usa-usbancorp/u-s-bancorp-to-pay-613-million-for-money-laundering-violations-idUSKCN1FZ1YJ>

²⁴ <https://www.americanbanker.com/news/us-bank-a-big-bank-untouched-by-scandal-until-now>

²⁵ <https://www.pymnts.com/news/banking/2021/cfpb-looks-into-us-bancorp-consumer-sales-practices/>

Legal Notice

The material contained in this report is provided for informational purposes only and should not be considered an individualized recommendation of any particular security, strategy or investment product. This report is not intended to be used as a general guide to investing, or as a substitute for personalized investment advice, and it makes no implied or express recommendations concerning the manner in which any specific client account should be handled. If you have questions regarding the applicability of any issue discussed on this report to your own situation, you are encouraged to consult with a professional advisor of your choosing. Prentiss Smith & Co is neither a law firm nor a certified public accounting firm, and no portion of this report should be construed as legal or tax advice.

No guarantee is made as to the accuracy, completeness or timeliness of any information, projections or opinions contained in this report or upon which any such projections or opinions have been based. The information contained in this report is compiled for the convenience of site visitors and is accepted by the reader on the condition that errors or omissions shall not be made the basis for any claim, demand or cause of action. Due to factors that may include changing market conditions or applicable laws, some content on this report may no longer be reflective of our current positions or opinions. Some information on this report has also been obtained from published sources and/or prepared by unaffiliated third parties. While such sources are believed to be reliable, neither Prentiss Smith & Co nor its respective employees or representatives assumes any responsibility for the accuracy or completeness of such information. References and hyperlinks to other websites are not an endorsement, approval or certification of information, projections or opinions located at such web sites.

Investing in securities involves risk, including the loss of all principal invested. Other types of investments involve varying degrees of risk. There can be no assurance that the future performance of any specific investment, investment strategy, or product (including the investments and/or investment strategies recommended or undertaken by Prentiss Smith & Co), will be profitable or suitable for your portfolio or individual situation.