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NYC Comptroller and Pension Funds Advocate for Banks to Establish Interim Absolute GhG Emissions Targets

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On January 2, the New York City (NYC) Comptroller, Brad Lander, the NYC Employees' Retirement System, the NYC Teachers' Retirement System, and the NYC Board of Education Retirement System, **announced** that they had submitted shareholder proposals to three U.S. banks and one Canadian bank. The proposals, addressed to **Bank of America**, **Goldman Sachs**, **JPMorgan Chase** and **Royal Bank of Canada**, seek to require the banks to disclose their absolute greenhouse gas (GhG) emissions targets for 2030. Specifically, the Goldman Sachs, JP Morgan Chase, and Royal Bank of Canada proposals call for interim GhG lending and underwriting emissions targets for the oil and gas and power generation sectors. The Bank of America proposal, co-filed with the New York State Common Retirement Fund, similarly calls for interim GhG lending and underwriting emissions targets in the bank's energy sector that align with the Paris Agreement's goal to limit warming to 1.5 degrees Celsius.

The press release adds that "while some other major U.S. and foreign banks have set absolute emissions reduction targets, these four banks have only set targets to reduce the intensity of their emissions" by 2050. The banks are members of the Net-Zero Banking Alliance (NZBA), which **requires** members to publish 2030 and 2050 decarbonization targets within 18 months of joining the alliance, with intermediate targets to be set every five years from 2030 onwards. In November 2022, the NZBA **reported** that over half of its 122 member banks had set intermediate (i.e., 2030) decarbonization targets and that 90% of the member banks due to publish targets by October 2022 had done so.

Taking the Temperature: This development highlights the convergence of several trends. First, we have commented on the potential for increasing shareholder proposal activity

in relation to climate change due to a number of factors. These include programs at some of the largest institutional asset managers to provide beneficial owners with greater say over how their shares are voted, recent updates to guidelines by proxy advisory firms ISS and Glass Lewis, the SEC's issuance of Staff Bulletin No 14L, which removed any requirement that there be a causal nexus between a social policy issue and the company's business as a basis for a company to exclude a shareholder proposal, and the SEC's adoption of a universal proxy card, which has the potential to benefit climate-related activist investors seeking to nominate directors to a company's board because the universal proxy permits shareholders to "split their vote."

Second, the shareholder proposals underscore challenges potentially posed by membership in financial industry collaborations such as the NZBA, the Glasgow Financial Alliance for Net Zero (GFANZ), and others. This past fall, some major U.S. banks acknowledged that they were considering withdrawing from GFANZ due to concerns over their ability to satisfy decarbonization commitments and the potential to be subject to litigation or enforcement actions as a result. Shortly thereafter, GFANZ amended its membership rules by dropping its connection to the UN-supported Race to Zero campaign. In December, Vanguard announced that it was withdrawing from the Net Zero Asset Managers Initiative to provide clarity "about the role of index funds and about how we think about material risks, including climate-related risks—and to make clear that Vanguard speaks independently." That same month, Republican members on the House Committee on the Judiciary wrote a letter to the steering committee members of Climate Action 100+, Ceres and CalPERS, requesting documents and seeking information regarding antitrust compliance.

Third, these shareholder proposals reflect that actions by one industry participant are rarely isolated. The funds, which own a combined total of $850 million worth of shares in the four banks, likely are re-evaluating their own portfolios to meet ESG-related commitments. The press release states that the "proposals are a part of the pension funds' overall approach to achieving net zero emissions in their investment portfolio by 2040."