As the public discourse on climate change continues to heat up in light of increasingly urgent reports from the Intergovernmental Panel on Climate Change, ICCR members have been strengthening their corporate engagement strategies to more directly address the need to deeply cut GHG emissions globally. This year saw ICCR members and other investors filing a record number of climate change-related resolutions across all sectors, with GHG reduction targets becoming a renewed priority for investor engagements.

Financial institutions have enormous influence on climate change through their financing of companies in greenhouse gas emission-intensive industries like coal mining, oil and gas production, and fossil fuel-based electric power. Consequently, ICCR members have begun asking the world’s largest banks to closely scrutinize their investment portfolios related to climate risk. Specifically, they are calling for the development of formal lending criteria that account for climate risk in future investments and, further, to actively invest in solutions that will accelerate the transition to a low-carbon economy.

To this end, ICCR members filed a resolution with Bank of America, a leading financier of coal-fired power, requesting that it assess and report on emissions that may result from its lending portfolio. Sr. Judy Byron who filed the resolution on behalf of the Sisters of the Holy Names of Jesus and Mary, US Ontario Province wrote, “As responsible investors, many of us representing faith communities, we are concerned about the environmental and social impacts of climate change and what it means for the planet and its people. We are especially concerned about people who are poor or marginalized, and often feel these impacts most keenly. In addition, as long-term shareholders, we are also acutely aware of the material risks climate change poses to shareholder value for the companies in our portfolios.”

On April 11th a coalition of investors led by ICCR sent a letter to CEO Brian Moynihan requesting that management reconsider its opposition to the resolution to be voted on at Bank of America’s annual general meeting (AGM) on May 7. The letter was endorsed by over 50 institutional investors, many of them Bank of America stockholders, who collectively represent nearly $35 billion in managed assets. It cited the significant downside or ‘tail risk’ to shareholders due to stranded assets and underperforming loans that may result from climate-related pricing, business, and regulatory risks.

“We recognize that assets may become stranded for a variety of reasons,” said Gabriel Thoumi, CFA, of Calvert Investments and a co-filer of the resolution. “But the mispricing of the fossil fuel reserves of oil, gas, and coal producers due to climate risk has been cited by the Carbon Tracker Initiative and others as a significant exposure for the financial institutions that invest in and lend to these companies. The company’s current disclosure to investors on their loan loss and valuation models in light of these potential material risks is inadequate, and may expose shareholders to unacceptable ‘tail and event risks’.”

Said Ben Collins of Rainforest Action Network, “New climate change predictions suggest unprecedented threats to our planet and its inhabitants if urgent action is not taken to dramatically reduce current GHG emissions. While we acknowledge that the primary responsibility for regulating GHG emissions lies with policymakers, decisive action by the private sector is clearly needed if we are to avoid catastrophic consequences.”

The resolution received 24% investor support at the AGM on May 7th, a significant response that appears to have gotten management’s attention. Moynihan designated a senior executive to speak on climate change during the meeting, and he made some encouraging public statements on the issue, including confirming the bank’s public support for the World Resources Institute financed emissions standards development process.

He also noted the following: “Bank of America agrees that we need to transition from a high carbon to a low carbon economy and that the bank has a responsibility to accelerate this transition. The core of our strategy is our $70 billion environmental finance commitment. Reflecting the transition that is taking place, the bank significantly reduced its exposure to coal mining, including companies that engage in mountaintop removal. Going forward we expect to continue to reduce exposure to coal mining, including to mountaintop removal mining, as this transition to a low carbon economy continues.”