

## **BANK OF AMERICA – AUDITED REPORT ON IMPACT OF IEA NET-ZERO EMISSIONS BY 2050 SCENARIO**

RESOLVED: Shareholders request the Board of Directors issue an audited report on whether and how the fulfillment of the International Energy Agency (IEA)'s Net Zero Emissions by 2050 Scenario (NZE) could affect underlying assumptions in financial filings, such as the magnitude of stranded assets, declining commercial credit quality, or enhanced regulatory capital requirements. The Board should summarize its findings, completed at reasonable cost and omitting proprietary information, to shareholders by January 31, 2023.

Proponents recommend that, in the discretion of board and management, the report be supported by reasonable assurance from an independent auditor and that the report take account of information on:

- Assumptions, costs, estimates, and valuations that may be materially impacted;
- The absence of need, according to the IEA NZE pathway, for new fossil fuel development beyond projects already committed as of 2021.

### SUPPORTING STATEMENT

The Bank of America (BAC) commercial loan portfolio is heavily exposed to borrowers beset by climate risk; BAC estimates that 22% of its loan portfolio is in sectors "likely most exposed" to regulation of greenhouse gas emissions, impact of physical damage to revenue streams, need for investment in new technology or operational changes, and even availability of insurance.<sup>1</sup>

Moreover, recent movement toward tying bank capital reserve requirements to loan-book climate risk by the European Central Bank and Bank of England affect BAC's operations in those regions.<sup>2</sup> Thus BAC acknowledges in its 2020 10-K filing that "[o]ur operations, businesses and customers could be materially adversely affected by the impacts related to climate change."<sup>3</sup>

BAC is a member of the Net Zero Banking Alliance, for which our CEO committed to align with pathways consistent with a maximum temperature rise of 1.5 degrees Celsius above pre- industrial levels, utilizing decarbonization scenarios from "credible and well-recognized sources."<sup>4</sup>

However, membership in the Alliance does not necessarily equate with alignment with global climate goals. One of the world's most credible sources, the IEA, in its NZE scenario, states that "no fossil fuel exploration is required and no new oil and

natural gas fields are required beyond those that have already been approved for development.”<sup>5</sup> BAC has restricted financing for new coal operations, but has no policy to halt financing any new oil and gas exploration and development. BAC is the third-highest financier of companies expanding fossil fuels, and has increased its financing since 2016.<sup>6</sup>

BAC faces two associated problems: first, its prominence in asserting climate leadership flies in the face of its actions, creating reputational risk from accusations of greenwashing; second, in extending loans for projects which are unneeded under the IEA NZE scenario, it is loading potentially stranded assets onto its balance sheet. In this regard, investors need to know the extent to which BAC’s assumptions and financial projections are in conflict with its own net zero commitment.

<sup>1</sup><https://about.bankofamerica.com/content/dam/about/pdfs/task-force-climate-financial-disclosures-report.pdf>, at 16.

<sup>2</sup> <https://about.bankofamerica.com/assets/pdf/Environmental-and-Social-Risk-Policy-Framework.pdf>, at 7.

<sup>3</sup> Bank of America Corporation 2020 Form 10-K, at 21.

<sup>4</sup> <https://www.unepfi.org/wordpress/wp-content/uploads/2021/04/UNEP-FI-NZBA-Commitment-Statement.pdf>