

## **CITIGROUP: 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 United Nations Environmental Program Finance Initiative (UNEP FI) recommendations to the G20 Sustainable Finance Working Group, and 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 UNEP FI and the IEA NZE pathway, for new fossil fuel development beyonds projects already committed as of 2021.

### SUPPORTING STATEMENT

Citigroup estimates that “approximately 23% of total [loan] exposure and 20% of funded exposure are categorized as facing high [climate] transition risk while 15% of total exposure and 18% of funded exposure are categorized as facing high physical risk, including energy-related exposure.”<sup>1</sup>

Citigroup joined the Net Zero Banking Alliance (NZBA), committing 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>2</sup>

However, Citigroup may not be aligned with global climate goals. The UNEP FI, which convenes the NZBA, published an Input Paper to the G20 Sustainable Finance Working Group which defines credible net zero commitments of financial institutions, including: “A financial institution establishing a net-zero commitment should begin aligning with the required assumptions and implications of IPCC 1.5°C no/low overshoot pathways as soon as possible....All no/low overshoot scenarios

indicate an immediate reduction in fossil fuels, signaling that investment in new fossil fuel development is not aligned with 1.5°C.”<sup>3</sup> Another 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>4</sup> Citigroup has restricted financing for new coal operations and Arctic drilling, but has no policy to halt financing any new oil and gas exploration and development. Citigroup is the second-highest financier of companies expanding fossil fuels.<sup>5</sup>

Citigroup 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 underwriting or lending to unneeded projects under the UNEP FI recommendations or IEA NZE scenario, it is loading potentially stranded assets onto its balance sheet or those of its customers. In this regard, investors need to know the extent to which Citigroup’s assumptions and financial projections are in conflict with its own net zero commitment.

1 <https://www.citigroup.com/citi/sustainability/data/finance-for-a-climat...-2.pdf?ieNocache=548#page57>, at 50.

2 <https://www.unepfi.org/wordpress/wp-content/uploads/2021/04/UNEP-FI-NZB...-Statement.pdf>

3 <https://g20sfwg.org/wp-content/uploads/2021/10/2021-UNEP-FI.-Recommendations-Zero-Commitments.pdf>, at 15.

4 <https://iea.blob.core.windows.net/assets/88dec0c7-3a11-4d3b-99dc-8323ebfb388b/WorldEnergyOutlook2021.pdf>, at 100.

5 <https://www.ran.org/wp-content/uploads/2021/03/Banking-on-Climate-Chaos...>, at 38.