

Goldman Sachs

2022

Proposal: Financing Consistent with IEA Net Zero 2050 Scenario

Filed by: Sierra Club Foundation

RESOLVED: Shareholders request that the Board of Directors adopt a policy by the end of 2022 committing to proactive measures to ensure that the company's lending and underwriting do not contribute to new fossil fuel development, consistent with fulfilling the United Nations Environmental Program Finance Initiative recommendations to the G20 Sustainable Finance Working Group, and the International Energy Agency's Net Zero Emissions by 2050 Scenario, for credible net zero commitments.

#### SUPPORTING STATEMENT

Goldman Sachs recognizes that climate change poses a material risk to its business. As the 2020 10-K states: "Climate change concerns could disrupt our businesses, adversely affect client activity levels, adversely affect the creditworthiness of our counterparties and damage our reputation."<sup>1</sup>

Goldman is a member of the Net Zero Banking Alliance (NZBA), 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>2</sup>

However, membership in the Alliance does not necessarily equate with alignment with global climate goals. The United Nations Environmental Program Finance Initiative (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 International Energy Agency (IEA), in its Net Zero Emissions by 2050 Scenario (NZE), 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> Goldman 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. Goldman is the six-highest U.S. financier or facilitator of companies expanding fossil fuels, according to the Banking on Climate Chaos report.<sup>5</sup>

Goldman 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 projects which are unneeded under the UNEP FI recommendations or IEA NZE scenario, it is knowingly loading potentially stranded assets onto its clients' balance sheets, creating litigation risk.<sup>6</sup> In this regard, investors need to know that Goldman's lending and underwriting policies are consistent with its own net zero commitment.

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1. Goldman Sachs 2020 Form 10-K, at 43.

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

3. <https://g20sfwg.org/wp-content/uploads/2021/10/2021-UNEP-FI.-Recommendations-for-Credible-Net-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-2021.pdf>, at 38.

6. <https://www.justice.gov/opa/pr/goldman-sachs-agrees-pay-more-5-billion-connection-its-sale-residential-mortgage-backed>