

Whereas: Climate change poses a systemic risk, with estimated global GDP loss of 11-14% by midcentury under current trajectories.¹ The climate crisis is primarily caused by fossil fuel production and combustion, which is enabled by funding from financial institutions.

According to scientific consensus, limiting warming to 1.5°C means that the world cannot develop new oil and gas fields or coal mines beyond those already approved (new fossil fuel exploration and development).² Furthermore, existing fossil fuel supplies are sufficient to satisfy global energy needs.³ New oil and gas fields would not produce in time to mitigate current energy market turmoil resulting from the Ukraine War.⁴

Goldman Sachs (GS) has committed to align its financing with the goals of the Paris Agreement,⁵ achieving net-zero emissions by 2050, consistent with limiting global warming to 1.5°C.⁶ However, GS' current policies and practices are not net-zero aligned.

GS is among the world's largest funders of fossil fuels, providing \$119 billion in lending and underwriting to fossil fuel companies during 2016-2021, including \$44 billion to 100 top companies engaged in new fossil fuel exploration and development.⁷

Without a policy to phase out financing of new fossil fuel exploration and development, GS is unlikely to meet its climate commitments and merits scrutiny for material risks that may include:

- **Greenwashing:** Banking and securities regulators are tightening and enforcing greenwashing regulations, which could result in major fines and settlements.⁸
- **Regulation:** Central banks, including the Fed, are starting to implement climate stress tests⁹ and scenario analyses,¹⁰ and some have begun to propose increased capital requirements for banks' climate risks.¹¹
- **Competition:** Dozens of global banks have adopted policies to phase out financial support for new oil and gas fields¹² and coal mines.¹³
- **Reputation:** Campaigns targeting GS' climate policies include hundreds of organizations with tens of millions of global members and supporters, including current and potential GS customers.¹⁴

By exacerbating climate change, GS is increasing systemic risk, which will have significant negative impacts – including physical risks and transition risks¹⁵ – for itself and for diversified investors.

Best practices for banks to achieve net zero involve financing of companies reducing scopes 1-3 absolute emissions and allocating capital in line with science-based, independently verified short, medium and long-term decarbonization targets. Organizations like the Science Based Targets initiative and Transition Pathway Initiative can provide independent verification of decarbonization targets.

RESOLVED: Shareholders request that the Board of Directors adopt a policy for a time-bound phase-out of GS' lending and underwriting to projects and companies engaging in new fossil fuel exploration and development.

Supporting Statement: This proposal is intended, in the discretion of board and management, to enable support for GS' energy clients' low-carbon transition.

¹ <https://www.swissre.com/media/press-release/nr-20210422-economics-of-climate-change-risks.html>

² <https://www.iisd.org/system/files/2022-10/navigating-energy-transitions-mapping-road-to-1.5.pdf>

³ <https://www.ipcc.ch/report/ar6/wg3/resources/spm-headline-statements/>

⁴ <https://www.iea.org/commentaries/what-does-the-current-global-energy-crisis-mean-for-energy-investment>

⁵ <https://www.goldmansachs.com/accelerating-transition/accelerating-transition-report.pdf>

⁶ <https://www.unepfi.org/net-zero-banking/commitment/>

⁷ <http://bankingonclimatechaos.org/>

⁸ <https://www.nytimes.com/2022/06/12/business/sec-goldman-sachs-esg-funds.html>

⁹ <https://www.bankingsupervision.europa.eu/press/pr/date/2022/html/ssm.pr220708~565c38d18a.en.html>

¹⁰ <https://www.federalreserve.gov/newsevents/pressreleases/other20220929a.htm>

¹¹ <https://www.bis.org/review/r220223e.htm>

¹² <https://oilgaspolicytracker.org/>

¹³ <https://coalpolicytool.org/>

¹⁴ <https://stopthemoneypipeline.com/>

¹⁵ <https://www.bis.org/bcbs/publ/d517.pdf>