February 14, 2022

VIA ELECTRONIC FILING

Chief Counsel’s Office, Comment Processing
Office of the Comptroller of the Currency
400 7th St. SW, Suite 3E-218
Washington, DC 20219

RE: OCC Principles for Climate-Related Financial Risk Management for Large Banks
Attention: Docket ID OCC-2021-0023

To Whom it May Concern:

We are pleased to submit these comments on behalf of members of the Interfaith Center on Corporate Responsibility (ICCR), in response to the request for public feedback on the Office of the Comptroller’s (OCC) recent publication of the Principles for Climate-Related Financial Risk Management for Large Banks. We agree with and strongly support the OCC’s acknowledgement of the threats posed by the climate crisis for the safety and stability of individual banks, the banking sector, and the US financial system overall.

ICCR is a coalition of over 300 institutional investors, which includes faith-based institutions, socially responsible asset management companies, unions, pension funds, endowments, and other investors that collectively represent over $4 trillion in invested capital. Our members are deeply concerned about the disruption posed by climate change to the health of the global economy and the well-being of our societies, and have been engaging companies on the importance of assessing and mitigating climate risk for over three decades. In particular, ICCR members have been engaging closely with major banks and insurance companies on the need to assess and manage the climate risk embedded in their lending, investment and underwriting portfolios. Resolutions filed with the major banks in recent years have made clear investor concern about the importance of setting net zero targets, as well as meaningful interim decarbonization targets. We understand climate risk for the finance sector to include not only risk to the institution but, using the language of the UN Guiding Principles on Business and Human Rights, banks’ salient risks: the risks to society and ecosystems from continued financing of fossil fuel infrastructure, deforestation and other activities fueling the climate crisis.¹ As such, we welcome regulatory guidance to help ensure adequate risk management by major banks.

We welcome the net zero commitments set by major banks and note that many have set interim commitments and are working to measure and disclose their financed emissions. Yet these same banks continue to finance new fossil fuel activity even as the International Energy Agency (IEA) points out the need to stop new oil & gas development if we are to have a hope of staying under a 1.5°C rise in global temperature. This continued investment in fossil fuels drives climate change, spurring a crisis that puts people of color and low-income communities, our financial system, and our planet at risk. A focus of engagements in the 2022 shareholder season has been on the adoption of policies in line with the IEA 1.5°C scenario.

Investors, and society at large, need regulators to set strong guardrails for banks on climate risk to protect the economy and promote planetary stability. We urge you to press banks to take the urgent steps necessary to protect both their business and our economy and communities from the climate risk their short-term financing is building into the system.

We support the proposed guidance’s recommendations to banks that they:

I. **Incorporate climate-related risk management into every level of business.**

   The net zero commitments made by banks are an important first step, but to reach these goals in a way that protects the real economy in the limited time we have for corrective action, banks will need to make sweeping changes to their governance, risk assessment and lending decisions. Regulatory guidance is recognized as being necessary to help effect the deep change needed.

II. **Plan for climate change over a long time horizon, and update models as additional data becomes available.**

   Climate risk is substantially different from traditional financial risk, both because the risk is fundamentally systemic in nature, and because it operates on a different time horizon. The financial risks associated with climate change include physical and transition risks, which pose the threat of systemic risk. Decisions made now to finance fossil fuel-related development, particularly new development, will have a long-lasting effect on the economy and climactic systems. Banks’ traditional strategic planning horizons must be extended to take this into account. Investors recognize the problem of inadequate emissions data but support the OCC’s guidance that banks should act now with the best available resources and seek to integrate improved and updated data over time. Asset managers also need to measure and report their financed emissions and will benefit, along with banks and insurance companies, from improvement of the availability and quality of climate-related models and data.

III. **Develop clear definitions of possible climate-related risk exposures, and metrics for setting limits to those exposures.**

   Recognizing the limitations of data and climate disclosures, investors note both that these are constantly improving, and that further improvement will be spurred by increased demand. Most importantly, transition planning needs to be pursued now. Clear and consistent metrics can help banks identify and work to reduce their climate-related exposures, and working with their high-emitting clients to develop and implement effective transition plans is an important means of achieving this.

IV. **Ensure that banks’ internal strategies are consistent with their public-facing climate commitments.**

   As universal owners, the asset owners and asset managers that make up ICCR’s membership are relying on banks to develop effective plans to meet their net zero commitments to mitigate climate risk in the real economy, the strength of which is vital to ensuring economic stability and continuing profits over the long-term. It is critical that the OCC ensure that banks’ actions match their commitments to zeroing out their net carbon emissions. Banks’ management of climate risk should be factored into their supervisory ratings, as well.

Finally, we agree that “The board and management should also consider climate-related financial risk impacts on stakeholders’ expectations, the bank’s reputation, and LMI and other disadvantaged households and communities, including physical harm or access to bank products and services.” As banks incorporate climate risk mitigation measures, they should work to ensure that they are not disproportionately affecting “communities or households on a prohibited basis such as race or ethnicity.” Improving the availability and accessibility of financial products and
services to these communities is essential for enabling a transition that will be truly just, inclusive, and broad-based, which is critical for social stability and true economic prosperity.

Regional and community banks, which play an outsized role in LMI and rural communities, are under-resourced to address climate risks. We understand the OCC’s focus on principles for large banks. Nevertheless, tailored guidance and support to regional and local banks, including ensuring their access to quality data, tools, and services, will be especially important, again, to ensure broad-based economic well-being.

It is in the best interest of both the public and banks themselves to act now to minimize climate risk. The OCC must use the full extent of its authority to issue strong final guidance to banks on climate risk, continue to protect against unsafe and unsound bank practices, and require remedies from banks where appropriate. Guidance should include regional banks that are also exposed to climate risk, yet which lack adequate resources to assess and manage the threat.

Thank you for your consideration of our comments. We look forward to enhanced climate risk guidance for banks as a vital step in ensuring the stability of the U.S. financial system.

Sincerely,

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ICCR (Interfaith Center on Corporate Responsibility)