

[Address]

05 July 2021

Dear [Name of CEO],

We are writing to you as 115 investors with US\$ 4.2 trillion in assets under management and/or stewardship regarding how [Name of Bank] is planning to align its financing activities with the 1.5°C goal of the Paris agreement.

As a major international bank with a significant geographical footprint, [Name of Bank] is exposed to a range of climate and nature-related risks, including physical and transition risks that could have a significant impact on the value of the bank's assets and liabilities<sup>1</sup>. As a bank you are in a powerful position to drive the low-carbon transition and to address the worst consequences of climate change and biodiversity loss. We are writing this letter to encourage [Name of Bank] to update and strengthen your climate and biodiversity strategies in the run-up to the Kunming Conference (CBD COP15) and the UN Climate Talks (COP26) in Glasgow this year. A similar letter was sent to all the banks listed in Appendix I. Specifically, we call on [Name of Bank] and other globally significant banks to:

**1. Publish short-term (5-10 years) climate-related targets covering all relevant financial services ahead of your 2022 AGM.**

Signatories to the Net-Zero Banking Alliance (NZBA) have been given 18 months from 21 April 2021 to set their first round of targets, and another 12 months to publish "high level transition plan[s] providing an overview of the categories of action expected to be undertaken to meet the targets and an approximate timeline." We understand that signatories to the Collective Commitment to Climate Action (CCCA) have been given similar, albeit shorter, timelines. Whether or not you have signed up to the NZBA or the CCCA, we urge you to publish your first round of targets and plans *ahead* of your 2022 AGMs instead. These targets should cover highest emitting sectors first, such as oil and gas and power and utilities, as well as those sectors you have most exposure to.

Noting that the scope of the 'UNEPFI guidelines for climate change target setting' is currently limited to corporate loans, and recognising existing methodology and data gaps, we ask banks to ensure the scope of their targets covers *all* financial services, especially those they have most exposure to.

**2. Integrate the findings of the IEA Net-Zero scenario and/or another 1.5C scenario with low overshoot and minimal reliance on Negative Emission Technologies into your climate strategy.**

The publication of the International Energy Agency's (IEA) Net Zero by 2050 Roadmap in May 2021 was a watershed moment for global climate action<sup>2</sup>. The report maps out concrete milestones that need to be met to enable a mid-century world with net zero emissions, thereby limiting global temperature rise to 1.5 °C. Some of the IEA's main findings include:

- **No new fossil fuels:** As the Executive Director of the IEA put it, "there is no need for new oil, gas and coal development, which includes no need for oil and gas exploration investments."
- **A rapid decarbonisation of the power sector:** Electricity generation in the power sector must be 100% from clean energy in the OECD by 2035, and 100% globally by 2040.

We welcome the commitment by signatories to the NZBA and to the CCCA to use scenarios that "are from credible and well-recognised sources; are no/low overshoot; rely conservatively on negative

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<sup>1</sup> <https://www.fsb.org/wp-content/uploads/P231120.pdf>

<sup>2</sup> <https://www.climateaction100.org/news/blog-landmark-iea-roadmap-increases-pressure-on-paris-aligned-business-strategies/>

emissions technologies; and to the extent possible, minimise misalignment with other Sustainable Development Goals” when setting 1.5C aligned targets.

The IEA Net-Zero scenario, published in May 2021, addresses several of these concerns. We ask that banks commit to using the IEA Net Zero by 2050 scenario or equivalent 1.5C scenarios with low overshoot as a minimum standard in their scenario analysis and to disclose potential impacts to company strategy. Reviews of sectoral policies, company targets, client expectations and accounting numbers should be undertaken to reflect the selected 1.5C scenario.

### **3. Phase out from coal by 2030 in OECD countries and by 2040 in non-OECD countries at the latest.**

Banks should demonstrate their climate commitment by publishing new coal policies before COP26. Coal policies should include commitments to:

- Cease project financing of new coal mines, coal-fired power plants, and related infrastructure, as well as general corporate financing, underwriting and advisory services to companies that are developing new coal mines, coal-fired power plants and related infrastructure, and companies that are highly dependent on coal mining and/or coal power<sup>3</sup>.
- Help corporate clients to develop, publish and implement their own coal phase-out plans by no later than December 2023. Banks should expect clients to close rather than sell their coal assets to minimise the risk of carbon leakage and to address the social impacts of the necessary transition away from coal.
- Phase out completely from coal by 2030 in OECD countries and by 2040 in non-OECD countries at the latest.

### **4. Ensure your financial statements are drawn up in alignment with a 1.5C-pathway.**

It is clear that banks’ economic prospects will be impacted by both the physical impacts of climate change as well as the transition onto a net zero pathway. These impacts should be a critical consideration in banks’ financial statements, which are required to ensure a fair representation of the entity’s economic position. Where banks fail to incorporate climate risks into their accounts, there is a risk of misrepresentation and, critically, a misallocation of capital.

Guidance issued by the International Accounting Standards Board (IASB) as well as the International Audit and Assurance Standards Board (IAASB) in recent months both underlined the importance of considering material climate risks in company accounts and the associated audits under existing accounting rules<sup>4</sup>. Their calls are increasingly being backed by institutional investors<sup>5 6</sup>.

We thus ask Audit Committees to ensure banks’ financial statements consider material climate risks associated with a 1.5C-aligned transition and Risk Committees to ensure climate risk is effectively integrated in all the key risk categories.

### **5. Commit to protect and restore biodiversity.**

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<sup>3</sup> See for example the Global Coal Exit List: <https://coalexit.org/index.php/>

<sup>4</sup> <https://www.ifrs.org/news-and-events/news/2020/11/educational-material-on-the-effects-of-climate-related-matters/>; <https://www.iaasb.org/news-events/2020-10/iaasb-issues-staff-audit-practice-alert-climate-related-risks>

<sup>5</sup> <https://www.iigcc.org/resource/investor-expectations-for-the-banking-sector/>

<sup>6</sup> <https://www.iigcc.org/resource/investor-expectations-for-paris-aligned-accounts/>;  
<https://www.unpri.org/sustainability-issues/accounting-for-climate-change>

Banks, through their financing decisions and client selection, play an essential role in incentivising the protection and restoration of biodiversity, as well as mitigating and preventing the major drivers of nature loss. We encourage you to commit to the following ahead of the CBD COP15 conference:

- Develop and disclose a strategy to address the systemic risk posed by biodiversity loss, the tackling of which will be critical to effective climate action, a just transition, and sustainable economic wellbeing. This should include making a commitment to identifying and disclosing impacts and dependencies on biodiversity, set nature targets that are science-based by 2024 at the latest, ideally as part of the Finance for Biodiversity Pledge initiative<sup>7</sup>, and taking the conclusions of the CBD COP process into account, and publicly report on progress on an annual basis.
- Publish sectoral expectations on the management of biodiversity-related risks and impacts for clients in high-impact sectors. Strengthen biodiversity and human rights safeguards in sectoral policies for high impact industries, including proper due diligence impact assessments for each sector. This should include a clear commitment to respect Indigenous rights and environmental defenders.
- Commit to engage in the process to develop a Taskforce on Nature-Related Financial Disclosures (TNFD) and, once the new disclosure framework is launched in 2023<sup>8</sup>, draw on the TNFD to refine biodiversity strategies, approaches and disclosures.

We would welcome a response to this letter before 15 August, including an overview of the steps that [Name of Bank] is planning to take to address the five issues highlighted in the letter. Progress against these issues may be taken into consideration within investors' 2022 AGM voting action and engagement activities, such as voting on special and ordinary resolutions. Please send your response to Jeanne Martin, Senior Campaign Manager at ShareAction, at [Jeanne.martin@shareaction.org](mailto:Jeanne.martin@shareaction.org).

Yours sincerely,

**Aargauische Pensionskasse  
(APK)**

**ACTIAM**

**Adrian Dominican Sisters,  
Portfolio Advisory Board**

**As You Sow**

**ATISA**

**Personalvorsorgestiftung der  
Tschümperlin-  
Unternehmungen**

**Aviva Investors**

**Barrow Cadbury Trust**

**Bernische  
Lehrerversicherungskasse**

**Bernische Pensionskasse  
BPK**

**Boston Common Asset  
Management**

**Brunel Pension Partnership**

**Caisse Cantonale  
d'Assurance Populaire -  
CCAP**

**Caisse de pension du Comité  
international de la Croix-  
Rouge**

**Caisse de pension Hewlett-  
Packard Plus**

**Caisse de pensions de l'Etat  
de Vaud (CPEV)**

**Caisse de pensions du  
personnel communal de  
Lausanne (CPCL)**

**Caisse de pensions ECA-RP**

**Caisse de prév. des  
Fonctionnaires de Police &  
des Etablissements  
Pénitentiaires**

<sup>7</sup> <https://www.financeforbiodiversity.org/>

<sup>8</sup> <https://tnfd.info/>

Caisse de Prévoyance de l'Etat de Genève CPEG	Epworth Investment Management	Friends Provident Foundation
Caisse de Prévoyance des Interprètes de Conférence (CPIC)	ERAFP	Gebäudeversicherung Luzern
Caisse de prévoyance du personnel communal de la ville de Fribourg	Esmee Fairbairn Foundation	Gebäudeversicherung St. Gallen
Caisse de prévoyance du personnel de l'Etat de Fribourg (CPPEF)	Etablissement Cantonal d'Assurance (ECA VAUD)	Health Foundation
Caisse de prévoyance du personnel de l'Etat du Valais (CPVAL)	Ethos Foundation	Jesuits in Britain
Caisse intercommunale de pensions (CIP)	Falkirk Council Pension Fund	Jesus College, Cambridge
Caisse paritaire de prévoyance de l'industrie et de la construction (CPPIC)	Fidelity International	La Banque Postale Asset Management
Candriam	Folksam	Lankelly Chase
CAP Prévoyance	Fondation de la métallurgie vaudoise du bâtiment (FMVB)	LGPS Central
CCLA	Fondation de prévoyance Artes & Comoedia	Lombard Odier Investment Managers
Central Board of the Methodist Church	Fondation de prévoyance du Groupe BNP PARIBAS en Suisse	Luzerner Pensionskasse
Church Commissioners	Fondation de prévoyance professionnelle en faveur de AROMED	M&G Investments
CIEPP - Caisse Inter-Entreprises de Prévoyance Professionnelle	Fondation de prévoyance Romande Energie	Man Group Plc
Congregation of St. Joseph	Fondation	Mercy Investment Services Inc.
Daughters of Charity, Province of St. Louise	Interprofessionnelle Sanitaire de Prévoyance (FISP)	Merseyside Pension Fund
Ecofi Investissements	Fondation Leenaards	Nest Sammelstiftung
EOS at Federated Hermes (on behalf of stewardship clients)	Fondation Patrimonia	Newton Investment Management
	Fonds de Prévoyance de CA Indosuez (Suisse) SA	PensionBee
	Fonds interprofessionnel de prévoyance (FIP)	Pensionskasse Römisch-katholische Landeskirche des Kantons Luzern
		Pensionskasse AR
		Pensionskasse Bank CIC (Schweiz)
		Pensionskasse Basel-Stadt

**Pensionskasse Bühler AG  
Uzwil**

**Pensionskasse Caritas**

**Pensionskasse der Basler  
Kantonalbank**

**Pensionskasse der Stadt  
Frauenfeld**

**Pensionskasse der Stadt  
Winterthur**

**Pensionskasse Pro Infirmis**

**Pensionskasse Schaffhausen**

**Pensionskasse SRG SSR**

**Pensionskasse Stadt Luzern**

**Pensionskasse Stadt St.  
Gallen**

**Pensionskasse Unia**

**Personalvorsorgekasse der  
Stadt Bern**

**Polden-Puckham Charitable  
Foundation**

**Prévoyance Santé Valais  
(PRESV)**

**prévoyance.ne**

**Profelia Fondation de  
prévoyance**

**Prosperita Stiftung für die  
berufliche Vorsorge**

**Raiffeisen Pensionskasse  
Genossenschaft**

**Rathbone Investment  
Management**

**Rentes Genevoises**

**River & Mercantile Asset  
Management**

**RP - Fonds institutionnel**

**Sarasin & Partners**

**Secunda Sammelstiftung**

**Seventh Generation  
Interfaith**

**ShareAction**

**Sierra Club Foundation**

**Spida  
Personalvorsorgestiftung**

**St. Galler Pensionskasse**

**Stiftung Abendrot**

**Storebrand Asset  
Management**

**SVA Zürich**

**Sycomore Asset  
Management**

**Terre des hommes Schweiz**

**Trust for London**

**Unfallversicherungskasse  
des Basler Staatspersonals**

**Université de Genève  
(UNIGE)**

**Verein Barmherzige Brüder  
von Maria-Hilf (Schweiz)**

**Vorsorge SERTO**

**WWF-UK**

## Appendix I: List of banks

Abanca	Handelsbanken	Sparebank ostlandet
Agricultural Bank of China	HSBC	Standard Chartered
AIB	Ibercaja	Swedbank
Alandsbanken	ICBC	Toronto-Dominion Bank
Amalgamated Bank	IDLC FINANCE LIMITED	Triodos Bank
Banco Promerica	ING Bank	UBS
Bancolombia	Intesa Sanpaolo	Unicredit
Bank of America	Islandsbanki	Vancity
Bank of China	JPMorgan Chase & Co	Wells Fargo
Bank of Montreal	KB Financial Group	
Banorte	KBC Bank	
Banpro	La Banque Postale	
Barclays	LGT	
BBVA	Lloyds Banking Group	
BNP Paribas	Mizuho FG	
CaixaBank	Morgan Stanley	
China Construction Bank	MUFG	
CIB	Nationwide Building Society	
CIBC	Natwest Group	
Citi	OCS Coopeservidores	
Commerzbank	Produbanco	
Crédit Mutuel	Republic Financial Holdings Limited	
Credit Suisse	Royal Bank of Canada	
Danske Bank	Santander	
Deutsche Bank	Scotiabank	
Ecology Building Society	SEB	
Fana Sparebank	Shihan Financial Group	
GLS Bank	SMBC Group	
Goldman Sachs	Société Générale	
Groupe Crédit Agricole		

