

Clean Energy Supply Financing Ratio

Resolved

Shareholders request that Bank of America (“Company”) disclose annually its Clean Energy Supply Financing Ratio (“Ratio”), defined as its total financing through equity and debt underwriting, and project finance, in low-carbon energy supply as a proportion of that in fossil-fuel energy supply. The disclosure, prepared at reasonable expense and excluding confidential information, shall describe the Company’s methodology, including what it classifies as “low carbon” or “fossil fuel.”

Supporting Statement

The Intergovernmental Panel on Climate Change (“IPCC”) has advised that greenhouse gas emissions must be halved by 2030 and reach net zero by 2050. According to the International Energy Agency (“IEA”), this requires a rapid transition away from fossil fuels and a tripling in global annual clean energy investment by 2030.¹

Banks aligning their activities with their own climate goals are better prepared to manage the risks, including legal, reputational and financial risks, associated with the global energy transition. Furthermore, they can capitalize on profitable opportunities in clean energy and position themselves as leaders in a rapidly changing market. Since 2022, banks have reportedly earned more in lending and underwriting fees from clean energy projects than from oil, gas, and coal companies.²

The Company has committed to achieve net zero emissions for its financing activities before 2050 and announced a \$1 trillion by 2030 goal to “mobilize capital to accelerate the environmental transition.”³

While this financing commitment may appear significant, investors need more information to assess it relative to the Company’s financing of fossil fuels, which totaled approximately \$280 billion since 2016, ranking it as the fourth largest financer of fossil fuels.⁴

According to BloombergNEF’s recent report, Financing the Transition: Energy Supply Investment and Bank Financing Activity (“BloombergNEF Report”),⁵ the pace at which low-carbon energy supply is scaled up will dictate the rate at which fossil fuels are phased down. Synthesizing the seven most frequently referenced 1.5C – aligned pathways (IEA; Network for Greening the Financial System; IPCC), it concluded that, to achieve net zero emissions by 2050, the Ratio must reach a minimum of 4:1 by 2030, rise to 6:1 in the 2030s and 10:1 thereafter. Bloomberg estimated the Company’s 2021 Ratio at 1.1.

Clean-energy-to-fossil-fuel financing ratios have emerged as a key metric for assessing progress in financing the clean energy transition. The IEA tracks one,⁶ and they have been recognized by the leading

¹ <https://www.iea.org/reports/net-zero-by-2050>

² <https://www.bloomberg.com/news/articles/2023-10-18/green-fees-overtake-fossil-fuels-for-second-straight-year>

³ <https://newsroom.bankofamerica.com/content/newsroom/press-releases/2022/04/bank-of-america-announces-2030-financing-activity-targets-as-par.html#:~:text=In%20April%202021%2C%20the%20company,United%20Nations%20Sustainable%20Development%20Goals.>

⁴ <https://www.bankingonclimatechaos.org/#sector-panel>

⁵ <https://assets.bbhub.io/professional/sites/24/BNEF-Bank-Financing-Report-Summary-2023.pdf>

⁶ <https://www.iea.org/reports/world-energy-investment-2023/overview-and-key-findings>

bank climate alliances in which the Company participates, including the Glasgow Financial Alliance for Net Zero and the Net Zero Banking Alliance, which advised that comparable indicators for “reporting requirements could include ...a transition finance ratio.”⁷

At management’s discretion, we recommend the Company:

- Set timebound Ratio targets aligned with its net zero commitment.
- Consult BloombergNEF Report when setting Ratio targets and defining “low carbon” and “fossil fuel” financing.
- Work to establish standardized industrywide methodologies.
- Disclose a comparable ratio for its lending.

We urge shareholders to vote FOR the proposal.

⁷ <https://www.unepfi.org/wordpress/wp-content/uploads/2022/10/NZBA-Transition-Finance-Guide.pdf>