SEC Allows Shareholder Resolution on Climate Change

FEBRUARY 21, 2013

In a move that has caught the attention of large institutional lenders, the SEC, on February 13, allowed a shareholder resolution on climate change risks filed with PNC Financial to remain on the proxy ballot for the 2013 proxy season. If the resolution, filed by sustainable investment company Boston Common Asset Management, LLC, is passed by a vote of the shareholders, it would require PNC to provide shareholders its assessment of greenhouse gas emissions "resulting from its lending portfolio and its exposure to climate change risk in its lending, investing, and financing activities" by September 2013. The resolution references PNC's financing of four of the top nine mountain-top removal coal mining companies as an example of a financing activity that could expose the bank to climate change risks.

On February 19, an SEC spokesperson clarified that the SEC's approval of the shareholder resolution was specific to PNC because the bank had "indicated there is a substantial relationship between the bank's operations and climate change." The spokesperson stated further that because of these statements, SEC "staff felt that there was a sufficient relationship between the issue of climate change and the bank's operations so that it could not concur with the bank's view that the proposal was excludable as an ordinary business matter." SEC previously dismissed similar resolutions directed at banks and insurance companies as "ordinary business matters" because these institutions are considered experts in risk management. Its recent action illustrates, however, how a lending institution's portfolio that is heavily comprised of GHG-intensive industries may trigger requests by shareholders for disclosure of climate change risks associated with those businesses.

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