

Risks of Nuclear Weapons Financing

Resolved: Shareholders request that the Board of Directors issue a report, at reasonable cost and omitting proprietary information, assessing the effectiveness of PNC's Environmental and Social Risk Management (ESRM) systems at managing risks associated with lending, investing, and financing activities within the nuclear weapons industry.

Supporting Statement: The report may include:

- Review of PNC's existing financing to the nuclear weapons industry and associated actual and potential human rights impacts;
- An assessment of the legal, financial, regulatory, and reputational risks that PNC may face due to involvement with the nuclear weapons industry; and
- Evaluation of if and how PNC plans to reduce or eliminate its potential exposure to risks of nuclear weapons financing.

Whereas: Under the UN Guiding Principles on Business and Human Rights, PNC has a responsibility to address adverse human rights impacts that it may cause, contribute to, or be directly linked to its business.¹ This applies regardless of the size or scope of those activities.

PNC lends over \$1.9 billion to companies involved in the nuclear weapons industry,² many of which are failing to meet their human rights responsibilities and have been connected to gross human rights violations, including those that could amount to war crimes.³ Nuclear weapons, by design, cause massive death and destruction, and long-term harm to human health, the environment, socioeconomic development, and social order.⁴ They are also illegal under international law.⁵ Despite the severity and likelihood of harm related to nuclear weapons, PNC's ESRM and rapid risk screening do not explicitly address risks of financing any controversial weapons and do not identify the defense sector as presenting elevated risk. PNC's processes appear to lack an analysis of social risks, as it has not publicly identified any sectors that require elevated due diligence because of exposure to social risk.⁶

PNC faces significant legal, financial, and reputational risks if it continues to be linked to the nuclear weapons industry. Following the Treaty on the Prohibition of Nuclear Weapons' entry into force in January 2021, investor screens for nuclear weapons companies have been increasing. Over 90 financial institutions appear to have stopped funding activities to the

¹ https://www.ihrb.org/uploads/submissions/John_Ruggie_Comments_Thun_Banks_Feb_2017.pdf

² <https://www.dontbankonthebomb.com/wp-content/uploads/2021/11/2021-Perilous-Profiteering-final.pdf>

³ <https://www.amnesty.org/download/Documents/ACT3008932019ENGLISH.PDF>

⁴ <https://www.icrc.org/en/document/humanitarian-impacts-and-risks-use-nuclear-weapons>

⁵ <https://www.un.org/disarmament/wmd/nuclear/tpnw/>

⁶ <https://www.pnc.com/en/about-pnc/corporate-responsibility/corporate-social-responsibility/governance-risk/values-business.html>

nuclear weapons industry, and at least 35 financial institutions have adopted policies to prohibit lending altogether.⁷

In response to public pressure, PNC reevaluated its financing of private prisons and mountaintop removal mining.⁸ Despite the severe human rights risk and business risks from nuclear weapons financing, PNC has failed to take similar action.

Increasing scrutiny of lending practices and international pressure for nuclear disarmament escalates the risk to PNC and exposes the company to reputational risk as a retail banker. For example, the 'Stop Banking the Bomb Campaign' has held over 75 demonstrations outside of PNC offices, including during PNC's shareholder meetings, calling for divestment from nuclear weapons manufacturers.⁹

⁷ <https://www.dontbankonthebomb.com/>

⁸ <https://www.pnc.com/en/about-pnc/corporate-responsibility/corporate-social-responsibility/governance-risk/values-business.html>; https://www.pnc.com/content/dam/pnc-com/pdf/aboutpnc/CSR/PNC_2019_CSR_Report.pdf

⁹ <http://www.nuclearban.us/stop-banking-the-bomb-the-campaign-to-get-pnc-bank-to-divest-from-nuclear-weapons/>; <https://newpeoplenewspaper.com/2020/07/31/stop-banking-the-bomb-resumes-pickets-at-pnc/>