



# InfluenceMap

## Canada's Big Five Banks: Heading to Net Zero?

Assessments of climate governance, financing portfolios, and policy engagement

March 2024





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FinanceMap is a research program by global climate change think tank InfluenceMap. Metrics and analysis featured in this report are available in full at [FinanceMap.org](https://www.financemap.org). All financial institutions assessed in this research were offered the opportunity to review the analysis and provide feedback prior to release.

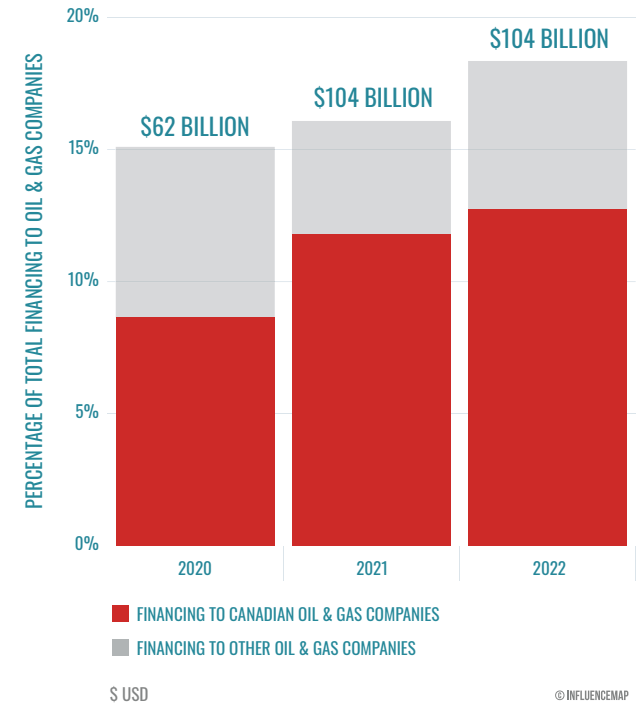
## Executive Summary

- FinanceMap’s 2024 assessment of the Big Five Canadian banks shows that the firms are undermining their own net zero commitments through their financing activities, lack of robust sector financing policies, and inconsistent policy engagement. This is despite all five banks (RBC, TD Bank, Scotiabank, BMO, and CIBC) being signatories to the Net Zero Banking Alliance (NZBA). Notably, the banks’ fossil fuel financing activities and limited fossil fuel exclusion policies are highly misaligned with IEA and IPCC net zero pathways. Between 2020 and 2022, the Big Five steadily increased their fossil fuel financing exposure from an average of 15.5% in 2020 to 18.4% in 2022, facilitating a total of \$275 billion (USD) in financing to fossil fuel value chain companies over this period.
- None of the banks have committed to a phaseout of financing thermal coal. Where they have put in place fossil fuel exclusion policies, these only apply to certain unconventional oil and gas activities. Meanwhile, the Canadian oil and gas sector has seen high profits in recent years, renewing interest in the expansion of production and infrastructure<sup>1</sup>. As a result, the Big Five’s facilitated financing<sup>2</sup> to Canadian oil and gas companies increased from \$36 billion in 2020 to \$73 billion in 2022. Domestic oil and gas financing represented 68% of the banks’ total oil and gas financing deal flows over the three-year period.
- While the Big Five banks are all members of the Net Zero Banking Alliance, none of them have publicly advocated for ambitious climate-related policy in Canada. In fact, the banks belong to industry associations that are working to block or dilute climate-related policies in Canada and globally. This is despite the NZBA commitment statement outlining that signatories will “engage on public policies to help support a net zero transition of economic sectors in line with science.”

1 IISD, *Setting the Pace: The economic case for managing the decline of oil and gas production in Canada*, June 2023

2 Facilitated financing is defined as the combined corporate lending and bond and equity underwriting activities of a given bank.

### Canada Big Five's Oil & Gas Financing



- The **Canadian Bankers Association**, a financial industry group representing all five banks, has emphasized that Canada does not require climate-related financial regulation and that the pace of the energy transition should be determined by real-economy policies. All five banks are also members of cross-sector industry associations, including the **Canadian Chamber of Commerce** and the **Business Council of Canada**, that are advocating for the expansion of Canadian fossil gas production and blocking or diluting real-economy climate policy in Canada and globally.
- This research analyzed \$1.6 trillion in corporate lending and bond and equity underwriting deals at the Big Five banks in 2020, 2021, and 2022. According to BloombergNEF, the ratio of investment in fossil-fuel to low-carbon energy supply must reach 1 to 4 by 2030 to achieve a 1.5°C scenario<sup>3</sup>. The Canadian Big Five's financing deal flows inverted this ratio in 2020-2022 to 3.9 to 1 in favor of fossil fuel financing. 16.9% of all facilitated financing assessed went to oil, gas, and coal companies, compared to just 4.3% to companies identified as green. The Big Five's ratio of financing fossil fuel companies over green is significantly higher than that of leading US<sup>4</sup> (2.8 to 1) and European<sup>5</sup> (2.0 to 1) banks. **BMO** had the highest fossil-fuel-to-green ratio at 6.8 to 1, while **Scotiabank** had the lowest at 3.0 to 1.
- The Big Five banks do not appear to be aligning their short- and medium-term emissions reduction targets with their long-term net zero commitments. All five banks have set 2030 interim targets for the oil, gas, and power sectors among other sector targets. However, these are almost all relative, intensity-based<sup>6</sup> targets, allowing for absolute financed emissions to rise. Only **BMO** has set a target to reduce its absolute Scope 3 oil and gas emissions. Meanwhile, **RBC**, **Scotiabank**, and **BMO** have only included lending activities in their targets, omitting key financing streams such as capital markets activities from their targets. The Big Five have facilitated \$74 billion (USD) in bond and equity underwriting to companies in the fossil fuel value chain between 2020 and 2022, representing 16.0% of their total assessed underwriting deal value.
- FinanceMap's assessment of the banks' climate governance, strategy, and policies against TCFD guidelines and IPCC/IEA technology positions shows that there are no leaders in the Canadian banking sector, with an average regional score of D+<sup>7</sup>. Although the Big Five banks appear to have integrated climate considerations into their reporting on governance processes and risk management, they do not show evidence of robust climate strategies and are lagging in the metrics and targets used to assess and manage material climate risks and opportunities. Compared to other regions, the Canadian banks are on par with US banks (D+ average) and trailing behind European banks (C+ average) in this regard.

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3 *BloombergNEF, Financing the Transition: Energy Supply Investment and Bank Financing Activity*, February 2023

4 US banks included in assessment: J.P. Morgan, Bank of America, Citigroup, Wells Fargo, Goldman Sachs

5 European banks included in assessment: HSBC, BNP Paribas, Crédit Agricole, Barclays, Santander

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6 Includes physical emissions intensity (e.g. kgCO<sub>2</sub>e/MWh for power sector) and financed emissions lending intensity (FELI) (e.g. gCO<sub>2</sub>e/\$ for energy sector).

7 Scoring scale from A+ to F.

## Introduction

In the past few years, the Canadian government has set out high-level commitments to tackle climate change, including achieving net zero emissions by 2050 in the Canadian Net-Zero Emissions Accountability Act, adopted in June 2021. In March 2022, the government outlined a roadmap to reduce emissions by 40% by 2030 in its 2030 Emissions Reduction Plan. Despite the Net-Zero Emissions Accountability Act setting a legally binding emissions target, Climate Action Tracker states there remains a significant gap between current policies and Canada's Nationally Determined Contribution (NDC) target, as well as 1.5°C compatibility<sup>8</sup>.

Due to its historic role as one of the country's primary economic sectors, Canada has a high level of dependence on the oil and gas sector, leading to considerable transition risk for the country. As such, the importance of an orderly transition for the country is high. The Canadian banking sector will play a key role in facilitating this transition through its financing and services provided to the real economy. However, Canadian banks currently continue to hold significant fossil fuel loans and assets<sup>9</sup>.

This report seeks to assess the climate impact of Canada's five largest banks by total assets, often referred to as the 'Big Five': **Royal Bank of Canada (RBC)**, **Toronto-Dominion Bank (TD Bank)**, **Scotiabank**, **Bank of Montreal (BMO)**, and **Canadian Imperial Bank of Commerce (CIBC)**.



The Net Zero Banking Alliance is a group of leading global banks committed to financing ambitious climate action to transition the real economy to net-zero greenhouse gas emissions by 2050.



<sup>8</sup> *Climate Action Tracker, Canada Profile*, December 2022

<sup>9</sup> *IISD, Setting the Pace: The economic case for managing the decline of oil and gas production in Canada*, June 2023

## Banking and Climate Change

In recent years, increasing attention has turned to the financial sector to drive meaningful progress on climate change. In response, the financial sector has shown a dramatic increase in top-line support for climate action, as evidenced by the emergence of numerous Net Zero by 2050 initiatives and commitments since 2020. However, despite this apparent ambition, InfluenceMap's 2022 [Finance & Climate Change](#) report found a considerable gap between the world's largest financial institutions' long-term commitments and their current policies and activities.

To coordinate efforts across different players in the financial system and accelerate the transition to a net zero economy, the Glasgow Financial Alliance for Net Zero (GFANZ) coalition was founded in April 2021. The Net Zero Banking Alliance (NZBA) was launched as part of this coalition, with the aim to decarbonize the global banking sector. NZBA now boasts over 140 signatory banks with USD \$74 trillion in total assets, including the Big Five Canadian banks. NZBA signatories commit to “transition the operational and attributable greenhouse gas (GHG) emissions from their lending and investment portfolios to align with pathways to net zero by 2050 or sooner”.

This report will analyze whether Canada's Big Five banks have been effective in aligning their activities with a net zero pathway. Assessments of (i) climate governance, strategy, and policies, (ii) lending and underwriting portfolios, and (iii) policy engagement by the banks will form a holistic overview of the banks' climate performance.

## FinanceMap's Research

FinanceMap is a research program by climate think tank InfluenceMap seeking to drive positive change in the financial sector's impact on climate change, as well as to hold the sector accountable for its climate commitments. FinanceMap creates data and analysis on key actors in the financial sector and assesses to what extent they are using their influence to impact real-economy climate outcomes.

## Summary Results

Table 1: Summary of research results

Bank	Facilitated Financing Assessed (USD)	Fossil Fuel to Green Financing Ratio	Portfolio Net Zero Alignment Score	Climate Governance Score	Policy Engagement	
					Score	Intensity
Royal Bank of Canada	\$499B	3.8 : 1	-27%	D+	D+	12%
TD Bank	\$303B	4.3 : 1	-29%	D+	D+	11%
Scotiabank	\$314B	3.0 : 1	-27%	D+	C-	15%
Bank of Montreal	\$324B	6.8 : 1	-26%	D+	C	10%
Canadian Imperial Bank of Commerce	\$185B	3.7 : 1	-26%	D	C	9%

# Results: Climate Governance, Strategy, and Policies

FinanceMap’s Climate Governance, Strategy, and Policies assessment analyzes how financial institutions are incorporating climate risk into their decision-making and operations. This analysis specifically explores the banks’ alignment with TCFD recommendations and science-based policy benchmarks.

Table 2 shows the average 2023 scores for banks across Canada, the US, and Europe. With an average score of D+, Canadian banks are largely misaligned on their climate governance, strategy, and policies and are ultimately not keeping up with best practice standards. In particular, the Big Five, along with their US peers, lag their European counterparts. The following sections will discuss the areas constituting this analysis, and the banks’ performance in each.

## Net Zero Commitments and Interim Targets

All banks in the Big Five joined the Net Zero Banking Alliance in October 2021 and have set 2030 interim targets in line with the coalition. While setting emissions reduction targets for key sectors is an important step towards net zero, these targets do not appear to meet leading practice standards. Notable omissions from most targets are: expanding the scope to cover facilitated emissions from capital markets activities; setting absolute rather than relative targets for fossil fuel sectors; and disclosing key components and assumptions supporting targets. Lastly, the banks’ target setting needs to be complemented with sector policies designed to steer targets.

**Table 2: Average climate governance score by region**

Banks by Region	Average Climate Governance Score
Canada	D+
USA <sup>10</sup>	D+
Europe <sup>11</sup>	C+

<sup>10</sup> US banks included in assessment: J.P. Morgan, Bank of America, Citigroup, Wells Fargo, Goldman Sachs, Morgan Stanley

<sup>11</sup> European banks included in assessment: HSBC, BNP Paribas, Crédit Agricole, Barclays, Santander, Deutsche Bank, UBS, ING



**Table 3: Analysis of Big Five's climate targets**

Bank	Net Zero by 2050 Target	2030 Target Sectors Disclosed	Coverage of Interim Targets	Absolute Emissions Targets
Royal Bank of Canada	Yes	Oil and gas, power, automotive	Lending only	No
TD Bank	Yes	Energy, power, auto manufacturing, aviation	Non-retail financing and capital markets facilitation <sup>12</sup>	No
Scotiabank	Yes	Oil and gas, power	Lending only	No
Bank of Montreal	Yes	Oil and gas, power, motor vehicles	Lending only	Only O&G target absolute, Motor Vehicles target credit-based, and Power target intensity-based
Canadian Imperial Bank of Commerce	Yes	Oil and gas, power	Financed and facilitated emissions <sup>13</sup>	No

12 TD Bank states non-retail financing includes relationship to lending to corporate and commercial clients and capital markets facilitation activities include debt and equity capital markets (Lending includes total commitments such as clients' drawn balances and undrawn balances under committed loan agreements and other off-balance sheet commitments.)

13 CIBC states financed emissions include lending activities and facilitated emissions include share of underwritten and arranged financing in debt and equity capital markets.

Generally, variation in target parameters can make targets difficult to compare, and targets often vary in terms of underlying climate scenarios used and their assumptions on the route to net zero by 2050. Key details on the Big Five's targets are outlined below:

- **RBC** and **BMO** have applied their 2050 commitments only to lending activities, while the scope of **TD Bank** and **Scotiabank's** targets is unclear. Only **CIBC's** 2050 target applies to both corporate lending and facilitated financing, with the same coverage applying to its 2030 targets. **TD Bank** also applies its mid-term targets to non-retail financing and capital markets activities. Although NZBA does not require members to include capital markets facilitation and underwriting activities in the scope of their targets, exclusion of these key activity areas allows banks to continue to facilitate financing to fossil fuel sectors through debt and equity underwriting.
- **CIBC, TD Bank, RBC,** and **Scotiabank** have set relative intensity-based targets, which allow the banks to reduce only their emissions intensity while their absolute facilitated emissions may continue to grow year over year. Only **BMO** has set an absolute Scope 3 emissions target for the

oil and gas sector, while setting a credit-based target<sup>14</sup> for the 'personal motor vehicles' sector.

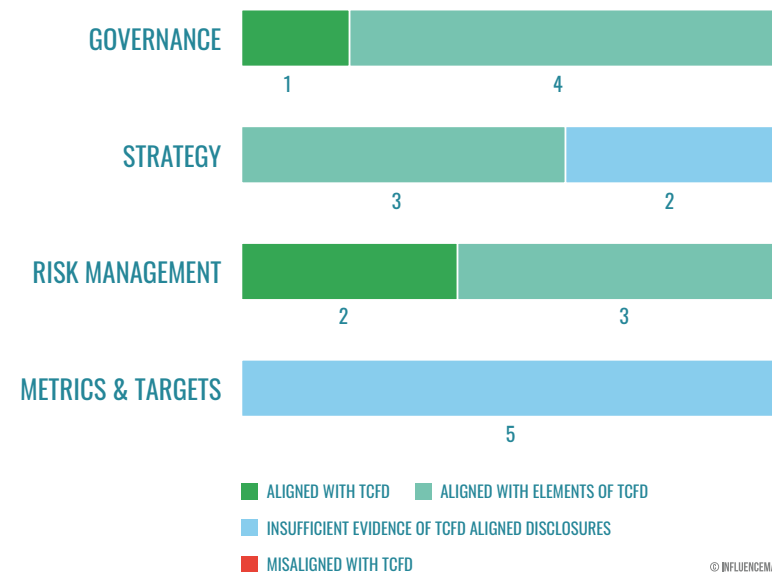
- The banks have varying coverage across the value chain for their oil and gas targets. **BMO** and **Scotiabank's** targets only cover upstream activities, while **RBC** covers upstream, downstream, and integrated. **CIBC's** covers upstream, downstream, and end-use emissions. **TD Bank** has the highest coverage across the value chain, with its target applying to upstream, midstream, downstream, and integrated. Targets that cover the full value chain ensure the bank measures all sources of emissions linked to its financing activities, including activities such as refining and transportation, which would be excluded from an upstream-only target.
- **Scotiabank** is the only bank not to include Scope 3 emissions in its oil and gas target, despite Scope 3 making up the vast majority of emissions within the sector.

14 **BMO** is targeting 100% of new loans for new light-duty cars and passenger trucks in Canada to be zero emission vehicles (ZEV) by 2035.

## Climate-Related Reporting

The Big Five Canadian banks generally perform well on the TCFD pillars focused on descriptions of processes and policies ('Governance' and 'Risk Management'). However, they largely underperform on disclosure of the actual and potential impacts of climate on the business as well as key climate-related metrics and targets. The largest areas for improvement include the 'Strategy' and 'Metrics and Targets' pillars, particularly conducting robust scenario analysis and disclosing comprehensive financed emissions and emissions reduction targets. This section outlines key findings in the Governance, Strategy and Risk Management pillars, with details on the Metrics and Emissions recommendations outlined further below.

Figure 1: Big Five's Alignment with TCFD Pillars



## Governance

Board and management oversight of climate-related issues and strategy at the Big Five has improved somewhat over the last few years. Some banks have created climate-specific management-level committees and begun to provide details of their boards' climate-related discussions and activities. Others are focusing on overall ESG oversight with climate being a sub-category of ESG, thus providing less detail on climate governance.

**RBC**, **TD Bank**, and **BMO** have all detailed instances in the past year where the board discussed or acted on climate in 2022 reporting. **Scotiabank** and **CIBC** have limited details of what climate-related topics were discussed in 2022 or how frequently, as descriptions of board oversight structures and committees revolve more around ESG strategy. In terms of management-level oversight on climate, **RBC** and **TD Bank** have one or more climate-specific management-level committees, whereas **Scotiabank**, **BMO**, and **CIBC** have only assigned climate-related responsibilities to ESG and other committees and positions.

## Strategy

The Big Five have similar levels of disclosure on climate strategy, and notably are all performing poorly on scenario analysis disclosure. All five banks use scenario analysis to assess the impact of physical and transition risks using scenarios consistent with 2 °C or below. While they often disclose which scenarios they use, disclosure of results of the analyses is lacking for most banks. **Scotiabank** has especially limited details on scenario analysis in its ESG reports, though the other four do not disclose a high level of detail either. Additionally, none have disclosed how they plan to respond to the impacts identified in their analyses.

## Risk Management

All five banks report on the ways they integrate climate risk management into their overall risk management approach and have improved over time their processes for identifying and assessing climate risk. For example, **TD Bank**, **BMO**, **CIBC**, and **RBC** use heat mapping analysis to determine the relative significance of different risks and/or the relative sensitivity of different sectors. **Scotiabank** has its own Climate Change Risk Assessment for assessing at the client or transaction level and conducts annual reviews of vulnerability of credit exposure to climate risks. Through these assessments, all five banks have identified the oil and gas/energy sector as highly sensitive to risk (transition, physical, or both). Other common high-risk sectors include agriculture, forest products, transport, and metals/mining.

## Metrics and Emissions Reporting

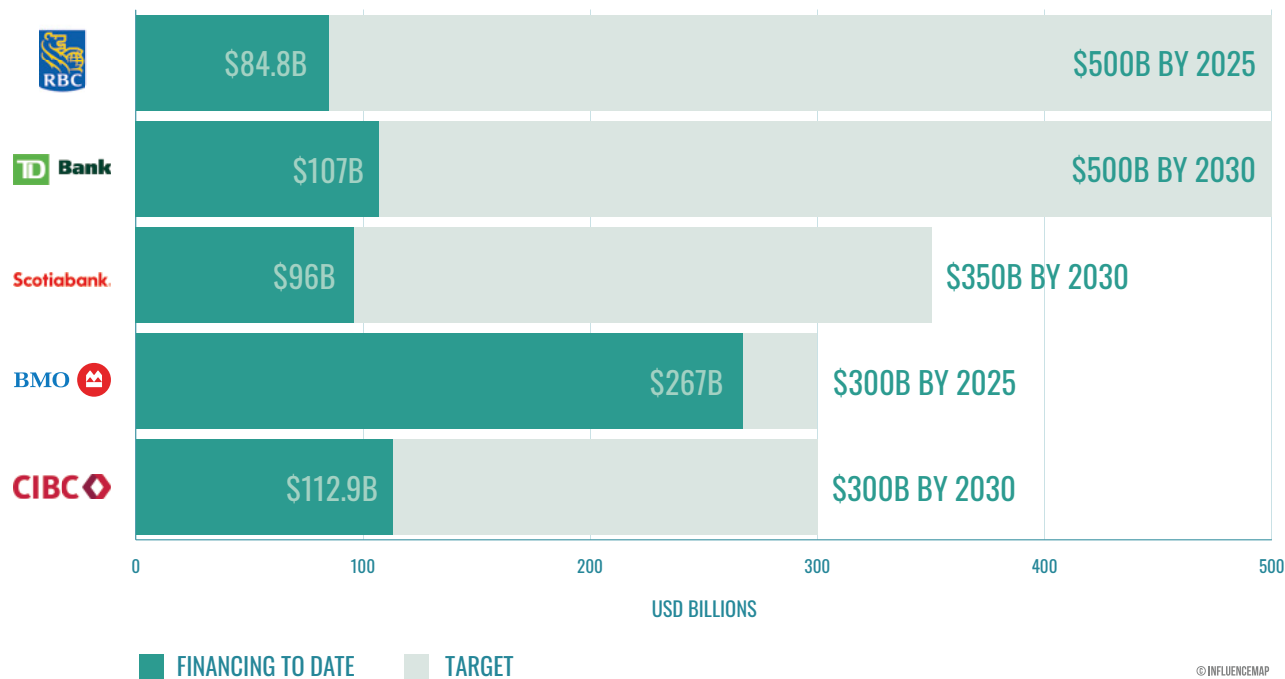
### Metrics

Metrics are important tools to help understand how banks are measuring and monitoring climate-related risks and opportunities. Some key metrics disclosed by the Big Five are outlined below:

- All five banks incorporate ESG, including climate, into remuneration policies, but none have specified what amount is specifically weighted to climate.
- **RBC, TD Bank, Scotiabank,** and **BMO** state that they use internal carbon pricing in their CDP responses and **CIBC** states that it intends to in the next two years. However, their internal carbon prices only apply to operational emissions and not financed emissions, therefore missing the most material part of these companies' GHG footprints.
- All five banks report or have reported metrics measuring assets and/or business activities vulnerable to climate-related risk. **RBC, TD Bank,** and **Scotiabank** also provide a breakdown of exposure to carbon-related assets, with stated exposure ranging from 15% to 20% of total credit risk exposure, indicating a considerable proportion of assets exposed to transition and physical risks.
- All five banks have a sustainable finance goal or commitment and have reported progress against the target. These targets, shown in Figure 2, range from \$300 to \$500 billion (USD) of sustainable financing and include financing for renewable and low-carbon energy among other green technologies supportive of a low-carbon economy. However, most of these sustainable finance goals also include social transactions and are not exclusive to green or climate-related financing. Only **Scotiabank's** commitment is exclusive to green or transition activities and other climate-related expenditures. Additionally, the banks assessed do not contextualize these targets as a means to reduce fossil fuel exposure or meet emissions reduction targets. Meanwhile, their interim reduction targets for high emitting sectors such as oil and gas are mostly intensity-based metrics, allowing for overall increased emissions and growth within this climate-critical sector (see Targets section above).



Figure 2: Big Five's Sustainable Finance Commitments



### Emissions

All banks have begun disclosing Scope 3 Category 15 emissions, or financed emissions, with a range of sectors disclosed. The robustness of financed emissions reporting varies across the banks, for example:

- Only **TD Bank** has disclosed the proportion of loans covered in its emissions measurement, covering approximately 89% of its lending to carbon sensitive sectors as defined by NZBA. The other four banks<sup>15</sup> have not disclosed the proportion of financing covered in their measurements.
- Coverage of business activities varies in financed emissions disclosure. **BMO, CIBC, RBC,** and **TD Bank** have disclosed drawn loans, not fully reflecting the amount of financing a bank has committed to provide. **Scotiabank** is the only bank to include committed loans in its emissions disclosure.
- Sector coverage in disclosures also varies, with oil, gas, and power being the only sectors for which all banks have disclosed financed emissions.

<sup>15</sup> RBC previously disclosed in its 2021 TCFD report initial estimates of emissions associated with its portfolio across all six PCAF asset classes, representing 83% of its financed emissions. RBC did not disclose this information in its 2022 Climate Report.

## Fossil Fuel Policies

Despite integrating climate change considerations into their governance and risk management reporting, the Canadian banks are not implementing key changes necessary to drive progress towards net zero, most notably evidenced by their weak fossil fuel exclusion policies. These policies are substantially misaligned with the UN Intergovernmental Panel on Climate Change’s (IPCC) science-based position on the corresponding technologies. The IPCC’s *Sixth Assessment Report* states that in order to limit warming to 1.5 °C, the global use of coal, oil, and gas will have to decline by 95%, 60%, and 45% by 2050, respectively, compared to 2019<sup>16</sup>. This suggests a need for an immediate and rapid transition away from fossil fuels.

FinanceMap analysis shows Canadian banks rank below their American and European counterparts in terms of the robustness of their fossil fuel exclusion policies. Figures 3 and 4 show the range of scores for banks’ policies on coal, and oil and gas across Canada, the US, and Europe. Notably, Canadian banks consistently score **F** across coal and oil and gas, indicating high misalignment with IPCC/IEA science. Meanwhile, American banks on average score an **F** for their coal policies and **E-** on their oil and gas policies<sup>17</sup>. In contrast, European banks score considerably higher on their policies, with an average score of **C** for coal and **D+** for oil and gas<sup>18</sup>. Unlike Canadian and American banks, whose policies are consistently misaligned, European banks’ policies show a larger range of alignment scores.

16 Without the use of CCS, this projection changes to a decrease of 100% for coal, 60% for oil, and 70% for gas. IPCC AR6 WGIII *Climate Change 2022: Mitigation of Climate Change*, Pg. 24  
 17 US banks included in assessment: J.P. Morgan, Bank of America, Citigroup, Wells Fargo, Goldman Sachs, Morgan Stanley.  
 18 European banks included in assessment: HSBC, BNP Paribas, Crédit Agricole, Barclays, Santander, Deutsche Bank, UBS, ING.

Figure 3: Coal Exclusion Policy – Canada vs US vs Europe

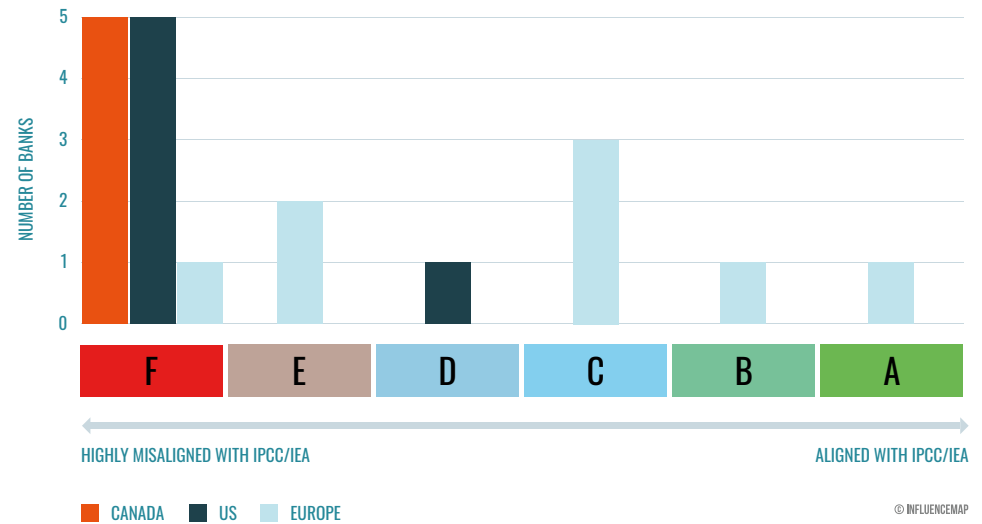
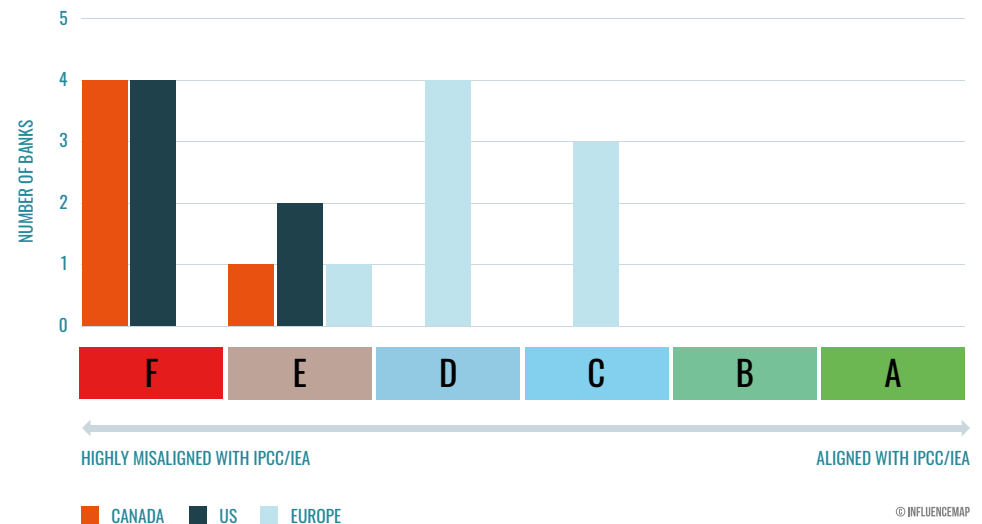


Figure 4: Oil & Gas Exclusion Policies – Canada vs US vs Europe



## Coal Policies

Adopting robust coal sector policies that support the phaseout of thermal coal is integral to keeping 1.5 °C in reach. However, none of the Canadian banks have set a coal phaseout in line with IPCC pathways, nor do they require transition plans from coal clients. Key aspects of the Big Five's coal policies are outlined below.

- **Project-specific financing for new coal-fired power plants and coal mines:** Scotiabank has only excluded financing for standalone projects for thermal coal mining and power generation, but will continue to support existing clients with coal assets. RBC, BMO, and CIBC have only excluded financing where proceeds will be primarily used to develop new greenfield coal-fired power plants or thermal coal mines, and do not appear to have set criteria around expansion of existing plants or mines. TD Bank has excluded financing for new thermal coal mines or power plants and expansion of existing mines and power plants, though it has not set any other conditions on supporting existing coal clients.
- **All banks are still accepting new coal clients:** Scotiabank does not appear to have outlined requirements for new clients in its policy. Meanwhile, BMO and RBC have outlined lenient policies, excluding new clients only if they operate significant thermal coal mining (>60% revenue) or coal power generation assets (>60% output, MWh). CIBC outlined similar policies, stating it will not lend to new utility or power generation clients with over 60% of total power generation from coal, but has not outlined requirements for new coal mining clients. TD Bank has excluded new power generation clients that generate 30% or more of their power from unabated coal-fired power generation and new clients that derive over 30% of revenue from thermal coal production.

RBC, BMO, TD Bank, and Scotiabank have all stated they will monitor their exposure to thermal coal. In comparison, some large European banks have taken clear steps towards phasing out of the sector. For example, BNP Paribas has adopted a coal phaseout by 2030 in OECD countries and 2040 in the rest of the world. The bank has also halted financing to companies planning to develop new coal mines or coal-fired power generation capacity, as well as companies that have no coal exit strategy in line with its phaseout timeline. Finally, the bank has set relative and absolute thresholds for mining companies (20% coal share of revenue or 10Mt annual thermal coal production), as well as for new coal-fired power generation clients (25% revenue). Even this policy could be strengthened further by lowering the threshold for power generation below 20%, as well as introducing more specific phaseout demands from the companies it finances, such as requirements for CCS or early coal plant retirement.



None of the Canadian Big Five has set a coal phaseout in line with IPCC pathways, nor do they require transition plans from coal clients.



## Oil and Gas Policies

Given Canada's position as one of the largest producers of oil and natural gas, Canadian banks have an integral role to play in supporting the transition away from fossil fuels. Adopting robust oil and gas sector policies are critical in supporting the banks' own decarbonization targets for the sector. Key aspects of the Big Five's oil and gas policies are outlined below:

- **Limited measures to address unconventional oil and gas:** None of the banks have dedicated policies for the oil and gas sector. Each bank only mentions oil and gas policies as they relate to projects in the Arctic or Arctic National Wildlife Refuge (ANWR). **TD Bank** and **Scotiabank** are the only banks to exclude project services related to the exploration, development, and production of oil and gas in the Arctic. Meanwhile, **RBC**, **BMO**, and **CIBC** have only prohibited direct financing or transactions that involve exploration and development in the ANWR. No other unconventional activities are mentioned in the Big Five's policies, including oil sands, fracking, and ultra deepwater oil and gas development.
- **No measures to address conventional oil and gas:** None of the banks have committed to restricting financing to the development of new oil and gas fields or outlined general criteria for oil and gas activities. This is misaligned with the IEA's Net Zero by 2050 scenario which calls for no new oil and gas development. They also have not outlined any transition plan requirements from oil and gas clients.

In contrast to the weak policies adopted by Canadian banks, some European banks have complemented their decarbonization targets for the oil and gas sector with stronger exclusion policies. For unconventional oil and gas, **BNP Paribas** has excluded financing to all unconventional projects<sup>19</sup>, as well as to companies that generate more than 10% of revenue from unconventional oil and gas. **HSBC** has excluded financing and advisory services to new oil and gas fields or for infrastructure pertaining to the development of new oil and gas. The bank also requires fossil fuel clients to have credible climate transition plans in line with the bank's own targets, and it will not take on new clients who decline to engage on transition plans. **HSBC** could further strengthen its policy by requiring that new and existing clients not expand oil and gas infrastructure, alongside their transition plan.

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<sup>19</sup> BNP Paribas' policy covers the Arctic and Amazon regions, shale oil and gas, oil sands, extra-heavy crude oil, and coal-bed methane.



## Lack of Changes in Fossil Fuel Policies

The Big Five's fossil fuel exclusion policies remain highly insufficient to meet their own net zero commitments. FinanceMap analysis shows that the majority of the banks have not strengthened their coal or oil and gas policies since they were first adopted and since setting a Net Zero by 2050 target. Figure 5 shows a timeline of when the banks first adopted their coal and oil and gas policies and whether they have been updated since.

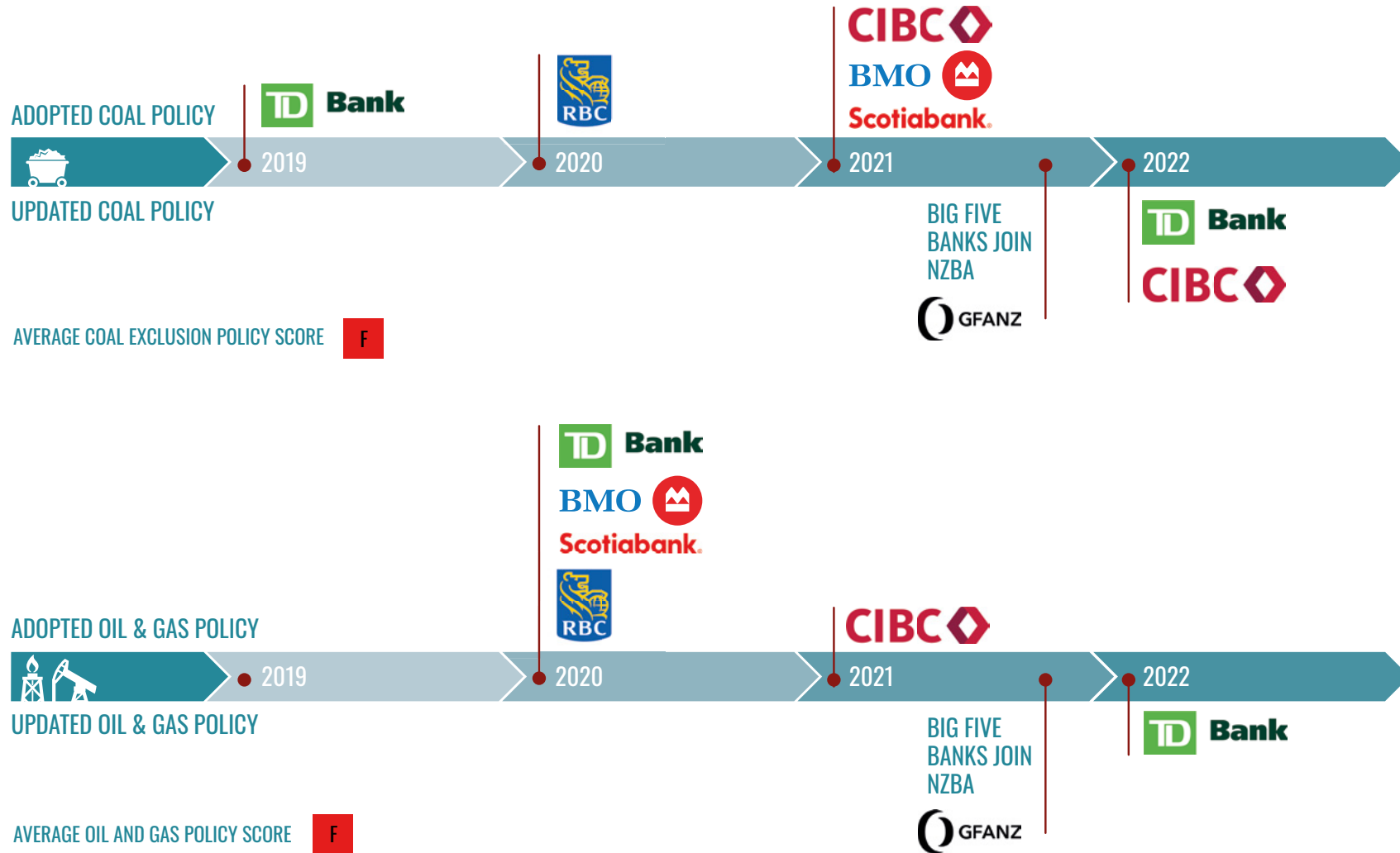
- **Lack of updates in coal policies:** RBC, Scotiabank, and BMO have not updated their coal policies since the adoption of these policies. Only TD Bank and CIBC<sup>20</sup> appear to have updated their coal policies, but their current policies remain highly insufficient. Specifically, TD's initial policy had only prohibited mountaintop-removal coal mining, but its updated policy outlined exclusions for new and expansion of thermal coal mines and unabated coal plants as well as relative thresholds for clients which is detailed further below.
- **Lack of updates in oil policies:** The banks have also not strengthened their oil and gas policies since adopting them. Only TD Bank has implemented minor changes in its policy, with its initial policy stating it would not provide new project specific financial services related to the exploration, development, or production of oil and gas in the Arctic Circle. TD's latest policy extended this to all project specific financial services for oil and gas activities in the Arctic Circle. None of the banks have policies in place that effectively contribute to limiting global warming to 1.5 °C or achieving net zero emissions by 2050.

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20 InfluenceMap first assessed CIBC's position on coal in its 2021 TCFD Report, which stated it performs enhanced due diligence for specific sectors such as the construction of new coal-fired power plants as well as adopting a thermal coal management protocol for the utilities sector. CIBC appears to have added a stance on coal to its policies in 2022.

“The Canadian banks are not implementing key changes necessary to drive progress towards net zero, most notably evidenced by their weak fossil fuel exclusion policies.”

Figure 5: Big Five Fossil Fuel Exclusion Policies  
Timeline of Setting and Updating of Policies



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## Results: Portfolio Analysis

FinanceMap's portfolio analysis assesses the climate performance of financing facilitated by banks through their corporate lending and capital markets underwriting activities. The Big Five banks' portfolios assessed here include deals between 1st January 2020 and 31st December 2022. This covers \$1.63 trillion (USD) in facilitated financing, of which \$1.16 trillion through corporate lending and \$466 billion through bond and equity underwriting. Project financing is not assessed. Deal data has been gathered from Bloomberg Terminal LEAG tables. All financing values assessed are in USD.

### Methodology

FinanceMap uses three metrics to assess financial portfolios: fossil fuel exposure, green exposure, and portfolio net zero alignment. The exposure metrics assess the types of companies financed. Fossil fuel companies are defined as having primary business activities within the fossil fuel value chain, this is identified using company sector classifications. Green companies are identified using the EU taxonomy for sustainable activities, with companies deriving 75% or more revenue from relevant activities highlighted as green. Net zero alignment assesses the financing of four climate critical sectors (automotive, coal, oil and gas, and power), by first assessing the alignment of each sector individually and then combining the sector assessments to produce a portfolio level alignment. This results in a percentage score which indicates alignment with the IEA Net Zero Emissions by 2050 pathway. For a deeper methodological discussion please refer to the [FinanceMap Banking Methodology documentation](#).

### Exposure Metrics

#### Fossil Fuel Exposure

The \$275 billion financed by the Big Five Canadian banks to companies in the fossil fuel value chain represents 16.9% of the total financing assessed in this research (\$1.6 trillion). This is made up of \$200 billion in corporate lending and \$74.5 billion in bond and equity underwriting. The banks' lending activities are slightly more exposed to the fossil fuel sector at 17.3%, while 16.0% of underwriting value is on behalf of fossil fuel clients. Deals with companies in the oil and gas value chain make up 98% of the fossil fuel financing value assessed, with the remaining 2% going to coal value chain companies.

Comparing this to other regions, the 5 largest Canadian banks have considerably higher relative exposure to the fossil fuel sector than the five largest banks in the US and Europe.

**Table 4: Regional fossil fuel financing (2020-2022)**

Banks by Region	Fossil Fuel Financing	Total Facilitated Financing	Fossil Fuel Exposure
Canada	\$275B	\$1.63T	16.9%
USA <sup>21</sup>	\$411B	\$6.76T	6.1%
Europe <sup>22</sup>	\$217B	\$2.48T	8.7%

<sup>21</sup> US banks included in assessment: J.P. Morgan, Bank of America, Citigroup, Wells Fargo, Goldman Sachs

<sup>22</sup> European banks included in assessment: HSBC, BNP Paribas, Crédit Agricole, Barclays, Santander

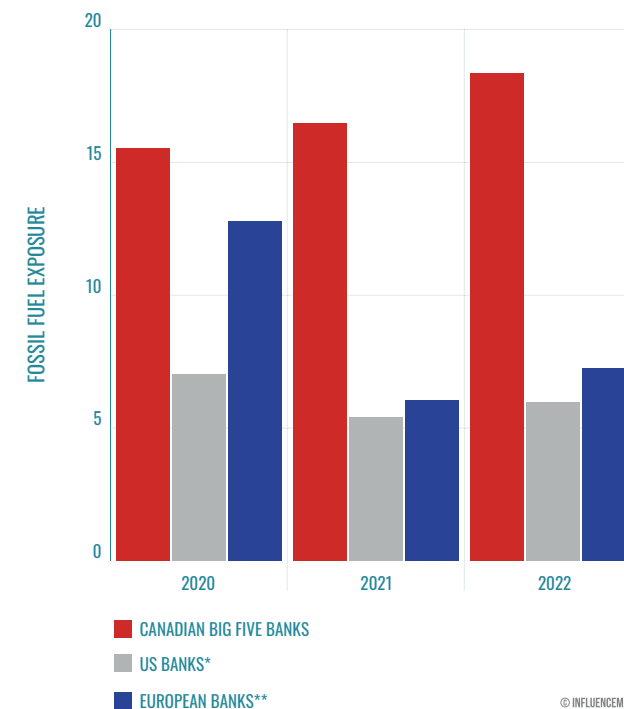
Table 4 shows that, relative to each region's respective total financing value, Canadian banks are 1.9 times more exposed to fossil fuels than the largest European banks and 2.8 times more exposed than US peers. Assessing fossil fuel exposure by year, the Big Five have increased the proportion of fossil fuels in their primary financing portfolio each year since 2020, with 18.4% of financing value going to fossil fuel companies in 2022, up from 15.5% in 2020. This opposes the financing trend in the largest US and European banks, where the proportion of fossil fuel financing within their portfolios has decreased from 2020 to 2022.

This high exposure to fossil fuels is also observed at the level of each of the Big Five individually. While **CIBC** has financed the smallest absolute value to fossil fuels (\$42.2 billion), its 23% relative exposure to the sector is the largest amongst the Big Five and the highest fossil fuel exposure of any bank FinanceMap assesses globally. **CIBC** also facilitated the largest absolute amount specifically to coal companies of the Big Five at \$2.4 billion, 2.8 times higher than any other bank assessed, despite having the smallest portfolio value assessed. This places **CIBC** as the only bank with more than 1% of facilitated financing going to coal companies. Meanwhile, the lowest fossil fuel exposure of **BMO** amongst the Big Five is still higher than the fossil fuel exposure of any bank assessed across Europe and the US.

**Table 5: Big Five fossil fuel financing (2020-2022)**

Bank	Fossil Fuel Financing	Total Facilitated Financing	Fossil Fuel Exposure
CIBC	\$42.2B	\$185B	23%
TD Bank	\$56.8B	\$303B	19%
Scotiabank	\$57.5B	\$314B	18%
RBC	\$72.4B	\$499B	15%
BMO	\$45.8B	\$324B	14%
<b>Total</b>	<b>\$275B</b>	<b>\$1.63T</b>	<b>17%</b>

**Figure 6: Regional Fossil Fuel Financing**



\*US Banks: J.P. Morgan, Bank of America, Citigroup, Wells Fargo, Goldman Sachs

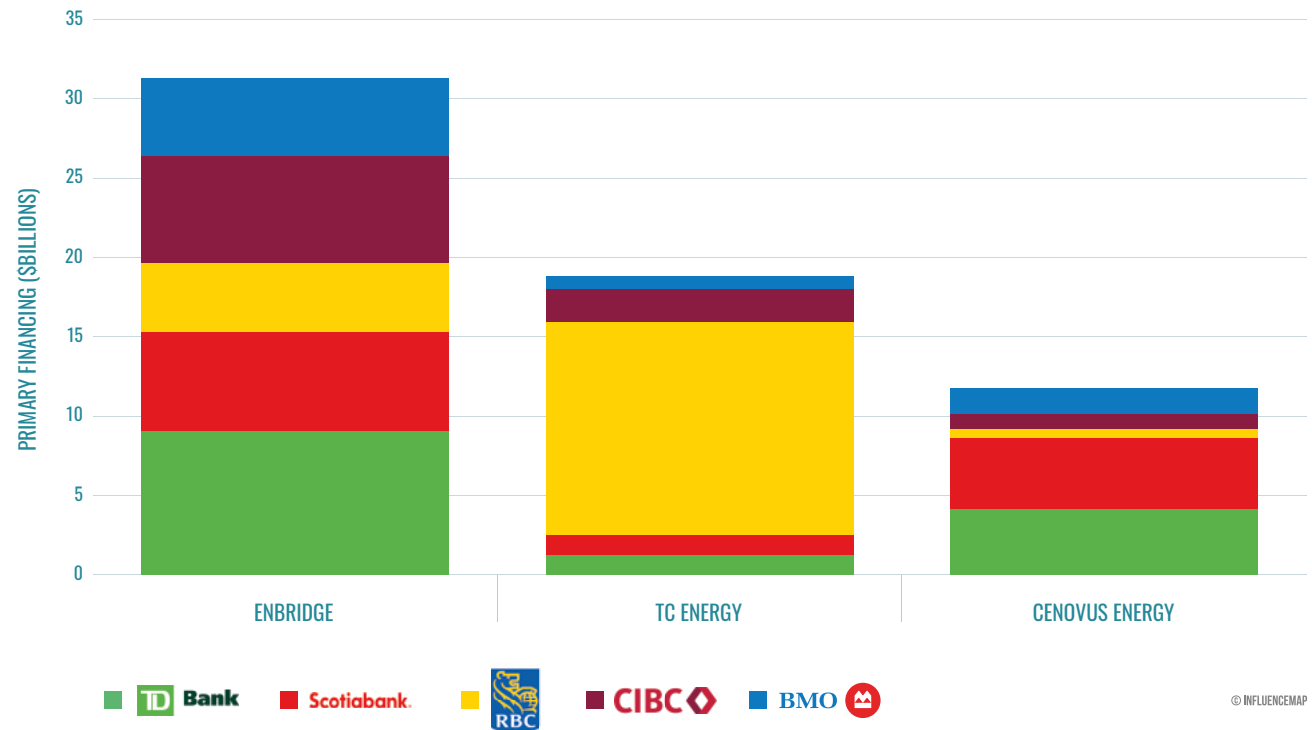
\*\*European Banks: HSBC, BNP Paribas, Credit Agricole, Barclays, Santander



Oil and gas financing by the Big Five has been mostly domestic, with Canada-based oil and gas companies representing 68% of the total value of financing to the sector. Domestic oil and gas financing has increased since 2020 in both absolute and relative terms, with 2020 seeing \$36 billion facilitated domestically versus \$73 billion in 2022, representing an increase from 57% of overall oil and gas financing in 2020 to 69% in 2022.

Three of the companies receiving the most financing from Canadian banks in recent years across all sectors are Canadian fossil fuel companies: Enbridge, TC Energy, and Cenovus Energy. The Big Five facilitated \$61.9 billion in financing to these three Canadian companies between 2020 and 2022, with over half of that amount, \$31.3 billion, going to Enbridge alone. Since the start of 2020, each of the Big Five has had at least one deal with each of these companies. The financing to these companies alone represents 23% of all fossil fuel financing by the Big Five.

Figure 7: Big Five Financing of Canadian Fossil Fuel Companies (2020-2022)



## Exclusion Policies and Facilitated Financing

The fossil fuel financing policies currently in place at the Big Five Canadian banks do not appear to restrict the financing of major companies in the sector. From 2020 to 2022, the \$275 billion in fossil fuel financing is spread across 291 companies belonging to the fossil fuel value chain. \$4.8 billion of this financing went to coal companies. As the banks' limited coal policies only cover project financing, no coal policies have been breached. This includes financing coal giants such as Anglo American, BHP Group, and Consol Energy.

The coal-based power generation policies currently enforced at **RBC**, **CIBC**, and **BMO** exclude lending to new clients with more than 60% of power generation derived from coal. These three banks and **Scotiabank**, which has not set a similar coal-based power policy, facilitated a \$307 million loan to Nova Scotia Power in July 2022. This company had 72% coal-based power generation capacity in 2022 according to [Asset Impact](#) data. The policies currently in place have not stopped four of the Big Five from lending to a power company with such considerable coal-based operations. Overall, \$3.4 billion in financing has been facilitated from 2020 to 2022 by the Big Five Canadian banks to companies projected to have at least 60% coal-based power capacity over the next 5 years.

Oil and gas sector companies have been consistently financed by the banks assessed, with current sector policies covering only project financing for specific unconventional activities. In total, \$270 billion in financing to the sector has been enabled from 2020 to 2022. The lack of policies covering corporate lending or securities underwriting allows continued financing of companies active not only in unrestricted extraction, but also in unconventional extraction techniques. According to the production data from the [Global Oil & Gas Exit List](#), Canadian companies Canadian Natural Resources, Suncor Energy, and Cenovus Energy are the largest tar sands oil producers globally. The Big Five provided \$21.5 billion in financing to these three companies in the three years assessed.

## Green Exposure

In contrast to the facilitated financing to the fossil fuel sector, companies identified as green receive far less financing from the Big Five. To be considered green, a company must derive 75% or more of its revenue from relevant activities categorized as sustainable within the EU Taxonomy. From 2020 to 2022 the Big Five enabled \$70 billion in financing to green companies, making up 4.3% of all financing assessed.

**Table 6: Big Five Green Financing 2020-2022**

Bank	Green Financing	Total Facilitated Financing	Green Exposure
CIBC	\$11.5B	\$185B	6.2%
Scotiabank	\$19.1B	\$314B	6.1%
TD Bank	\$13.2B	\$303B	4.4%
RBC	\$19.1B	\$499B	3.8%
BMO	\$6.7B	\$324B	2.1%
<b>Total</b>	<b>\$69.7B</b>	<b>\$1.63T</b>	<b>4.3%</b>

Notably, the banks with the highest and lowest green exposures are **CIBC** (6.2%) and **BMO** (2.1%), which also respectively have the highest and lowest fossil fuel exposure (see above). This range of green exposure figures compares similarly to European banks, while on average being almost twice as high as the exposure seen at the largest US-based banks.

**Table 7: Regional Comparison of Green Financing 2020-2022**

Banks by Region	Green Financing	Total Facilitated Financing	Green Exposure
Canada	\$69.7B	\$1.63T	4.3%
USA <sup>23</sup>	\$147B	\$6.76T	2.2%
Europe <sup>24</sup>	\$107B	\$2.48T	4.3%

Breaking down the green exposure by financing type, corporate lending is lagging bond and equity underwriting with respect to financing green companies, with 3.2% of lending value considered green compared to 7.1% in bond and equity underwriting. This is most noticeable at **TD Bank** and **BMO**, where portfolios in bond and equity underwriting are 3 times more exposed to green than in corporate lending.

The overall results from the green exposure assessment are most meaningful when compared to the fossil fuel exposure results. While the Big Five's green exposure results compare well in a global context, the ratio of fossil fuel financing to green does not at 3.9 to 1. This is particularly high compared to other regions, with the largest European and US based banks favoring fossil fuels by a ratio of 2.0 and 2.8 to 1, respectively. According to BloombergNEF, the ratio of investment in fossil-fuel to low-carbon energy supply must reach 1 to 4 by 2030 to achieve a 1.5 °C scenario<sup>25</sup>.

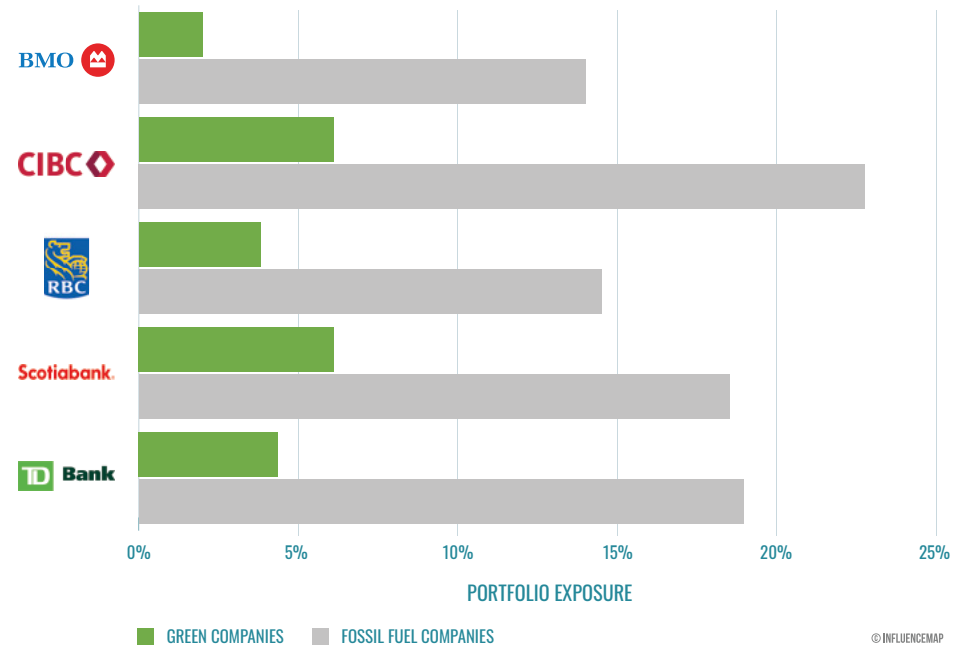
23 US banks included in assessment: J.P. Morgan, Bank of America, Citigroup, Wells Fargo, Goldman Sachs

24 European banks included in assessment: HSBC, BNP Paribas, Crédit Agricole, Barclays, Santander

25 *BloombergNEF, Financing the Transition: Energy Supply Investment and Bank Financing Activity*, February 2023

The chart below demonstrates the substantial preference for fossil fuel over green financing in the portfolios of the Big Five. **BMO** has the highest fossil fuel to green ratio at 6.8 to 1, while **Scotiabank** has the lowest at 3.0 to 1. No Canadian bank is below a ratio of 3 to 1 in favor of fossil fuels. Meanwhile, large European banks Santander and HSBC appear to have much lower fossil fuel to green ratios of 1.4 to 1, while Goldman Sachs nears parity between fossil fuel and green financing at 1.1 to 1.

**Figure 8: Big Five Fossil Fuel vs Green Financing (2020-2022)**



## Portfolio Net Zero Alignment Results

FinanceMap’s Portfolio Net Zero Alignment metric, based on the [PACTA](#) methodology, assesses banks’ facilitated financing in four climate critical sectors – automotive, power, upstream oil and gas, and coal mining. The percentage score produced represents the cumulative alignment of companies financed by a portfolio with the IEA Net Zero Emissions by 2050 (NZE) scenario. To interpret the results, -20% alignment means a portfolio is financing companies which are producing 20% too much in polluting technologies and 20% too little in green technologies on average compared to the IEA Net Zero pathway over the next five years.

This assessment is based on \$1.6 trillion facilitated by the Big Five across corporate lending and bond and equity underwriting. Financing to companies within climate critical PACTA sectors sums to a total of \$193 billion. Note that not all financing to fossil fuel companies identified in the previous section is included in the portfolio alignment assessment, as the PACTA methodology only assesses the upstream portion of the fossil fuel value chain.

The Net Zero Alignment scores of the primary financing portfolios of Canadian banks from 2020 to 2022 are shown below.

**Table 8: Big Five Portfolio Net Zero Alignment Scores (2020-2022)**

Bank	Portfolio Net Zero Alignment	Portfolio Coverage
CIBC	-26%	14%
BMO	-26%	6%
Scotiabank	-27%	15%
RBC	-27%	12%
TD Bank	-29%	11%

The Big Five are all significantly misaligned with the IEA Net Zero scenario, with only 3% separating the most misaligned portfolio, **TD Bank** (-29%), from the least misaligned, **CIBC** (-26%). Combining the primary financing of the Big Five into a single portfolio results in an alignment of -27%. This places the Canadian banks’ Net Zero Alignment score between those of the US and European banks as shown in Table 9.

Table 9: Regional Comparison of Portfolio Net Zero Alignment (2020-2022)

Region	Portfolio Net Zero Alignment	Portfolio Coverage
Canada	-27%	12%
Europe <sup>26</sup>	-26%	9%
USA <sup>27</sup>	-30%	6%

There are some differences between the cause of the Canadian misalignment compared to European and US counterparts. For example, the Big Five's financing of the power and automotive sectors is more misaligned than that of European and US banks. Table 10 shows the sector alignment when assessing the Big Five together. All sectors assessed are also misaligned with net zero.

<sup>26</sup> European banks included in assessment: HSBC, BNP Paribas, Crédit Agricole, Barclays, Santander.

<sup>27</sup> US banks included in assessment: J.P. Morgan, Bank of America, Citigroup, Wells Fargo, Goldman Sachs.

Table 10: Big Five Sector Net Zero Alignment (2020-2022)

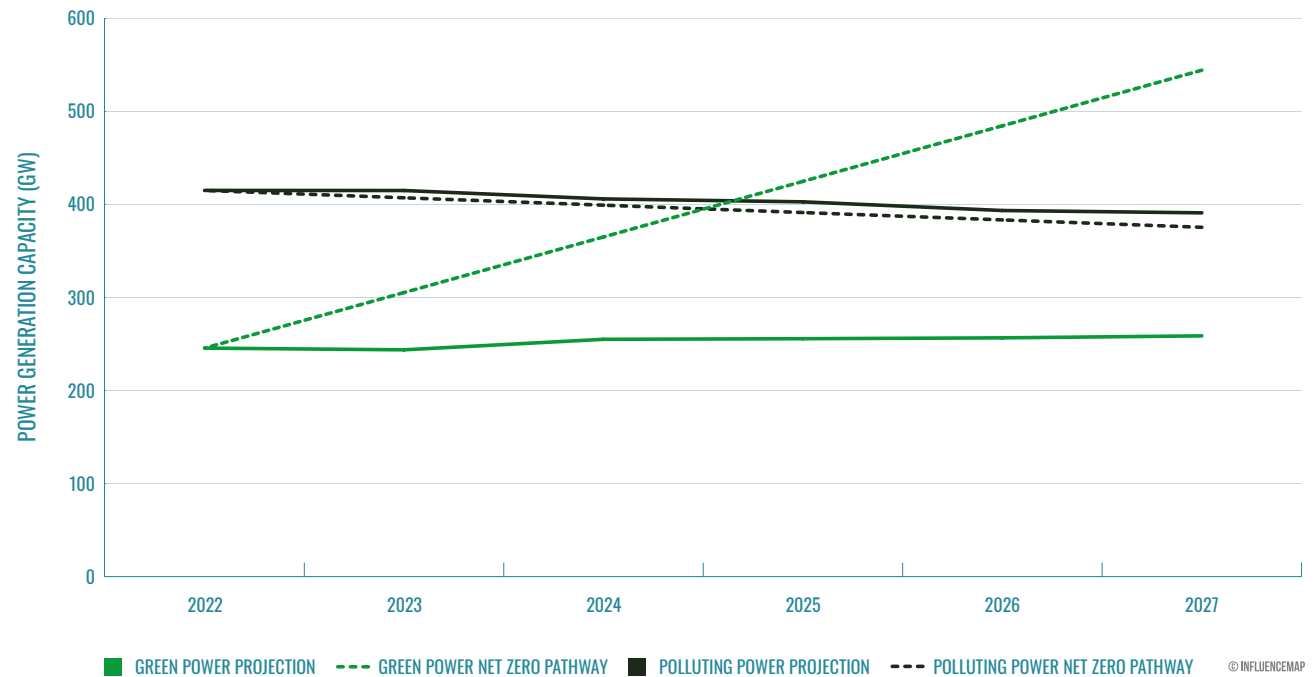
Sector	Sector Net Zero Alignment	Sector Coverage
Automotive	-23%	1.1%
Coal	-9%	0.1%
Oil and Gas	-4%	5.8%
Power	-38%	4.5%

The largest European and US banks are -14% and -16% misaligned in the automotive sector respectively. While in the power sector all regions assessed are significantly misaligned, the Big Five is most misaligned (-38%) compared to Europe (-32%) and the US (-36%).

### Power Sector Misalignment

The IEA Net Zero emissions by 2050 scenario (NZE) requires the ramping down of fossil fuel production while simultaneously increasing transitional activities such as green power capacity and electric vehicle production. Applying the IEA NZE to the projected power sector production attributed to financing from the Big Five, yearly fossil fuel-based power generation capacity is required to decrease by 10% by 2027, while green power generation requires a 240% increase. Power companies financed by the Big Five are projected to increase green and decrease fossil fuel-based power generation over the next 5 years. However, the rate of change is lower than the IEA prescription. Between 2023 and 2027, the power companies financed by the Big Five are set to own only 60% of required green power capacity, compared to 103% of the prescribed fossil fuel-based capacity.

Figure 9: Big Five Power Sector Financing – Capacity Projections



### Oil and Gas Misalignment

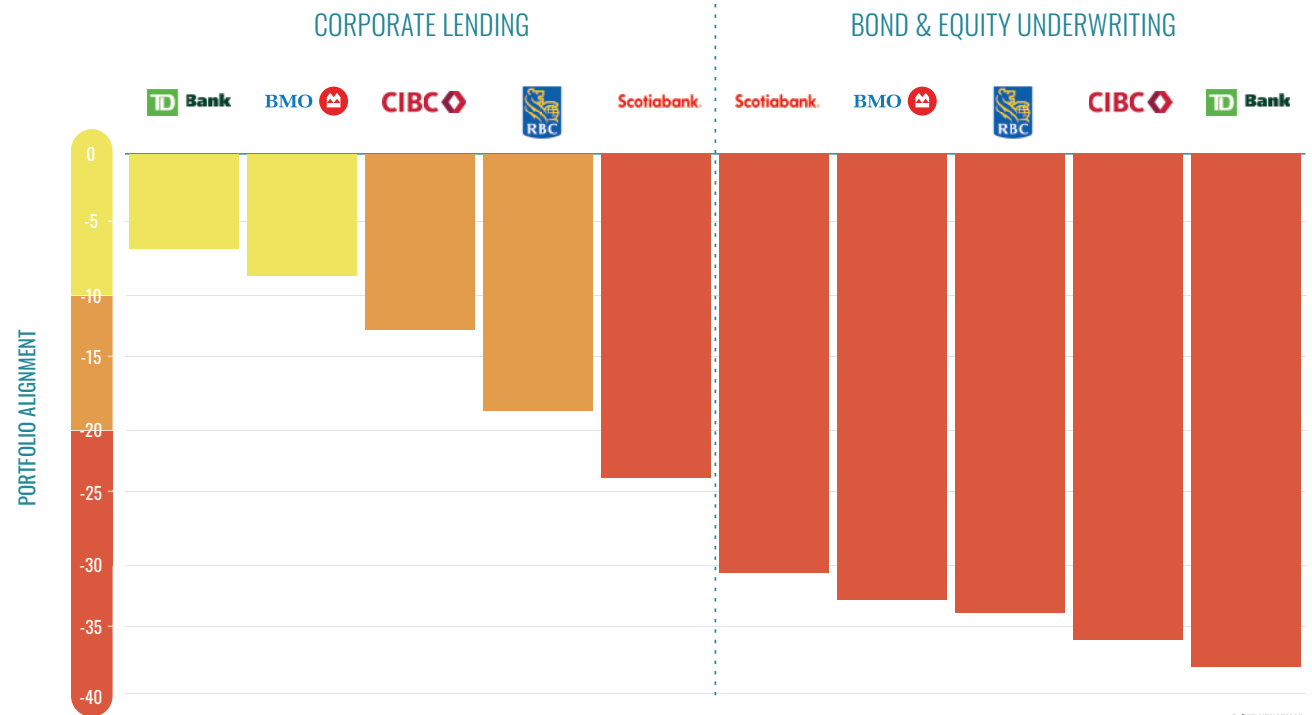
The Big Five's oil and gas sector financing is 4% misaligned with net zero. The financing assessed in the oil and gas sector is the highest value of any PACTA assessed sector. While oil and gas is the least misaligned sector assessed, all of the Big Five are misaligned in the sector, with **CIBC** (-3%) and **BMO** (-8%) the least and most misaligned respectively.

### Corporate Lending vs Bond & Equity Underwriting

Across both corporate lending and bond and equity underwriting, each of the Big Five is misaligned with the IEA Net Zero by 2050 scenario. Dividing the banks' primary financing portfolios into corporate lending and bond and equity underwriting portfolios, we find that the alignment results vary by financing type.

The lending portfolios of **TD Bank** (-7%) and **BMO** (-9%) are the least misaligned of all portfolios assessed. **Scotiabank** is the only bank to have both its lending and underwriting portfolios more than 20% misaligned with net zero. Despite having the least misaligned lending portfolio, **TD Bank** is the most misaligned in bond and equity underwriting at -38%. Across the Big Five, the weighted average lending portfolio alignment result is -14%, with the average bond and equity underwriting portfolio 20 percentage points more misaligned at -34%.

Figure 10: Big Five Net Zero Alignment by Financing Type



A considerable factor driving the relative misalignment of underwriting portfolios is that power sector companies represented 62% of underwriting value, compared to just 24% of lending value. Across both financing types, power is the most misaligned sector, with greater misalignment in underwriting (-40%)

compared to lending (-33%). As a result, the most misaligned sector has an outsized impact on the overall alignment of underwriting portfolios.



## Results: Policy Engagement

### Background

The IPCC has *emphasized* the need for government regulation and policy in supporting the redirection of global financial flows toward low greenhouse gas emissions pathways. The Government of Canada has initiated *work* on sustainable finance to “promote the long-term growth and stability of Canada’s financial system.” Regulators including the Canadian Securities Administrators (CSA) and the Office of the Superintendent of Financial Institutions (OSFI) are developing climate-related financial policy for regulated financial institutions, including the five largest Canadian banks.

This assessment looks at how the five banks are engaging on Canada’s emerging sustainable finance policy. It assesses both direct engagement by the banks themselves and indirect engagement by the Canadian Bankers Association (CBA), a key financial industry association representing these banks. Further, it explores banks’ membership to cross-sector industry associations that have opposed real-economy climate policies in Canada and globally.

### Engagement by Banks

Table 11 shows InfluenceMap’s assessment of the sustainable finance policy engagement of the five largest Canadian banks as well as the Canadian Bankers Association. Details of InfluenceMap’s *sustainable finance methodology* are available in this report’s Appendix.

Table 11: Banks Policy Engagement Metrics

Bank	Performance Band	Org. Score	Relationship Score	Engagement Intensity
<i>Bank of Montreal (BMO)</i>	C	68%	46%	10%
<i>Canadian Imperial Bank of Commerce (CIBC)</i>	C	64%	50%	9%
<i>Scotiabank</i>	C-	59%	51%	15%
<i>TD Bank</i>	D+	60%	47%	11%
<i>Royal Bank of Canada (RBC)</i>	D+	57%	51%	12%
<i>Canadian Bankers Association (CBA)</i>	D-	43%	N/A	8%

Performance bands for all five banks fall between C and D+, reflecting a trend of generally positive top-line messaging on climate with mixed and limited engagement on specific policies. The **CBA’s** performance band (D-) is lower than that of all the five banks, reflecting more negative engagement.

Compared to their European and US counterparts, the Big Five Canadian banks are less engaged on sustainable finance policy. This trend likely reflects the comparatively smaller amount of sustainable finance policy in Canada compared to the EU, UK, and US, as well as lack of transparency around lobbying activities by banks and the Canadian government. Table 12 shows average engagement intensity by the five largest banks in each region.

**Table 12: Regional Engagement Intensity Scores**

Banks by Region	Average Engagement Intensity
Canada	11%
USA <sup>28</sup>	17%
Europe <sup>29</sup>	29%

28 US banks included in assessment: J.P. Morgan, Bank of America, Citigroup, Wells Fargo, Goldman Sachs

29 European banks included in assessment: HSBC, BNP Paribas, Crédit Agricole, Barclays, Santander

## Disclosure

Securities regulators in Canada and globally are developing regulations around climate-related financial disclosures. While the five Canadian banks have acknowledged these regulatory efforts, they appear to be delegating most policy engagement to industry associations or, occasionally, asset management subsidiaries. There are some instances of direct policy engagement by the five banks.

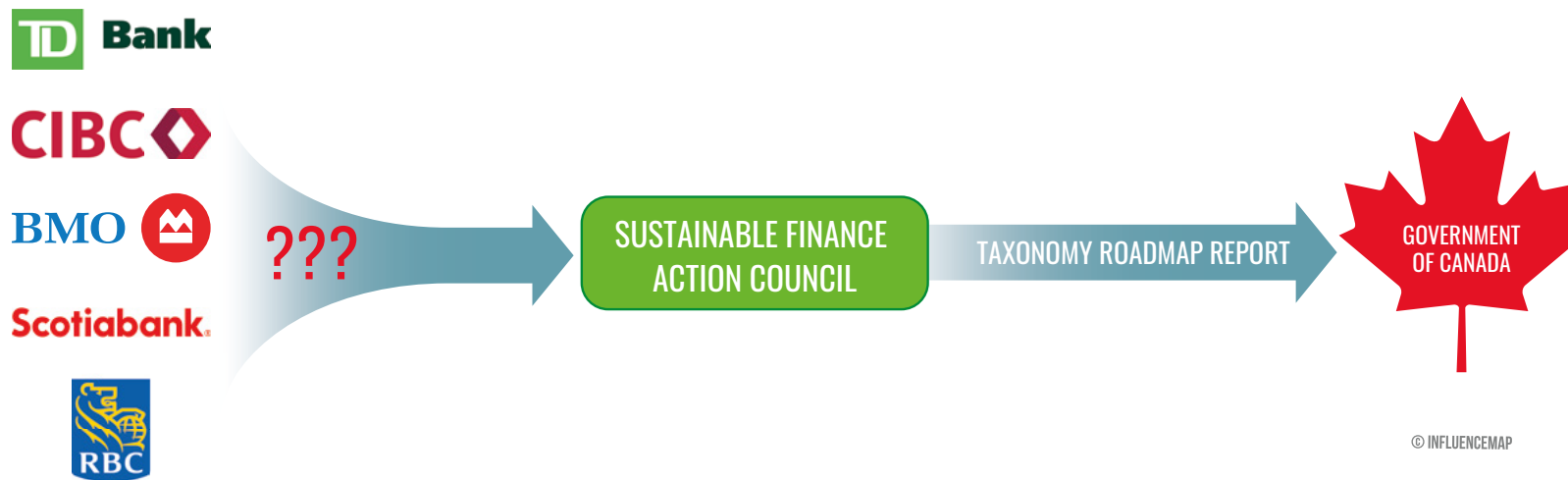
- **Scotiabank**, in February 2022, submitted a *comment* in support of the CSA's *proposed climate disclosure instrument*, supporting mandatory Scope 1 and 2 emissions disclosure for large issuers and supporting Scope 3 emissions disclosure on a “comply or explain” basis.
- According to a memo from the SEC, in May 2023 the CEOs of **TD** and **BMO**, as representatives of the Financial Services Forum, met with the Chair of the SEC to discuss its *proposed climate disclosure rule*. **TD** and **BMO** have not disclosed details of this meeting.
- In February 2022 the CBA *supported* the proposal from the CSA but in June 2022 took a more *unsupportive* position toward SEC framework, objecting to provisions including quantitative disclosure of climate-related financial impacts and scenario analysis disclosure.

### Taxonomy

In May 2021 the Government of Canada *launched* the Sustainable Finance Action Council (SFAC) to “help lead the Canadian financial sector towards integrating sustainable finance into standard industry practice.” In September 2022 SFAC released a *Taxonomy Roadmap Report* with recommendations for advancing a Canadian taxonomy to identify economic activities that the financial sector could label as “green” or “transition.” In its November 2023 *Fall Economic Statement* the Government of Canada announced that, building on SFAC’s Report, the Department of Finance would undertake next steps to develop a taxonomy that is aligned with net zero by 2050. Critics of the SFAC Report *point to* the Report’s positioning of blue hydrogen and carbon capture, utilization, and storage (CCUS) projects as potential “transition” activities. It is unclear how closely the Government of Canada will follow these recommendations as it develops its taxonomy.

SFAC’s members include all five of Canada’s largest banks. In their own reporting, the banks have disclosed this membership but have not given details on their role in policy discussions or development of recommendations within the Council. **Scotiabank**, for example, *reports* that it “participated in the TTEG [Taxonomy Technical Expert Group] who helped draft the Taxonomy Roadmap Report” but gives no details of this participation. In other reporting, **Scotiabank** has *supported* a “taxonomy that will help direct capital in a manner that enables a smooth and just energy transition,” but provides no details about which activities should be included in this taxonomy.

Figure 11: Banks’ Involvement in Canadian Taxonomy Development



The **Business Council of Canada**, a cross-sector industry association to which all Big Five banks retain membership, in March 2023 *said the following* about the taxonomy: “the work currently being led by the federally appointed Sustainable Finance Action Council should focus on unlocking higher levels of investment in sustainably produced energy of all kinds, including natural gas production and infrastructure.” This position, in support of a continued role for fossil (“natural”) gas, is misaligned with IPCC *guidance* stating that power generation will require a significant reduction in fossil gas in order to limit global warming to 1.5 °C.

In November 2023, representatives from the CBA *testified* in front of the Canada Standing Senate Committee on Banking, Commerce and the Economy in opposition to **S-243**, the Climate-Aligned Finance Act. This *proposed legislation* seeks to align the financial sector with Canada’s climate commitments and address climate-related financial risk by setting baseline requirements for entities to achieve climate commitments, requiring reporting on how an entity’s targets align with a 1.5 °C pathway, and directing the Office of the Superintendent of Financial Institutions to develop guidelines for increased capital risk weights for financing new and existing fossil fuel resources and infrastructure, among other provisions.

In their *comments* to the Committee, CBA representatives stressed that Canadian banks did not need additional legislation related to climate commitments, citing membership in the Net Zero Banking Alliance and stating that if lawmakers did not think the net zero transition was happening quickly enough “then you have to have the Minister of the Environment come here and have that discussion with him.” CBA also *opposed* the proposed climate-adjusted risk weights and climate reporting requirements, asserting that OSFI is already working on requiring climate-related reporting for federally regulated financial institutions.

## Indirect Engagement on Real Economy Policy

In addition to their influence on climate-related financial policies, all five banks retain membership to cross-sector industry associations that have engaged in opposition to real-economy climate policies in Canada and globally. Banks have not disclosed the ways their member associations are influencing or obstructing climate policy. Figure 12 shows banks' membership to cross-sector associations. Thicker arrows indicate board membership.

The **Canadian Chamber of Commerce** is actively engaged on issues related to the energy transition in Canada such as [electrification of transport](#), [hydrogen and CCS](#), and [just transition policy](#). It has worked to promote mechanisms that will extend the role of high-emission intense fuel sources in the energy mix by submitting an [amicus brief](#) in support of Line 5 in Michigan in March 2022 and advocating for permitting reform to expedite approval process for fossil fuel projects in Canada in an April 2023 [interview](#). Additionally, in September 2022, it [opposed](#) Canada's federal oil and gas emissions cap, suggesting that existing policy measures such as the federal carbon tax are sufficient for decarbonization.

The **Business Council of Canada** has advocated for the expansion of Canadian fossil gas production on a global scale, claiming that fossil gas is “clean” without clear reference to CCS or methane abatement measures in a March 2023 [report](#). In the same report it also supported weaker [carbon tax](#) and [cap-and-trade](#) policies in Canada.

**Canadian Manufacturers & Exporters** has repeatedly emphasized the impacts of decarbonization on economic competitiveness, [warning](#) that policies that drive manufacturing out of Canada will result in higher global emissions due to Canada's “relatively clean emissions profile.” It reiterated the need to “minimize competitiveness and carbon leakage risks” in October 2022 [comments](#) on proposed amendments to Canada's emissions trading scheme, suggesting support for a less ambitious emissions trading policy.

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All five banks retain membership to cross-sector industry associations that have engaged in opposition to real-economy climate policies in Canada and globally.

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Figure 12: Bank Membership to Cross-Sector Associations



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## Conclusion

FinanceMap's assessment of the Big Five Canadian banks finds that the firms are undermining their own net zero commitments through their financing activities, poor exclusion policies, and inconsistent policy engagement. This is primarily evidenced by the Big Five's internal sector policies, which are highly misaligned with IPCC and IEA pathways, allowing the banks to expand their financing of fossil fuel companies between 2020 and 2022. Meanwhile, the Big Five maintain memberships to industry associations advocating to maintain Canada's reliance on fossil fuels and obstructing climate-related financial policy.

This research finds that despite having net zero by 2050 targets and reporting some promising aspects of climate governance, the Big Five are stalling when it comes to making concrete progress on climate change. Although the banks have begun to set various emissions reductions targets, these do not appear to meet leading practice standards. The Big Five must improve their target setting by expanding the scope of their targets to cover facilitated emissions and setting absolute targets for fossil fuel sectors. Target-setting should then be complemented with strong exclusion policies that help guide financing decisions. However, the Big Five's exclusion policies remain insufficient to support their top-line net zero ambition, setting only limited measures to address some unconventional oil and gas activities, while accepting new thermal coal clients without any transition plan requirements. Key steps to strengthen exclusion policies include a coal phaseout by 2030 for OECD countries and 2040 for the rest of the world, as well as a commitment to halt the financing of new oil and gas development in alignment with the IEA Net Zero scenario.

As a result of their weak exclusion policies, the proportion of fossil fuel value chain financing in the Big Five's primary financing portfolio increased from 15.5% in 2020 to 18.4% in 2022. The banks facilitated a total of \$275 billion in financing to fossil fuel companies over these three years. Of this financing, 68.1% (\$184 billion) consisted of deals to Canadian oil and gas companies, highlighting the banks' links to the domestic oil and gas sector. This financing again increased over the three-year period assessed, with the Big Five financing \$36 billion to Canadian oil and gas companies in 2020, compared to \$73 billion in 2022. \$62 billion in financing was linked to just three Canadian energy companies across the three years: Enbridge, TC Energy, and Cenovus Energy. In comparison, the banks



facilitated \$70 billion globally to companies identified as green during the same period. With all the lending and underwriting portfolios of the Big Five banks significantly misaligned with the IEA Net Zero by 2050 scenario, it is imperative the banks substantially shift their facilitated financing towards transitional companies to align their operations with their net zero commitments.

Lastly, FinanceMap's research finds that the Big Five banks have not leveraged their influence to publicly advocate for ambitious climate-related policy in Canada. In fact, all five banks retain memberships in industry associations which are actively opposing ambitious emission reduction policies. This is despite their *NZBA commitment* statement outlining that they will “engage on public policies to help support a net zero transition of economic sectors in line with science.” The Canadian Bankers Association, the Big Five's key trade association, has *argued* that banks “will enable the transition because they reflect the economy.” This narrative placing banks outside of the shaping of the real economy downplays their influence and is in tension with their membership to industry groups that are active on real economy policy, as well as the banks' own participation in the development of recommendations for a Canadian green and transition taxonomy.

The Big Five banks appear to recognize the importance of banks' role in the net zero transition in their Net Zero Banking Alliance commitments. Rather than taking meaningful steps in this direction, Canada's largest banks are currently undermining their own climate commitments. Despite introducing top-line climate governance processes, the banks have stalled when it comes to implementing concrete climate policies and targets. Their increased financing to the global and domestic fossil fuel sectors coincides with this inaction. Meanwhile, their memberships to industry associations obstructing climate-related real-economy and financial policies are in stark contrast to their top-line commitment statements. It is clear from these results that in the absence of climate-related financial regulation, the Big Five banks have taken little voluntary action to align their business practices with their own net zero commitments. If the banks' climate targets are to remain credible, they must be backed up by concrete, science-based actions that bring their activities in line with the net zero transition.

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In the absence of climate-related financial regulation, the Big Five have taken little voluntary action to align their business practices with their own net zero commitments.

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## Appendix: Methodology

This section gives a high-level overview of the metrics used in FinanceMap's assessment of banks and the underlying methodologies. For an in-depth explanation of these methodologies, please refer to the FinanceMap Banking Methodology [document](#). This research is largely divided into three assessment areas: (i) portfolio analysis, (ii) climate governance, strategy, and policies scoring, and (iii) policy engagement scoring, each with its own metrics and methods.

Assessment Area	Metrics	Benchmark Used	Data Sources
Portfolios	Fossil fuel and green financing, Portfolio Net Zero alignment	EU Taxonomy on Sustainable Activities, IEA Net Zero Emissions by 2050 scenario	Bloomberg PACTA for Banks Asset Impact
Climate Governance, Strategy and Policies	Climate governance score	TCFD Recommendations and NZBA Guidance, IPCC/ IEA Science-Based Policy (SBP) Benchmarks	Bank disclosures including TCFD, ESG, sustainability reports, sector policies. CDP Responses
Policy Engagement	Engagement on sustainable finance policy	UN Guide on lobbying, government policy benchmarks	Data sources used by InfluenceMap's policy engagement methodology

## Climate Governance, Strategy, and Policies Assessment

FinanceMap's Climate Governance, Strategy, and Policies analysis assesses statements financial institutions are making on how they are incorporating climate issues into their decision-making and operations using FinanceMap's matrix methodology. This methodology is adapted from the Task Force on Climate-Related Financial Disclosures (TCFD), Net Zero Banking Alliance (NZBA) reporting, and IPCC and IEA technology statements.

The [TCFD](#) provides guidance on 11 recommendations across four areas which are reflected in FinanceMap's matrix: Governance, Strategy, Risk Management, and Metrics and Targets. For each recommendation, the TCFD includes guidance for all sectors, and specific guidance and disclosure recommendations for banking, asset owners, insurers, and asset managers. Following the wave of net zero announcements from financial institutions in 2020-2021, additional benchmarks were introduced to strengthen the ambition of scoring criteria for targets. This analysis is supplemented with [NZBA guidance](#) for target setting to respond to the increased ambition in the sector.

Additionally, Science-Based Policy (SBP) benchmarks are used to measure the alignment of a financial institution's technology positions with the science of climate change. Technology positions and exclusion criteria do not clearly fit into an existing TCFD recommendation, therefore additional technology-specific queries were added to the assessment. These benchmarks are applied to a financial institution's internal policies on technologies including coal, oil, gas, nuclear and renewables. It also assesses a financial institution's engagement with broader climate and energy policy issues such as advocacy on the role and importance of different energy types in the future energy mix.

For each query, all publicly available evidence on a financial institution's relevant activities and processes are scored against qualitative scoring guidelines on a five-point scale from -2 to +2. A score of -2 indicates the evidence demonstrates significant underperformance relative to the benchmarks, while +2 indicates evidence of positive TCFD alignment and/or ambitious technology positions.

The scores for all evidence pieces within a query are weighted together to create a cell score for each of the 16 queries. The 16 query-level scores are in turn weighted together to create a top-line score for the performance of a financial institution's climate governance, strategy, and policies as a whole. This top-line score is displayed as a letter grade between A+ to F. For a full explanation of each query and the weighting calculations, please refer to the [FinanceMap Banking Methodology document](#).

In scoring the Big Five banks for this report, FinanceMap assessed and scored almost 500 pieces of evidence in the form of publicly available documents from the sources noted above and archived online.

## Portfolio Assessment

FinanceMap's assessment of banking portfolios seeks to comprehensively assess a bank's corporate lending and bond and equity underwriting activities. The Bloomberg Terminal LEAG function is used to access deal data for the banks analyzed. This research in particular assesses all corporate lending and bond and equity underwriting deals in which the Canadian Big Five banks were involved between 2020 and 2022. FinanceMap uses two primary types of metrics to analyze banking portfolios: (i) exposure metrics, and (ii) Portfolio Net Zero Alignment scores.

### Exposure Metrics

FinanceMap analyzes the exposure of portfolios to (i) fossil fuel value chain companies, and (ii) companies which are primarily active in transitional activities, or "green" companies. Exposure metrics are calculated both in absolute value and as a percentage of the portfolio's total value. Fossil fuel exposure is calculated by flagging all companies in a portfolio which are primarily active in fossil fuel production value chains on the basis of their BICS, GICS, and NAICS sector classifications. The fossil fuel production value chain is defined as the universe of companies of which the primary sector of operations is in or uniquely related to the up-, mid-, and/or downstream segments of oil and gas production or the coal mining sector. FinanceMap defines green companies on the basis of the EU taxonomy for sustainable activities (abbr. "EU taxonomy"). Specifically, all companies with over 75% of revenue deriving from activities which demonstrate substantial contribution to climate change mitigation under the EU taxonomy are considered "green" under this methodology. FinanceMap gathers data on companies' percentage of revenue contributing to climate mitigation from Bloomberg.

### Net Zero Alignment

The other primary metric FinanceMap uses to analyze portfolios is the Portfolio Net Zero Alignment Score. This metric uses the industry-standard [Paris Agreement Capital Transition Assessment](#) (PACTA) tool, an open-source methodology managed by RMI and expanded upon by FinanceMap, to measure the alignment of a portfolio of companies with the IEA Net Zero Emissions by 2050 Scenario (NZE). FinanceMap uses the PACTA tool to assess a portfolio's Paris Alignment on the basis of deals in the power, upstream oil and gas, coal mining, and automotive sectors. Alignment is calculated by comparing the forecast green and polluting production of portfolio companies in these sectors against IEA NZE pathways over the period 2022-2027. The Portfolio Net Zero Alignment scores produced range from -100% (highly misaligned) to +100% (outperforming the NZE pathway), with a score of 0% representing a portfolio invested in companies of which the production aligns with the IEA NZE. Portfolio Net Zero Alignment scores are calculated at technology, sector, and portfolio levels. Portfolio scores are derived from sector scores, which are in turn derived from technology-level scores. For an in-depth explanation of this metric, please refer to the FinanceMap Banking Methodology [document](#).

## Sustainable Finance Policy Engagement Assessment

This research also examines the banks' direct and indirect engagement with climate-related financial regulation (also, sustainable finance policy). Full details of InfluenceMap's sustainable finance methodology are available on [InfluenceMap's website](#). InfluenceMap defines "policy engagement" based on the [UN Guide for Responsible Corporate Engagement in Climate Policy](#) (2013), which defines a range of corporate activities as engagement, such as advertising, social media, public relations, sponsoring of research, and direct contact with regulators and elected officials. Similarly to the climate governance, strategies, and policies assessment methodology, InfluenceMap's assessment of policy engagement qualitatively analyzes publicly available evidence on an organization's policy engagement activities against government-standard and science-based benchmarks. InfluenceMap's system does not judge climate-related policy itself, but instead measures corporate positions against Paris Agreement-aligned benchmarks of government policy. The data sources analyzed include organizational websites, social media, senior management statements, regulatory consultation comments, financial disclosures, and reliable media outlets.

InfluenceMap's sustainable finance assessment produces four key metrics:

- The **Performance Band** (A+ to F) is a full measure of a company's sustainable finance policy engagement, accounting for both its own engagement and that of its industry associations. A+ indicates full support for Paris-aligned sustainable finance policy, with grades from D to F indicating increasingly obstructive climate policy engagement;
- The **Organization Score** (0-100) expresses how supportive or obstructive the organization is toward sustainable finance policy aligned with the Paris Agreement. Scores under 50 indicate misalignment between the company's direct climate policy engagement and the Paris Agreement;
- The **Relationship Score** (0-100) expresses how supportive or obstructive the company's industry associations are towards sustainable finance policy aligned with the Paris Agreement (aggregated). Scores under 50 indicate misalignment between the sustainable finance policy engagement of a company's industry associations and the Paris Agreement.;
- The **Engagement Intensity** (0-100) is a measure of the level of policy engagement by the company, whether positive or negative. Scores above 12 indicate active engagement, and scores above 25 indicate highly active or strategic engagement. Scores below 5 indicate low-level engagement with sustainable finance policy.