CANADIAN BANKS

NET ZERO POLICY REPORT CARD 2022

NONE OF CANADA'S MAJOR BANKS ARE YET ON TRACK FOR NET ZERO, BUT POLICY DIFFERENCES ARE EMERGING

	RBC	Scotiabank	TD	BMO	CIBC	NATIONAL BANK
Financed emissions reporting	C	C	B-	C	D	D
Interim oil & gas target	D	D	C	C-	C	D
Interim power target	D	C	B-	D	C	I
Transition plan	D	C-	C-	C+	C-	C
2021 fossil fuel lending/ underwriting (CAD)[1]	$48.5 billion	$38 billion	$26.4 billion	$23.5 billion	$27.8 billion	Data unavailable
Percent change from 2020	+101%	+87%	+25%	+25%	+132%	Data unavailable
Global fossil lending & underwriting ranking[2]	5	9	11	15	20	Data unavailable

1 Fossil lending/underwriting numbers from Banking on Climate Chaos, RAN et al, 2022. Figures converted from USD to CAD using Bank of Canada 2021 average exchange rate of 1.25.
2 Banking on Climate Chaos, RAN et al, 2022.

LEGEND

A : best practice
B : good coverage
C : minimal coverage
D : insufficient coverage
I : incomplete

- Individual bank assessments are provided in the following pages.
- Best practices, grading criteria, and bank grading details are outlined in Appendix I.
- A discussion of the banks' coal policies is provided in Appendix II, compared with Desjardins.

INVESTORS for PARIS COMPLIANCE

RBC

SOURCE DOCUMENTS

RBC, Net Zero Report (Oct. 2022)
RBC, Sustainable Finance Framework (2022)
RBC, Task Force on Climate-related Financial Disclosures Report 2021
RBC, Climate Blueprint
RBC, Policy Guidelines for Sensitive Sectors and Activities
RBC, 2021 Management Proxy Circular

REPORT FINANCED EMISSIONS GRADE: C

- ✓ Reports absolute financed emissions across all sectors and geographies.
- ✗ Client material scope 3 emissions not reported.
- ✗ Full committed loans & underwriting not reported.
- ✗ Not all PCAF asset classes reported (i.e. unlisted equity).

COMMENTARY

Portfolios covered: For 2019, RBC reports 38 megatonnes of carbon dioxide equivalent emissions as a result of financing activities across its entire portfolio. This portfolio coverage is broader than any other Canadian bank.

Material scope 3 emissions: But by not reporting its clients' material scope 3 emissions, most notably for its oil and gas clients, RBC is significantly underreporting its financed emissions and thereby not living up to its NZBA commitment. Assuming that its oil and gas scope 1 and 2 emissions represent the average 20 percent of the sector's total emissions, RBC may be underreporting by about 50 megatonnes of carbon dioxide equivalent.

Financing activities covered: RBC's net-zero plan only covers financed emissions related to outstanding loans, whereas many of its peers in Canada and abroad include emissions associated with fully committed loan amounts and underwriting activities. In addition, although RBC claims to cover all six PCAF asset classes, it does not report financed emissions for unlisted equity.

RBC

SET INTERIM TARGETS

OIL & GAS GRADE: **D** POWER GRADE: **D**

✓ Sets an interim target for its oil and gas (upstream and downstream), power, and automotive portfolios.

✓ Includes material scope 3 emissions.

X No absolute targets set.

X Misses substantial financing activities in portfolios covered (i.e. underwriting and full committed loans).

X Oil and gas and power targets do not appear to align with a 1.5 -degree Celsius future.

COMMENTARY

Oil and gas portfolio coverage: RBC's oil and gas portfolio target covers upstream, downstream, and integrated companies, and excludes midstream and services companies.

Oil and gas operations target: For oil and gas operations, RBC targets a 35 percent reduction in physical intensity by 2030 from a 2019 base year. Because this target is intensity based and not associated with an absolute target, it does not ensure the reductions required by science to ensure a 1.5-degree Celsius future.

Oil and gas scope 3 target: RBC is targeting oil and gas scope 3 physical emissions intensity reductions of at least 11 percent by 2030 from a 2019 base year. Because this target is far too weak and intensity based, it does not align with a science-based 1.5-degree Celsius future. Furthermore, the bank does not disclose its oil and gas portfolio's scope 3 absolute base year emissions, making tracking progress on absolute emissions reductions impossible.

Power portfolio: RBC's interim power portfolio target covers electricity generation and does not include transmission and distribution companies. It is a 54 percent physical emissions intensity reduction target, which even if it had been set as an absolute target does not appear to align with the reductions called for by the IEA. Being set only as an intensity target, it does not ensure the absolute reductions required by science.

Automotive target: RBC's interim automotive sector, scope 1 to 3 target, calls for a 47 percent reduction in emissions. Being set only as an intensity-based target does not ensure the absolute reductions required by science. In addition, the bank does not disclose its automotive portfolio's absolute scope 3 base year emissions, making tracking progress on absolute reductions impossible. We are not grading interim portfolio targets other than oil and gas and power in this report card.

TRANSITION PLAN GRADE: **D**

WHAT RBC HAS SAID

RBC states that within 12 months of disclosing its interim targets (done October 2022) it will disclose how it will meet them. It also states that its targets are "aspirational" and that other parties bear responsibility for meeting them.

RBC says it has four strategic priorities:

1. Help clients as they transition to net zero.
2. Hold ourselves accountable.
3. Inform and inspire a sustainable future.
4. Advance net-zero leadership in our own operations.

As part of working with clients, RBC has earmarked $500 billion for "sustainable financing" by 2025. In 2021 it completed a US$750 million green bond. In 2022 it published a new Sustainable Finance Framework.

RBC conducts scenario analysis and says that it is further embedding climate factors and data within its enterprise risk appetite and has created an ESG Credit Group to integrate ESC considerations into lending and to support the measurement of financed emissions.

RBC says it may make climate transparency and reporting a condition of financing and will "endeavor to have" by 2025 clients representing 80 percent of loan balances reporting scope 1 and 2 emissions, and clients representing 65 percent of loan balances disclosing a plan to reduce emissions.

RBC has committed $100 million by 2025 to environmental philanthropy and has a "thought leadership" program that produces research and reports related to climate.

RBC integrates ESC considerations, including climate, into its executive incentive programs as part of its "risk and strategic" category that has 30 percent weight.

RBC has set some restrictions on "new" coal (see Appendix II).

COMMENTARY

RBC itself says that it has not released a transition plan—that a "high-level plan detailing key milestones and the categories of actions" is forthcoming in future disclosures. (See Appendix I for the elements of a transition plan).

RBC's characterization of its 2030 targets as "aspirational" and its deflection of responsibility for meeting them onto others creates doubt about its commitment to transition.

$500 billion by 2025 for "sustainable finance" is laudable but its new Sustainable Finance Framework fails to establish guardrails against greenwashing within this category. RBC has participated in several "sustainability-linked" debt issuances that have helped increase rather than decrease emissions. RBC also does not quantify the financed emissions impacts of its sustainable finance nor relate these investments to its climate targets.

RBC's integration of climate factors into its risk appetite framework should be complemented by limits or thresholds and connected to financed emissions reduction targets.

RBC's requirement for clients to disclose emissions should include scope 3, and should spell out what a credible client emissions reduction plan amounts to, along with disclosure regarding the progress of the portfolio; 2025 is too late for this.

It is good that RBC is integrating climate considerations into executive compensation and more disclosure is needed on whether the bank maintains contradictory incentives for employees to bring in carbon-intensive business.

RBC's coal policy is limited by focusing on "new" clients and does not meet the best practice of phasing out coal financing in OECD by 2030 and globally by 2040 (see Appendix II).

RBC is silent on its climate policy lobbying, but recently issued a report calling for increased oil production in Canada, which would raise Canada's emissions.

Contrary to the IEA's Net Zero roadmap, RBC continues to facilitate the expansion of fossil fuel infrastructure, including the Coastal Gaslink pipeline opposed by Indigenous Rights and Title holders in BC.

SCOTIABANK

SOURCE DOCUMENTS

Scotiabank, Net-Zero Pathways Report
Scotiabank, Statement on Financing Coal
Scotiabank, 2021 Management Proxy Circular

REPORT FINANCED EMISSIONS

GRADE: **C**

✓ Includes absolute emissions for its power and utilities, part of its oil and gas, residential mortgages, and agriculture portfolios.

✓ Includes material scope 3 emissions, but only reports as an intensity metric.

✓ Includes business loans, acceptances, unlisted equity, and project finance.

X Underwirting not included, full committed loans only for its oil and gas portfolio.

X Geographic coverage is limited.

X Underwriting activities not included.

COMMENTARY

Portfolios covered: Scotia reports 12.9 megatonnes of carbon dioxide equivalent financed emissions associated with its following portfolios: oil and gas (exploration, production, and integrated companies, and not midstream or downstream companies), power generation and utility companies, residential mortgages, and agriculture. This is broader coverage than many of its peers, but is still incomplete.

Geographic coverage: Scotia limits its financed emissions for its residential mortgages and agriculture portfolios to Canadian loans. It is unclear what share this represents of their international financing for these sectors.

Absolute emissions reporting: Scotia reports some of its financed emissions in terms of absolute tonnes of carbon dioxide equivalent, but only reports the physical emissions intensity for what is likely its largest single source of financed emissions, oil and gas scope 3 emissions. Assuming scope 1 and 2 emissions represent the average 20 percent of the sector's emissions, Scotia may be underreporting its base year emissions by about 16 megatonnes of carbon dioxide equivalent.

Financed activities included: For its oil and gas portfolio, Scotia includes financed emissions associated with its full committed loan amounts, not just outstanding amounts. Unfortunately, it does not extend this approach to all portfolios. The bank clarifies that it measures emissions for business loans, acceptances, unlisted equity, and project finance. The bank does not specify whether and how syndicated loans are covered, nor does it include financed emissions associated with its underwriting activities.

SCOTIABANK

SET INTERIM TARGETS
OIL & GAS GRADE: D **POWER GRADE: C**

✓ Does set interim targets for oil and gas, and power and utility portfolios.

x Does not include the entire oil and gas sector.

x Oil and gas target does not include scope 3 emissions.

x No absolute targets set.

x Oil and gas targets do not appear to align with IEA Net-Zero by 2050 report.

COMMENTARY

Oil and gas coverage: Scotiabank only includes oil and gas producers in its interim oil and gas portfolio target, thereby missing out on a large segment of the sector, namely midstream and downstream companies.

Oil and gas target: Scotiabank has set a scope 1 and 2 intensity greenhouse gas reduction target of 30 percent by 2030 against a 2019 base year. This target does not align with a science-based 1.5 degree Celsius future scenario, both because the reductions are too low and are intensity based. For scope 3 emissions, Scotiabank “expects” a 15 to 25 percent emissions intensity reduction by 2030, but does not set a target. To be clear, this expected reduction also does not align with a 1.5 degree Celsius future (see Appendix I).

Power target: According to Scotia, their power and utilities portfolio intensity reduction target of 55 to 60 percent by 2030 from 2019 converges with the reductions called for by the IEA Net-Zero by 2050 scenario. But setting it only as an intensity based targets allows the portfolio’s absolute emissions to reduce at a slower rate than required by the IEA and by science, and potentially not at all.

TRANSITION PLAN GRADE: C

WHAT SCOTIABANK HAS SAID

Scotiabank describes its potential transition actions as "levers," and describes them as:

1. Counterparty engagement—helping clients develop, implement, and achieve their respective transition goals. This includes raising awareness of government supports, sharing best practices, earmarking funds for business model transition, and considering specialized green products and offerings.
2. Portfolio composition—engaging in transition finance, direct green investment, and green financial products. Note here that Scotiabank considers divestment as "among the least effective approaches."
3. Policy support and advocacy—informing decision makers on net zero, supporting improved data quality, and development of incentives to accelerate emissions reductions.

Scotiabank then applies those levers to specific sectors such as oil and gas, power and utilities, real estate, and agriculture.

Scotiabank also outlines a series of "actions" it is taking to address climate change, which include:

- Increasing its "climate-related" financing target to $350 billion by 2030.
- Running a Climate Change Centre of Excellence to increase internal and external collaboration.
- Engaging with experts in the field, including an external Net-Zero Advisory Panel.
- Providing $25 million to non-profits and charities that enable climate-related systems change.
- Enhancing climate risk assessments in lending, financing, and investing.

Scotiabank includes ESG metrics in its business performance factor to inform variable executive pay and will continue to integrate ESG metrics in this regard.

On coal, Scotiabank will not fund any standalone thermal coal mining or power generation projects and will support existing coal clients in their transition (see Appendix II).

COMMENTARY

Scotiabank's "levers" contain a few elements of a transition plan—see Appendix I for more. The levers could be added to and strengthened with greater specificity.

Scotiabank's "counterparty engagement" would be strengthened with two critical ingredients: accountability and transparency. For accountability, Scotiabank could disclose what metrics it uses to evaluate client's transition plans and an escalation policy to ensure progress. For transparency, Scotiabank could disclose in aggregate terms how its portfolio is making progress against those metrics.

Regarding "portfolio composition," Scotiabank could clarify definitions of "transition finance" and quantify the impact of this finance on the bank's financed emissions. Scotiabank should also adopt broader guardrails to ensure its participation in "sustainability-linked" debt does not add to its financed emissions—for example, Scotiabank recently participated in a sustainability-linked loan to Petrobas, a company expanding fossil fuel production and thereby expanding emissions.

Regarding divestment, Scotiabank dismisses this concept when it is a critical ingredient in counterparty escalation. Also, sector-specific divestment timelines for fossil fuels like coal are consistent with 1.5 degree-aligned net zero pathways and holds actors accountable for meeting them. The existence of a Scotiabank coal policy establishes the bank's acceptance of divestment in principle, but unfortunately the policy itself is weak.

On "policy support and advocacy," Scotiabank talks only about encouraging government incentives and better data, but not yet about necessary regulations. And Scotiabank undermines this lever by advocating for increased domestic fossil fuel production which would raise emissions, calling the bank's commitment into question.

It is good that Scotiabank is integrating ESG metrics into executive compensation and more disclosure is needed on whether these include climate metrics and whether the bank maintains contradictory incentives for employees to bring in carbon-intensive business.

Scotiabank's coal policy could be updated to meet best practice, which requires a phase out of coal use in the OECD by 2030 and globally by 2040. Focusing only on "stand-alone" coal projects does little, since there are so few of these (see Appendix II).

TD

SOURCE DOCUMENTS

TD, 2021 Climate Action Plan
TD, Advancing our Climate Action Plan: Interim Emissions Targets Methodology

REPORT FINANCED EMISSIONS

GRADE: **B -**

- ✓ Reports absolute oil and gas portfolio and power generation emissions.
- ✓ Includes absolute material scope 3 emissions.
- ✓ Includes emissions associated with full committed loans, as well as for letters of credit, and guarantees.
- ✓ Underwriting activities included.
- ✗ Emissions included would benefit from more clarity, specifically which asset classes are covered.

COMMENTARY

Portfolios covered: TD reports absolute base year emissions for its energy—oil and gas exploration, transportation, and refining companies, as well as thermal coal mining companies—and power generation (but not not transmission or distribution) portfolios. For energy, its coverage is more comprehensive than its peers.

Material scope 3: TD reports the absolute scope 3 emissions associated with its oil and gas portfolio.

Financing activities covered: TD reports financed emissions associated with its total committed loans and for its underwriting activities. In doing so, TD reports on more financing activities than any of its peers. TD also specifies that it includes emissions associated with letters of credit and guarantees, but does not otherwise clarify whether all relevant PCAF asset classes or syndicated loans are covered.

TD

SET INTERIM TARGETS

OIL & GAS GRADE: C

POWER GRADE: B -

- ✓ Sets an oil and gas, scope 1-3, and power sector target.
- X Does not provide any absolute targets, and adopts more volatile value-based intensity metrics.
- X Oil and gas target does not appear to align with the IEA 1.5 degree Celsius scenario.
- X Does not include the entire power sector.

COMMENTARY

Oil and gas target: TD has set a 29 percent emissions intensity reduction by 2030 against a 2019 base year (scope 1 to 3) for its energy (oil, gas, and coal) portfolio. It is positive that this target is broader than its Canadian peers because of the fact that it includes the entire oil and gas sector (upstream, midstream, and downstream), coal, as well as scope 3 emissions. Unfortunately, the target does not align with a 1.5 degree Celsius trajectory, because it is not set as an absolute target and it does not align with the oil and gas scope 1 to 3 reductions prescribed by the IEA (see Appendix I). In correspondence with us, TD explained that its coal exposure is sufficiently small (>5%) not to materially affect its requisite oil and gas sector emissions reductions.

Power target: The bank has set a 58 percent emissions intensity reduction target for the power generators within its power portfolio. This aligns with the reductions called for by the IEA. But setting only an intensity-based target allows the portfolio to reduce at a slower rate than required by science, and potentially not at all.

Power coverage: The bank only includes power generation companies in its power portfolio target, leaving out power transmission and distribution companies.

Financial-based intensity metrics: TD is the only Canadian bank that adopts a value-based GHG-intensity target. They do so because it allows them to include a broader range of companies such as those that do not have a physical output. The intent for broader coverage is good but, value-based intensity metrics are less likely than physical-based intensity metrics to assure the absolute reductions required by science, because a company's value can fluctuate for a variety of reasons.

TRANSITION PLAN GRADE: **C -**

WHAT TD HAS SAID

TD has developed a Climate Target Operating Model to outline how functions, capabilities, governance and supporting infrastructure will be configured to achieve objectives. The model outlines actions necessary to reach the 'target state.'

TD talks about a "just transition" and refers to a paper it released on energy sector worker transition as well as philanthropic support to organizations working towards a just transition.

TD has a target of $100 billion in "low carbon" financing, and TD Securities engages in underwriting green, social, sustainability and sustainability-linked bonds and loans.

TD updated its thermal coal position to bar "new" activities with companies deriving more than 30 percent of revenue from mining thermal coal, or 30 percent of its power from unabated coal-fired power generation, or "new" clients expanding thermal coal mining or use (see Appendix II).

TD says that it continues to embed climate risk into its enterprise risk framework and has embedded sector-specific guidelines for environmentally sensitive sectors within its non-retail lending.

TD has developed a Climate Scenario Analysis program.

TD has modified its Executive Compensation Program to include achieving its climate change goals.

COMMENTARY

TD's "strategy" does not yet add up to a transition plan—see Appendix I. TD's language is almost entirely process-based with few indications of what TD will actually do. TD refers to its Climate Target Operating Model and says that it outlines "sequences and actions" to reach the "target state," but does not disclose what any of those are.

TD's risk management framework could disclose limits or thresholds for exposure to carbon-intensive sectors and connect directly to meeting its financed emissions targets. Its Climate Scenario Analysis program could help develop such thresholds and disclose those publicly.

TD should be given credit for being one of the few banks to talk about "just transition," and could strengthen this work by identifying what kinds of products and services the bank will develop to help Canadians transition to a low-carbon economy.

It is good that TD distinguishes its "low-carbon" financing from less defined "sustainability-linked" financing activity prone to greenwash, but should quantify and disclose the impact of all of its 'green' financing on its financed emissions as well as introduce guardrails to ensure such financing does not grow its financed emissions.

It is good that TD is integrating climate goals into executive compensation. More disclosure is needed on whether the bank maintains contradictory incentives for employees to bring in carbon-intensive business.

Contrary to the IEA's Net Zero pathway, TD continues to facilitate fossil fuel expansion, such as its controversial assessment and financing of the TMX pipeline. TD Securities projected a 100 year lifespan for the pipeline, contradicted by Canada's Parliamentary Budget Officer.

TD's thermal coal position is limited by its focus on "new" clients when it already deals with many coal clients. Best practices aligned with science call for a phase-out of coal financing in OECD by 2030 and globally by 2040 (see Appendix II).

BMO

SOURCE DOCUMENTS

BMO, 2021 Climate Report
BMO, Environmental and social risk management
BMO, Statement on Coal Lending
BMO, 2022 Proxy Circular

REPORT FINANCED EMISSIONS
GRADE: C

- ✓ Reports absolute emissions for its oil and gas, power generation, vehicle sales and use, and residential mortgage portfolios.
- ✓ Reports absolute material client scope 3 emissions.
- X Geographic coverage is limited.
- X Does not include midstream or downstream oil and gas companies, or power distributors.
- X Does not include full committed loan amounts.
- X Underwriting activities not included.
- X Emissions included would benefit from more clarity, specifically which asset classes are covered.

COMMENTARY

Portfolio coverage: BMO reports base year emissions for its oil and gas (upstream only), power generation (not utilities), vehicle sales and use (not manufacturing), and residential mortgage (building operations only) portfolios. This is broad coverage compared to its peers, but is still incomplete.

Geographic coverage: BMO only reports financed emissions related to its Canadian power generation, motor vehicle, and real estate portfolios. It is unclear what amount of its financed emissions from these sectors result from international financing.

Financing activities: BMO only reports emissions associated with outstanding loan amounts. BMO does not specify whether all relevant PCAF asset classes or syndicated loans are covered.

BMO

SET INTERIM TARGETS

OIL & GAS GRADE: **C -** POWER GRADE: **D**

- ✓ Sets oil and gas and power sector targets.
- ✓ Includes an absolute scope 3 target.
- X Does not include entire oil and gas or power sectors.
- X No other absolute targets set.
- X Does not appear to align with IEA Net-Zero by 2050 report.

COMMENTARY

Oil and gas and power sector coverage: BMO's oil and gas targets only include producers and exclude midstream and downstream companies. Similarly, its power sector target only includes generators and excludes transmission and distribution companies. These narrow definitions potentially miss out on substantial financed emissions.

Oil and gas target: It is encouraging that BMO set an absolute oil and gas scope 3 emissions target—a 24 percent reduction by 2030 from a 2019 base year. For its scope 1 and 2 emissions, BMO only set an intensity-based reduction target of 33 percent for the same period. Neither ensures the absolute emissions required by science (see Appendix I for best practices).

Power sector target: The bank has set an emissions intensity reduction target for its Canadian power portfolio of 45 percent by 2030 and does not show how this might converge with a science-based 1.5 degree Celsius scenario.

TRANSITION PLAN GRADE: **C**

WHAT BMO HAS SAID

BMO describes its four-part strategy as:

1. Commitment - setting a 2050 and intermediate targets.
2. Capabilities - analysis, insights and thought leadership.
3. Client Partnership - offerings tailored suite of advisory, investment and lending products to clients.
4. Convening for Climate Action - bringing together industry, government, researchers and investors to catalyze the climate conversation.

Under client partnership, BMO has made a $300 billion commitment to sustainable financing, including the creation of its Impact Investment Fund in 2019 seeded with $350 million invested in sustainability solutions.

BMO updated its Enterprise-wide Risk Management Framework with tolerance thresholds informed by its financed emissions and decarbonization pathway modelling.

BMO states that it cannot align portfolios with net zero in isolation. It states "[w]e will continue to engage with governments and encourage clear climate policy to achieve ambitious decarbonization goals."

In 2020 prior to its net zero commitment, BMO announced a "financial decision" to wind down its energy business outside Canada. In its 2021 Climate Report, BMO discloses its 2019 loans outstanding in upstream oil and gas, with 60 percent of these outside Canada.

BMO says that 25 percent of its variable executive pay is tied to meeting non-financial goals, including ESG and climate.

On coal, BMO will not finance new greenfield thermal coal plants or mining or significant expansion, will not take on "new" clients deriving significant revenue from coal, and will "support" existing coal clients with their transition (see Appendix II).

COMMENTARY

BMO has a few elements of a transition plan (see Appendix I). The elements could be added to and strengthened with greater specificity.

BMO's biggest opportunity is following through on its 2020 "financial decision" to wind down its energy business outside Canada. Assuming its Canadian business remained constant, doing this by 2030 would cut oil and gas-related financed emissions by about half, which is in keeping with credible net zero scenarios. BMO should also consider re-thinking the use of intensity targets in this case, since Canadian oil and gas is more carbon intensive—one overall absolute target for the sector may be more appropriate.

BMO's Enterprise-wide Risk Management Framework with thresholds for financed emissions may be a promising approach but this approach lacks transparency. What are the thresholds and how do they connect to BMO's targets?

BMO's "client partnership" could be strengthened with two critical ingredients: accountability and transparency. On accountability, needed is language regarding how clients' transition plans are evaluated and how BMO escalates with them to ensure outcomes are met. On transparency, needed is an aggregate assessment of progress of the client portfolio and disclosure of this information to investors and the public.

Regarding "sustainable investment" and "impact investment," clear definitions of these are needed as well as quantification of these investments on BMO's financed emissions. What is BMOs internal taxonomy that safeguards these investments against allegations of "greenwashing?"

BMO's statement about encouraging governments to develop clear climate policy is welcome, but this should be elevated into a core strategy and fleshed out in terms of disclosure. BMO should also evaluate its participation in industry associations opposed to climate action—it currently has a representative on the Board of the U.S. Chamber of Commerce, a body that routinely lobbies against climate progress.

BMO's inclusion of ESG and climate in variable executive pay is welcome and more disclosure is needed on whether the bank maintains contradictory incentives for employees to bring in carbon-intensive business.

Contrary to the IEA's Net Zero pathway, BMO continues to facilitate fossil fuel expansion, such as its controversial assessment and financing of the TMX pipeline. BMO Capital Markets projected a 100-year lifespan for the pipeline, contradicted by Canada's Parliamentary Budget Officer.

BMO's coal policy could be updated to meet best practices, which requires a phase-out of coal use in the OECD by 2030 and globally by 2040. Focusing the policy mainly on "new" clients does little to affect change in the real world (see Appendix II).

CIBC

SOURCE DOCUMENTS

CIBC, Accelerating climate action: Our Net-Zero Approach (Version 2.0)

CIBC, Accelerating climate action: 2021 Task Force on Climate-related Financial Disclosures (TCFD) Report

CIBC, 2021 Management Proxy Circular

REPORT FINANCED EMISSIONS

GRADE: **D**

- ✓ Reports absolute financed emissions for oil and gas, residential mortgages, and power generation portfolios.
- X Does not include material scope 3 emissions.
- X Does not include emissions associated with full committed loan amounts for its oil and gas or power portfolios.
- X Does not include emissions associated with its underwriting activities.
- X Emissions included would benefit from more clarity, specifically which asset classes are covered.

COMMENTARY

Portfolio coverage: CIBC reports 4.4 megatonnes of scope 1 and 2 emissions associated with its 2020 oil and gas (upstream and downstream companies), its power generation (not transmission or distribution companies), and its Canadian residential mortgage portfolios. Canadian mortgages represent about 95 percent of CIBC's residential mortgage portfolio.

Material scope 3 emissions: If we assume that CIBC's scope 1 and 2 oil and gas emissions represent the average 20 percent of the sector's overall emissions, then CIBC would be underreporting its base year emissions for this sector by 7.6 megatonnes. CIBC intends to report these material scope 3 emissions in its next TCFD report, where we expect them to restate their base year emissions.

Financed activities included: CIBC reports absolute emissions associated with its outstanding oil and gas loans, as well as with the fully committed amounts associated with its residential mortgages. CIBC does not report emissions associated with underwriting activities, or fully committed oil and gas loans. In correspondence with us, CIBC states that it will report emissions associated with its underwriting activities. CIBC does not specify whether all relevant PCAF asset classes or syndicated loans are covered.

CIBC

SET INTERIM TARGETS
OIL & GAS GRADE: C **POWER GRADE: C**

- ✓ Sets an interim target for its oil and gas and power generation portfolio.
- ✓ Includes underwriting activities and full committed loan amounts.
- X Does not cover the entire oil and gas or power sector.
- X No absolute target set.
- X Does not appear to align with IEA Net-Zero by 2050 report.

COMMENTARY

Oil and gas coverage: CIBC's oil and gas interim target includes upstream production and downstream refining companies, excluding midstream oil and gas companies.

Oil and gas target: CIBC has set a scope 1 and 2 emissions intensity reduction target of 35 percent by 2030 from a 2020 base year, and a scope 3 emissions intensity reduction target of 27 percent by 2030 from a 2020 base year. The bank states that these targets were set based on the IEA Net-Zero report scenario, but they do not appear to align with the IEA's recommended reductions (see Appendix I), most notably because they are not absolute targets. In addition, CIBCs base year emissions reporting does not include oil and gas scope 3 emissions, making tracking progress impossible.

Power portfolio target and coverage: CIBC set a target of 32 percent reduction for its power generation portfolio's emissions intensity by 2030 from a 2020 base year. Not only does this target fail to align with science because it is set only as an intensity target, but had it been set as an absolute target, CIBC fails to show how it would converge with the reductions required by science (see Appendix I).

Including full committed loans and underwriting: CIBC includes underwriting activities and fully committed loans in its interim targets; however, its base year emissions reporting does not include either, making tracking progress impossible.

TRANSITION PLAN GRADE: **C -**

WHAT CIBC SAYS

CIBC states it will be focusing on:

- Aligning investment decisions with net zero.
- Engaging clients in their transition journeys, providing advice and encouraging behavior through tools and product solutions.
- Setting additional interim targets.
- Engaging with governments, industry, and third-parties to advocate for policies, subsidies incentives, and net zero transition plans.
- Reporting net zero progress.

CIBC conducts scenario analysis, a “heatmap” approach to assessing physical and transition risk in its portfolio, and climate scoring at the client level to inform its risk management approach.

CIBC states that in 2021 it set a goal toward mobilizing $300 billion in sustainable financing by 2030.

CIBC has a Goals Performance Success program that sets variable pay for the majority of CIBC employees and includes ESG factors.

CIBC has some limits on “new” coal and “new” coal clients and an assessment for some existing thermal coal clients—see Appendix II.

COMMENTARY

CIBC’s disclosure on its transition planning is thin.

CIBC appears to integrate good climate information into its risk management framework, but it is unclear whether this translates into exposure thresholds or changes to its portfolio to meet its climate targets.

It is good that CIBC engages with industry regarding net zero transition plans. It should publish the metrics it uses to assess the credibility of such plans, and disclose annually in the aggregate how its client portfolio is progressing against those metrics.

CIBC’s goal of mobilizing $300 billion in sustainable finance by 2030 is laudable, and would benefit from guardrails to protect against greenwashing (for example, in “sustainability-linked” instruments), and quantification of the impact of this financing on CIBC’s financed emissions.

CIBC’s inclusion of ESG and climate in variable pay is welcome and more disclosure is needed on whether the bank maintains contradictory incentives for employees to bring in carbon-intensive business.

CIBC’s coal policy is limited by its focus on new coal and new clients and does not accord with best practice (see Appendix II).

NATIONAL BANK

SOURCE DOCUMENTS

National Bank, 2021 TCFD Report
National Bank, 2021 Report on Environmental, Social and Governance Advances
National Bank, 2021 Sustainability Bond Report
National Bank, 2021 Management Proxy Circular

REPORT FINANCED EMISSIONS

GRADE: **D**

- ✓ Reports absolute oil and gas producer emissions.
- ✓ Includes material scope 3 emissions.
- X Does not include the entire oil and gas sector, or loans to the sector outside of Canada.
- X Does not include power sector emissions.
- X Does not include full committed loan amounts.
- X Does not include underwriting activities.
- X Emissions included would benefit from more clarity, specifically which asset classes are covered.

COMMENTARY

Portfolio and geographic coverage: National reports 8.5 megatonnes of scope 1 to 3 emissions associated with its financing for oil and gas producers, which are "made up of business involving Canadian companies." It is unclear based on this description whether National only finances oil and gas businesses in Canada, or whether they are choosing to only account for Canadian oil and gas financing. Although Canadian oil and gas producers likely represent a significant amount of the bank's oil and gas portfolio emissions, National is potentially missing a large segment of the sector by leaving out international oil and gas producers, as well as midstream and downstream companies.

Financed activities included: National only reports absolute emissions associated with its outstanding loans, missing out on emissions associated with its fully committed loans and underwriting activities. In addition, the bank does not specify whether it accounts for all relevant PCAF asset classes and whether and how syndicated loans are covered. It is nonetheless positive that National reports the value of the loans associated with its reported emissions.

NATIONAL BANK

SET INTERIM TARGETS

OIL & GAS GRADE: D **POWER GRADE: I**

- ✓ Sets an oil and gas target.
- ✓ Target includes material scope 3 emissions.
- X Target is intensity based.
- X Target does not cover the entire oil and gas sector.
- X Target does not cover underwriting or full committed loans.
- X Oil and gas target does not appear to align with science.
- X No target set for the power sector.

COMMENTARY

Oil and gas coverage: National has set a 31 percent emissions intensity reduction target for 2030 from a 2019 base year for its oil and gas portfolio. Unfortunately, this target only includes Canadian oil and gas producers, and fails to account for upstream exploration companies, downstream refineries, as well as any international oil and gas companies (if they finance any).

Oil and gas target: Setting only an intensity target does not ensure the absolute emissions reductions required by science. National Bank does not disclose how the 31 percent reduction of scope 1 to 3 emissions, even if it had been set as an absolute target, would align or converge with the reductions required by science (see Appendix I).

Power target: National has not kept up with the majority of Canadian banks which set interim emissions reduction targets for their power portfolios.

TRANSITION PLAN GRADE: **C**

WHAT NATIONAL BANK HAS SAID

Under "strategy" National Bank identifies five priorities:

1. Consider the fight against climate change in our economic and community actions.
2. Support and actively advise our clients in their transition towards a lower-carbon economy.
3. Increase our capacity to assess and manage climate risks.
4. Reduce the carbon footprint of our operations.
5. Support the energy transition ecosystem (incubators, accelerators, peer groups, government initiatives).

National sets a financial goal related to energy financing: that it will grow its portfolio of loans related to renewable energy at a faster rate than its portfolio of loans related to non-renewable energy. It states that since 2019 its portfolio of renewable loans grew by 11 percent while the non-renewable portfolio decreased by 38 percent.

As of the end of 2021 National had issued $3.1 billion in sustainable bonds that it invested in environmental projects, including transportation and buildings.

National has strengthened its risk management framework and compares exposures of sectors to climate-related risks and compares them to its risk appetite "and the limits established."

For clients in carbon-intensive industries, National discusses their strategic positioning and the existence of an energy transition plan at least once a year.

Since November, 2021, National has integrated ESG priorities—including attainment of net zero—into its Officer Compensation Program.

National committed to not fund any new thermal coal mining and processing activities.

COMMENTARY

National Bank has a few elements of a transition plan—see Appendix I. These elements could be added to and strengthened with greater specificity.

National's innovative goal regarding renewable and non-renewable energy financing could be its principal driver of financed emissions reductions in the energy sector, but is currently written to still allow for fossil fuel lending growth, even if the bank shows recent reductions. That could lead to overall growth in its financed emissions, so National should consider a target for non-renewable financing reductions like BNP Paribas, ING, and Societe General. The goal should also be extended to underwriting.

National's definitions of sustainable finance could be clearer and stronger. For example, National has participated in a "sustainability-linked" bond issuance for Tamarack Valley Energy, the proceeds of which have been used to acquire another oil and gas company, thereby expanding production and expanding emissions.

Regarding its risk management framework, National refers to "limits" in its risk appetite regarding climate, which is positive, but it does not spell out whether and how those limits are connected to its financed emissions targets.

That National asks clients in carbon-intensive industries for transition plans is laudable. The metrics that National uses to evaluate the credibility of such plans should be disclosed, as well as aggregate data on how National's client portfolio is progressing against those metrics annually.

National's inclusion of ESG and climate in officer compensation is welcome and more disclosure is needed on whether the bank maintains contradictory incentives for employees to bring in carbon-intensive business.

National's coal policy is limited by applying to "new" activity—best practice aligned with climate science is to establish a phase-out of all coal financing in OECD by 2030 and globally by 2040 (see Appendix II).

APPENDIX I
GRADING: WHAT WOULD AN 'A' LOOK LIKE?

FINANCED EMISSIONS REPORTING

- Emissions reporting should be comprehensive—across portfolios and geographies—and reported in absolute terms.

- The Net Zero Banking Alliance (NZBA) provides that members should annually report progress towards their portfolio targets, which must cover scope 1, 2, and 3 emissions, where material, and where data allows. Comprehensive base year reporting is required to do so.

- At a minimum, emissions reporting should align with Partnership for Carbon Accounting Financials (PCAF) methodologies.

  » For now, finalized PCAF methodologies only apply to outstanding loan amounts. A draft methodology is under consultation for capital markets (i.e. underwriting) activities.

  » PCAF methodologies apply to six asset classes: 1) listed equity and corporate bonds; 2) business loans and unlisted equity; 3) project finance; 4) commercial real estate; 5) mortgages; and 6) motor vehicle loans.

  » Starting in 2021, PCAF specifically requires that financial institutions include scope 3 emissions for the oil and gas sector, and for additional sectors, starting in 2024.[3]

- Many banks have adopted and exceeded the minimum standards established by PCAF, for example by including financed emissions associated with full committed loans as well for underwriting activities.

- Some banks also clarify whether and how specific financing activities are accounted for, like syndicated loans, letters of credit, and guarantees. Due to the wide variety of financing activities in which banks are involved, we recommend banks report what value/share of their financing activities are being accounted for.

3 Partnership for Carbon Accounting Financials, The Global GHG Accounting and Reporting Standard for the Financial Industry, first edition (November 2020) at 49.

FINANCED EMISSIONS GRADING CRITERIA

A	B	C	D	Incomplete
• Reported in absolute metrics • Includes material scope 3 emissions • Covers all assets with accepted PCAF methodologies • Includes full committed loans and underwriting activity • Includes all relevant geographies • Covers financing activities across the bank's power and energy portfolios • Covers financing activties beyond the bank's power and energy portfolios	• Misses 1 criteria	• Misses 2 criteria	• Misses 3+ criteria	• Does not report absolute emissions

Note: *'+' or '-' associated with any grade indicates that the bank is going above or below the grade's criteria but not sufficiently to meet the criteria for the higher or lower grade.*

FINANCED EMISSIONS REPORTING: BANK GRADING DETAILS

CRITERIA	RBC	SCOTIA	TD	BMO	CIBC	NATIONAL
Absolute emissions	Yes	-¼	Yes	Yes	Yes	Yes
Includes scope 3	X	Yes	Yes	Yes	X	Yes
All PCAF asset classes	-¼	Yes	-¼	-¼	-¼	-¼
Committed loans & underwriting	X	-¾	Yes	X	X	X
All geographies	Yes	-¼	Yes	-¼	Yes	-¼
Power & Energy	Yes	-¼	-¼	-¼	-¼	-¾
Other portfolios	Yes	-½	X	-¼	-½	X
Missing criteria	**-2.25**	**-2**	**-1.5**	**-2**	**-3**	**-3.25**
Grade	**C**	**C**	**B-**	**C**	**D**	**D**

INTERIM EMISSIONS TARGETS

- The Net Zero Banking Alliance (NZBA) provides that portfolio targets should cover client scope 1, 2, and 3 emissions, where significant, and where data allows.

- In order for an interim greenhouse gas reduction target to align with a well-respected, science-based 1.5 degree Celsius future scenario, with no or limited overshoot—such as the IEA's Net-Zero by 2050 report—it must be at least aligned with the following absolute global average reductions by 2030 from a 2019 base year.

  » Note that the oil and gas reductions are a weighted average of the carbon and methane emissions reductions called for by the IEA, and assume a global average share of methane emissions in oil and gas operations.

	Scope 1 + 2	Scope 3	Scope 1–3
Oil and Gas	- 55%[4]	- 29%[5]	- 34%[6]
Coal	- 60%	- 60%	- 60%
Power	- 58%[7]	Not required (at this time)	

- Banks may have a legitimate reason for setting an interim target that differs from (but still converges with) the reductions called for the science-based 1.5 degree Celsius scenario upon which they are basing their target. If so, they should transparently disclose why and how.

- The IEA Net Zero by 2050 emissions reductions are global averages. Equity dictates that developed countries reduce their emissions at a faster rate to reflect higher per capita emissions and to ensure less developed countries can expand their access to power, among other things.

- Interim targets should be set as absolute targets or associated with absolute emissions reduction targets. This ensures emissions are reduced at the pace required by science. As all banks are hoping for business growth, there is a real risk of intensity targets—when applied without the check of an absolute emissions reduction target—enabling absolute real economy emissions growth.

  » Sector-based physical emissions intensity reduction targets are only science-based if they align with forecasted production levels (i.e. for electricity generation or oil production) that are associated with the relevant 1.5 degree Celsius scenario.

  » Financial-based intensity metrics are volatile, as asset values can change based on market factors other than company output, and so should not be relied on as the basis for intensity-based targets.

4 IEA, Net Zero by 2050 (May 2021) at Table A.4 (for carbon reductions) and at p.14 (for methane reductions); McKinsey, The future is now: How oil and gas companies can decarbonize (January 7, 2020) at Exhibit 3 (on average methane represents 57% of oil and gas scope 1 and 2 emissions).

5 Scope 3 oil and gas reductions reflect the carbon dioxide combustion reductions called for by the IEA at Table A.4.

6 On average oil and gas scope 1 and 2 emissions represent 21% and scope 3 represents 79% of the sector's overall emissions. (McKinsey, The future is now: How oil and gas companies can decarbonize (January 7, 2020) at Exhibit 2.)

7 IEA, Net Zero by 2050 (May 2021) at Table A.4.

INTERIM TARGETS GRADING CRITERIA

A	B	C	D	Incomplete
• Sets absolute targets • Sets a target for the entire oil and gas sector • Sets a target for the entire power sector • Targets at least align with IEA Net Zero by 2050 • Includes material scope 3 emissions • Covers full committed loans and underwriting activity	• Misses 1 criteria	• Misses 2 criteria	• Misses 3+ criteria	• Does not report absolute emissions

Note: *'+' or '-' associated with any grade indicates that the bank is going above or below the grade's criteria but not sufficiently to meet the criteria for the higher or lower grade.*

INTERIM TARGETS (OIL AND GAS AND POWER): BANK GRADING DETAILS

CRITERIA	RBC		SCOTIA		TD		BMO		CIBC		NATIONAL	
	O&G	Power	O&G	Power	O&G	Power	O&G	Power	O&G	Power	O&G	Power
Absolute target	X	X	X	X	X	X	-¼	X	X	X	X	X
Scope 3	Yes	N/A	X	N/A	Yes	N/A	Yes	N/A	Yes	N/A	Yes	N/A
Aligns with 1.5	X	X	X	Yes	X	Yes	X	X	X	X	X	X
Committed loans & underwriting	X	X	-½	X	Yes	Yes	X	X	Yes	Yes	X	X
Full value chain	-¼	-¼	-½	Yes	Yes	-¼	-½	-¼	-¼	-¼	-¾	X
Criteria Score	**-3.25**	**-3.25**	**-4**	**-2**	**-2**	**-1.25**	**-2.75**	**-3.25**	**-2.25**	**-2.25**	**-3.75**	**-4**
Grade	**D**	**D**	**D**	**C**	**C**	**B-**	**C-**	**D**	**C**	**C**	**D**	**I**

"A net-zero transition plan is a set of goals, actions, and accountability mechanisms to align an organization's business activities with a pathway to net-zero GHG emissions that delivers real-economy emissions reductions in line with achieving global net zero. For GFANZ members, a transition plan must be consistent with achieving net zero by 2050, at the latest, in line with global efforts to limit warming to 1.5 degrees C, above preindustrial levels, with low or no overshoot." (GFANZ, 2022, emphasis added)

Goals should include:

- Short-/medium-term comprehensive targets consistent with climate science (see above).
- A just transition and respect for Indigenous Rights, including Free, Prior, and Informed Consent, for financed projects.

Actions should include:

- A set of clear interventions the bank will make for: climate solutions, aligning client and portfolio emissions, and managed phase-out of high-emitting activities.
- Disclosure of financial plans, budgets, financial targets, and projected impacts on medium-term return on investment.
- Policies and mechanisms—including via risk management frameworks—to reduce exposure to carbon-intensive sectors such as coal and oil and gas in line with the IEA's Net Zero pathway, including withdrawal of support for new fossil fuel projects and infrastructure.
- Establishment of an escalation framework for clients and investees that include clear disclosure of evaluation metrics (e.g. capex alignment), annual reporting of portfolio progress, and accountability mechanisms—including dropping unresponsive companies.
- A taxonomy that clearly defines "sustainable" (or similarly worded) finance, including guardrails to safeguard against greenwashing and quantification of the impact of this finance on the bank's financed emissions.
- Alignment of direct and indirect lobbying and public policy positioning with net zero and robust disclosure of lobbying activities.
- Investment in products and services in the service of a just transition and adopting a policy upholding the Free, Prior, and Informed Consent of Indigenous peoples.

Accountability should include:

- Projections of the relative impacts of the bank's interventions on its financed emissions, annual reporting on those projections, and a stated plan to calibrate should results differ from expectations so that targets are met.
- Alignment of executive and employee compensation with net zero, including ending incentives to bring in carbon-intensive business.

TRANSITION PLAN GRADING CRITERIA

A	B	C	D	Incomplete
• Clear goals consistent with climate science, just transition and Indigenous Rights • Measurable actions to phase down high carbon financing, especially fossil fuels • Escalation framework for clients and investees • Taxonomy and measurement of "sustainable" finance • Public policy lobbying alignment with net zero • Programs and services for just transition and policy on free, prior, and informed consent • Accountability framework to calibrate actions to hit targets • Alignment of executive and employee compensation with net zero • Related financial reporting	• Significant number of elements of A in place and/or lack of clarity or ambition of elements	• A few elements of A in place and/or lack of clarity or ambition of elements	• Just getting started on transition planning and/or lack of clarity or ambition of elements	• Little activity

Note: *'+' or '-' associated with any grade indicates that the bank is going above or below the grade's criteria but not sufficiently to meet the criteria for the higher or lower grade.*

TRANSITION PLAN: BANK GRADING DETAILS

BANK	GRADE	NOTES
RBC	**D**	Has a few elements in place, but lacking clarity and ambition, and also calls 2030 targets "aspirational" and deflects responsibility for meeting them, raising doubts about commitment to transition.
SCOTIABANK	**C-**	Has a few elements in place, but lacking clarity and ambition. Scotia is also undermining one of three key levers identified by lobbying against climate action.
TD	**C-**	Has a few elements in place, but lacking clarity and ambition. Focuses overly on process, thereby lacking specific, measurable action.
BMO	**C+**	Has a few elements in place, but lacking clarity and ambition. Major opportunity to advance transition by assigning a 2030 timeline to its commitment to phase out non-Canadian energy financing.
CIBC	**C-**	Has a few elements in place, but lacking clarity and ambition. Less articulation of a transition plan compared to other banks.
NATIONAL	**C**	Has a few elements in place, but lacking clarity and ambition. Innovative use of finance metric for renewable vs. non-renewable energy which could be strengthened.

COAL POLICIES OF CANADA'S MAJOR BANKS & DESJARDINS

FINANCIAL INSTITUTION	COAL POLICY	COMMENTARY
(AN EXAMPLE OF CANADIAN BEST PRACTICE)	Desjardins will not invest its own funds in, or provide financial products (including corporate financing, financial intermediation, loans and insurance) to companies that: • Operate or develop coal mines • Have greater than 10 percent, or 5 GW, installed coal power generation capacity • Are building, extending or renovating coal mines, power plants or infrastructure In keeping with the principles of a just energy transition, and to support businesses that want to divest from the industry, Desjardins may work with companies that have announced a coal phase-out strategy in line with IPCC Guidelines and the Paris Agreement, which call for a complete coal phase-out by: • 2030 for OECD countries • 2040 for the rest of the world This exception will only apply to a limited number of cases. Our position applies to business relationships with current and future members and clients.	Desjardin's coal policy represents best practice aligned with climate science. Note the phase-out timelines. Note the low threshold for which companies qualify. Note that this includes all coal clients, not just new ones.
RBC	RBC will not finance transactions where the proceeds will be primarily used to develop a new greenfield coal-fired power plant, thermal coal mine or MountainTop Removal coal mining projects. RBC will not provide financing to new clients that operate significant thermal coal mining (>60 percent revenue) or coal power generation assets (>60 percent generation, Megawatt hour (MWh). RBC will provide financing to new clients that operate some thermal coal mining (≤ 60 percent revenue) and coal power generation assets (≤60 percent generation, MWh) if the client can provide clear evidence that they are: • Reducing their use of coal (e.g. diversifying, retiring assets); and/or • Reducing their GHG emissions; and/or • Converting to high-efficiency, low emissions (HELE) or other technologies that lower GHG emissions. For existing clients that operate thermal coal mining or coal power generation assets, RBC will support the client in their transition to lower carbon emissions. RBC will track and monitor our credit exposure to coal mining and coal power generation and endeavor to reduce it over time in support of the transition to a low-carbon economy.	The first clause would apply only to project financing whereas most financing is corporate. The second clause applies only to new clients. The threshold is very high. The third clause again only captures new clients and has a high threshold. Only a vague commitment applies to existing clients. The last clause is potentially the strongest but lacks specificity.

FINANCIAL INSTITUTION	COAL POLICY	COMMENTARY
Scotiabank	Does not currently, and will not, finance any standalone projects for thermal coal mining or coal power generation. We will continue to support our existing mining and utility clients who have thermal coal or coal generation assets in their portfolios with their transition to lower carbon emissions.	Scotiabank's policy is very thin. Standalone projects are rare and the commitment to existing clients is vague. Scotiabank says nothing about reducing coal exposure.
TD	Beginning no later than the end of fiscal Q2 2022, TD will not lend to, facilitate capital markets transactions for, or advise on mergers and acquisitions for: a. any new mining company client that derives ≥ 30 percent of its revenue from the production of thermal coal, or b. any new mining company client that has made a public statement of its intention to expand its thermal coal mining operations. Nor will TD provide project-specific financing after that date for the development of new thermal coal mines or expansion of existing thermal coal mines. Beginning no later than the end of fiscal Q2 2022, TD will not lend to, facilitate capital markets transactions for, or advise on mergers and acquisitions for: a. any new power generation client that generates ≥ 30 percent of its power (MWh) from unabated coal-fired power generation, or b. any new power generation client that has publicly stated an intention to expand its unabated coal-fired power generation operations. Nor will TD provide project-specific financing after that date for the development of new unabated coal-fired power generation plants or expansion of existing unabated coal-fired power plants. TD will consider exceptions to this Thermal Coal Position in instances of material changes to our portfolio (e.g., Merger or Acquisition) or where a company's individual circumstances indicate that a proposed transaction would not present the same risks otherwise associated with coal-dependent businesses, such as where: a. the company has made a public commitment to phase out its thermal coal activities; b. the company is making appropriate progress on its own low-carbon transition strategy (e.g., by having a public net-zero commitment with interim targets that follow a science-aligned emissions reduction trajectory); or c. the use of the proceeds of the loan or the capital markets transaction, or the purpose of the merger and acquisition, is to facilitate the transition of the company's business away from thermal coal.	TD's first clause is limited by its application to new clients. The 30 percent threshold is lower than RBC's but not in line with best practice. The second clause applies to rare project financing when most financing is corporate. The power generation clauses have the same weaknesses as the mining clauses. TD says nothing about reducing its coal exposure.

FINANCIAL INSTITUTION	COAL POLICY	COMMENTARY
	BMO will not provide financing as a lender where the proceeds are known to be primarily used to develop a new greenfield coal-fired power plant, thermal coal mine or significant expansion of such plants or mines. Coal-fired power plants utilizing carbon capture and sequestration technology will be considered on a case-by-case basis, taking into account Paris Climate Agreement aligned goals to reach net zero global greenhouse gas emissions by 2050. BMO will not lend to new clients that operate significant thermal coal mining (>60 percent revenue) or coal power generation assets (>60 percent output, Megawatt hour (MWh). BMO may lend to new clients that operate some thermal coal mining (≤ 60 percent revenue) and coal power generation assets (≤60 percent output, MWh) if the client can provide satisfactory evidence that they are reducing or have defined plans to reduce their use of thermal coal (e.g. diversifying, retiring assets), and/or their greenhouse gas (GHG) emissions and/or converting to high-efficiency, low emissions (HELE) or other technologies that lower GHG emissions. For existing clients that operate thermal coal mining or coal power generation assets, BMO will continue to support our clients in their transition to lower carbon emissions to achieve net zero aligned goals. BMO will proactively seek opportunities to support our clients' GHG reduction strategies and their management of the risks and opportunities related to a low-carbon transition.	BMOs first clause would apply to rare project financing when most financing is corporate. The second clause applies only to new clients, and the threshold is too high. The exemption is vague—what is "satisfactory"? The clause applying to existing clients is vague. BMO says nothing about reducing its exposure to coal.
	• CIBC will not lend to any client or project where the proceeds are known to be primarily used for the purposes of developing a new coal-fired power plant, a mountaintop removal coal mine or a new standalone thermal coal mine. • CIBC will not lend to any new utility client or new power generation client with high reliance on coal-fired power plants with more than 60 percent total power generation (MWh) from coal. • For all existing and new utility or power generation clients with less than or equal to 60 percent total power generation (MWh) from coal, CIBC has adopted a Thermal Coal Management Protocol to apply a structured evaluation process to complete detailed assessments of the client's efforts to reduce or eliminate thermal coal use, where applicable.	The focus on "new" coal and "new" clients misses existing coal activity and existing clients. The 60 percent threshold is too high. The existence of a "Thermal Management Protocol" without disclosing what's in it is not transparent. CIBC says nothing about reducing its exposure to coal.
	The bank has a commitment not to finance new thermal coal mining and processing activities.	National's coal policy is very thin and says nothing about reducing exposure to coal.

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November 2022 www.investorsforparis.com @investors4paris