

AUGUST 2024

POWERING THE TRANSITION

ELECTRICITY FINANCING
AND INVESTING BY MAJOR
CANADIAN FINANCIAL
INSTITUTIONS

INVESTORS *for*
PARIS COMPLIANCE

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I4PC remains solely responsible for any errors or omissions that may persist in the final report.

EXECUTIVE SUMMARY

According to the International Energy Agency (IEA), for a chance of achieving a 1.5 C° future, countries must transition their electricity sectors away from fossil fuels by 2040. Developed countries like Canada must lead the way and reach net zero emissions in their electricity grids by 2035, while China must do so by 2040, and other developing economies before 2045.¹

A net-zero aligned power sector requires both decarbonizing existing power grids and expanding emissions-free electricity to meet growing demand. The financial sector plays a critical role in financing this transition, and is increasingly motivated to do so in order to mitigate its exposure to climate-related risks and maximize its exposure to climate-related opportunities.

This report assesses how 13 major Canadian financial institutions that have committed to align some or all of their businesses with net zero are claiming to be financing the decarbonization of power generation. It then tests the strength of these stated policies against their actual power generation financing. All the institutions have been given an opportunity to review and fact check our analysis.

POLICY ANALYSIS

We assessed Canada's six largest banks, two of its largest life and health insurers, its largest publicly-listed private equity investor, and three of its largest pensions. The criteria applied in our evaluation are derived from industry-specific net zero associations and alliances, or from best practices of peers:

1. Overall net zero goals
2. Interim emissions reduction targets
3. Emissions disclosure
4. Coal policies
5. Gas policies
6. Client engagement
7. Power sector financing and investing in practice

Our qualitative analysis of Canadian financial institutions is supported by quantitative data outlining their electricity sector financing (i.e. criteria 7). The quantitative data — collected by third party contractor Profundo — includes credit (including underwriting), investing, and private equity transactions made by the 13 financial institutions. Credit and private equity data covered in this report is from between 2016 and 2023, while investment data represents holdings as of April 2024.

¹ International Energy Agency, [Net Zero Roadmap](#) (2023) at 79.

TABLE E.S.1. POWER SECTOR FINANCING AND INVESTING SCORES.

	CDPQ	BROOKFIELD	OTPP	CPPIB	NATIONAL	CIBC	TD	RBC	MANULIFE	SUN LIFE	BMO	POWER CORP.	SCOTIA
Assets/AUM	\$452 bn AUM	\$1.3 tn AUM	\$256 bn AUM	\$632 bn AUM	\$424 bn assets	\$723 bn assets	\$1.9 tn assets	\$2 tn assets	\$1.2 tn AUM	\$1.4 tn AUM	\$1.3 tn assets	\$1.3 tn AUM	\$1.4 tn assets
1. Overall net zero goal	A	B	A	A	C	B	B	C	C	B	B	D	C
2. Interim emissions reduction target	B	B	A	F	C	B	B	C	C	B	D	D	D
3. Emissions disclosure	C	B	B	C	D	B	B	C	D	C	D	D	D
4. Coal policy	B	C	D	F	B	D	C	D	C	F	F	D	D
5. Gas policy	D	D	F	F	F	F	F	F	F	F	F	F	F
6. Engagement strategy	C	B	B	B	D	C	B	C	D	C	C	D	C
7. Power financing	A	A	n/a	A	C	D	F	D	D	F	D	D	F
FINAL GRADE	B	B	B-	C+	C-	C-	C-	D+	D+	D	D	D	D-

NOTE: AUM = Assets under management. For banks, we use assets as these also capture loans and acceptances, among other items. See [Section 2](#) for detailed scoring methodology. See [Appendix](#) for detailed company assessments.

Leading the pack on overall performance are the three pensions (**CDPQ, OTPP, CPPIB**) and **Brookfield**. Making less progress to date are Canada's major life and health insurers (**Sun Life, Manulife**) who have focused most of their net zero policies on a small share of their assets under management — the premiums which they invest on their own account. **Power Corporation** also lags behind. Its poor performance reflects the fact that it has yet to set an overall net zero strategy that applies across the organization and drive a concerted effort to decarbonize. The banks sit in the middle, with the exception of **BMO** and **Scotiabank**, which lag their peers.

Our analysis highlights several trends of note. On the positive side, we see several institutions setting increasingly robust engagement policies designed to support power utilities in their net zero journeys, like **RBC** and **OTPP**.

On the other hand, we note that larger institutions struggle more in their progress towards net zero alignment than smaller institutions.

Thirdly, we see asset management businesses progressing more slowly towards net zero alignment than asset owners. For example, neither **Manulife** nor any of the banks have included their third party investment management arms within their net zero commitments. The justification provided in several instances is that third party asset managers feel they have to invest as their clients direct them, regardless of transition risk.

Leading the pack on overall performance are the three pensions and Brookfield.

Fourthly, gas policies are financial institutions' climate-related Achilles' heel. None of the financial institutions assessed have implemented policies consistent with net zero, i.e. the near phase-out of unabated gas-fired power generation by 2040.

Finally, the marks are especially low once the criteria move from goals to action. This is reflected in criteria 7, where we analyze actual power sector financing.

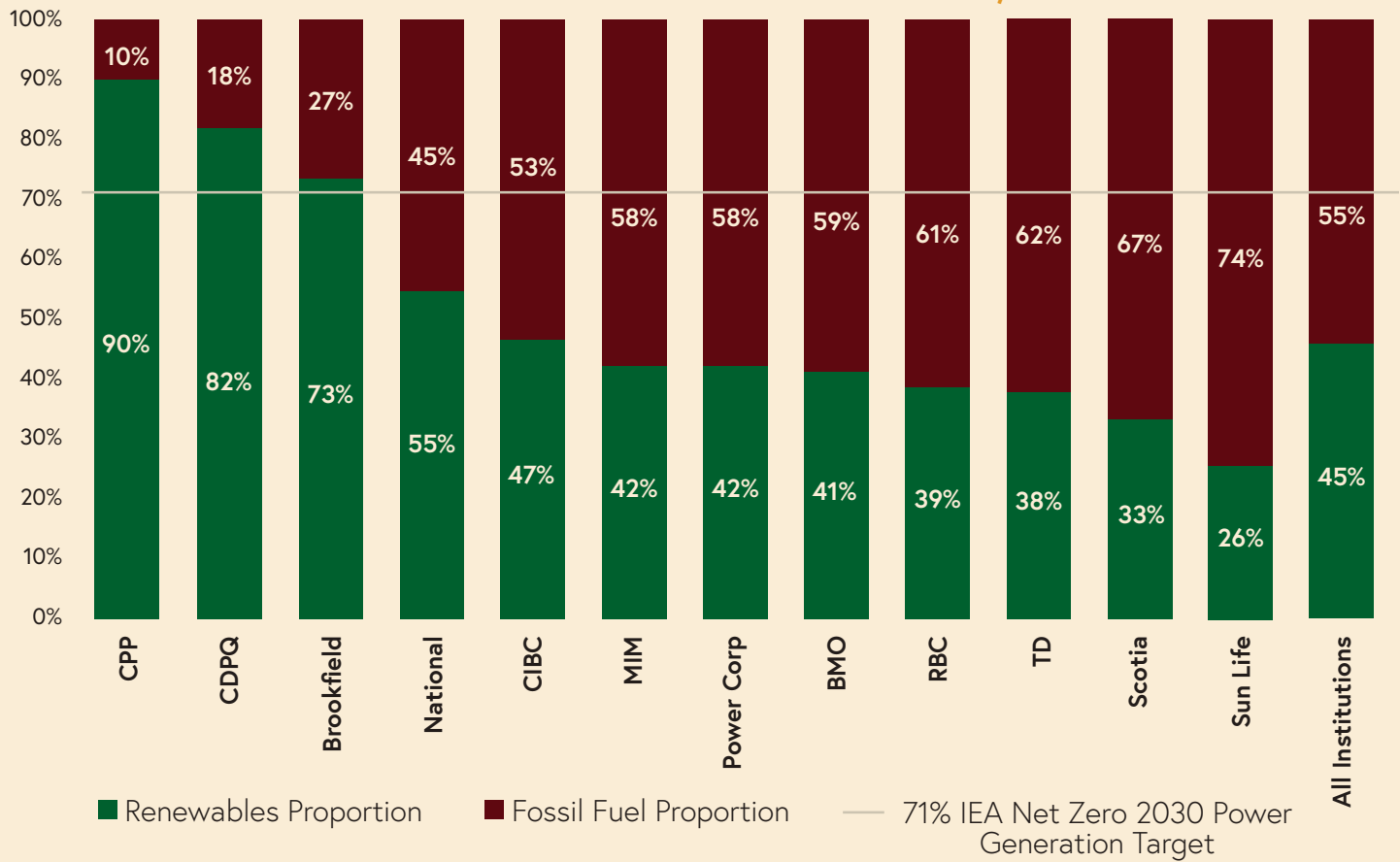
DATA ANALYSIS

Data shows that only a few institutions have directed 71% or more of power sector capital into renewables, which is the IEA's 2030 benchmark for net zero aligned electricity generation. Only the **Canada Pension Plan** (90% of power financing and investing in renewables), the **Caisse de dépôt et placement du Québec** (82%) and private equity investor **Brookfield** (73%) meet that standard.

All six major Canadian banks, as well as **Manulife Investment Management, Power Corporation**, and **Sun Life** fall below the 71% threshold, with **Scotiabank** (33%) and **Sun Life** (26%) having the lowest levels. Overall, the proportion of power financing and investing in renewables across the assessed institutions is 45%.

Marks are especially low once the criteria move from goals to action.

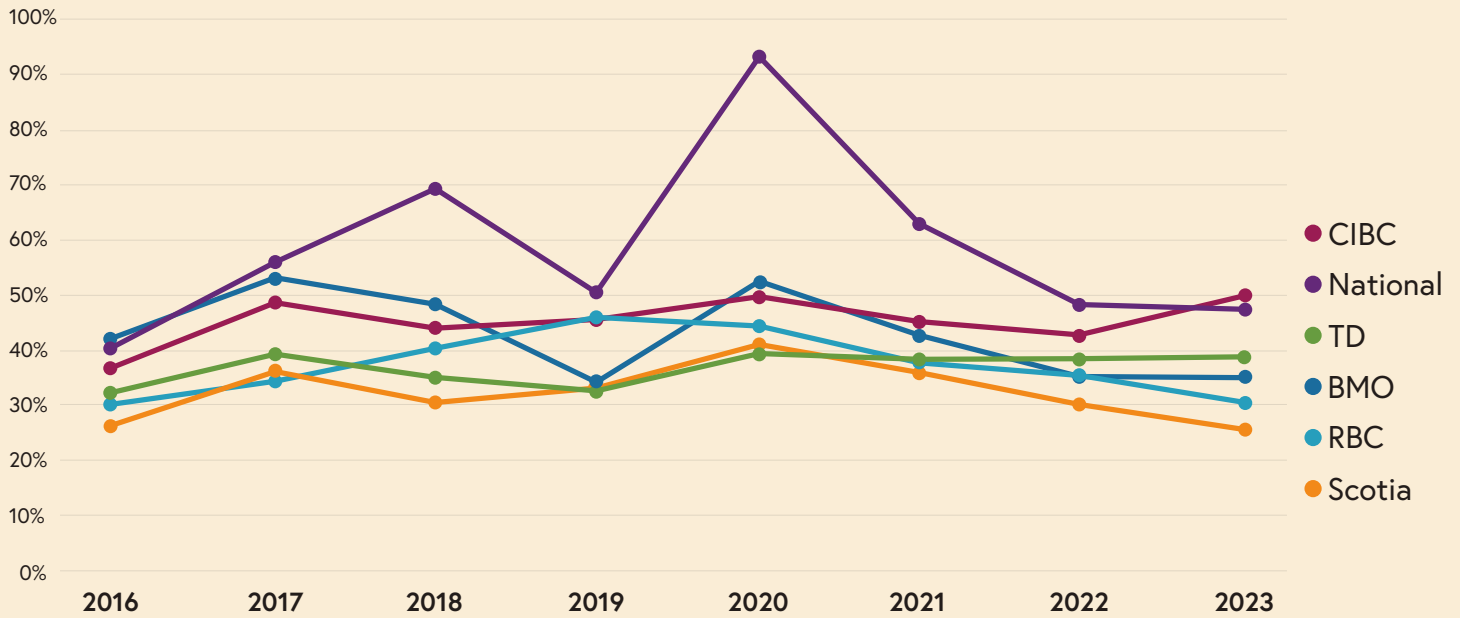
TOTAL UTILITY FINANCING AND INVESTING, 2016-2024



Looking at how the proportion of electricity credit in renewables by banks evolved between 2016 and 2023, we are seeing a relatively small change in trend lines. Since 2016, despite all the banks assessed having committed to net zero, only four have made incremental increases in renewable power credit activity: **CIBC** (+13%), **National** (+7%), **TD** (+6%) and **RBC** (+1%). On the other hand, **ScotiaBank** and **BMO** decreased their renewable share of power credit activity by 1 and 7 percentage points respectively.

On average, Canada's six major banks have increased their proportion of electricity credit in renewables by less than 1% per year. This pace is far from sufficient to move the overall current proportion of 45% to the recommended benchmark of 71% by 2030.

PROPORTION OF CREDIT IN RENEWABLES



Insufficient power sector policies by financial institutions, as well as the great variation in how these policies are applied, highlights the need for stronger voluntary guidelines, government incentives, as well as financial sector regulations mandating Paris alignment of power sector financing in Canada.

1. INTRODUCTION

Globally, electricity generation systems account for over 40% of energy-related CO₂ emissions.² To enable a climate-safe future while growing capacity, countries must transition their electricity sectors away from fossil fuels by 2040. Developed countries like Canada must lead the way and reach net zero emissions in their electricity grids by 2035, while China must do so by 2040, and other developing economies before 2045.³ From an energy source perspective, unabated coal-fired plants must be phased out by 2030 in developed countries and by 2040 worldwide. Oil-fired plants must be phased out by 2040, and emissions from unabated gas must decline by over 80% by 2040.⁴

Financial institutions have a crucial role to play in aligning capital allocation with the requirements of a Paris-compliant electricity system, which must be in line with the goal of limiting global temperature increase to well below 2°C, while pursuing efforts to limit the increase to 1.5 °C.⁵ In addition to excluding any expansion of fossil fuel generation capacity, banks, insurance companies, private equity firms, and pension funds must mitigate risk and secure stable earnings for their clients by transitioning high-emitting utilities to renewable electricity solutions, and by planning investments that will triple renewables capacity by 2030.⁶ All in all, the capital investment and bank financing ratio of low-carbon energy to fossil fuels must grow from 0.7:1 currently to at least 4:1 by 2030, and ideally to 6:1.⁷

While renewables have suffered below-market returns in recent years,⁸ renewable power is set to displace a substantial proportion of fossil fuel power by 2030, providing tremendous growth potential in sectors supplying renewable electricity solutions, including photovoltaic cells, wind turbines, batteries, smart grids, building technologies, among others.⁹

This report assesses the adequacy of financial institutions' electricity sector policies. It presents an evaluation of the institutions' policies, supplemented by power sector financing and investing data from a third-party data provider, Profundo. In this report, the electricity sector is defined as power generation activities, excluding the impacts of fossil fuel sales to third parties for heating.

The 13 financial institutions included in our analysis are shown in the table below. They play differing roles in the financial sector — from bank, to insurer, to private equity firm or pension fund. Within each of these business types there are varying business structures which are highlighted in the individual company assessments. What all these financial institutions share in common is their exposure to power sector climate transition risk and growth opportunities.

- 2 International Energy Agency, "[Electricity](#)" (n.d.) 2023.
- 3 Ibid.
- 4 Ibid.
- 5 UNFCCC, [Key aspects of the Paris Agreement](#) (accessed Aug. 2024).
- 6 International Energy Agency, "[Electricity](#)" (accessed Aug. 2024).
- 7 BloombergNEF, "[Financing the Transition: Energy Supply Investment and Bank-Facilitated Financing Ratios 2022](#)" (Dec. 2023). Other interpretations of the IEA Net-Zero Roadmap advance that the low-carbon energy to fossil fuels should be higher than 4:1, at 6:1 (see: Reclaim Finance, 2024. "[6:1, a ratio to successfully transform our energy system](#)").
- 8 Morningstar, "[Clean Energy is the Future. So Why Have Investors Struggled?](#)", April 2024.
- 9 International Energy Agency, "[The energy world is set to change significantly by 2030, based on today's policy settings alone](#)", October 2023.

TABLE 1. FINANCIAL INSTITUTIONS ASSESSED.

BANKS	PRIVATE EQUITY FIRMS	PENSION FUNDS
BMO Financial Group	Power Corporation of Canada	Canada Pension Plan (CPP)
Canadian Imperial Bank of Commerce (CIBC)	Brookfield	
National Bank of Canada	INSURANCE	Caisse de dépôt et placement du Québec (CDPQ)
Royal Bank of Canada		
Scotiabank		Manulife
TD Bank	Sun Life	

The next section presents a description of the evaluation criteria we apply to their power sector financing and investing policies and practices, along with key findings from our analysis. [Section 3](#) is a deeper dive on the quantitative analysis of power sector financing and investing by these 13 institutions. [Section 4](#) provides conclusions and recommendations. The detailed grades and associated rationale for each institution are included in the [Appendix](#). All the institutions have been given an opportunity to review and fact check our analysis.

2. POWER SECTOR NET ZERO POLICIES

2.1 EVALUATION CRITERIA

In order to assess the progress being made by Canadian financial institutions in financing and investing in a net-zero-aligned power sector, we review each institution's policies across the following areas:

1. Overall net zero goals
2. Interim emissions reduction targets
3. Emissions disclosure
4. Coal policies
5. Gas policies
6. Engagement strategies
7. Power sector financing and investing in practice

The criteria applied in our evaluation are derived from industry-specific net zero associations and alliances, or peer best practices. The evaluation is adapted to grade best practices for various financial institution types. For example, banks are expected to provide power-sector-specific interim targets, whereas private equity firms are expected to set portfolio-wide interim targets.

While each criteria aims to assess a portion of the strategies and policies needed to attain a less carbon-intensive power portfolio, the criteria assessed are interdependent, and support one another towards a comprehensive power sector transition. The phaseout of unabated gas-fired power generation, for example, is dependent on sufficient financing directed towards increasing renewable capacity.

One notable gap in our evaluation is power-related climate lobbying policies and practices, due to limited resources (see textbox).

Two thirds of the overall grade weight is assigned to policies (criteria 1 to 6), whereas one third is assigned to actual power sector financing practices (criteria 7). For each criteria, a substantive omission from the best practices outlined in Section 2.2 results in a grade deduction.

The grading criteria are summarized in the table below, and described in greater detail in the next section.

TRACKING PARIS-ALIGNED LOBBYING

In March 2024, the UK-based think tank InfluenceMap released a report assessing Canada's five major banks' policy engagement activities. It found that the five banks (RBC, Scotiabank, BMO, CIBC, and TD), apart from not advocating for ambitious climate policy in Canada, are members of industry associations that block climate policies in Canada and globally.

The group graded the five banks based on three key metrics: alignment between banks' direct climate policy engagement and the Paris agreement; alignment between industry banks' industry associations and the Paris agreement; and the level of policy engagement by the banks.

Following an extensive review of banks' public interventions and advocacy documentation, it found that the five banks generally deliver mixed or limited engagement on climate policies. The banks received the following grades:

RBC	SCOTIABANK	BMO	CIBC	TD
D+	C-	C	C	D+

InfluenceMap did not evaluate the eight other financial institutions assessed in this report.



TABLE 2. POWER SECTOR POLICY EVALUATION CRITERIA OVERVIEW

CRITERIA	"A" GRADE	"B" TO "D" GRADES (ONE GRADE DEDUCTED PER SUBSTANTIVE OMISSION)	"F" GRADE
1) Overall net zero goal	Has a net zero financed emissions target by 2050 or sooner, that covers all material financed emissions, across the entire business, including downstream emissions from fossil fuel financing and facilitating.	Partial commitment, not covering all major business segments.	No net zero goal.
2) Interim emissions reduction target	Has an appropriate Paris-aligned interim emissions reduction target covering all material financed emissions, and/or a power-specific target of 0.138 t/MWh or below by 2030 per the IEA. Power generation-specific targets only need to cover scope 1 emissions, whereas portfolio-wide as well as broader "power sector" or "utility" targets should cover scope 3.	Has targets but not aligned with 1.5 future, or has targets covering insufficient scope.	No interim targets.
3) Emissions disclosure	Discloses absolute financed emissions, for the base year and annually thereafter, for total AUM and/or specifically for the power sector.	Discloses financed emissions, but does not restate annually; or discloses partial financed emissions.	Does not disclose financed emissions.
4) Coal policy	Has thermal coal mining and coal power generation exclusions for all (new and existing clients) financing/facilitating/investing activity (project level and corporate level), where the company produces 10% or more revenue or power production from coal and/or has a credible transition plan policy regarding any coal investments.	Only applies to new investments, some of the business, and/or does not meet 10% of revenue/production max threshold.	Has no coal policy.
5) Gas policy	Has a commitment to nearly phase-out the use of unabated gas within its power portfolio in alignment with a 1.5 degree future (i.e. by 2040, as outlined by the IEA Net Zero by 2050 Roadmap ¹⁰).	Partial commitment, not covering all major business segments.	Has no unabated gas power generation policy.
6) Engagement strategy	Has a legitimate client/investee power sector transition plan assessment method, assesses clients, and has an escalation policy (including, where applicable, proxy voting, voting against directors, partial divestment, and eventually divestment or debanking), with timelines.	Has framework, but missing material responses/escalation methods.	Has no framework.
7) Power financing and investing	Finances, via public and private equity, and lending, power in alignment with the IEA World Energy Outlook's guidance that low-carbon power must represent 71% of total global electricity generation by 2030.	Between 40-70% of power sector financing is in renewable energy. Receives one grade up if an ambitious renewable energy target is adopted.	Less than 40% of power sector financing is in renewable energy and no ambitious renewable target.

NOTE: THE DETAILED SCORING METHODOLOGY IS DESCRIBED BELOW.

10 See Table 2.9 at p.61 and Figure 2.18 at p.73.

2.2 DETAILED CRITERIA & MAJOR FINDINGS

1. OVERALL NET ZERO GOAL

An overall net zero financed emissions¹¹ commitment is a logical precursor to a power-sector-specific net zero financing commitment. To earn 100% for this criteria, financial institutions need to have set a net zero commitment by 2050 or sooner and cover the vast majority of their material emissions, which may mean lending, underwriting, and/or investing activities, including all material financed or facilitated scope 3 emissions.

Points are deducted for exclusions of: lending, underwriting, or investing, other substantial AUM exclusions, and for the exclusion of material financed or facilitated scope 3 emissions.

BANKS: The [Net Zero Banking Alliance](#) requires banks to commit to "operational and attributable greenhouse gas (GHG) emissions from their lending and investment portfolios to align with pathways to net-zero by 2050 or sooner." It also requires capital markets to be included in all targets published from November 1, 2025.¹²

The gold standard in bank transition plan guidance has been set by the UK Transition Plan Taskforce's [Banks Sector Guidance](#) (April 2024). It states that GHG targets should include financed and facilitated emissions.¹³ Facilitated emissions refer to underwriting activities by banks.

INSURANCE: As this report only assesses life and health insurers, the relevant guidance for their net zero commitments falls under the asset owner guidance for their general accounts and asset manager guidance for the assets they manage on behalf of third parties.

INSTITUTIONAL ASSET OWNERS: [NZAOA](#) signatories commit to "transitioning their investment portfolios to net zero GHG emissions by 2050 — consistent with a maximum temperature rise of 1.5°C."

PRIVATE EQUITY AND ASSET MANAGEMENT: Per [Net Zero Asset Managers'](#) guidance, asset managers are expected to support the goal of net zero GHG emissions by 2050, in line with global efforts to limit warming to 1.5°C ('net zero emissions by 2050 or sooner'). It also commits to support investing aligned with net zero emissions by 2050 or sooner, and across all AUM, to "take account of portfolio scope 1 and 2 emissions and, to the extent possible, material portfolio scope 3 emissions."

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- 11 According to the [GHG Global Reporting and Accounting Standard](#), these include "absolute emissions that banks and investors finance through their loans and investments" (at 132). Where the term "financing" is used on its own throughout this report "and investing" is added for clarity.
 - 12 UNEPFI, "[Guidelines for Climate Target Setting for Banks, Version 2](#)" at 5.
 - 13 Transition Plan Taskforce, "[Banks Sector Guidance](#)" at 32.

The [Net Zero Investment Framework](#) from the Paris Aligned Investment Initiative and Paris Aligned Asset Owners is also a widely used source of guidance for asset owners and asset managers. As a core action point, it advises asset managers and owners to "[c]ommit to achieving net zero portfolio emissions."¹⁴ However, it then encourages asset managers specifically to "make plans to ratchet up net zero targets to include additional target types, asset classes and AUM until 100% is covered by asset alignment targets."¹⁵ No timelines are provided. It also notes that client mandates may represent short-term obstacles to real world progress towards real economy emissions reductions.¹⁶

MAJOR FINDINGS

It is no surprise that the assessed institutions do well on this criteria as it has become standard practice since 2021 when the Global Financial Alliance for Net Zero was launched.

Surprising is the fact that many institutions do not receive full grades. This is the case because they are excluding significant business segments from their net zero commitments:

- Most banks are excluding their underwriting business and asset management arms;
- The insurance companies exclude all or some of their third party asset management arms;
- Brookfield and Power Corp exclude some of their major subsidiary asset managers;
- On a positive note, CPPIB specifically includes scope 3 emissions in its net zero commitment.

2. INTERIM EMISSIONS REDUCTION TARGET

As global economies continue to use more electricity year-over-year, ensuring that emissions from power generation are mitigated in the short-term in both absolute and intensity-based terms are key aspects of any financial institutions' transition plan.

Setting interim emissions reductions targets is an essential step on the path to net zero by 2050. The [Net Zero Asset Managers Initiative](#) guidelines require setting interim targets for 2030, consistent with a fair share of the 50% global reduction in emissions identified as a requirement in the IPCC special report on global warming of 1.5°C. The guidelines also require ratcheting up the proportion of AUM covered until 100% of assets are included. If using offsets, the requirement is to invest in long-term carbon removal where no technologically and/or financially viable alternatives to eliminate emissions exist.

For institutions that set interim targets on their power portfolios, those sector-specific targets were assessed. For investors that do not, the strength of their general targets were assessed.

14 Paris Aligned Investment Initiative, [NZIF 2.0, the Net Zero Investment Framework](#) (June 2024) at 12.

15 Ibid, at 13.

16 Ibid, at 10.

Absolute emissions targets were graded on the standard of the [IPCC special report](#), which states that global emissions must be reduced by 45% by 2030 on a 2019 baseline in order to avoid more than 1.5°C warming. Physical intensity targets were graded based on the Transition Pathway Initiative's findings, derived from IEA emissions pathway projections, that global electricity production should achieve an emissions intensity of 0.138 tCO₂/MWh by 2030 or lower.¹⁷

Grade deductions were given for exclusions of significant financial and investing activities (i.e. underwriting, lending, and investing). For power generation, scope 3 emissions do not generally meet the materiality threshold for inclusion in interim targets, which is 40% of company emissions.¹⁸ However, when reporting on the broader category of utilities, which buy and sell electricity from power generators, scope 3 emissions are likely material.

The power sector spans a range of company types with a variety of material emissions profiles, from large-scale, multi-fuel utilities to small-scale power generators.

Detailed guidance on carbon accounting for the power sector can be found in the Greenhouse Gas Protocol, [A Corporate Accounting and Reporting Standard](#).

MAJOR FINDINGS

Other than CPPIB, all institutions assessed have set some type of interim emissions reduction target — though of varying quality.

CDPQ and OTPP both received high marks for ambitious overall portfolio financed emissions intensity reduction targets. But neither enables 1.5°C alignment as they do not ensure overall absolute reduction of fossil fuels, nor do their power portfolios align with the 2030 physical emissions intensity target advised by the IEA.

The banks and Manulife are the only institutions to set power sector-specific GHG reduction targets, as advised by the NZBA. All set physical intensity emissions reduction targets that meet or exceed the IEA Net Zero by 2050 guidance. CIBC and TD scored highest for including their underwriting emissions. BMO scores lower for limiting its target to Canadian power generation. However, as stated above, all the banks exclude their asset management arms from their net zero commitment.

- 17 Transition Pathway Initiative, "[Carbon Performance Assessment Of Electricity Utilities: Note On Methodology](#)" (November 2021) at 7. As a comparison, the latest IEA Net Zero Roadmap identifies a 2030 target of 0.186 tCO₂/MWh, which includes heat production.
- 18 Science Based Targets Initiative, "[SBTI Corporate Near-Term Criteria, V.5.2](#)" (March 2024) at 9.

3. EMISSIONS DISCLOSURE

Comprehensive emissions disclosures enable accountability of an institution against its interim targets. To do so it must include base year emissions, alongside annual emissions disclosures thereafter. Where methodological changes substantially alter published metrics, this should also be disclosed.

While intensity-based targets are standard practice for certain financial institutions, supported by the sectoral decarbonization approach, disclosing absolute emissions provides a more reliable picture of overall progress.

For this criteria, penalties were given for exclusion of investing, underwriting, and lending, and other substantial exclusions of AUM (where financed emissions calculations exist), as well as failure to restate disclosed emissions. No penalties were given for failure to disclose financed emissions that do not have accepted emissions disclosure standards, for example, ETFs, municipal debt, and asset-backed securities. Deductions were given for exclusion of scope 3 in the context of electricity utilities.

MAJOR FINDINGS

While all institutions covered in this report disclosed some power sector emissions, all had material omissions. Frequent omissions included:

- asset management wings of banks;
- financed scope 3 emissions; and
- underwriting activity.

Institutions that scored better, like TD and CIBC, disclosed complementary metrics such as absolute emissions, physical intensity emissions, as well as weighted average carbon intensity, and disclosed all previous years' emissions back to their baseline disclosure.

Institutions that scored worse did so in a number of ways. Power Corporation, for example, does not disclose most of its subsidiary emissions, while banks like National, BMO, and Scotia only disclosed emissions from lending activities.

4. COAL POLICY

The outsized emissions that coal-powered electricity produces dictates that investors in power generation committed to net zero need comprehensive coal phaseout policies in the short term. Per IEA's *Net Zero by 2050* report, limiting warming to 1.5°C necessitates that coal is phased out in advanced economies by 2030 and in emerging markets and developing economies by 2040.¹⁹

19 IEA, *Net Zero Roadmap* (2023 Update) at 92.

Coal Policy Tracker has developed comprehensive criteria for assessing coal commitments of financial institutions. Key elements include coal exclusions at both a project and corporate-level, where coal makes up more than a 10% share of either power production or revenue.

As not to penalize institutions that purchase high-emitting assets for the purpose of transition, the grading criteria allows for ownership of coal assets when paired with credible transition plans in line with IEA's *Net Zero by 2050* phaseout timeline.

To receive full grades in this criteria, financial institutions must have a clear coal exclusion policy for new and existing clients and investments above the 10% thresholds noted above, with a timeline for full phaseout by 2040, and by 2030 in advanced economies.

MAJOR FINDINGS

While a coal exclusion is a relatively low bar in the context of comprehensive power sector policies — a near-term phaseout is essential for Paris alignment according to the IEA, and it makes up a low proportion of the energy mix in developed economies — many of the institutions assessed had either weak, or no, coal exclusion policies.

CPPIB, OТПP, BMO, Power Corporation, and Sun Life have no coal exclusion policies. Other institutions such as CIBC, RBC, and Scotia have sufficiently weak coal exclusion policies such that the bulk of coal financing and investing is still permissible. High exclusion thresholds, project-level exclusions, and policies that only apply to new clients, all weaken the substance of a coal exclusion policy.

For example, in 2023, BMO, CIBC, Scotiabank, RBC, and TD Bank, underwrote \$500m USD of bonds for Louisville Gas & Electric, a utility that derives 84% of its power from coal. This is despite all, except BMO, having coal exclusion policies.

CDPQ is the only institution assessed that has an institution-wide coal exclusion policy, as it has exited thermal coal entirely, except for assets from its transition envelope. However, it has not received full marks as its transition portfolio strategy has not been clearly defined.

HOW TO HANDLE COAL? CONTRASTING STRATEGIES.

Coal, while still widely used in power generation, is the most emissions-intensive fossil fuel. As noted in the coal policy criteria explanation, the IEA calls for a phaseout of coal in power generation in developed economies by 2030, and in developing and emerging economies by 2040, in order to meet global emissions alignment within a 1.5°C future.

CDPQ has demonstrated one method of minimizing financed emissions from coal: a simple exclusion. Since 2022, the CDPQ has exited thermal coal entirely (as well as oil in 2023), and will not finance new coal projects.²⁰ Exclusion policies contribute to the systemic phaseout of coal by reducing capital flows to the industry, increasing the cost of capital, and preventing expansion or infrastructure lifespan extension projects.

There are, however, alternative approaches to coal phaseout policies that can align with best practices. While the divestment or debanking approach does aid in reducing emissions, it can result in "brown-spinning," or the offloading of carbon-intensive assets onto companies without an emissions reduction mandate.²¹

A lack of a complete exclusion policy may be acceptable where institutions purchase, invest in, or advise coal assets with the intent to decommission them and transition them into clean power producers. Brookfield's coal policy aligns with that premise. Brookfield has now raised two funds in its Global Transition Fund series, that aim to purchase and transition high-emitting assets, in turn increasing the value of those assets.

As noted in our [report on Brookfield](#), there are a number of key steps to mitigate the risk of investing in high-emitting assets without a viable path to net zero. These include the development of comprehensive transition plans with timelines aligned with net zero, full disclosure, and due diligence to mitigate regulatory and political risk.

5. GAS POLICY

The International Energy Agency highlighted in its [Net Zero by 2050 Roadmap](#) that unabated fossil gas within power portfolios must be nearly phased out by 2040 globally.²² A strategy to phase out gas is especially pressing as it is the second largest source of power in Canada behind hydro, at over 15% of generation as of April 2024.²³ To be eligible for certification by the Climate Bonds Initiative — a globally respected third party certifier of 1.5°C aligned financial instruments — a power sector company must have already stopped any expansion of fossil fuel generation, including from natural gas, and be planning for natural gas phaseout by 2040.²⁴

20 CDPQ still holds equity in utilities reliant on coal-fired electricity in its 'transition assets' envelope.

21 Wolf-Georg Ringe (University of Hamburg) and Alperen A. Gözlügöl (Leibniz Institute for Financial Research), [Private Companies, Brown-Spinning, and Climate-Related Disclosures in the U.S](#) (April 2022: Harvard Law School Forum on Corporate Governance).

22 See Table 2.9 at p.61 and Figure 2.18 at p.73.

23 Per [Statistics Canada](#), 20.1% of electricity generated in Canada in April 2024 was from combustion of fossil fuels. Per [Natural Resources Canada](#), as of 2021, 5% of Canada's power came from coal.

24 Climate Bonds Initiative, [Electrical Utilities Criteria](#) (revised March 2024), at 7.

To get full grades for this criteria, financial institutions need policies to account for a near phaseout of unabated gas by 2040. The only example of this type of policy is set by one of Sun Life's smaller asset management subsidiaries, Infrared, which states that it will not invest in gas power, unless it is a legitimate bridge to net zero. It expects total divestment from gas by 2025.

Looking at international best practices, La Banque Postale (France) has committed to no longer providing financial services to the oil and gas sector, unless companies have adopted a credible oil and gas exit strategy by 2040.²⁵ Also, Danske Bank (Denmark) will not provide financial services to oil and gas companies unless they commit to not expand their production beyond projects approved in 2021 at the latest, or to companies that generate more than 5% of their revenues from unconventional oil and gas.²⁶ Although not specific to the electricity sector, these policies address gas production levels directly, in line with the required steps leading to a decarbonized grid.

MAJOR FINDINGS

None of the institutions covered in this report have a Paris-aligned, institution-wide gas policy. Partial points were awarded to some financial institutions for their commitment to engage with carbon-intensive assets (Brookfield) and majority-owned gas distributor Energir (CDPQ).

The policy from Sun Life subsidiary Infrared noted above lays out a path for, and demonstrated feasibility of, gas exclusion policies.

In order to fully align with net zero, Canadian financial institutions will need to develop comprehensive plans to transition, or exit, their relationships with gas assets.

6. ENGAGEMENT STRATEGY & PORTFOLIO ALIGNMENT

Financial institutions typically rely heavily on "engagement" as the primary means for decarbonizing their power portfolios. Assessing the legitimacy of individual power sector company climate transition plans and then using that assessment as the basis for engagement enables financial institutions to reduce their climate transition risk. This requires:

a. Transparent, robust criteria to effectively assess the maturity of a power sector transition plan

Transparent disclosure of power sector climate transition plan assessment criteria communicates expectations to current and prospective clients and investees. It also clarifies climate risk management to the financial institution's shareholders.

25 La Banque Postale, [Politique Maîtrise des risques secteurs pétrole et gaz \(2023\)](#), at 4.

26 Danske Bank, [Position Statement on Fossil Fuels \(Feb. 2024\)](#), at 3.

This criteria creates a basis for quantitatively measuring the financial institution's power sector portfolio alignment with net zero, which can be tracked over time. Portfolio alignment helps assess the relative climate risk of a portfolio's financed emissions. For example, a power sector portfolio that is mostly early in its transition process has a higher risk profile than one that is more advanced.

b. Escalating, timebound consequences for failure to progress

Once legitimate net zero alignment is understood, assessed, and tracked, companies that fail to progress represent an unacceptable risk.

For engagement to be effective, it must be linked to time-bound expectations of progress along a clearly defined climate transition pathway as well as escalating consequences for failure to progress.

On the investment side, typical escalation methods include (from least to most consequential):

- Filing, co-filing, or voting for (with clear reasons) shareholder resolutions;
- Voting against responsible directors or financial statements with clear reasons;
- Reducing involvement with the company (selling shares, etc.); and finally,
- Complete divestment &/or halting all business dealings with the company.

In the case of private equity, engagement looks different. It often involves substantial takeover of operational management, with influence over business decisions, as well as board seats. In this instance, power sector net zero engagement would look like due diligence on potential acquisitions to assess the viability of net zero alignment, the establishment of a net zero transition plan soon after acquisition, reporting on progress towards the company's net zero transition plan, clear policies for failure to progress, and reporting on progress upon exit.

The timeline for these escalation tactics should be relatively short-term, clearly defined, and strictly enforced in order to ensure the engagement contributes towards the financial institution's interim emissions reduction targets.

As an example of best practice, LGIM — one of Europe's largest asset managers — has baseline climate transition expectations (see textbox) for the power sector that may result in voting against the company Chair or divestment. LGIM **annually publishes** a list of companies from which it has divested and explains why.

MAJOR FINDINGS

Portfolio alignment is an important development among financial institutions in turning vague engagement commitments into meaningful decarbonization tools.

RBC, Scotia, Sun Life, OTPP, and TD have started to define what a legitimate power sector transition plan looks like, each with different levels of specificity. Only TD, RBC, and Sun Life have begun to disclose the level of maturity of their power client transition plans.

Only OTPP has expressed a rigorous escalating engagement process for failure to progress, along with associated timelines. It expects company targets to include scopes 1, 2, and where relevant 3, and each company has a 2 year grace period on reporting.²⁷ It aims to have 67% of its AUM covered by a credible transition plan by 2025, and 90% by 2030.

The complexity of assessing individual companies' transition plans signals a need for a standardized framework in Canada. Solid frameworks already exist and could be adapted to this purpose, such as the CEC's [Net Zero Benchmark](#) or the UK Transition Plan Taskforce's [Disclosure Framework](#)

27 OTPP, [2022 Annual Responsible Investing Report](#), at 15.

BEST PRACTICES IN ASSESSING POWER SECTOR PORTFOLIO ALIGNMENT

Among the 13 companies we assess in this report, we see the banking arms of TD Bank and RBC most advanced in their work outlining power sector portfolio net zero alignment criteria (see table), and assessing the progress of their power portfolios along this continuum. In terms of best practices internationally, LGIM — one of Europe's largest asset managers — has a robust net zero alignment assessment methodology for power sector companies (see table) and publishes detailed [individual company assessments](#) outlining each company's progress towards net zero alignment.²⁸

Based on these examples, we see certain criteria as a baseline for assessing the maturity of a power-sector company's transition plan, they are:

1. Overall net zero target and Paris-aligned interim targets, meaning carbon-free electricity by 2035 in developed economies and 2040 in developing countries;
2. Comprehensive emissions reporting;
3. Coal policy;
4. Gas policy;²⁹
5. Commitment to expand renewables in line with net zero;
6. Implementation plan;
7. Lobbying alignment; and
8. Capital expenditure alignment.

Unsurprisingly, these criteria parallel many of the overall evaluation criteria we have used to assess the power sector financing and investing policies of financial institutions within this report.

28 LGIM, [Climate Impact Pledge: Scoring Methodology](#) (2024).

29 LGIM references the CA100+ methodology, which is detailed in: IIGCC & CA100+, [Global Sector Strategies: Investor Interventions to Accelerate Net Zero Electric Utilities](#) (October 2021) at 13.

POWER SECTOR COMPANY NET ZERO ALIGNMENT EVALUATION

RBC³⁰
(POWER
GENERATION)

EARLY:

- setting 1.5°C aligned emissions reduction targets

INTERMEDIATE:

- accelerating the timeline for achieving net-zero by 2035
- allocating capital towards emissions reduction actions
- unabated coal phase-out to 2030

TD BANK³¹
(POWER
GENERATION)

EARLY:

- scope 1 data
- senior executive position with ESG focus

PROGRESSING:

- C-suite executive with ESG focus
- scope 1+2 reporting
- long-term scope 1 target
- reference to future transition plan and significant capex on low-carbon technologies

LEADING:

- board oversight
- interim scope 1 & 2 target using SBTi methodology
- transition plan including:
- plan for increased renewables
- coal-phaseout

30 RBC, Climate Report 2023, at 16.

31 TD, Climate Action Plan 2023: Progress Update, at 33-34.

POWER SECTOR COMPANY NET ZERO ALIGNMENT EVALUATION

RED LINES:

- no expansion of thermal coal power generation capacity
- a target to reduce material scope 3 emissions
- disclosure of climate-related lobbying activities, and proposed actions if these are not aligned with a 1.5°C scenario

CLIMATE EXPECTATIONS (non-exhaustive, see [scoring methodology](#)):**GOVERNANCE & DISCLOSURE**

- responsible board members
- executive remuneration aligned with near term emissions targets
- three years of absolute and intensity GHG emissions reporting
- CDP score
- reporting renewable and coal output

TARGETS

- net-zero by 2050 or earlier, covering scopes 1, 2 and material scope 3 emissions
- commitment to certify/has certified this target with the SBTi or other external independent parties
- commitment to produce carbon-free electricity by 2035 in advanced economies, and by 2040 globally

TRANSITION STRATEGY³³

- includes short- and medium-term targets
- the contribution of each action and investment to meeting its targets
- scenario analysis and disclosure of how this affected the company's strategy
- advocating for meaningful policy action to enable net-zero (e.g. carbon pricing)
- incorporates the impact of the Just Transition
- considers the potential impacts and dependencies on biodiversity.

LGIM³²
(ELECTRIC
UTILITIES)

32 LGIM, [Climate Impact Pledge: Electric Utilities Sector Guide \(2023\)](#)

33 Ibid. (Note, LGIM references the CA100+ methodology here, which is detailed in: IIGCC & CA100+, [Global Sector Strategies: Investor Interventions to Accelerate Net Zero Electric Utilities \(October 2021\)](#)).

7. POWER FINANCING & INVESTING

The IEA's 2023 World Energy Outlook projects that for power generation to be in alignment with net zero by 2050, low-emissions electricity generation must make up 71% of total electricity generation by 2030.³⁴

The average power generation project takes about three years to build,³⁵ and financial institutions already have stakes in existing (and long-lasting³⁶) power generation projects. As such, current and recent financing and investing practices indicate the degree to which financial institutions are planning for the alignment of their power portfolios with net zero. Investments like National Bank's financing of Pattern Energy's massive renewable SunZia project, for example, enable the displacement of fossil-fuel derived power generation.

While not a perfect proxy, there is no clear guidance on the proportion of capital needed to be directed towards renewable energy (similar to BloombergNEF's 4 to 1 ratio for clean energy). As such, we are using investments and financing as a proxy for capacity.

To receive an "A" grade in this category, financial institutions need 71% or more of the lending and investing activity captured in Profundo's data directed towards low-carbon energy. 60-70% will receive a "B", 50-59% will receive a "C", 40-49% will receive a "D", and any proportion under 40% will receive an "F".

Additionally, in recognizing the IEA's 2023 Net Zero Roadmap's guidance that installed renewable energy capacity must triple by 2030,³⁷ institutions are eligible for an increase of one grade for a clearly stated and aligned commitment. We are pleased to see some positive measures taken by financial institutions on renewable energy targets. For example, RBC committed to triple its lending to low-carbon energy activities to \$35 billion by 2030³⁸, and Manulife took a positive first step by committing an initial \$690 million to transition-related equity investments, with a focus on solutions for high-emitting sectors, such as industrial decarbonization, solar, hydrogen, carbon sequestration and storage, electrification of transport (although this commitment is not specific to renewable energy).

Again, using investments and financing as a proxy for capacity, institutions with a stated commitment to triple either renewable power capacity or investments and financing into renewable power will receive this bonus. Broader transition finance goals are ineligible.

34 IEA, [World Energy Outlook 2023](#) (October 2023), at 106.

35 IEA, [Average power generation construction time \(capacity weighted\), 2010-2018](#) (2019).

36 Per [S&P Global](#), "the capacity-weighted average lifespan of the U.S coal fleet is 43 years."

37 International Energy Agency, [Net Zero Roadmap](#) (2023), at 14.

38 RBC, 2023 Climate Report, at 62.

MAJOR FINDINGS

While the policies assessed above are essential in creating guidelines for financial institutions to direct their power sector financing and investing portfolios toward net zero alignment, actual power sector financing and investing activities prove whether those policies translate into action. Additionally, the state of a financial institution's power sector financing and investing practices can show the degree of transition risk present for shareholders and the amount of progress needed to mitigate that risk.

For a thorough analysis of the financing and investing activities of 12 of the 13 financial institutions covered in this report (OTPP had insufficient data to analyze), see [Section 3](#).



2.3 FINANCIAL INSTITUTION SCORES

Applying the criteria described above, the financial institutions were given the scores presented in table 2 below. A detailed breakdown of each institution's scoring is attached to this report as a [separate file](#).

TABLE 2. POWER SECTOR FINANCING AND INVESTING SCORES.

	CDPG	BROOKFIELD	OTPP	CPPIB	NATIONAL	CIBC	TD	RBC	MANULIFE	SUN LIFE	BMO	POWER CORP.	SCOTIA
Assets/AUM	\$452 bn AUM	\$1.3 tn AUM	\$256 bn AUM	\$632 bn AUM	\$424 bn assets	\$723 bn assets	\$1.9 tn assets	\$2 tn assets	\$1.2 tn AUM	\$1.4 tn AUM	\$1.3 tn assets	\$1.3 tn AUM	\$1.4 tn assets
1. Overall net zero goal	A	B	A	A	C	B	B	C	C	B	B	D	C
2. Interim emissions reduction target	B	B	A	F	C	B	B	C	C	B	D	D	D
3. Emissions disclosure	C	B	B	C	D	B	B	C	D	C	D	D	D
4. Coal policy	B	C	D	F	B	D	C	D	C	F	F	D	D
5. Gas policy	D	D	F	F	F	F	F	F	F	F	F	F	F
6. Engagement strategy	C	B	B	B	D	C	B	C	D	C	C	D	C
7. Power financing	A	A	n/a	A	C	D	F	D	D	F	D	D	F
FINAL GRADE	B	B	B-	C+	C-	C-	C-	D+	D+	D	D	D	D-

NOTE: AUM = Assets under management. For banks, we use assets as these also capture loans and acceptances, among other items. See [Section 2](#) for detailed scoring methodology. See [Appendix](#) for detailed company assessments.

3. POWER SECTOR FINANCING AND INVESTING

3.1 OVERVIEW OF DATA

To better understand how the 13 Canadian financial institutions covered in this report are financing the power sector, we assessed their debt financing and public and private equity financing data into electric utilities. Credit data and private equity data include activities that occurred between 2016 and 2023.³⁹ Public equity data includes shareholdings and bond holdings, and is current as of April 2024. The data was gathered by a third party contractor, Profundo.

The data provides insights into the proportions of financing from each institution directed to renewable versus fossil fuel power assets and companies.⁴⁰ The fossil fuel scope includes oil, gas, and coal. The renewable scope includes solar, wind, hydro, bioenergy, and geothermal power. Where assets or companies in the dataset produce or support both renewable and fossil fuel-based power generation, financing values have been split proportionally by generation type.⁴¹

Ontario Teachers' Pension Plan does not disclose activities under \$200 million, and as such has limited data availability. It has been excluded from the data analysis section. Data was only provided for Manulife Investment Management, and excludes Manulife's general account.

3.2 RENEWABLES AND FOSSIL-FUEL POWER FINANCING AND INVESTING

Combining all data (credit — which includes underwriting — from 2016-2023, public equity including stock and bond holdings as of April 2024, and private equity data from 2016-2023) provides a snapshot of recent financing activity among the selected Canadian financial institutions. As seen in Figure 1, the proportion of financing and investing being directed towards renewable power varies considerably. The pensions (CPPIB and CDPQ) and Brookfield already align with the IEA's 2030 goal of 71% renewable energy capacity by 2030,⁴² with 90%, 82%, and 73%, of power sector financing and investing being in renewable energy.

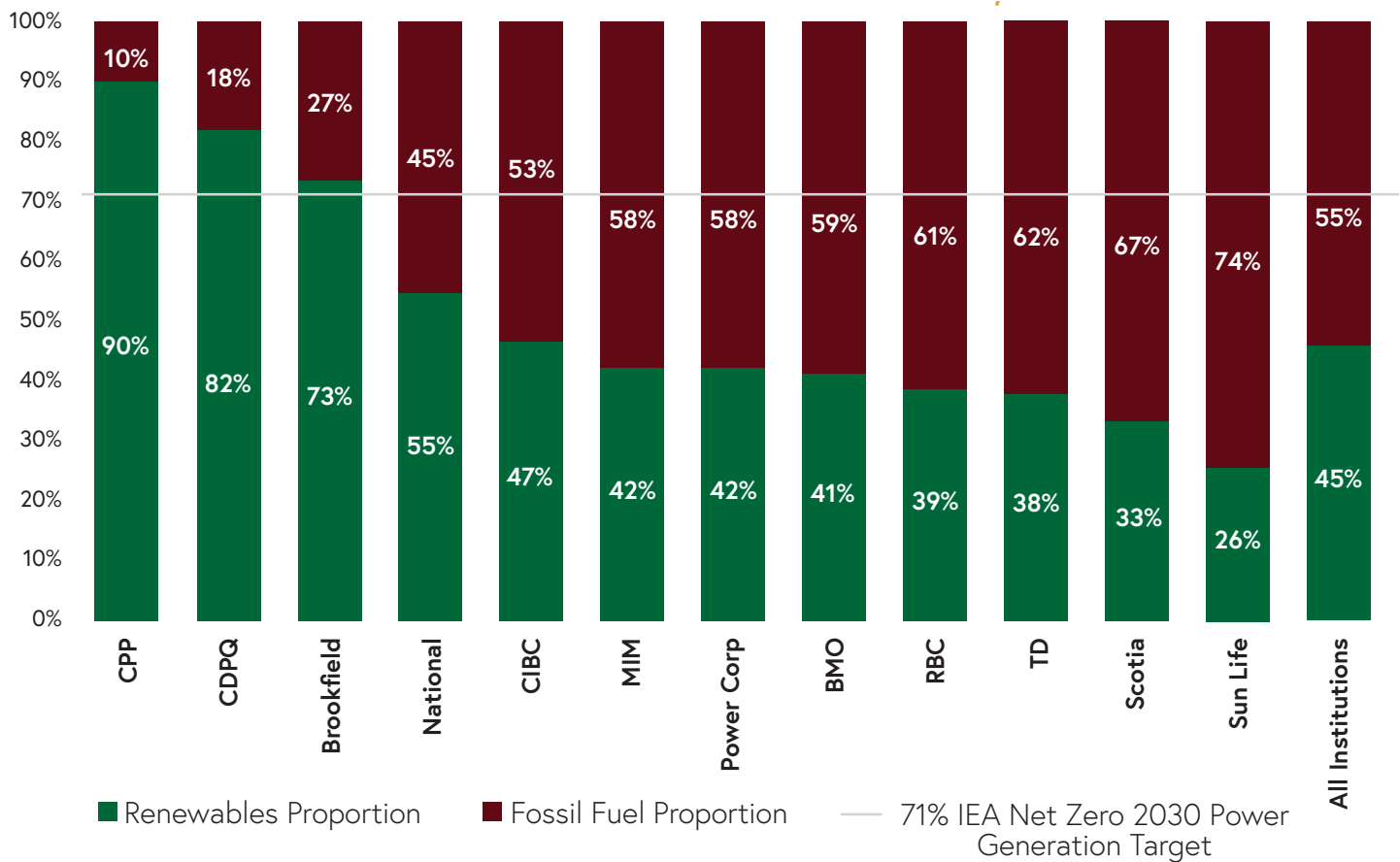
39 Credit data includes direct lending, corporate lending, and underwriting ; Note: There may be duplicate data on certain credit transactions due to lack of available information. For details, see the attached report on methodology.

40 Note from Profundo: The exact use of proceeds, in terms of which business divisions will be financed is generally not disclosed or not in sufficient detail to calculate a transaction-level segment adjuster.

41 For a more detailed description of the scope of Profundo's data, see the attached [report on methodology](#).

42 IEA, [World Energy Outlook 2023](#) (2023) at 106.

FIGURE 1. TOTAL UTILITY FINANCING AND INVESTING, 2016-2024.

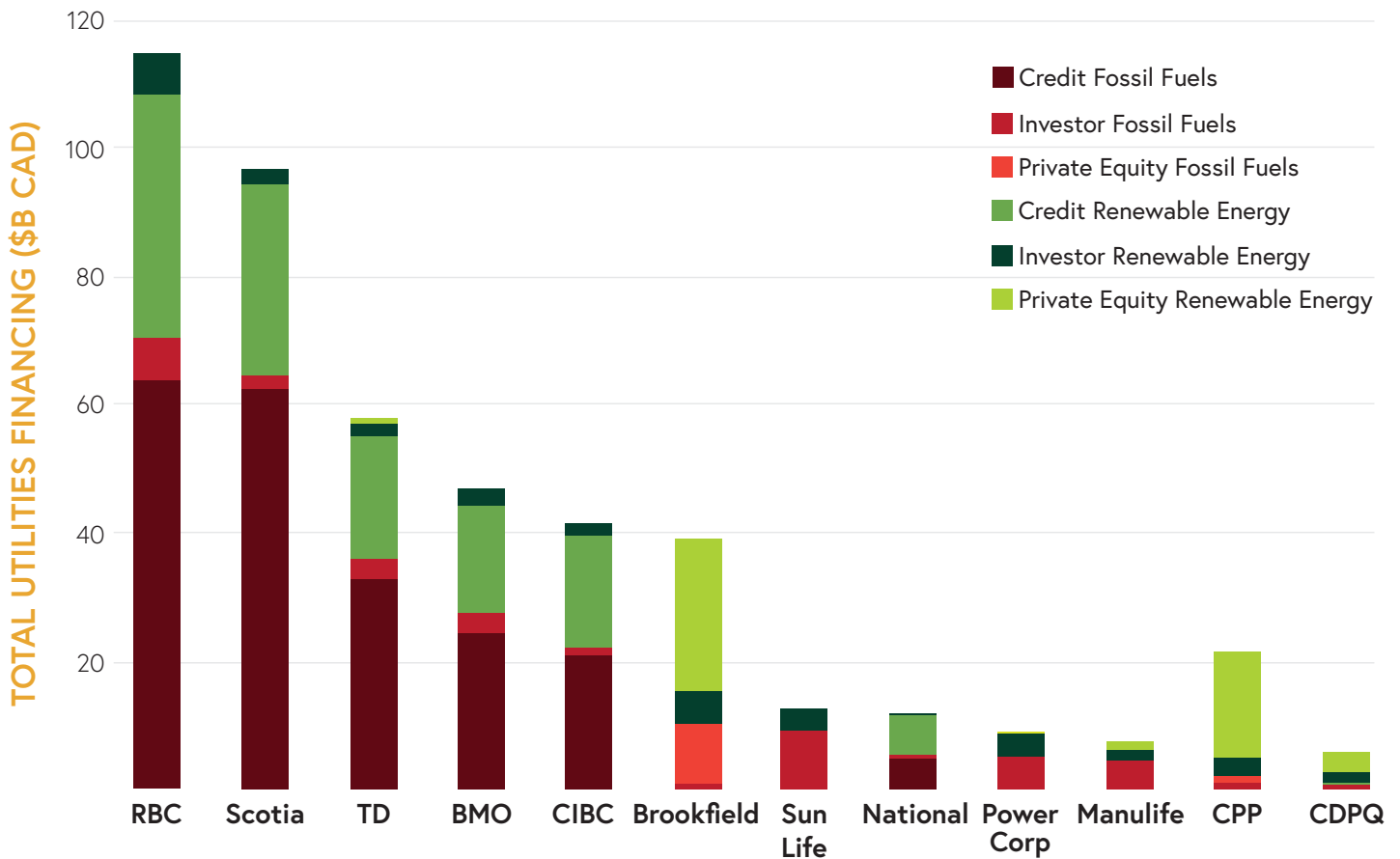


On the other side of the spectrum, Sun Life's 74% fossil-fuelled power financing proportion has the worst power sector financing profile of the 13 financial institutions assessed. It is followed by four of Canada's largest banks: Scotiabank, TD, RBC, and BMO (in that order). These banks were highly exposed to fossil fuel financing in the power sector via both their bank corporate and project lending and underwriting as well as their asset management.

In absolute terms, RBC has the highest amount of power sector financing in both fossil fuel (\$70.2B) and renewables (\$44.3B) — see Figure 2.⁴³ The next largest financiers of renewables on an absolute basis are Scotiabank (\$31B), Brookfield (\$28.6B), and TD (\$22B). The next largest financiers of fossil fuel power are Scotiabank (\$64.5B), TD (\$35.9B), and BMO (\$27.4B).

43 All of Profundo's dollar values were provided in USD. For this section, all dollar values have been exchanged to CAD using the Bank of Canada's 2023 exchange rate of 1.3497.

FIGURE 2: TOTAL UTILITY FINANCING AND INVESTING IN ABSOLUTE TERMS.



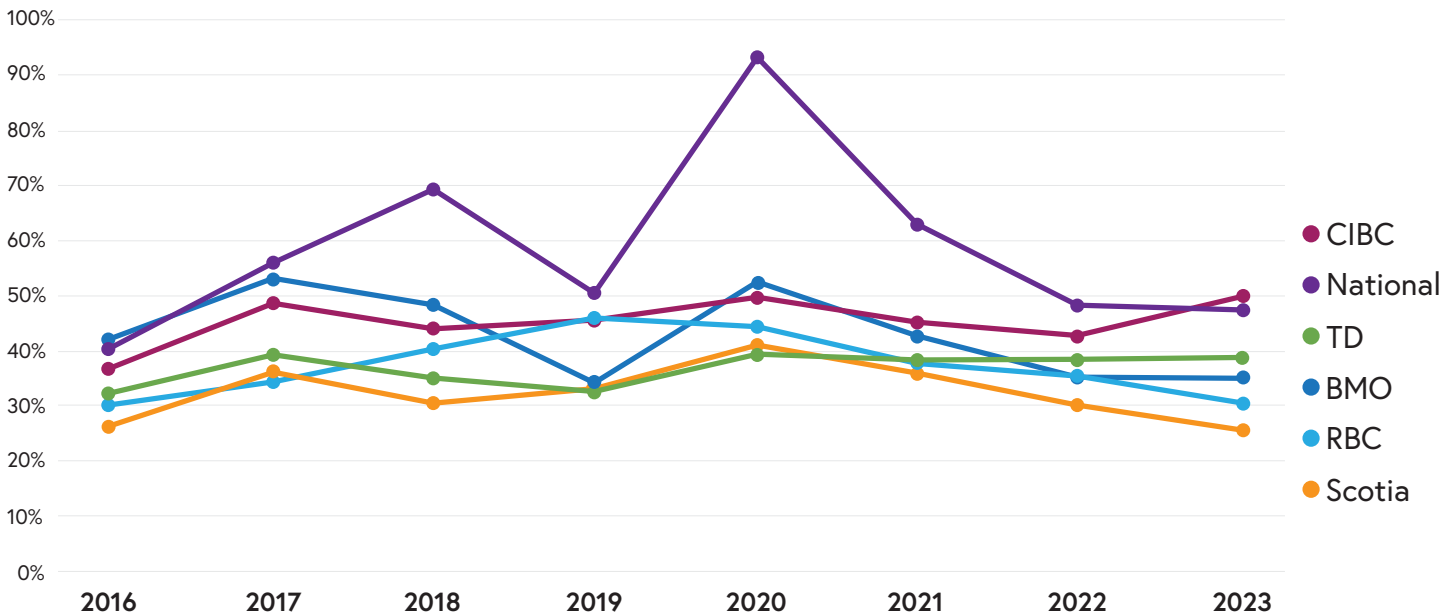
Overall, 55.2%, or \$258.1B, of recorded power sector financing and investing went to fossil fuels, and 44.8%, or \$209.7B went to renewable power.

The pensions and Brookfield lead the way on net-zero aligned power sector financing and investing, while Canadian banks, insurance companies, and Power Corporation trail behind.

3.3 CANADIAN BANKS' CREDIT ACTIVITY

The bulk of electricity financing, 71.8% (\$334.7B), comes from credit activities (i.e. lending and underwriting) from Canadian banks. Figure 3, which shows the proportion of electricity credit in renewables, shows a relatively small change in trend lines between 2016 and 2023.

FIGURE 3. PROPORTION OF CREDIT IN RENEWABLES



Despite all the banks assessed having made long term net zero commitments in 2021, and adopted power sector-specific interim targets since, most have shown no real progress. Dating credit transactions by date of issuance shows that of the six banks, four have made incremental progress towards weighting lending activity in favour of renewable power.

CIBC increased its renewable share of power financing by 13%, with National Bank, TD and RBC increasing their shares by 7%, 6% and 1%, respectively. Scotiabank and BMO saw reductions, by 1% and 7%, respectively.

While annual renewable power financing from credit increased by over 50%, from \$12.3B in 2016 to \$18.8B in 2023, fossil fuel power financing grew in step, from \$26.9B to \$35.2B (Figure 4). As such, the renewable share of power financing from credit activity grew only 4%, from 31% to 35% (Figure 5). This is less than 1% per year.

FIGURE 4. TOTAL POWER FINANCING AND INVESTING BY YEAR

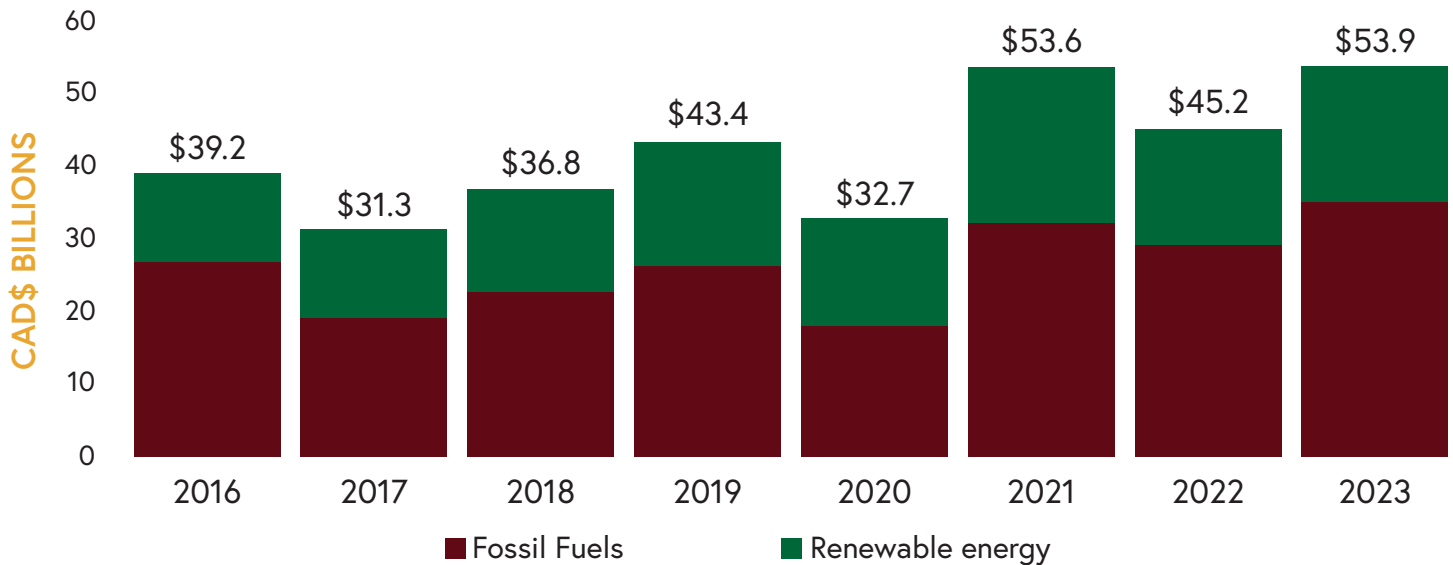
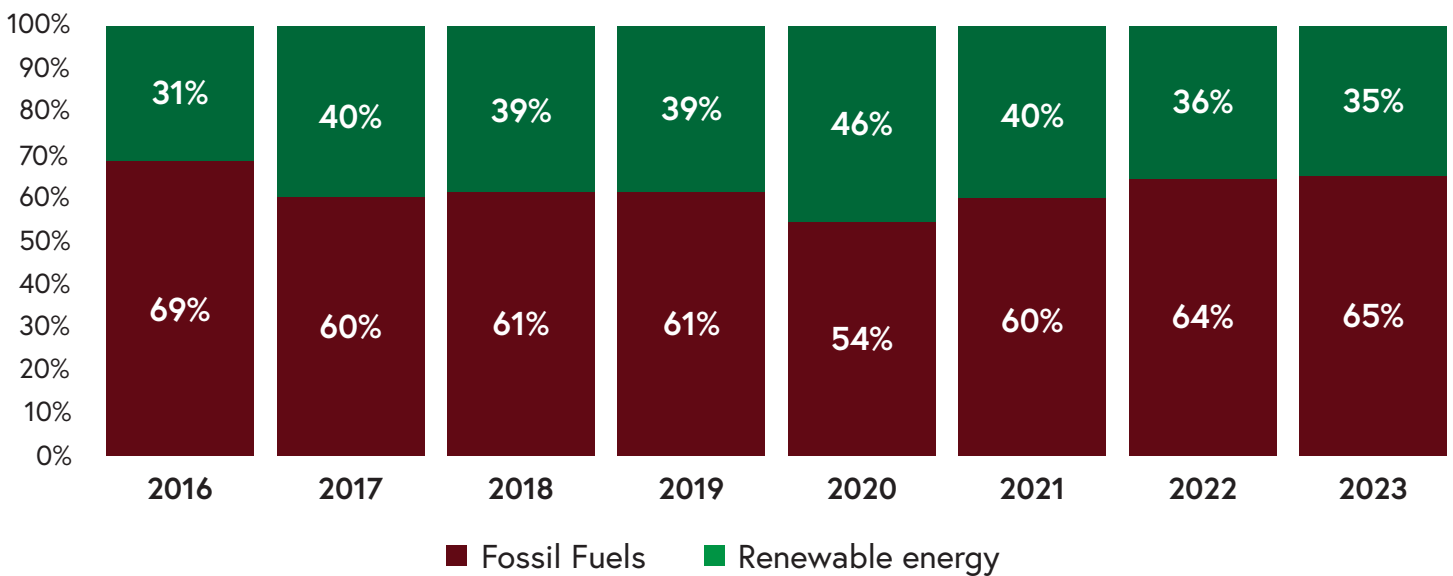
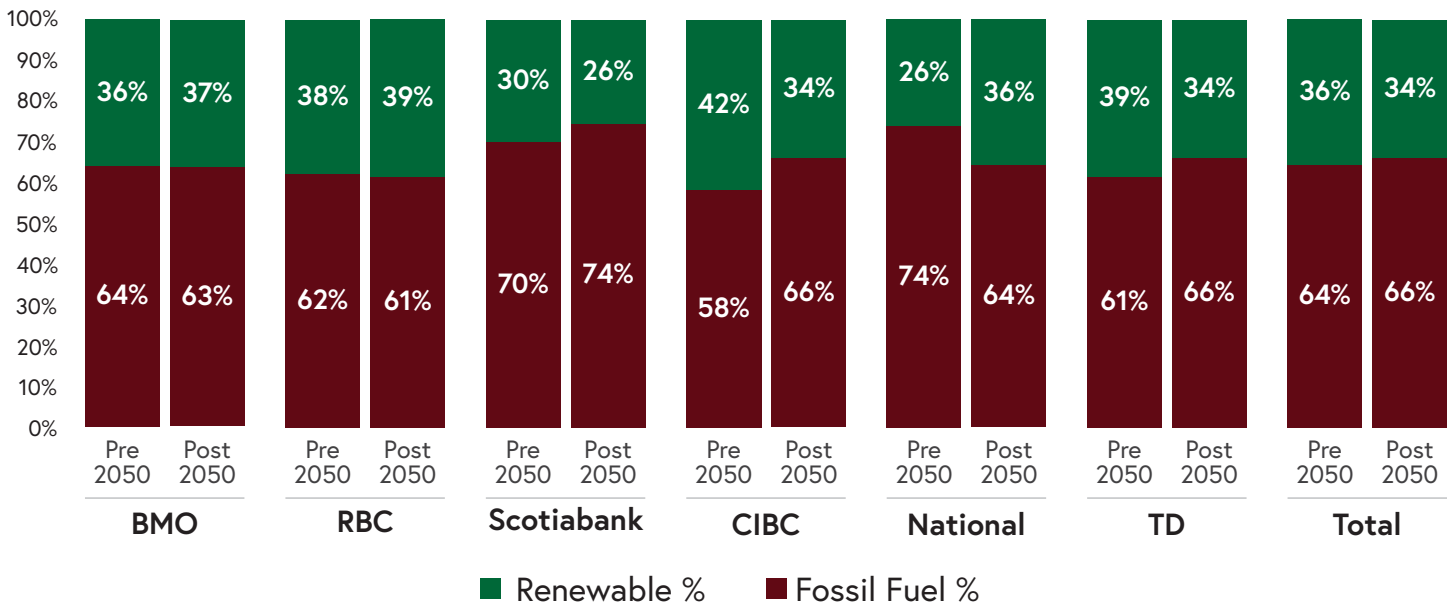


FIGURE 5. RENEWABLE AND FOSSIL FUEL PROPORTIONS OF POWER FINANCING AND INVESTING BY YEAR



When comparing credit maturity dates to fossil fuel and renewable power companies pre- and post-2050, Figure 6 shows that a sizable volume of long-dated bonds underwritten by banks on behalf of fossil fuel companies expire past 2050, the year where each of the six banks has committed to having net zero financed emissions. The underwriting of bonds — which create facilitated emissions — in banks' power sector portfolios can undermine the credibility of those banks' net zero commitments when underwritten for companies without legitimate net zero transition plans.

FIGURE 6. PRE AND POST 2050 CREDIT ACTIVITY



In fact, three of the six — Scotiabank, CIBC, and TD — have relatively higher activity in fossil fuel power sector credit that matures after 2050 than those that mature before. The cumulative proportion of fossil fuel power credit is 2% higher after 2050. The banks underwrote a cumulative \$31.3B in credit in fossil fuel power that matures after 2050. RBC leads the pack with \$9.2B, followed by Scotiabank with \$8.8B.

4. CONCLUSIONS

Although most of the Canadian financial institutions assessed have committed to **overarching net zero financed emissions by 2050 and interim targets**, the scope of these commitments are unequal. For example,

- Some of the banks assessed exclude underwriting activities as part of their net zero goal, even though emissions from underwriting services, or facilitated emissions, make up a significant portion of bank's financed emissions.
- Some interim targets cover power generation only, while others target broader utilities. This latter broader target often leaves out material scope 3 emissions.
- Both of the insurance companies assessed focus their net zero commitments and their interim targets on their general accounts, which only represent a fraction of their AUM, and therefore only cover a small portion of their financed emissions. In the case of Sun Life, some of their subsidiary asset managers have also opted to adopt net zero commitments and interim targets.

Although most financial institutions assessed do have a **coal policy**, in most cases these policies are quite ineffective. This is due to unreasonably high exclusion thresholds, or the fact that they only apply to project finance as opposed to corporate finance, the latter representing a much larger portion of actual coal financing,

Gas policies are financial institutions' climate-related Achilles' heel. None of the financial institutions assessed have implemented policies consistent with net zero, i.e. the near phase-out of unabated gas-fired power generation by 2040.

On **engagement strategies**, while most financial institutions claim to align their investee engagement with net zero, most strategies lack a transparent assessment framework and a clear, timebound escalation method that ultimately leads to divestment or debanking in case of unsuccessful engagement. We do see a few institutions beginning to express robust engagement strategies (Brookfield, RBC, TD, Sun Life, and OTPP) or intentions to do so in the near future (Manulife).

The combined impact of these policies is reflected in the **data on electricity sector financing**. While financial institutions should direct at least 71% of their lending and investing activities to low-carbon power, most of the institutions assessed financed more fossil fuel electricity than renewables. We are pleased to see RBC setting a target to triple its renewable energy financing and hope its peers go even further.

On average, Canada's six major banks have increased their proportion of electricity credit in renewables by less than 1% per year. This pace is far from sufficient to move the overall current proportion of 45% to the recommended benchmark of 71% by 2030.

In conclusion, weak power sector policies by financial institutions, as well as the great variation in how these policies are applied, highlights the need for stronger voluntary guidelines as well as financial sector regulations mandating Paris alignment of power sector financing.