JANUARY 2025

CANADIAN BANK ASSET MANAGERS & NET ZERO
A PROGRESS REPORT

INVESTORS *for* PARIS COMPLIANCE

CONTENTS

NOTE

Each bank was provided an opportunity to review its assessment and provide feedback. We would like to thank the banks that chose to provide feedback. We would also like to thank Nelson Diaz from the Transition Pathway Initiative and an anonymous asset owner representative for their generous and insightful feedback. All errors remain our own.

INTRODUCTION

For the first time, this report card assesses the net zero progress of Canadian bank asset management arms. This year, we have shifted our focus from the capital markets divisions of the banks,[1] where the banks began their net zero journeys, because they have made little progress in those divisions this past year. In particular, Canada's major banks continue to perform poorly and lag behind their European and Japanese peers in their transition to net zero, according to the 2024 iteration of the Net Zero Banking Assessment Framework (NZBAF) implemented by the Transition Pathway Initiative (TPI) Centre, based at the London School of Economics and Political Science (LSE).[2]

Whereas overall net zero progress is slow at the banks, the net zero transition has generally failed to even launch within their large asset management arms. And yet, Canadian bank asset managers steward hundreds of billions of dollars in savings on behalf of millions of Canadians. It may be surprising to those clients that — with the exception of Bank of Montreal Global Asset Management, Scotiabank Global Asset Management subsidiary Jarislowsky Fraser Limited, and National Bank Investments — the banks' group-level net zero commitments and decarbonisation strategies do not appear to meaningfully extend to their asset management divisions, thereby exposing Canadians to greater physical and transition climate risk. This report card evaluates these asset managers' climate strategies against best practices.

This brief is organized as follows:

PART I. KEY FINDINGS: Outlines our 8 major findings.

PART II. ASSET MANAGER NET ZERO ASSESSMENT: Includes an overview of our assessment methodology and a table outlining our detailed assessment criteria.

APPENDIX. DETAILED BANK ASSESSMENTS: This spreadsheet provides pinpoint references and rationales for each of the asset manager's scores.

1 Investors for Paris Compliance, Banks 2022 Net Zero Report Card (Nov. 2022) and Banks 2023 Net Zero Report Card (July 2023).

2 LSE TPI, State of Transition in the Banking Sector (Oct. 2024). Scoring available at TPI Banking Tool.

TABLE 1. CANADIAN BANK ASSET MANAGER NET ZERO PROGRESS REPORT CARD.

NET ZERO PROGRESS	RBC GAM	TD AM	BMO GAM	SCOTIA GAM	*JFL (SCOTIA GAM)**	CIBC AM	NBI
Net zero commitment	No progress	No progress	Good progress	No progress	Good progress	No progress	Good progress
Financed emissions disclosure	Good progress	Some progress	Some progress	No progress	Some progress	Some progress	No progress
Discloses 1.5-aligned AUM	Good progress	Some progress	Good progress	No progress	Some progress	Some progress	No progress
Interim target	No progress	No progress	Good progress	No progress	Some progress	No progress	No progress
Strategies to meet target							
Escalating engagement a) proxy voting	No progress	Good progress	Some progress	No progress	Good progress	Good progress	Good progress
b) director votes, filing resolutions, &/or divestment	Good progress	Some progress	Good progress	No progress	Some progress	No progress	No progress
1.5-aligned exclusions	No progress	No progress	No progress	No progress	No progress	No progress	Some progress
Climate advocacy	No progress	No progress	Good progress	No progress	No progress	No progress	No progress
Climate solution investment products	No progress	No progress	Good progress	No progress	No progress	Good progress	Some progress

No progress
Some progress
Good progress

Note: The detailed scoring methodology is provided in Part II, and detailed bank assessments are available in the Appendix.

*JFL represents less than 15% of Scotiabank AM's AUM; however, it has been provided its own assessment in this report as it is a uniquely independent asset management subsidiary of the six banks, which has a stand alone net zero commitment and initial climate plan.

PART I: KEY FINDINGS

1. BANK ASSET MANAGEMENT ARMS LAG THEIR COMMERCIAL LENDING ARMS IN TERMS OF NET ZERO.

This report uses established financial sector net zero guidance to assess the net zero progress of bank asset managers, both in regards to how they invest their own assets and those of their clients. Our assessment expands on the broader TPI Centre Net Zero Banking Assessment Framework (NZBAF), which looks at 38 banks in their totality. While that report is a comprehensive assessment of major global banks and their various business activities, our assessment zooms in on the asset management (AM) arms of Canada's six largest banks, offering a more in-depth analysis. In particular, our assessment is based on the TPI NZBAF criteria, and applies them exclusively to the banks' asset management arms. Our assessment criteria is detailed in Table 4.

Our analysis shows that, overall, Canadian bank asset management arms are lagging relative to their commercial lending arms when it comes to climate risk disclosure (i.e. financed emissions and net-zero alignment) and target setting.[3] Bank of Montreal Global Asset Management ('BMO GAM'), RBC GAM, and Scotiabank Asset Management ('Scotia GAM') subsidiary Jarislowsky Fraser Limited ('JFL'), have made the most progress on these basics.

Neither do we see most asset managers setting comprehensive transition strategies that explain how they will align their portfolios with the bank's overall net zero commitment, whether via escalating engagement policies and practices, comprehensive fossil fuel exclusions, climate advocacy, or 1.5-degree-enabling investment products. What progress has been made is discussed at 4, below.

2. MOST BANK ASSET MANAGERS ARE NOT EXPLICITLY COVERED BY NET ZERO TARGETS, WITH THE EXCEPTION OF BMO GAM, JFL, AND NBI.

While all six banks committed to net zero across their financed emissions in 2021, only BMO GAM, and soon also NBI, explicitly included the financed emissions of their asset management arms. Scotiabank AM's relatively small subsidiary JFL, has also made an explicit commitment to net zero.

This is a significant issue as asset management arms represent significant revenue streams for the banks — between 10% to 24%[4] — and potentially significant shares of their financed emissions.

3 See our 2023 Canadian Banks Net Zero Report Card (July 2023) at 2.

4 See Appendix.

Ideally, banks would clearly include their asset management arms within their net zero commitments, referring to them within central climate plans, and including an acknowledgement of the specific transition risks they face as a result of the climate transition. See 5 below, for a discussion of BNP Paribas' practice in this regard.

BMO GAM is also the only Canadian bank asset manager to join the Net Zero Asset Managers initiative (an initiative temporarily on hold as of January 13, 2025). This may explain why it is the only one to have clearly set an asset management net zero commitment as well as an interim target to achieve 50% of its AUM being aligned with a 1.5-degree future by 2030, from an 11.7% baseline in 2022.

BMO GAM also has the most developed transition strategy of the banks, though with further to go. This is positive because it helps shareholders and portfolio companies understand how it will achieve its interim financed emissions reduction target. This is particularly urgent for BMO GAM because, according to the German group Urgewald, it has the largest proportional share of assets invested in fossil fuels of Canadian banks, at 13.4% of its AUM (see Table 2).[5]

3. PORTFOLIO FINANCED EMISSIONS DISCLOSURES ARE INCOMPLETE.

Four asset managers, one being a small subsidiary, receive partial credit in this assessment for financed emissions disclosure, which is the first step in disclosing climate transition risk to shareholders. Only one, RBC GAM, receives full points.

RBC GAM discloses absolute financed emissions, including material scope 3, for 86% of its portfolio, which represents its corporate bonds, sovereign bonds, and equities. CIBC AM reports absolute financed emissions across all of its asset classes for a subset of its portfolio, however it does not disclose material portfolio scope 3 emissions. TD AM and BMO GAM also receive partial points, but for different reasons. TD AM only displays its absolute financed emissions visually in a chart, and by asset class, rather than listing an overall absolute financed emissions number. BMO GAM only provides baseline emissions intensity and AUM value followed by the percent emissions intensity that declined by 2023, which requires a dedicated analyst to deduce an absolute financed emissions number.NBI and Scotia GAM receive no points for financed emissions disclosure. JFL receives partial points because it does not include scope 3 emissions and only discloses emissions for 71% of its portfolio.

This reporting will need to improve significantly in the coming year as Canadian financial sector regulation is evolving, and will begin to require banks, including their federally-regulated asset management arms, to measure their financed emissions, including material scope 3, by 2026 (among other things), and eventually, also disclose transition strategies.[6]

5 See investinginclimatechaos.org/data.
6 OSFI B-15, Climate Risk Management (March 2024).

4. THERE IS LIMITED PROGRESS ON TRANSITION STRATEGIES.

What actions are the asset managers taking to align their portfolios? Net Zero Asset Managers initiative ('NZAMi')[7] guides members to enlist escalating engagement practices, provide climate solution investment products, to advocate in support of net zero-enabling policies, and the Net Zero Asset Owners Alliance ('NZAOA') advises its asset owner members to set red lines around certain fossil fuel investment activities (see Table 4).

In this regard, it is positive to see that two asset managers offer at least one investment product that enables a 1.5-degree future, BMO GAM and CIBC AM (see 7, Table 3). NBI may be following suit, though further information is needed. All asset managers provide some version of fossil-fuel-free or low-carbon funds.

NBI has gone a step further than the rest and begun to set exclusion policies for fossil fuel investments it makes on its own behalf, which represent about 30% more value than the assets it invests on behalf of third parties, as well as for about half of the assets it invests on behalf of third parties (see Appendix). So far the red lines are associated with Arctic oil and gas, as well as thermal coal mining and power-generation investing. No other asset manager mentions any unique treatment of the significant amounts of their portfolio which they manage on their own behalf.

We do note that proxy voting practices are aligning with net zero commitments at three of the six asset managers – TD AM, CIBC AM, and NBI – and Scotia GAM subsidiary JFL. BMO GAM commented that proxy voting is only one way to assess an asset manager's portfolio company engagement, and that it has been involved in significant climate-related engagements with a few companies included in our proxy voting analysis. The only other significant engagement escalation practiced at any asset manager this past year was BMO GAM voting against all of the directors and RBC GAM voting against one responsible director at Berkshire Hathaway – in part related to poor climate risk disclosure practices. No asset manager has filed a resolution or shown evidence of divesting as a result of a company's ongoing failure to manage its climate risk.

The only example of a bank asset manager committing to advocate governments for net zero enabling policies beyond the financial sector and able to provide a practical example of doing so is BMO GAM.[8] It made submissions to the US and Canadian governments in support of more stringent methane regulations for the oil and gas sector. Otherwise no Canadian bank asset managers, nor their parent companies, are engaging in clear advocacy in support of net-zero enabling policies, beyond advocacy related to financial sector sustainability disclosures.

7 On January 13, 2025, NZAMi put their operations on hold.

8 BMO, Statement on Political Contributions and Lobbying (2023) at 46; BMO, 2023 Sustainability Report and Public Accountability Statement (2023) at 46.

5. CANADIAN BANK ASSET MANAGERS LAG THEIR INTERNATIONAL PEERS.

According to the LSE TPI, at least four international bank asset managers do better on their net zero transition strategies than the Canadian banks: BNP Paribas Asset Management, HSBC Global Asset Management, Nomura Asset Management, and Swedbank Robur.[9]

BNP Paribas offers one of the best examples of a bank with an asset management net zero transition plan. Not only does the bank's central climate plan clearly reference its asset management arms, and their membership in the NZAMi and NZAOA.[10] The central climate plan also discloses the asset management-specific short-term reputational risk of offering greenwashed sustainability-themed investment products and the medium-term risk of assets losing value. In terms of transition strategy, BNP Paribas Asset Management applies investment exclusions across unconventional oil and gas sectors, including the oil sands, as well as bond issuances in any oil and gas company.[11]

BNP Paribas Asset Management's 2023 Net Zero Roadmap describes three additional strategies it uses to align its portfolio: consistent proxy voting, escalating to voting against directors, as well as a clear commitment to advocate governments for net zero policies.[12]

HSBC Asset Management has a climate-aligned proxy voting policy that includes a willingness to divest if the company does not progress.[13] It also offers alternative funds in climate tech, has a strong coal investment exclusion policy, and a broad energy transition investment policy.[14] This latter describes the importance of investing in line with the IEA Net Zero Scenario, which

> projects oil demand falling by more than 4 per cent a year on average between 2020 and 2050 and no new oil or natural gas fields needed beyond those already approved for development.

It continues,

> […] a significant increase is required in global investment in clean technologies and infrastructure that can help transform future energy supply and demand.[15]

Swedbank Robur has set a target to increase its ratio of investments in renewable energy to fossil fuels to 1.4 by 2030, from its 2023 ratio of 1.06.[16]

Finally, Nomura Asset Management discloses innovative metrics to attempt to track the impacts of its engagement strategy to drive change in portfolio companies.[17]

9 TPI Centre Net Zero Banking Assessment Framework.
10 BNP Paribas, 2023 Climate Report (2024) at 6.
11 PNB Baribas Asset Management, Responsible Business Conduct (Nov. 2024) at 8.
12 BNP Paribas Asset Management, Committed to Climate: Our Net Zero Roadmap (Nov. 2022) at 19.
13 HSBC, Net Zero Transition Plan 2024, at 72.
14 HSBC Asset Management, Thermal Coal Policy (Nov. 2023).
15 HSBC Asset Management, Energy Policy (Nov. 2023).
16 Swedbank Robur, 2023 Climate and Nature Report, at Table 3.
17 Nomura Asset Management, Responsible Investment Report 2023, at 61.

6. THIS IS AN ISSUE OF CONCERN BECAUSE CANADIAN BANK ASSET MANAGERS HAVE SIGNIFICANT CLIMATE RISKS.

Banks, in committing to net zero, have recognized that carbon-intensive investments present material risks to their shareholders and clients. The same logic applies to their asset management clients. When company assets lose value as a result of the transition to a net zero economy, exposed portfolios stand to face significant devaluation. Moreover, increasing climate extremes, which carbon-intensive investments fuel, put the entire economy at risk.

Asset management arms represent significant revenue streams for the banks — between 10% to 24%[18] — and potentially significant shares of their financed emissions. For example, the financed emissions from RBC's asset management arm represented over four times its most carbon-intensive commercial lending portfolios.[19]

For scale, the asset management arms of Canada's largest banks rank among the top fossil fuel investors in the country (see Table 2), and are disproportionately invested in fossil fuels compared to their international peers.[20] It is interesting to note that these banks also lend to, advise, and underwrite the share offerings of these same fossil fuel companies; however, banks are meant to operate with an internal wall between their banking and asset management divisions to avoid any potential conflict of interest.

18 See Appendix.

19 RBC discloses its scope 1 and 2 financed emissions for its 4 most carbon-intensive lending portfolios as almost 6 Mt CO2e (RBC, Climate Report 2023, at 48), whereas RBC GAM discloses its scope 1 and 2 financed emissions for 86% of its AUM as 25 Mt CO2e in 2023 (RBC GAM, Climate Report 2023, at 33).

20 For example, RBC ($680 B AUM), has more invested in fossil fuels than Bank of America, which has about three times larger AUM at ($1.6 T USD), TD has more invested than Mitsubishi FSJ ($684 B USD in 2022), BMO & Scotia have more than Wells Fargo ($603 B USD). (See RAN's, Banking on Climate Chaos 2023 data.)

21 investinginclimatechaos.org/data (Note: data current as of Aug. 2024 ; converted from USD to CDN via Jan. 20, 2025 Bank of Canada conversion rates).

22 Ibid.

TABLE 2. CANADIAN BANK ASSET MANAGER FOSSIL FUEL INVESTMENT DATA.

BANK ASSET MANAGER	TOTAL AUM	% OF AUM INVESTED IN FOSSIL FUELS	$ INVESTED IN FOSSIL FUELS[21]	CANADIAN FOSSIL FUEL INVESTOR RANKING[22]
RBC GAM	$680 B[23]	9.6%	$ 65.2 B	1
TD AM	$452 B[24]	6.8%	$ 30.67 B	4
Scotiabank GAM	$349 B[25]	7.3%	$ 25.65 B	7
BMO GAM	$193 B[26]	13.4%	$ 25.79 B	6
CIBC AM	$232 B[27]	10.6%	$ 24.5 B	8
National Bank Investment	$170 B[28]	3.5%	$ 6.02 B	12

Note: Data may include some assets beyond the asset manager as it is calculated at the parent level.

23 institutional.rbcgam.com/en/ca/ (as of Sept. 30, 2024).

24 www.td.com/ca/en/asset-management/resources/about-us (as of Sept. 30, 2024).

25 www.scotiagam.com/en/home/about-us.html (as of Sept. 30, 2024).

26 bmogam.com/ca-en/about (as of Sept. 30, 2024).

27 www.cibc.com/en/asset-management.html (as of Sept. 30, 2024).

28 www.nbfwm.ca/about.html (as of Sep. 30, 2024).

7. ONLY HALF OFFER NET-ZERO-ENABLING INVESTMENT PRODUCTS

Aligning portfolios with net zero doesn't just mean limiting exposure to carbon-intensive companies without transition strategies; it also means increasing investments in climate solutions.[29] According to a recent estimate from the Government of Canada, between $125 and $140 billion in additional financing is needed annually to transition Canada's economy.[30] Canadian banks' asset managers collectively control over $1 trillion in AUM.

There are two broad classes of 1.5-degree-aligned investment products:

- Those that do not inhibit the transition and invest in securities aligned with net zero (e.g. fossil-fuel-free funds); and
- Those that actively invest in climate solutions (e.g. clean energy and climate tech funds).

The prior category may simply avoid fossil fuel sector investments, or only invest in companies that have comprehensive net-zero transition plans, but otherwise don't focus on climate solutions like energy transition infrastructure. It also may include companies in no way related to the energy transition — investments that are simply not contributing to climate change.

The latter category may take a number of different approaches including investments in clean energy companies, climate solutions technology companies, and targeted investments to transition high-emitting assets. GFANZ defines "climate solutions" as

> Technologies, services, tools, or social and behavioral changes that directly contribute to the elimination, removal, or reduction of real-economy GHG emissions or that directly support the expansion of these solutions. These solutions include scaling up zero-carbon alternatives to high-emitting activities — a prerequisite to phasing out high emitting assets — as well as nature-based solutions and carbon removal technologies.[31]

As seen in Table 3, two of the six Canadian bank asset managers — BMO GAM and CIBC AM — have investment products which focus on climate solutions. NBI has recently started offering clients an investment fund called the "Global Climate Ambition Fund" however at the time of writing, no information is provided on its major holdings or investment strategy that would ensure it is in fact focused on investments in climate solutions.

29 NZAMi, Commitment (n.d.). [on hold as of January 13, 2025]

30 Government of Canada, Government advances Made-in-Canada sustainable investment guidelines and mandatory climate disclosures to accelerate progress to net-zero emissions by 2050 (Oct. 2024).

31 GFANZ, Financial Institutions Net Zero Transition Plans (November 2022) at 8.

TABLE 3. CLIMATE SOLUTION INVESTMENT PRODUCTS AT CANADIAN BANK ASSET MANAGERS.[32]

ASSET MANAGER	NAME OF PRODUCT	TOP 3 HOLDINGS	TYPE OF PRODUCT
BMO GAM	BMO Clean Energy Index ETF (ZCLN) / BMO Clean Energy ETF Fund	1. First Solar 2. Iberdrola SA 3. SSE PLC	Clean energy
	BMO Brookfield Global Renewables Infrastructure Fund (ETF Series: GRNI)	N/A Private Equity	Renewable infrastructure
	BMO Global Climate Transition Fund	1. PG&E Corp 2. Parker-Hannifin Corp 3. GE Vernova Inc	Climate transition
CIBC AM	CIBC Clean Energy Index ETF	1. Tesla 2. NEXTracker Inc 3. Arcadium Lithium	Clean energy

All of the asset managers have some variety of a low-carbon or fossil fuel free investment product.

However, all the bank asset managers also have investment products which use climate-adjacent language, vague terms like 'ESG' and 'sustainable', but that may not align with net-zero, let alone enable it. This may present an issue if investors (retail or institutional) are under a reasonable impression that these funds do. Many expose investors to high-degrees of climate transition risk, with significant stakes in fossil fuel companies without transition strategies. Notable examples include Scotia's Sustainable Corporate Bond Fund, which includes bonds from major oil and gas companies without legitimate net zero transition strategies, like Suncor and TotalEnergies, and RBC's Vision Canadian Equity Fund, which despite a stated goal of limiting exposure to ESG risk, includes stakes in major oil and gas companies without credible net zero transition strategies, like Cenovus, Suncor, Tourmaline, and MEG Energy.

The Ontario Securities Commission, in tandem with the Canadian Securities Administrators, released an updated document earlier this year outlining certain expectations for funds using ESG-related terms. However, the guidance is broad and is largely related to defining terms, and encourages investment funds to clarify objectives and how they will be met.[33] No funds have been publicly fined for using misleading greenwashing terminology in Canada. Yet, the Ontario Securities Commission did recently run a study that indicated retail investors are vulnerable to greenwashing.[34]

32 All holdings as of January 14, 2025.

33 OSC, ESG-Related Investment Fund Disclosure (Mar. 2024); Previous guidance available here: CSA Staff Notice 81-334, ESG-Related Investment Fund Disclosure (Jan. 2022).

34 Advisors.ca, Retail investors vulnerable to greenwashing: OSC (Oct. 2024).

In contrast, the US SEC has imposed a number of greenwashing-related penalties on asset managers, such as a $17.5 million fine on Invesco and a $4 million fine on WisdomTree for "failing to comply with an investment strategy it advertised as incorporating ESG factors."[35] The EU regulator has also set recommendations that link the permissibility of ESG-related terms to share of investments in securities that meet third-party standards, such as the Sustainable Finance Disclosure Regulation, or the Paris-Aligned Benchmarks. [36]

All told, there are limited opportunities for Canadian investors to invest in climate-enabling, let alone climate-aligned funds at Canada's banks' asset managers. More requests from institutional and retail investors will improve availability. Additionally, improvements to the regulatory regime and stronger enforcement regarding retail climate funds could further limit the risk of greenwashing.

8. FIDUCIARY DUTY AND UNIVERSAL OWNERSHIP

Inaction on climate may be justified by some asset managers based on a narrow interpretation of "fiduciary duty" that simply focuses on maximizing client returns in the near-term.

Climate factors are now well accepted as a legitimate input to an asset manager's application of their fiduciary duty, at least in the medium and long terms. Climate transition risk is acknowledged as a material risk for certain sectors of the Canadian economy as exemplified by the Office of the Superintendent of Financial Institutions and the Bank of Canada climate scenario analysis exercises to educate Canadian asset managers on portfolio risk. A 2022 pilot looking out decades found significant potential negative impacts on securities in the fossil fuel, agriculture, and forestry sectors, and positive impacts in the electricity sector.[37]

But, this does not resolve what former Bank of Canada Governor Mark Carney refers to as "The Tragedy of the Horizon" whereby financial institutions are courting disaster by failing to bring climate risk into near-term decision making.[38] The Institute for Energy Economics and Financial Analysis recently described this problem as follows:

> **Almost all investment vehicles, including most impact products, maintain relatively short-term (up to five-year) financial performance objectives. Given such myopic time frames, it is little wonder that reducing potentially devastating systemic risk is demoted in importance.**[39]

35 ESG Dive, SEC slaps $4M fine on WisdomTree over greenwashing (Oct. 2024); see also: SEC Charges Invesco Advisers for Making Misleading Statements About Supposed Investment Considerations" SEC news release (Nov. 2024).

36 ESMA, Guidelines on funds' names using ESG or sustainability-related terms (May 2024) at 2.

37 Bank of Canada and Office of the Superintendent of Financial Institutions, Using Scenario Analysis to Assess Climate Transition Risk (Jan. 2022).

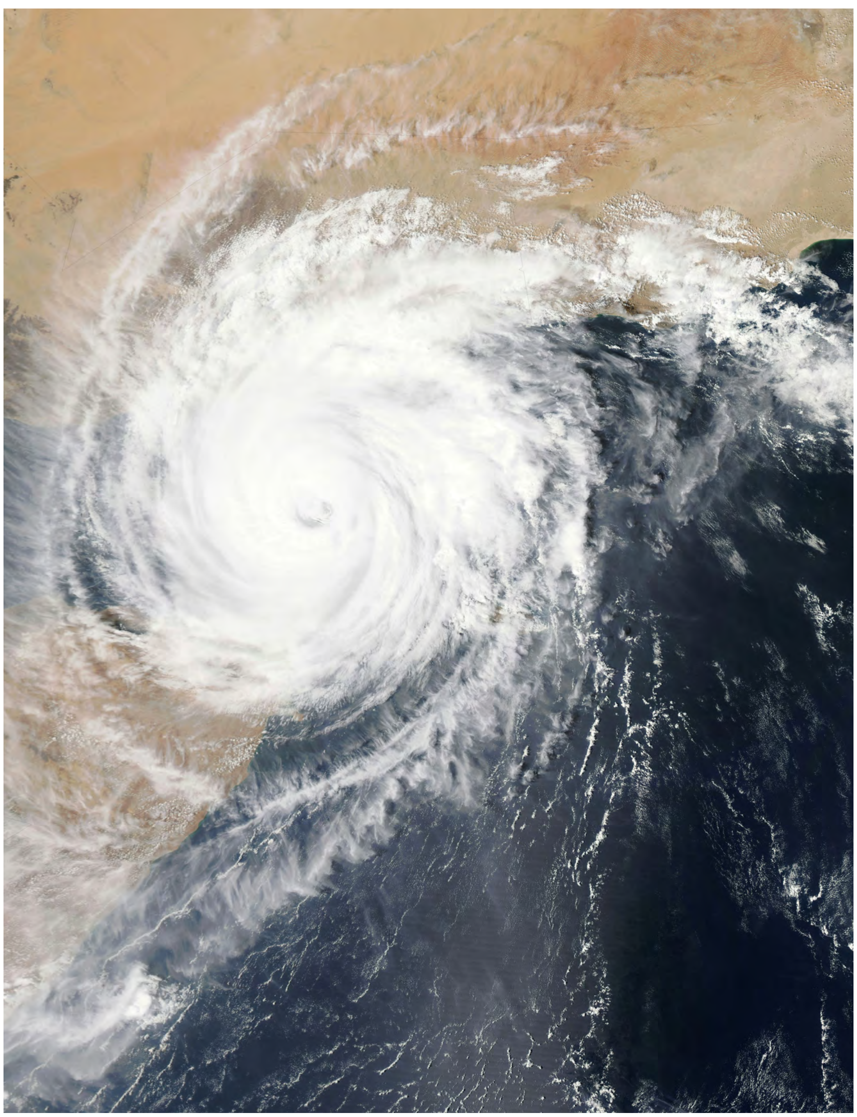
38 Bank of England, "Breaking the tragedy of the horizon - climate change and financial stability" speech by Mark Carney (Sept. 2015).

39 Institute for Energy Economics and Financial Analysis, Universal Ownership: Decarbonisation in a Hostile Engagement Environment (Sep. 2024) at 12.

In theory, Canada's banks are moving to address this systemic risk through the adoption of net zero commitments, although follow through for now appears to be lacking.[40] That most banks do not apply these commitments to their asset management divisions would appear to expose their clients to greater risk than they are willing to accept for their capital markets divisions.

Furthermore, delayed action to align investment portfolios increases the likelihood that the entire economy will be at risk. Large asset managers like the Canadian banks effectively own a slice of the entire economy, referred to as 'universal ownership', and can therefore not avoid systemic risks like climate change.[41] Maximizing oil and gas returns, for example, may hurt their agriculture assets via larger climate damages. As a result, these asset managers would benefit from a more systemic management style that balances broader economic risks and returns, including taking action to reduce risk for everyone.

In practice, it is unlikely that "The Tragedy of the Horizon" will be solved with more information, such as via climate scenario analysis. Instead, regulators need to provide clear rules and change incentives.



40 See TPI Banking Tool.
41 IEEFAs, Universal Ownership: Decarbonisation in a Hostile Engagement Environment (Sep. 2024).

PART II: ASSET MANAGER NET ZERO ASSESSMENT

This report expands on the broader TPI Centre Net Zero Banking Assessment Framework, which looks at 38 banks in their totality. While that report is intentionally high-level, focusing on a wide range of banks, our assessment zooms in on the asset management (AM) arms of just six Canadian banks, offering a more in-depth analysis. Our assessment criteria is detailed in Table 4.

In particular, our assessment builds on four of TPI's ten bank net-zero criteria, but applies them exclusively to the banks' asset management arms, namely:

1. net zero commitment,
2. transparency on portfolio emissions,
3. fossil fuel exclusion policy, and
4. support for climate solutions.

In addition, we apply three of TPI's asset manager-specific criteria:

5. the share of AUM invested in 1.5°C-aligned assets,[42]
6. a target to increase the share of 1.5°C-aligned assets, and/or[43]
7. an escalation policy for misaligned assets.[44]

Our assessment further breaks down the escalation policy criteria into two sub-criteria, whether the asset manager,

a. has a net-zero-consistent proxy voting practice or votes against directors when companies display ongoing failure to manage climate risks; and/or
b. divests from companies that aren't making progress on their net-zero transition.

For criteria 7a) and 7b) we use data collected for our forthcoming 2024 Canadian Climate Voting Report.

The Appendix contains the full assessment for each bank.

42 TPI, State of Transition in the Banking Sector (Oct. 2024) at 17-19 (see criteria 5.1.3.c).
43 Ibid, criteria 5.1.3.b.
44 Ibid, criteria 5.1.3.a.

TABLE 4. DETAILED BANK ASSET MANAGER ASSESSMENT CRITERIA.

NET ZERO PROGRESS CRITERIA	GOOD	NEEDS WORKS
1. Net zero commitment	Clear commitment to achieve entire portfolio net-zero alignment, ahead of 2050.[45]	General support for broader economic net-zero alignment, without a clear commitment to align its own portfolio.
2. Financed emissions disclosure	Reports absolute financed emissions, across all material scopes.[46]	• Does not disclose emission beyond the base year; • Only reports carbon intensity; • Fails to include material scopes; &/or • Excludes assets that have established emissions accounting methodologies.[47]
3. Discloses 1.5-aligned AUM	• Based on TPI assessment (criteria 5.1.3 (c)). • If using SBTi certification as a proxy, must specify 1.5°C-aligned SBTI certification, as well as medium- and long-term alignment.[48]	• If using SBTi certification as a proxy for, but doesn't specify 1.5°C-aligned SBTI certification. • AM does not explicitly refer to both medium- and long-term alignment.[49]

45 Net Zero Asset Managers initiative, Commitment (accessed Nov. 22, 2024).
46 PCAF, The Global GHG Accounting and Reporting Standard Part A: Financed Emissions. Second Edition.
47 Ibid.
48 TPI, State of Transition in the Banking Sector (Oct. 2024) at 19.
49 Ibid.

NET ZERO PROGRESS CRITERIA	GOOD	NEEDS WORKS
4. Interim target	NZAMi approves either the NZIF, SBTi, or NZAOA interim target setting methodologies.[50] At a minimum the 2030 target must: • specify the proportion of assets to be managed in line with the attainment of net zero emissions by 2050 or sooner; • be reviewed at least every five years, with a view to ratcheting up the proportion of AUM covered until 100% of assets are included; • be consistent with a fair share of the 50% global reduction in CO2 identified as a requirement in the IPCC special report on global warming of 1.5°C; and • take account of portfolio scope 1 & 2 emissions and, to the extent possible, material portfolio scope 3 emissions.[51] The NZIF has five levels of alignment: 1. (i) achieving net zero; 2. (ii) aligned to a net zero pathway; 3. (iii) aligning towards a net zero pathway; 4. (iv) committed to alignment; and 5. (v) not aligning. Only companies in categories (i) and (ii) are aligned to a 1.5°C pathway. AMs that include companies outside of these two categories in their figures do not score on these sub-indicators."[52]	• Commits to a certain share of AUM being in line with 1.5 degrees by 2030 — but does not clearly define it; &/or • Commits to a reduction in a share of AUM's carbon intensity, but does not define how this aligns with a 1.5 degree-future.

50 Net Zero Asset Managers initiative, The Net Zero Asset Managers initiative Fossil fuel expectations (n.d.).
51 Net Zero Asset Managers Initiative, Commitment (accessed Nov. 22, 2024).
52 TPI, State of Transition in the Banking Sector (Oct. 2024) at 19.

NET ZERO PROGRESS CRITERIA	GOOD	NEEDS WORKS
5. Escalating engagement policy: a) proxy voting practices b) voting against directors, filing resolutions, &/ or divestment	a. Consistently supports climate-related resolutions in 2024. b. Undertakes at least one of the following: 1. Voting against a director for climate-related reasons in 2024, with a publicly available rationale. 2. Filing or co-filing a climate-related resolution. 3. A stated example of divesting from a company for failure to transition.	a. States that it will use proxy voting to drive improved climate risk management, but inconsistently supports climate-related resolutions in 2024. b. States it may undertake at least two of the following: 1. Voting against a director for climate-related reasons in 2024, with a publicly available rationale. 2. Filing or co-filing a climate-related resolution. 3. A stated example of divesting from a company for failure to transition.
6. 1.5-aligned exclusion policies	All owned AUM is subject to a 1.5 degree-aligned fossil fuel exclusion policy. For coal: • No further thermal coal plants, mines or related infrastructure should be financed, built, developed or planned. • There should be a phase-out of all unabated existing coal-fired electricity generation.[53] For oil and gas: • No investments in new upstream, midstream, of downstream, oil or gas companies.[54]	Part of owned AUM subject to a partial 1.5 degree-aligned fossil fuel exclusion policy.
7. Climate advocacy	The AM has a clear climate advocacy policy that extends beyond capital markets, and provides clear examples of its climate advocacy practices.[55]	The AM commits to lobby in pursuit of economy-wide policies that enable a 1.5 degree future, but there are no or limited examples of this commitment in practice.
8. Climate solution investments products	Provides at least one 1.5-degree-enabling investment product.[56]	Appears to provide at least one 1.5-degree-enabling investment product, but more information is needed.

53 Net-Zero Asset Owner Alliance, 2020. Thermal Coal Position (accessed Nov. 25, 2025), at 2.

54 Net-Zero Asset Owner Alliance, 2023. Position on the Oil and Gas Sector (accessed Nov. 25, 2025), at 26.

55 Net Zero Asset Managers Initiative, Commitment (accessed Nov. 22, 2024).

56 Ibid.