InfluenceMap

Finance and Climate Change

A Comprehensive Climate Assessment of the World's Largest Financial Institutions

Input paper prepared for the G20 Sustainable Finance Working Group under the Indonesian Presidency

May 2022

Table of Contents

Executive Summary 2

Background 5

Results 6

Conclusions 14

This is an updated adaptation of InfluenceMap's March 2022 Finance and Climate Change report release on FinanceMap.org. FinanceMap is a data platform operated by the global climate change think-tank InfluenceMap, which is based in London with offices in New York and Tokyo. Metrics and analysis featured in this report are available in full online at FinanceMap.org. For details on our content and terms of use, please see our terms and conditions. The 30 financial institutions covered in this research were offered the opportunity to review the analysis and provide feedback prior to release.

Executive Summary

- A comprehensive assessment of the world's 30 largest listed financial institutions[1] shows a clear disconnect between the concrete short-term targets and actions needed to address the climate emergency and the limited, long-term targets currently being set by the financial sector. The research indicates a widespread lack of integration of high-level climate commitments into business segment processes. All major financial groups retain core memberships in industry associations opposing evolving climate finance policies in the EU, UK, and US. Their banking and asset management arms remain highly active in fossil fuel production financing, in direct contrast to science-based guidance. The climate plans the sector does have remain focused on 2050 targets with little evidence of short-term action plans.

- This research, conducted by the FinanceMap team within global climate think tank InfluenceMap, seeks to compare the financial sector's stated policies and commitments on climate change to its actual financing and policy lobbying activities. The financial institutions' climate-related targets, reporting, and policies are examined alongside in-depth analysis of their corporate lending, equity and bond underwriting, and asset management activities. The report also assesses the financial institutions' emerging engagement with sustainable and climate finance policy to present a holistic analysis of the financial sector through a climate lens.

- Despite 29 of the 30 assessed financial groups having set 2050 climate goals as part of the **Glasgow Financial Alliance for Net Zero** (GFANZ) initiative, all 30 financial institutions remain members of financial industry associations which are opposing emerging sustainable finance policy, including finance sector disclosure requirements in the EU and requirements to consider ESG as part of investment duties in the US. Furthermore, 15 of the 30 are members of real-economy industry associations that have lobbied directly in line with fossil fuel interests, including the **US Chamber of Commerce** and the **American Gas Association**. A small number of financial institutions, most notably in Europe, are bucking industry trends and engaging on sustainable finance policy with mostly ambitious positions.

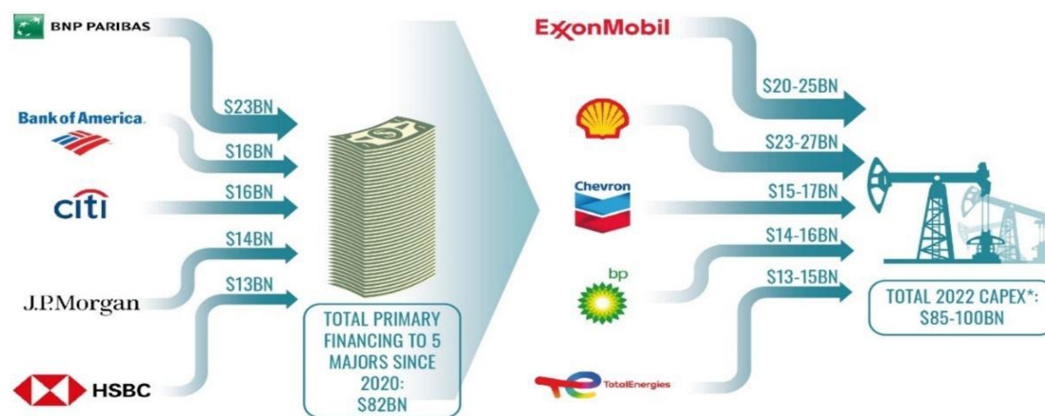
- The 30 assessed financial institutions cumulatively enabled at least $740 billion in primary financing to the fossil fuel production value chain[2] in 2020 and 2021, equivalent to 7% of their total primary financing in this period. Analysis of the Paris Agreement alignment of the banks' primary financing

[1] Financial groups (more than 50% of shares listed) ranked by an aggregation of sales, assets, AUM, market capitalization and profits.

[2] The fossil fuel production value chain is defined as the universe of companies of which the primary sector of operations is in the up-, mid-, and/or downstream segments of oil, gas, and/or coal production. This includes companies of which the primary operations are services specifically to these sectors (e.g. exploration, surveying, infrastructure, etc.).

activities on the basis of the PACTA[3] tool shows significant misalignment across all portfolios and sectors analyzed[4]. This indicates that all assessed financial institutions are continuing to facilitate considerable primary financing to companies which are not transitioning in alignment with IEA Net Zero across climate-critical sectors.

- Of the total $740 billion in facilitated fossil fuel primary financing, $145 billion went to the five largest US and European oil and gas companies (ExxonMobil, Chevron, Shell, TotalEnergies, and BP). All five of these companies have stated plans to continue undertaking considerable fossil fuel exploration and development projects in the coming years, in direct misalignment with the IEA Net Zero by 2050 Scenario. Of the $145 billion, $82 billion was facilitated by only five banks: **BNP Paribas**, **Bank of America**, **Citigroup**, **J.P. Morgan**, and **HSBC**.



- It is unclear whether or how the institutions plan to address these disconnects, with less than half having set targets across multiple sectors[5] and climate-related reporting containing significant gaps across the board. Only seven of the 30 financial institutions have set thermal coal exit plans in line with IPCC 1.5 °C guidelines[6], while only **Barclays**, **BNP Paribas**, **ING** and, **Societe Generale** have committed to reducing oil and gas exposure by 2025.

- The disconnect between commitments and actions is also apparent in the asset management sector. Asset managers commonly publicize their commitments to initiatives like **Climate Action 100+** (22 of 25 asset manager subsidiaries assessed) and the **Net Zero Asset Managers Initiative** (11 of 25).

---

[3] *PACTA is an open-source portfolio alignment methodology designed by 2DII and expanded upon by FinanceMap to calculate the climate scenario alignment of corporate lending, capital markets underwriting, and asset management portfolios.*

[4] *The sectors analyzed are automotive, power, upstream oil and gas production, and coal mining.*

[5] *J.P. Morgan, Goldman Sachs, Morgan Stanley, Citigroup, Barclays, Societe Generale, HSBC, Lloyds Banking Group, TD Bank Group, UBS, Scotiabank, Bank of America, BNP Paribas, Wells Fargo*

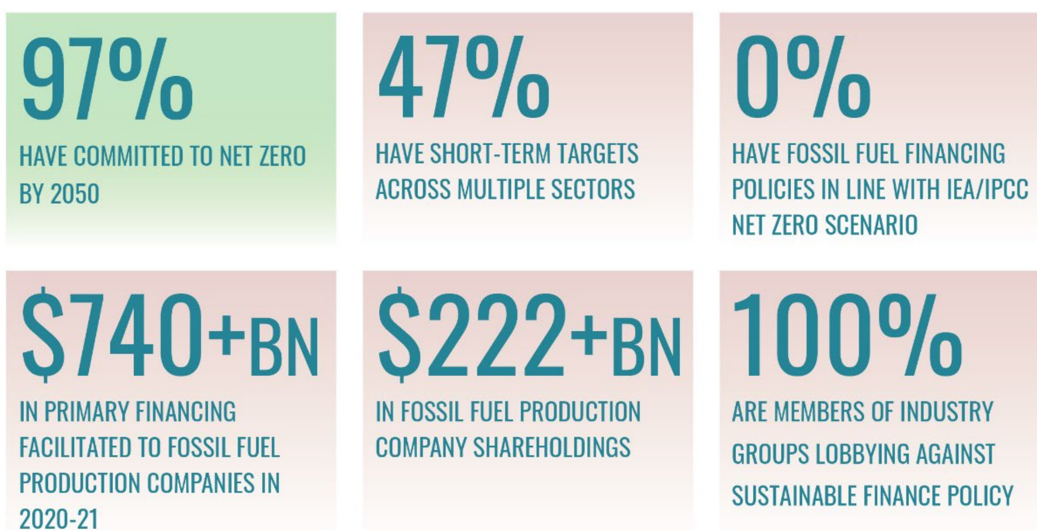
[6] *HSBC, BNP Paribas, Societe Generale, Crédit Agricole, Lloyds Banking Group, Credit Suisse, and AXA.*

However, several asset managers which are signatories to CA100+ continue to lag in corporate stewardship programs on climate - the worst-scoring CA100+ signatories being **Santander** and **TD Bank Group**, as assessed using FinanceMap's stewardship assessment methodology.

- Meanwhile, the institutions' asset management arms have shareholdings in fossil fuel production value chain companies in the amount of at least $222 billion, equivalent to 5% of total AUM assessed. Portfolio Paris Alignment analysis of the asset managers' equity portfolios tool shows significant misalignment across all portfolios and sectors analyzed. Due to the prevalence of passive, index-linked investment strategies, the asset managers' holdings are often similarly misaligned to the markets in which they are invested, and large portions of climate-relevant portfolios continue to consist of holdings in companies which are not transitioning in alignment with the IEA Net Zero pathway.

- In conclusion, this research's findings indicate that despite an increase in long-term climate targets and voluntary climate-related reporting by the world's 30 largest financial institutions, these companies continue to show a significant lack of meaningful short-term action in the face of the climate crisis. This is evidenced by memberships in industry associations opposing policymakers' attempts to implement sustainable finance policies, continued and considerable financing to fossil fuel value chains, and a lack of short-term roadmaps and milestones to meet their long-term targets.

- It remains likely that the financial sector will continue to enable real-economy activities misaligned with 1.5 °C climate scenarios as long as they remain legally and economically viable in the short term. It is also likely that finance as a whole will continue to lag on concrete climate action while the necessary binding climate policy and regulations remain absent.



Background

The financial sector has seen a dramatic increase in support for climate action, as evidenced by a flurry of climate announcements, targets, and reporting released by the world's largest financial institutions. This report provides a holistic and evidence-based assessment of how the world's 30 largest financial institutions are incorporating climate issues into their decision-making and operations as well as their climate-relevant financing activities. The 30 financial institutions included in this analysis are noted below in order of economic size[7]. They represent the largest majority-investor-owned financial institutions worldwide.

J.P. Morgan	Bank of America	Wells Fargo	Ping An Group	Citigroup
HSBC	BNP Paribas	Allianz	BlackRock	Mitsubishi UFJ Financial Group
Santander	AXA	Crédit Agricole	Sumitomo Mitsui Financial	Royal Bank of Canada
Goldman Sachs	TD Bank Group	Mizuho Financial Group	Morgan Stanley	UBS
Societe Generale	Deutsche Bank	Barclays	Itaú Unibanco	ING
Lloyds Banking Group	Commonwealth Bank of Australia	Scotiabank	Banco Bradesco	Credit Suisse

Table 1. Assessment Universe

FinanceMap assesses the quality of the financial institutions' group-level climate policies, targets and governance activities as stated by corporate disclosures. It then uses external benchmarks and data to provide verification of the actual implementation of these climate policies in the groups' various activities with real-world climate impacts. This includes any engagement the financial institutions have on pending or existing government policies globally which may intersect with climate change (such as the European Commission's sustainable finance policy ambitions) and stewardship of investee companies on climate. The climate alignment of their asset management, corporate lending, and capital markets underwriting activities are then assessed, where applicable, against industry-recognized, science-based benchmarks. A full breakdown of this assessment's methodology is available *here*.

This analysis is available in full on *FinanceMap.org* where users can click through the various assessment components to examine the sub-score level content for each financial institution. Registered users will have open access to the qualitative assessments and the underlying evidence. Additionally, for each business unit assessed, users can interrogate the portfolio Paris Alignment analysis and review detailed fossil fuel exposure data.

[7] *Financial groups (with more than 50% of shares listed) ranked by an aggregation of sales, assets, AUM, market cap and profits.*

Results

FinanceMap has examined the disclosures and policies which financial institutions have released on climate change with regard to top-level targets, climate-related reporting, and fossil fuel sector exclusions. These are assessed alongside detailed analyses of the actual business activities of the financial institutions in the form of primary financing and investment management, asset manager stewardship programs, and engagements by the financial institutions on pending or existing government policies which may intersect with climate change.

Net Zero by 2050 Commitments

Almost all of the institutions assessed, 29 out of 30, have committed to net zero by 2050 targets as part of the Glasgow Financial Alliance for Net Zero (GFANZ)[8] initiative. Almost half of these have already set multiple 2030 targets as part of this commitment, and almost two thirds have made some form of target announcement.

However, variation in the target parameters makes them difficult to compare[9]. For example, targets vary in terms of the underlying climate scenarios used and their assumptions on the route to net zero emissions by 2050. Other variations include emissions calculation methodologies, business activities in scope, use of carbon credits, the target base year, target year, and target type (e.g. emissions intensity, absolute emissions, financed emissions lending intensity, credit exposure).

Climate-Related Reporting

FinanceMap has assessed mainstream climate reporting by the 30 financial institutions against the TCFD reporting guidelines. Generally financial institutions score higher in the areas that focus on descriptions of processes and policies (*governance* and *risk management* pillars), and the largest improvements are required in scenario analysis (*strategy* pillar), financed emissions disclosure, and GFANZ-aligned target setting (*metrics and targets* pillar), reflecting the findings of the latest TCFD Progress Report.

The variation in financed emissions disclosures of the 30 financial institutions is particularly noteworthy, given its relevance to tracking progress on net zero targets. To date, 20 of the 30 financial institutions have published portfolio- or sector-level financed emissions data. However, the coverage (e.g. portfolio-wide or sector-specific disclosures) and approaches (e.g. proprietary methodologies, national or global initiatives)

[8] *The Glasgow Financial Alliance for Net Zero (GFANZ), launched in April 2021, is a UNFCCC and 'Race to Zero' backed sector-wide coalition of net zero financial initiatives. This report primarily focuses on the following sub-sector initiatives - the Net Zero Banking Alliance (NZBA), the Net Zero Asset Managers initiative (NZAMI), the Net Zero Asset Owner Alliance (NZAOA).*

[9] *Difficulties in accurate comparison clearly explained by Louie Woodall, Climate Risk Review Jan 20th 2022.*

vary considerably. The Net Zero Banking Alliance (NZBA), which 26/27 banks assessed are members of, does not require signatories to publish data using a defined methodology. However, the *Partnership for Carbon Accounting Financials* (PCAF)[10] is an industry-led standard which 18 of the financial institutions have committed to, and 12 have published initial disclosures in line with. In 2021 the TCFD has updated its guidance to recommend that financial institutions should disclose financed emissions in line with PCAF or a comparable methodology. While this should lead to more standardized and comparable disclosures, significant gaps remain in the utility of industry-standard disclosures for measuring short-term behavior on climate.

Specifically, this research indicates that there is a disconnect between (a) financial institutions reporting in line with TCFD guidelines and (b) their fossil fuel financing policies and exposure to the fossil fuel value chain. Additionally, the TCFD framework does not require companies to examine and report on their direct and indirect policy engagement activities. This research demonstrates that both remain significant areas of misalignment between firms' present-day activities and their long-term climate commitments.

Fossil Fuel Policies

Despite committing to halving emissions by 2030 as part of GFANZ 2050 commitments, financial institutions remain reluctant to introduce meaningful fossil fuel exclusion policies, and none of the assessed groups have rigorous fossil fuel financing policies in line with IPCC/IEA Net Zero pathways. The fossil fuel policies in place currently largely allow for continued financing of expansion in the coal, oil and gas sectors, in direct contrast with science-based guidelines from the IPCC and IEA.

Coal Policies

Most financial institutions have made positive statements about moving away from coal by restricting investments in new coal mining or coal-fired power capacity. However, of the 30 financial institutions assessed, only seven have stated that they will exit thermal coal mining and power generation in line with IPCC recommendations at the group level. Despite these commitments, three of the seven have exemption policies allowing them to continue to provide financial services to coal developers under certain circumstances; or have continued to finance companies that are projected to increase coal production or coal-fired power generation following phaseout announcements.

Even financial institutions which have set 2030 climate targets often continue to allow for coal financing in the coming decade. Of the 15 financial institutions with 2030 interim targets for the power sector, less than half have set a clear a commitment to exit the coal sector in line with IPCC pathways.

[10] *PCAF is an industry led initiative that has developed an open-source global GHG accounting standard for financial institutions with the aim of developing and implementing a harmonized approach to assess and disclose the emissions associated loans and investments.*

Almost two thirds (19 of 30) of the financial institutions have set exclusion criteria for companies whose thermal coal-related revenues exceed a given proportion of their total mining- or power-related revenues. However, only a third of these financial institutions' policies include absolute coal production and/or coal-fired power generation thresholds for clients. Even where absolute policies are in place, these often contain loopholes which allow for continued coal financing.

Oil and Gas Policies

Comparatively, fewer financial institutions have announced commitments to reduce or restrict financing to the oil and gas sector. Of the financial institutions assessed, 16 have set oil and gas or energy sector commitments as part of their 2025 or 2030 target setting. However, none of the targets include a commitment to halting new oil and gas development, as prescribed by the IEA Net Zero Emissions by 2050 Scenario[11]. In fact, these targets largely allow for continued financing to the sector, including to companies that are developing new oil and gas assets.

The targets announced to date vary, and can be classified into three target types - credit exposure, emissions intensity and absolute financed emissions targets. Of these, only absolute emissions targets commits the financial institution to reduce real world emissions by 2030. Targets are also distinguishable by the business units in scope, with roughly half of the targets announced applying to the institutions lending activities, and not their full capital market activities. For six of the eight institutions with such targets, capital markets underwriting represented over 50% of their primary financing to the oil and gas sector.

The remaining financial institutions assessed have not announced exclusion criteria for oil and gas clients beyond introducing partial exclusion or due diligence criteria on unconventional oil and gas development and production. Among these, only five have restricted financing activities related to Arctic, oil sands, and fracking.

These findings indicate that if they are to meet their long-term net zero ambitions, financial institutions should look to leverage their ongoing relationships with oil and gas firms to support an accelerated transition in line with short- and long-term requirements for a net zero economy. For example, institutions may push oil and gas clients for commitments for no new oil and gas exploration or development as prescribed by the IEA Net Zero Emissions by 2050 Scenario, and commit to this themselves through their project financing activities.

---

[11] *Note. In Q1 2022 a small proportion of financial institutions introduced restrictions on project finance support to new oil or gas fields, partially meeting the conclusions of the IEA Net Zero Scenario. However, none of these institutions have tightened corporate finance restrictions on clients developing new oil and gas assets.*

Primary Financing Activities

The 27 financial institutions with primary financing activities in this analysis facilitated a total of at least $740 billion of new primary financing in 2020 and 2021 to companies in the fossil fuel production value chain, approximately 7% of the value of their total assessed primary financing activities during the same period. This financing primarily occurs in bond underwriting ($371 billion) and corporate lending ($343 billion). Particularly, in bond underwriting, fossil fuel financing represents more than 10% of the total assessed deal value across the past two years. The full analysis results can be found on *FinanceMap.org*.

Coal Primary Financing

Combined, the assessed financial institutions enabled at least $42 billion in primary financing to companies in the coal mining value chain[12] in 2020-2021. The financing of companies in the coal production value chain represented 0.5% of all corporate lending and bond underwriting assessed.

Despite making up a limited portion of overall financing, the coal financing detailed above includes considerable deals with some of the world's largest coal producers. For example, 21 of the 27 financial institutions with primary financing activities facilitated a cumulative $17.5 billion of financing to **Glencore** through loans and bond underwriting deals in 2020-2021**.** According to this analysis, **Glencore** is projected to increase its annual coal production in the coming five years, in direct conflict with the IEA Net Zero by 2050 Scenario.

Oil & Gas Primary Financing

The 27 financial institutions enabled a total of $697 billion in primary financing to the oil and gas production value chain[13] in 2020-2021, equivalent to 6.6% of total primary financing facilitated in the same period. Notably, $145 billion in primary financing went specifically to the five largest American and European oil and gas companies**, ExxonMobil**, **Chevron**, **Shell**, **TotalEnergies**, and **BP.** All five of the supermajors have stated plans to continue undertaking considerable fossil fuel exploration and development projects in the coming years, in direct misalignment with IEA Net Zero prescriptions.

Primary Financing Paris Alignment

FinanceMap's Portfolio Paris Alignment (PA) score assesses the alignment of a portfolio of companies with the IEA Net Zero pathway in four climate-critical sectors: automotive, power, upstream oil and gas, and coal mining. The PA score ranges from -100% (highly misaligned) to +100% (positively aligned). A PA score of

---

[12] The coal mining value chain is defined as the universe of companies of which the primary sector of operations is in the coal mining or coal mining services sectors. This universe does not include companies whose primary operations take place in the power sector.

[13] The oil and gas production value chain is defined as the universe of companies of which the primary sector of operations is in the up-, mid-, and/or downstream segments of oil and gas production. This includes companies whose primary operations take place in oil and gas services, infrastructure, etc.

0% implies that the companies in the portfolio will operate in alignment with the IEA Net Zero by 2050 pathway over the coming five years. Negative scores indicate that portfolio companies will continue to produce too much in polluting technologies and too little in green within their sectors.

The 27 financial institutions assessed in primary financing receive an average Paris Alignment (PA) score of -49% in both corporate lending and bond underwriting independently. This implies that, on average, companies being financed by the world' largest banks will produce 49% too much in polluting technologies and too little in green technologies in the next five years compared to IEA NZE. The equity issuance underwriting assessment resulted in an average PA score of -40%. No financial institution achieved a portfolio PA score greater than or equal to zero in any primary financing activity.

The following figure shows the spread of portfolio PA scores for the various primary financing activity streams, with each dot representing a financial institution's score for the corresponding portfolio.

Asset Management Activities

Similarly to the financial group level, asset manager subsidiaries of these financial institutions continue to make positive top-line statements and set long term climate goals that are largely not being reflected in their concrete short-term targets and actions.

Asset Management Stewardship and Targets

Concretely, 22 out of 25 of the asset managers assesssed are involved in the CA100+ collaborative engagement initiative. Some of these signatories are delivering effective and ambitious stewardship programs on climate, most notable in Europe. Generally, however, for asset managers belonging to large diversified financial institutions, membership to CA100+ is not an indicator of stewardship quality, with several member asset managers remaining low engagers on climate-related issues.

Meanwhile, 11 out of 25 of the asset managers are signatories to the GFANZ Net Zero Asset Managers Initiative (NZAMI), and, to date, four have released their initial targets through the initiative. As with the NZBA targets, variations in the target parameters make them difficult to directly compare.

Asset Management Portfolios

Applying FinanceMap's Portfolio Paris Alignment methodology to the asset managers' equity portfolios gives an alignment score for each portfolio with the IEA Net Zero Emissions by 2050 (NZE) scenario in four climate-critical sectors: automotive, power, upstream oil and gas, and coal mining. The asset managers' portfolios are all found to be considerably out of alignment with the IEA NZE pathway, receiving Paris Alignment (PA) scores between -26% and -52%. The average PA score is -37%. These scores indicate that all 25 financial institutions' asset management portfolios are heavily overweight in companies which are not transitioning away from polluting technologies and towards green in alignment with the NZE over the coming five years.

The following figure shows the spread of portfolio PA scores for equity asset management portfolios, with each dot representing an asset manager's PA score.

Engagement with Government Policy and Regulation

Despite significant positive top-line messaging on climate action, InfluenceMap's analysis indicates that the financial institutions are pushing back against policymakers' attempts to align financial regulation with climate goals. Whilst advocacy from the financial institutions themselves varies, all are members of financial industry associations that have lobbied to weaken key sustainable finance policies, and half are members of real-economy industry associations that have lobbied directly in favor of fossil fuel interests.

Direct engagement from financial institutions on sustainable finance policy

Many of the 30 financial institutions do not appear to be strategically engaged on sustainable finance policy, keeping largely to high-level statements in their own communications with limited examples of direct engagement on government policy streams.

Only a small number have significant positive engagement across a range of sustainable finance policy. This includes *BNP Paribas*, *AXA*, and *Allianz*, which all appear to be highly engaged on the EU's sustainable finance agenda with predominately ambitious policy positions.

Indirect engagement on sustainable finance policy

InfluenceMap also tracks the advocacy of 20 key industry associations that represent the 30 financial institutions on sustainable finance policy. Previous *research* by InfluenceMap has demonstrated the critical contribution of advocacy via third-party groups in policy engagement strategies, notably in allowing companies to pool resources and take advantage of well-resourced lobbying operations as well as providing public distance between companies and their most regressive policy positions.

In general, the financial industry associations analyzed have engaged more intensely and negatively than the financial institutions themselves, often stating broad support for sustainable finance policies while lobbying to weaken the detail of key regulatory strands.

All 30 of the financial institutions analyzed in this research have links to industry associations that have consistently lobbied to weaken sustainable finance regulation, with an average of five memberships to such associations[14].

Indirect engagement on climate policy

Separately to the database on sustainable finance policy engagement, InfluenceMap maintains a database of corporate climate lobbying, which tracks more than 150 industry associations.

15 of the 30 financial institutions are members of industry associations which InfluenceMap's research demonstrates are lobbying on real-economy climate policy with positions that directly support fossil fuel interests.

These memberships broadly fall into two categories:

- **General memberships to large cross-sector industry associations (e.g. the US Chamber of Commerce, Keidanren).** InfluenceMap's *previous research* has demonstrated the ongoing power of cross-sector industry associations in blocking climate policy. Despite claiming to represent the whole economy, the positions of these groups tend to mirror the positioning of their most negative members and advocate on behalf of fossil fuel interests at the expense of Paris-aligned climate policy. While the financial institutions themselves are unlikely to retain membership to these associations in order to oppose climate policy, they are nonetheless granting their funding and reputations to these key blockers of action on climate change.

[14] *Here, industry associations that have "**consistently lobbied to weaken sustainable finance regulation**" are defined as having an InfluenceMap Performance Band at D and below and an Engagement Intensity above 10. Some industry associations in the examples below have a score above Band D and exhibit more mixed engagement overall, despite taking oppositional positions on particular policy streams. These groups are not included in this statistic.*

- **"Associate" or "Strategic" memberships to industry specific groups (e.g. the American Gas Association, the International Air Transport Association).** In this case, financial institutions are stated to hold memberships as “service providers” to the industry. These industry groups advocate in favor of the interests of the specific industries they represent, with all associations detailed above lobbying in favor of fossil fuel interests. While financial institutions may not hold significant power in directly dictating the policy positions of these groups, membership could be seen to indicate a vested interest in the continuation of fossil fuel-related opportunities.

To date, none of the financial institutions have lobbying disclosures equivalent to investor expectations formalized by investor-representatives such as the PRI, IIGCC, and Ceres (members of the CA100+ secretariat). Five of the 30 financial institutions appear to have no disclosure at all on industry association memberships and a further 18 have listed industry associations they are a member of with no further detail on the activities of the association or alignment with the financial institutions’ positions on sustainable finance. The remaining seven have provided some further detail of engagement, for example whether or not they hold board memberships, but still lack critical information including the positions of industry associations on key policies and alignment between the financial institution and industry associations.

Conclusions

- **The world's 30 largest financial institutions have set 2050 climate targets without having so far provided evidence of meaningful short-term actions.** This disconnect is highly inconsistent with finance's critical role in the urgent net zero transition, as well as with the institutions' own commitments to halve financed emissions by 2030 via GFANZ and the Race to Zero campaign. This research indicates that internal disconnects between long-term targets and current business activities within large diversified financials must be addressed if the financial sector is to achieve its net zero ambitions.

- **Despite significant positive top-line messaging on climate action, currently, all 30 financial institutions remain members of financial industry associations which are opposing policymakers' attempts to implement sustainable finance policies**. Financial institutions can take immediate action towards Paris alignment by aligning their direct and indirect policy engagements with net zero commitments. In line with investor expectations on climate policy engagement, financial institutions could audit their association memberships to ensure alignment with their top-level climate commitments.

- **Financial institutions' continued and considerable financing of the fossil fuel value chain in the amount of at least $740 billion in facilitated primary financing in 2020 and 2021 is another indication of the disconnect between 2050 targets and short-term action**. The groups' current policies largely fall short of what is required, with only four of 30 institutions planning to reduce oil and gas exposure by 2025 and no financial institution's policies being aligned with IPCC or IEA recommendations.

- **If they are to be considered attainable, net zero by 2050 financing targets must be accompanied by concrete fossil fuel exclusion policies in the immediate term, and consistently applied across all relevant businesses (banking, insurance & asset management).** Current policies should be updated and strengthened in line with IEA guidance, making clear the need for the rapid scale-down of coal, oil and gas exploration and production. Best-in-class fossil fuel exclusion policies will include both revenue and capacity thresholds, cover the full fossil fuel value chain, and apply to all financial services offered by a financial group.

- **The financial institutions' asset manager subsidiaries are also largely misaligned from Paris Agreement goals in both their portfolio shareholdings and stewardship processes**. Aligning these activities with their own and their parent group's positive top-line statements on climate will require concrete and actionable processes throughout their businesses. Net zero investing commitments and transparency around target reporting (e.g. as required by NZAMI) are steps in the right direction.

However, in their portfolio management, financial institutions will need to not only align their active portfolios with Paris, but also the passive investments which often make up the majority of their assets, through robust portfolio construction processes complementing their stewardship strategies.

- **Effective stewardship requires robust systems and procedures, and organizations cannot rely exclusively on wider progress made through collaborative engagement initiatives like the CA100+.** The large financial institutions reviewed in this report have considerable power to influence company operations and should occupy lead engager roles. Asset managers should establish clear expectations for investee companies, backed up by impactful voting and escalation strategies.
- **Less than half of the assessed financial institutions have set short-term targets across multiple sectors and climate-related reporting contains significant gaps across the board as measured against TCFD guidelines.** As GFANZ signatories continue to roll out short-term sector-level targets in the near future, gaps in the utility of financial institutions' disclosures should be addressed. For example, standardizing financed emissions disclosures (e.g. in alignment with PCAF) would allow stakeholders to better track and compare progress made on short-term targets between financial institutions.
- **Given the critical influence which the financial sector has on the real economy, the world's largest financial institutions need to considerably reshape their activities in the immediate term if the net zero transition is to be realized.** Despite an increase in long-term climate targets and voluntary reporting by the financial sector, this report highlights the significant lack of meaningful short-term action by the world's 30 largest financial institutions in the face of the climate crisis. The long-term net zero ambitions currently being stated by these groups are not likely to be achieved unless they are accompanied by concrete and actionable short-term targets and roadmaps.
- **The financial sector remains likely to lag in concrete action on climate change given the structure of financial markets and the lack of both strong financial and real-economy climate regulation.** This is exacerbated by the sector's indirect influence against climate policy through its memberships in industry associations opposing such regulation. This pivotal area of disconnect is an emerging focus of sector initiatives like GFANZ, and should be a priority area of action.