Press Release:

The world’s leading banks are failing to disclose sustainable banking activities that will finance the transition to a low-carbon economy

New ranking analyzes the share of banking revenues derived from sustainable activities

Today, in partnership with The Banker, Corporate Knights published its first annual Sustainable Banking Revenues Ranking, analyzing the share of banking revenues derived from sustainable activities. Featuring the world’s leading financial institutions, the ranking evaluated all banks that are members of the Net-Zero Banking Alliance (NZBA), have committed to reporting under the Task Force on Climate-Related Financial Disclosures (TCFD) framework, and have a minimal threshold of disclosure on the sustainability features of their financing. A total of 91 banks have signed up to both the NZBA and TCFD, but despite the reporting commitments these initiatives entail, a third of the banks (31) failed to provide even the most cursory information about their sustainable banking activities, such as their loan exposure to renewable energy.

Through a combination of sustainable loans, investments and underwriting activities, the 60 banks that made the ranking are led by three smaller institutions: Vancity, SpareBank 1 Østlandet and Amalgamated Bank (with sustainable revenue ratios of 34%, 23% and 19%, respectively). Among these three banks, sustainable loans accounted for between one-fifth to one-third of their total loans.

“What gets funded, gets done,” says Toby Heaps, co-founder and CEO of Corporate Knights. “The climate action revolution must be funded or it won’t happen. Banks are ground-zero for originating the US$9 trillion to $10 trillion per annum in financing that is going to be required to deliver on the Paris Agreement.”

The ranking aims to provide insight into which global banks’ lending and investment portfolios are most aligned with the transition to a sustainable low-carbon economy. Yet, despite the NZBA now representing about 40% of global banking assets, disclosure among the world’s leading banks remains relatively poor. Of the banks assessed, only two-thirds provided quantifiable data, allowing Corporate Knights to determine a sustainable revenue ratio for 60 of the 91 banks. In assessing these 91 institutions, one-third disclosed relatively useful data, another third disclosed minimal data but enough to derive a sustainable revenue ratio, while the remaining third provided no quantifiable data in their
disclosures. Even the best disclosers still failed to provide granular data that meaningfully distinguished between investment themes and asset classes.

“In an ideal world,” explains Matthew Malinsky, research manager at Corporate Knights, “we’d look at banks’ annual audited financial statements and see the specific outstanding exposures to sustainable activities on the loan book and the investment book, as well as any new additions throughout the reporting period. We’d also see the underwriting activity to sustainable companies or sustainable activities, and we’d know interest, fees and other income earned from these activities. Finally, we’d be clear on which definitions were being used and which taxonomy the definitions were derived from.”

This year’s top-ranked bank, Vancity, speaks similarly to the importance of disclosure. “Disclosures ensure accountability and push organizations to follow through on the commitments they make,” explains Jonathan Fowlie, Vancity’s chief external relations officer, who oversees the credit union’s impact and climate areas.

If we are to hit the US$9 to $10 trillion in annual financing required to meet Paris targets, approximately 5% of total global banking assets (total assets equating to US$180 trillion) will need to be allocated to financing sustainable activities on a revolving basis. With a total outstanding sustainable loan book of US$687 billion among the 60 banks, approximately 1% of their loan book is currently allocated to sustainable activities (based on their disclosures that can be quantitatively vetted).

Continuing to monitor progress shaping the global banking community, Corporate Knights aims to deepen its future analysis as public disclosure among banks improves and sustainable banking activities gain traction.

View the full ranking.