

Royal Bank of Canada

2022

Proposal: “Integrity of Sustainable Finance Definition”

Filed by: Investors for Paris Compliance

RBC has set a target of providing \$500 billion in “sustainable finance” by 2025. [\[1\]](#) To guide this, RBC follows voluntary initiatives like the Green Bond Principles, the Social Bond Principles, and the Sustainability Linked Loan Principles. The Bank is also a signatory to the Equator Principles, which contains provisions to respect Free, Prior and Informed Consent (FPIC) by Indigenous Peoples in major projects that affect them.

While taxonomies and regulations are emerging, what ultimately qualifies as “sustainable finance” is currently decided by RBC. Reputational risk is possible when the public’s expectations do not align with the company’s definitions.

On September 27, 2021 a Toronto Star article referenced RBC as a bank involved in \$1.5 billion financing to pipeline company Enbridge, \$1.1 billion of which was “sustainability linked.” Critics alleged “greenwashing.” [\[2\]](#)

Regarding the “sustainability-linked” financing, Enbridge stated that it “does not intend to allocate the net proceeds specifically to projects or business activities meeting environmental or sustainability criteria.” [\[3\]](#)

The investor-led Climate Action 100+, of which RBC Global Asset Management is a signatory, found that Enbridge “does not meet any criteria” in aligning its capital allocations with the Net-Zero Company Benchmark. [\[4\]](#)

At the time of the financing, Enbridge was completing the Line 3 oil pipeline expansion, a project with the equivalent emissions impact of 50 new coal-fired power plants. [\[5\]](#) The Line 3 expansion also failed to secure the Free, Prior and Informed Consent (FPIC) of affected Indigenous Peoples, resulting in court cases, hundreds of arrests, and significant media attention. [\[6\]](#)

None of the guidelines or frameworks RBC is party to require the Bank’s “sustainable financing” be numerically consistent with its net zero emissions reductions targets, nor do they preclude financing of fossil fuel activity.

The EU Taxonomy for Sustainable Activities recognizes the risk of carbon lock-in from financing fossil fuel activity, even for pollution abatement, and therefore precludes it. [\[7\]](#) Transition finance is reserved for activities for which there are no low-carbon alternatives.

In addition to Line 3, RBC has been involved with financing other major fossil fuel projects that failed to secure FPIC. [\[8\]](#) There have been dozens of demonstrations outside RBC branches accusing the bank of failure to respect Indigenous Rights in its financing. [\[9\]](#) While RBC should consider strengthening its policy regarding FPIC across all its financing activities, failure to respect Indigenous Rights in financing branded “sustainable” heightens the prospect of reputational risk.

We urge shareholders to vote FOR this proposal.

**Resolved:** In order to ensure RBC meets its net zero emissions reduction targets and protects against reputational risk, shareholders request that the Royal Bank of Canada (“RBC” or the

“Bank”) updates its criteria for “sustainable finance” to preclude fossil fuel activity and projects facing significant opposition from Indigenous Peoples.

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[1] [http://www.rbc.com/community-sustainability/assets-custom/pdf/OurCommitment\\_EN.PDF](http://www.rbc.com/community-sustainability/assets-custom/pdf/OurCommitment_EN.PDF)

[2] <https://www.thestar.com/news/canada/2021/09/27/canadian-banks-are-loaning-enbridge-over-1b-with-questionable-sustainability-requirements.html>

[3] <https://www.thestar.com/news/canada/2021/09/27/canadian-banks-are-loaning-enbridge-over-1b-with-questionable-sustainability-requirements.html>

[4] <https://www.climateaction100.org/company/enbridge-inc/>

[5] <http://priceofoil.org/content/uploads/2020/01/Giant-Step-Backward-report-01-29-19-FINAL-online-version.pdf>

[6] <https://www.theguardian.com/environment/2021/aug/10/protesters-line-3-minnesota-oil-gas-pipeline>

[7] [https://ec.europa.eu/info/sites/default/files/business\\_economy\\_euro/banking\\_and\\_finance/documents/sustainable-finance-taxonomy-faq\\_en.pdf](https://ec.europa.eu/info/sites/default/files/business_economy_euro/banking_and_finance/documents/sustainable-finance-taxonomy-faq_en.pdf)

[8] These include the Trans Mountain pipeline, Coastal Gas Link, and the Dakota Access Pipeline.

[9] <https://www.newswire.ca/news-releases/on-the-eve-of-cop26-stand-earth-joins-people-across-the-country-that-are-unhappy-with-canada-s-largest-bank-rbc-for-its-refusal-to-stop-financing-new-fossil-fuel-projects-800456703.html>