

The Box: syndication fee league tables Q2 24

Johan Jarnmo [(*)], Ulf Erlandsson, Josephine Richardson

Banks are key in facilitating access to capital markets. When arranging a bond or loan, despite not directly using its balance sheet, the reputation of the bank is essential in representing the borrower to investors, and thus enabling debt to be raised. Historically it has been hard to influence this activity; it is often not covered by bank sustainability policies, which focus on direct lending.

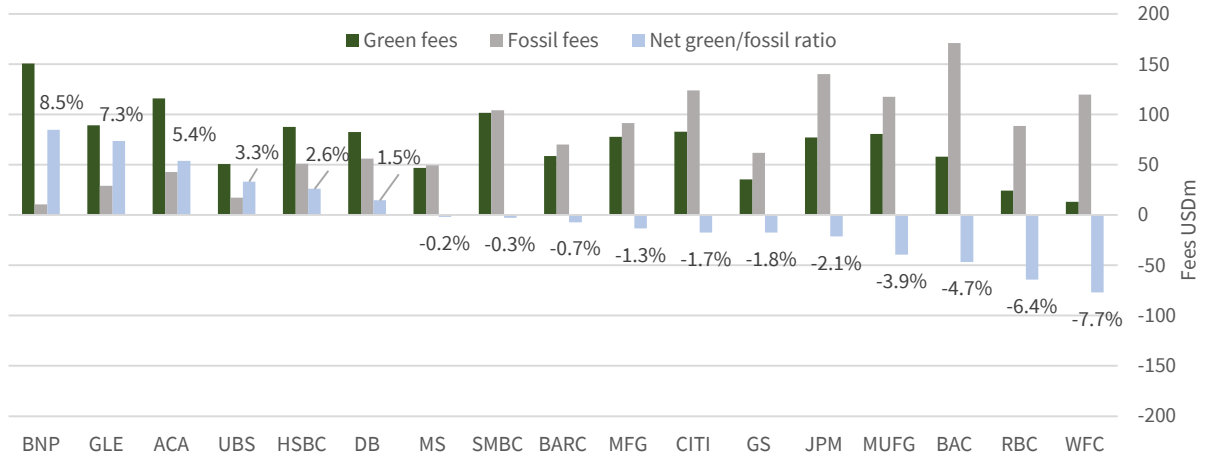
By monitoring syndication fees, specifically from green and fossil activities, investors can direct business to the best performers and so incentivise a change in behaviour within banks.[1]

AFII has been monitoring the green/fossil fee league tables (net fees from green activity minus fossil activity) for a number of years, and provides updated league tables ahead of IMM derivative roll dates, which are typically high-volume trading days on which counterparties switch frequently and at low cost.

In this note we present the June 2024 tables, with the following conclusions:

- **Wells Fargo reclaims the bottom position in the Tier 1 rankings.**
- **Goldman Sachs breaks its recent downwards trend.**
- **In ASEAN, OCBC, DBS, and United Overseas Bank continue to top the rankings, while SMBC and Bank Mandiri occupy the bottom-most spots.**
- **Citi and HSBC are among the large institutions receiving the highest proportion of their fees from our universe of issuers with potential exposure to deforestation.**

Figure 1. Green/fossil absolute fees for Tier 1 banks. Source: AFII, Bloomberg, effective date 10 Jun 2024.



[1] For full details please see "The Box: a tool for bank influence", AFII, 20 Dec 2023.

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(*) Anthropocene Fixed Income Institute (www.anthropocenefii.org), Author for contacts: jja@anthropocenefii.org

Green/fossil fee league tables

The green/fossil league table for the IMM date of Jun 24 is shown in Table 1 for banks considered Tier 1 in terms of global DCM activities, and in Table 2 for banks considered intermediate.[2]

1. Rankings – large banks

Rank: Current Rank
3m/1y/2y change: Change in ranking in 3 months/1 year/ 2 years
Total fees: All fees from eligible deals in the period
Net green/fossil: (total green fees – total fossil fees) / total fees

The table is ordered according to the net fee number, which is expressed as a percentage of total fee generation. The percentage expression is normalised for bank size, which is important as the total fees vary from less than USD 1bn (SocGen, SMBC, MUFG) up to almost USD 3bn (JP Morgan).

Table 1. The green/fossil fee league table. A top rank (low ranking number = 1) indicates a higher degree of green activities relative to fossil. Source: AFII, Bloomberg, effective date 10 Jun 2024.

Rank	Bank	Net green/fossil	3m change	1y change	2y change	Total fees USDmn
1	BNP Paribas	8.5%	0 ~	1 ↑	1 ↑	1,651
2	Societe Generale	7.3%	0 ~	5 ↑	9 ↑	818
3	Credit Agricole	5.4%	0 ~	-2 ↓	-2 ↓	1,362
4	UBS & Credit Suisse	3.3%	0 ~	0 ~	-1 ↓	1,005
5	HSBC	2.6%	0 ~	-2 ↓	-1 ↓	1,401
6	Deutsche Bank	1.5%	0 ~	0 ~	-1 ↓	1,811
7	Morgan Stanley	-0.2%	1 ↑	3 ↑	1 ↑	1,353
8	SMBC	-0.3%	1 ↑	6 ↑	-2 ↓	919
9	Barclays	-0.7%	-2 ↓	-1 ↓	0 ~	1,590
10	Mizuho Financial	-1.3%	2 ↑	5 ↑	3 ↑	1,019
11	Citi	-1.7%	-1 ↓	0 ~	3 ↑	2,349
12	Goldman Sachs	-1.8%	3 ↑	0 ~	-5 ↓	1,502
13	JP Morgan	-2.1%	-2 ↓	0 ~	-1 ↓	2,927
14	MUFG	-3.9%	0 ~	-9 ↓	1 ↑	936
15	BofA Securities	-4.7%	-2 ↓	-6 ↓	-5 ↓	2,418
16	RBC	-6.4%	1 ↑	0 ~	0 ~	1,003
17	Wells Fargo	-7.7%	-1 ↓	0 ~	0 ~	1,379

The top of the table is the same as it was in March. However, there are some slight differences elsewhere.[3] For example, JP Morgan (-2) and BofA (-2) moved closer to the bottom of the list. Goldman Sachs (+3) improved its ranking having steadily moved downwards in the past few quarters. A recent deal involving all three parties is a bond related to Transocean (ticker: RIG), an offshore drilling contractor, for which they acted as joint lead managers. The USD 1.8bn two-tranche deal is likely to have generated substantial fees, given the unusually large size for quite a low-rated name (B-, Caa1).

[2] The intermediate sample of banks is chosen on the basis of total fee size with certain subjectivity relating to the relevance of the bank as a counterparty in terms of secondary trading activities in hard currencies. The list is subject to changes and updates.
[3] "The Box: green/fossil fee league tables Q1 24", AFII, 15 Mar 2024.

The reason for Goldman Sachs' improvement is an increase in green deals and a drop in fossil deals over the past quarter.

Wells Fargo is back at the bottom of the table. Notable fossil deals conducted by the bank last quarter include a joint lead manager role together with BofA, Citi, and Mizuho for a bond issued by the oil and gas company Vital Energy (ticker: VTLE, rated B1), and a similar role for another Transocean bond deal together with Citi, Goldman Sachs, and Morgan Stanley.

2. Rankings – intermediate banks

Table 2 shows the rankings for intermediate institutions.[4] The big movers quarter-on-quarter are UniCredit (+7), BBVA (-8), and Nomura (-6). Notable deals for BBVA are its joint lead manager role in bonds for Cheniere Energy (ticker: LNG).

Table 2 . Green/fossil fee league table for intermediate-sized institutions. Source: AFII, Bloomberg, effective date 10 Jun 2024.

Rank	Bank	Net green/fossil	3m change	1y change	2y change	Total fees USDmn
1	Swedbank	35.4%	0 ~	0 ~	0 ~	89
2	SEB	20.7%	2 ↑	1 ↑	0 ~	289
3	Danske Bank	20.2%	0 ~	1 ↑	0 ~	355
4	Nordea	20.1%	-2 ↓	-2 ↓	0 ~	361
5	NatWest Markets	11.7%	3 ↑	2 ↑	1 ↑	384
6	UniCredit	9.5%	7 ↑	15 ↑	11 ↑	473
7	Natixis	9.0%	4 ↑	13 ↑	7 ↑	527
8	Commonwealth Bank	8.3%	1 ↑	6 ↑	1 ↑	213
9	Commerzbank	7.6%	-2 ↓	0 ~	4 ↑	357
10	Rabobank	7.6%	5 ↑	3 ↑	6 ↑	166
11	ABN Amro	7.3%	-5 ↓	-6 ↓	-6 ↓	85
12	ING Groep	6.6%	0 ~	-2 ↓	11 ↑	627
13	BBVA	6.1%	-8 ↓	-5 ↓	-6 ↓	369
14	NAB	5.2%	2 ↑	1 ↑	4 ↑	259
15	Westpac Banking	4.4%	-1 ↓	-3 ↓	0 ~	262
16	Nomura	4.2%	-6 ↓	-5 ↓	-6 ↓	396
17	ICBC	3.0%	3 ↑	-1 ↓	-5 ↓	637
18	ANZ Banking Group	2.8%	-1 ↓	1 ↑	2 ↑	325
19	Intesa Sanpaolo	1.7%	0 ~	3 ↑	2 ↑	411
20	Lloyds Bank	1.2%	2 ↑	-2 ↓	2 ↑	219
21	Standard Chartered Bank	0.9%	0 ~	2 ↑	-2 ↓	524
22	DNB ASA	0.2%	-4 ↓	-16 ↓	-14 ↓	267
23	Banco Santander	-0.2%	0 ~	-6 ↓	-12 ↓	826
24	Scotiabank	-5.1%	2 ↑	4 ↑	4 ↑	613
25	Jefferies	-5.6%	-1 ↓	-1 ↓	-1 ↓	283
26	US Bancorp	-6.8%	-1 ↓	-1 ↓	0 ~	402
27	BMO Capital Markets	-8.2%	0 ~	0 ~	-2 ↓	723
28	TD Securities	-8.6%	0 ~	-2 ↓	-1 ↓	791

[4] The DNB calculation has been adjusted for what appears to be a data error in terms of total fees, indicated by (*), where USD 634mn linked to a government deal has been removed.

Regional fossil rankings

1. ASEAN

We began producing an ASEAN[5] green/fossil fee league table in Nov 23.[6] This encompasses deals from the in-scope countries for banks that generate a minimum of USD 10mn total fees in the region. Table 3 shows the rankings for the major institutions with deals in the ASEAN region. Due to deal volumes being lower, we show the rankings for three years of data.

The top ranked right now are OCBC and DBS. At the bottom-most spot is SMBC, which has increased its fossil fees since the last ranking. The bank performed a joint lead manager role for a bond issued by the mid- and downstream oil company Puma Energy, which is owned by Singapore-based Trafigura. Note that SMBC's position is in the middle of the table when it comes to the global league table (see Table 1 above).[7]

Table 3. ASEAN green/fossil fee league table (fees from deals from ASEAN based issuers). Source: AFII, Bloomberg, effective 10 Jun 2024.

Rank	Bank	Net green/fossil	3m change	Total fees USDmn
1	OCBC	19.5%	0 ~	227
2	DBS Group	13.8%	1 ↑	301
3	United Overseas Bank	13.6%	-1 ↓	323
4	HSBC	4.1%	4 ↑	159
5	Maybank	2.7%	6 ↑	314
6	CIMB Group Holdings Bhd	2.0%	0 ~	354
7	Government Savings Bank	1.6%	-3 ↓	50
8	BNP Paribas	0.8%	-3 ↓	57
9	Siam Commercial Bank PCL	-3.1%	1 ↑	89
10	RHB	-3.3%	4 ↑	162
11	AmInvestment Bank Bhd	-4.4%	2 ↑	106
12	Standard Chartered Bank	-4.9%	0 ~	175
13	Bank Negara Indonesia	-5.2%	3 ↑	83
14	Bank of China	-7.4%	2 ↑	66
15	Kasikornbank PCL	-7.6%	0 ~	106
16	Bangkok Bank PCL	-7.8%	1 ↑	125
17	Mizuho Financial	-8.0%	-8 ↓	62
18	Krung Thai Bank	-10.7%	1 ↑	97
19	MUFG	-11.7%	1 ↑	152
20	Deutsche Bank	-11.8%	-2 ↓	54
21	Bank Rakyat Indonesia PT	-14.1%	0 ~	55
22	Bank Mandiri	-15.6%	0 ~	140
23	SMBC	-26.9%	0 ~	140

2. Japan

Table 4 shows the equivalent green/fossil fee league table for Japanese deals and major banks (which covers firms with a minimum of USD 10mn in total fees from deals where the issuers'

[5] A region which comprises Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand, and Vietnam.
[6] For the inaugural analysis please see "Asia bank league table of green and fossil bond syndication fees", AFII, 29 Nov 2023.
[7] SMBC's involvement in deals in the ASEAN region is with a higher share of fossil-related issuers than the bank's fee generation share on a global scale.

country of risk is Japan). It is notable that almost no banks have negative net fees, potentially an indicator of the GX transition program making its mark, but also likely a reflection of the country not having its own fossil fuel resources and therefore needing little capex for extractive businesses.[8]

MUFG, which held the top position in the Q1 ranking, has moved down 10 spots this quarter. The reason for this is an overall increase in total fees in the regions from USD 28mn to USD 98mn quarter on quarter, rather than a substantial change in the green/fossil fee balance.

Table 4. Japan green/fossil fee league table (fees from deals from Japanese issuers). Source: AFII, Bloomberg, effective 10 Jun 2024.

Rank	Bank	Net green/fossil	3m change	1y change	2y change	Total fees USDmn
1	BofA Securities	12.8%	1 ↑	2 ↑	1 ↑	27.0
2	Daiwa Securities	8.4%	2 ↑	5 ↑	9 ↑	108.3
3	Nomura	8.0%	3 ↑	3 ↑	4 ↑	118.5
4	Morgan Stanley	7.9%	3 ↑	7 ↑	4 ↑	112.1
5	BNP Paribas	7.5%	4 ↑	-4 ↓	0 ~	12.1
6	Mizuho Financial	7.4%	-3 ↓	-2 ↓	3 ↑	175.2
7	Goldman Sachs	7.1%	4 ↑	-5 ↓	3 ↑	24.1
8	JP Morgan	6.7%	0 ~	-3 ↓	-7 ↓	27.8
9	Citi	6.1%	1 ↑	1 ↑	-5 ↓	25.0
10	SMBC	5.9%	-5 ↓	-2 ↓	-4 ↓	151.0
11	MUFG	2.6%	-10 ↓	2 ↑	3 ↑	98.3
12	Credit Agricole	0.0%	0 ~	0 ~	-9 ↓	17.2
12	Barclays	0.0%	0 ~	-3 ↓	0 ~	13.4
12	SBI Holdings Inc/Japan	0.0%	0 ~	1 ↑	1 ↑	13.6
15	ANZ Group Holdings Ltd	-3.1%	0 ~	-2 ↓	0 ~	8.8

In Table 5, we present the rankings solely for Japanese banks. This table simply compares total fee generation for Japanese banks specifically. This information may be relevant to an issuer looking to identify a local Japanese bank that is best aligned with its own climate policy.

Here, the ranking is unchanged since the last report. Nomura ranks highest due to its low share of fossil fees, and MUFG comes in at the bottom of the list. A notable deal for MUFG this quarter is their bookrunner role in a USD 2.5bn loan to fund an expansion project for the midstream company Energia Mayakan, which involves approximately 694 km of natural gas pipeline.

Table 5. Green/fossil fee league table for Japanese banks. Source: AFII, Bloomberg, effective 10 Jun 2024.

Rank	Bank	Net green/fossil	3m change	1y change	2y change	Total fees USDmn
1	Nomura	4.2%	0 ~	0 ~	0 ~	396
2	SMBC	-0.3%	0 ~	1 ↑	0 ~	919
3	Mizuho Financial	-1.3%	0 ~	1 ↑	0 ~	1,019
4	MUFG	-3.9%	0 ~	-2 ↓	0 ~	936

3. Canada

Table 6 shows the green/fossil fee league table for Canadian banks with the highest fee generation from deals globally. These institutions have traditionally been very active in fossil lending, as the

[8] For more info see "Transition power, a JGB SLB, prints in USD", AFII, 2 Feb 2024.

net fee numbers demonstrate. The best performer is CIBC, which now generates more fees from green transactions than from fossil lending, which is quite a distinct difference from the other large Canadian banks.[9]

Table 6. Green/fossil fee league table for Canadian banks. Source: AFII, Bloomberg, effective 10 Jun 24.

Rank	Bank	Net green/fossil	3m change	1y change	2y change	Total fees USDmn
1	CIBC	0.4%	0 ~	0 ~	4 ↑	378.2
2	Scotiabank	-5.1%	0 ~	3 ↑	2 ↑	613.4
3	RBC Capital Markets	-6.4%	2 ↑	1 ↑	-1 ↓	1,002.9
4	BMO Capital Markets	-8.2%	-1 ↓	-1 ↓	-3 ↓	723.5
5	TD Securities	-8.6%	-1 ↓	-3 ↓	-2 ↓	791.2

Deforestation risk

To improve transparency for fixed income investors, AFII has developed the RDCP ("Representative Deforestation Credit Portfolio") universe to highlight potential sources of deforestation exposure.[10] The RDCP universe is a portfolio of 35 companies, all issuers of fixed income securities, that are relevant for credit portfolio managers seeking to control their deforestation exposures. Note that the list focuses on exposure rather than ranking from best-to-worst. A bank with high exposure may be a very constructive force (or destructive) in terms of deforestation engagement, one with little exposure is simply less relevant for driving deforestation engagement.

1. Highest exposures – large banks

Table 7 shows syndication fees for banks considered Tier-1 based on their global DCM activities and trading volumes over the past 3 years,[11] and considering their fee activity from deals with issuers in the RDCP portfolio. Citi and HSBC are the two Tier-1 banks with the highest percentage of fee revenue from

Table 7. RDCP fees vs total fees for Tier-1 banks: Source: AFII, Bloomberg, effective date 10 Jun 2024.

Bank	RDCP/Total fees ratio	RDCP fees USDmn	Total fees USDmn
Citi	2.2%	151.1	6,944
HSBC	1.8%	76.6	4,342
Wells Fargo	1.6%	67.4	4,259
JP Morgan	1.5%	139.1	8,992
BofA Securities	1.5%	127.5	8,375
Mizuho Financial	1.5%	44.8	3,002
Barclays	1.4%	65.2	4,649
RBC Capital Markets	1.3%	42.6	3,289
Societe Generale	1.3%	30.4	2,376
BNP Paribas	1.2%	60.6	5,180
Deutsche Bank	1.1%	56.6	4,970
UBS & Credit Suisse	1.0%	44.5	4,239
Morgan Stanley	0.9%	36.4	4,078
Goldman Sachs	0.6%	30.7	4,746
MUFG	0.6%	17.9	2,989
SMBC	0.5%	14.4	2,671
Credit Agricole	0.4%	14.5	3,688

[9] AFII recently commented on BMO's environmental credentials in "The Montreal-West Virginia-Frankfurt price stability paradox", AFII, 5 Jun 2024.

[10] For the original universe construction paper please see "RDCP: Deforestation exposure in liquid credit portfolios", AFII, 22 Dec 2023, and for the first league tables please see "Deforestation exposure: Q1 2024 bond issuance review and bank syndication fees", AFII, 25 Apr 2024.

[11] The population of banks is split between large and intermediate based on total fee size but using subjectivity relating to the relevance of the bank as a counterparty in terms of secondary trading activity in hard-currencies. The list is subject to change and updates. This aligns with our broader fossil/green rankings as determined in earlier work.

clients who are potentially exposed to deforestation in the RDCP.

RDCP/Total fees ratio: Percentage of total fees from RDCP
RDCP Fees: All fees from eligible RDCP deals in the period
Total Fees: All fees from eligible deals in the period

Citi has both the highest fee share as well as the highest absolute amount of deforestation-related fees. We see no overarching commitment from Citi around deforestation, although it has been monitoring and analysing risks in the agribusiness sector, which includes deforestation. When coupled with a Forest 500 score of 26.3% (which is low in absolute terms, but still in the top quartile of bank scores),[12] Citi makes a strong candidate for deforestation-related engagement.

In these past months Citi was joint lead manager for bonds issued by Kraft Heinz and Compass, for Nestle's EUR deals and Unilever's EUR and USD issuances as laid out in our Q1 review.[13]

HSBC has the second-highest relative fees. Its forestry policy[14] states that it uses certification to check that its customers meet its deforestation standards. This covers clients that are involved in logging production and supply chain. All logging sites in high-risk countries, as well as all facilities sourcing wood or pulp from or originating from high-risk countries, are required to have FSC or PEFC certification.[15] Furthermore, the policy states that HSBC has committed not to provide financial services to customers that are involved in illegal logging. Its Forest 500 score is 34.1%.[16]

Notable deals for HSBC last quarter include their joint lead manager role in the Nestle USD and EUR deals.

2. Highest exposures – intermediate banks

Table 8 shows syndication fees for intermediate-sized institutions, as determined by their global DCM activities and trading volumes.[11] Zuercher Kantonalbank has the highest relative share of RDCP fees among intermediate-sized banks, followed by Rabobank. Zuercher Kantonalbank is not assessed by Forest 500, and its fees mainly relate to bonds and loans concerning Nestle, with which it seems to have a relatively exclusive banking relationship.

[12] "Company rankings: Citigroup", Forest 500, accessed 11 Apr 2024.
[13] "Deforestation exposure: Q1 2024 bond issuance review and bank syndication fees", AFII, 25 Apr 2024.
[14] "Sustainability risk", HSBC, accessed 11 Apr 2024.
[15] The Forest Stewardship Council (FSC) or national schemes endorsed by the Programme for the Endorsement of Forest Certification (PEFC).
[16] "Company rankings: HSBC", Forest 500, accessed 11 Apr 2024.

Rabobank, which has the second-highest relative fee figure, has a Forest 500 score of 54.7% – one of the highest among financial institutions, suggesting its policies are relatively strong. Its position in this quarter's table highlights the challenges ranking the deforestation strategies of financial institutions on a systematic basis. According to a joint report from Greenpeace and Profundo, Rabobank's financing to Brazil-based companies may have direct or indirect links to 387,700 hectares of deforestation.[17] This in turn suggests that banks with superficially strong biodiversity policies can still finance companies connected to severe deforestation. Specifically, in Q1 2024, Rabobank was joint lead manager in both Ahold and Tyson Foods issuances.

Table 8. RDCP fees vs total fees for intermediate-sized institutions: Source: AFII, Bloomberg, effective date 10 Jun 2024.

Bank	RDCP/Total fees ratio	RDCP fees USDmn	Total fees USDmn
Zuercher Kantonalbank	5.5%	16.9	309
Rabobank	3.2%	16.1	506
Banco Santander	1.6%	36.8	2,247
BBVA	1.4%	14.4	994
ING Groep	1.4%	25.7	1,820
Standard Chartered Bank	1.4%	22.3	1,650
NatWest Markets	1.3%	14.6	1,144
US Bancorp	1.2%	16.8	1,384
Truist Securities Inc	1.1%	15.7	1,451
TD Securities	1.0%	22.5	2,323
ANZ Group Holdings Ltd	0.8%	7.9	934
Commonwealth Bank	0.8%	4.8	596
Natixis	0.6%	10.3	1,641
Commerzbank	0.6%	5.2	926
BMO Capital Markets	0.6%	12.9	2,318
UniCredit	0.5%	7.9	1,689
Lloyds Bank	0.4%	2.0	550
Scotiabank	0.3%	7.1	2,122
ABN Amro Bank NV	0.3%	0.8	275
Intesa Sanpaolo	0.3%	3.1	1,139
Westpac Banking	0.2%	1.4	631
Industrial & Comm Bank of China	0.1%	1.8	2,142
National Australia Bank	0.1%	0.5	723
Danske Bank	0.1%	0.6	922
Nomura	0.0%	0.3	1,284
SEB	0.0%	0.2	820
Swedbank	0.0%	0.0	388
Nordea	0.0%	0.0	1,052
DNB ASA	0.0%	0.0	1,401
Jefferies	0.0%	0.0	1,006

Banco Santander (Forest 500 score: 16.5%) is the intermediate-sized bank with the highest absolute fee revenue from facilitating capital market access for companies exposed to deforestation in the RDCP.

In an effort to tackle deforestation in the Amazon, Santander Brazil requires their lumber company clients hold Forest Stewardship Certification. The bank also conducts annual reviews of large companies involved in agribusiness.[18] Furthermore, they signed a protocol that commits them to require beef processing clients with slaughterhouses to end illegal deforestation by December 2025. However, according to Forest 500 Santander has no overarching commitments on deforestation.[19]

[17] "€ 0.7 billion in profits, € 66 billion in damages. Rabobank's destructive financing of deforestation in Brazil" Profundo, 5 July 2023.
[18] "Santander and the Brazilian Amazon", accessed 11 Apr 2024.
[19] "Company rankings: Santander", Forest 500, accessed 12 Apr 2024.

Appendix 1 – Bank ranking methodology

In order to rank banks' performance in supporting access to capital markets, we must first collect data on deals. With a comprehensive universe of securities, we can then conduct rankings, to understand the relative behaviour of banks.

1. Syndication fees

Syndication fees are USD payments which the bank receives for arranging and organising issuances. Typically, a number of banks would be involved in a deal, however the fees paid are not split equally, with 'lead' arrangers receiving more.

We consider these fees to indicate how much work the bank contributed to arrange the bond or loan and how important it was for the issuer to have that bank involved. Banks do not work for free, and issuers do not pay fees that they do not have to.

There is good competition in the market for bond and loan syndication, and so we expect fee levels to reflect bank appetite for certain business, i.e. for a controversial issuer who may have fewer banks offering to represent it, we would expect fees to be higher.

We also look at syndication fees on a relative basis, i.e. what portion of total bank syndication revenues are represented by selected desirable or undesirable activities. This is essential to adjust for the total size of different banks, and so make league tables comparable.

2. Data collection

Data is collected at the deal level, and then aggregated to provide rankings.

We restrict the population only to vanilla deals, to get a good overview of the market. The following are excluded: variable interest redemptions, bonds without warrants or that are credit linked, convertibles, retained deals, and schuldscheins. Self-led deals must have a transaction amount above USD 50mm. Deal call, put, and maturity length must be more than 540 days. Only deals with an effective date within the specified time window are included.

Eligible securities, both bonds and loans, are identified in Bloomberg, alongside the fees paid to participating banks. Where fee information is not available, they are estimated using Bloomberg's Bond Fee Model that leverages as-reported values where available to predict non-reported fees based on issuer and security-level information.[20]

Current fees are collected over a one-year rolling window. We collect data for the past three years, to calculate two years' worth of rolling fees, in order to understand changes in behaviour. This means that for tables which are effective 10 Jun 2024 (as the tables in this document are), the initial ranking uses an observation period of 10 Jun 2023 - 10 Jun 2024, and earlier periods are used accordingly.

This granular dataset can also be used to identify individual transactions that may be misaligned with a bank's sustainability policy, and so present an engagement priority.

[20] For more information see the Wallet Share Fact Sheet in the LEAG help section in Bloomberg.

3. Ranking

The dataset above gives us, for each institution and period, fees generated from the undesirable behaviour we are seeking to discourage, fees generated from desirable behaviour we are seeking to encourage, and total fees which are used to consider relative performance.

The metric used for ranking is a percentage, as per the below calculation:

$$Net\ aligned\ fee\ share\ for\ bank_i = \frac{\sum_{r=1}^{m} Aligned\ fees_r - \sum_{r=1}^{n} Non\text{-}aligned\ fees_r}{\sum_{r=1}^{p} Total\ fees_r}$$

where *m, n, p* are the total number of relevant deals for bank *i* in the specified rolling window.

When both positive and negative behaviour is included, the net fees for consideration can be positive or negative, and further analysis can reveal whether this an important delineator of overall performance.

Clearly, the net fee number will be dependent on market conditions, e.g. there may be greater need for issuances in certain sectors versus others,[21] which makes it useful to look at net fee shares on a relative basis within certain groups of banks, rather than an outright number. We create this relative comparison simply by ranking peer groups of banks. The ranking is monitored over time, with changes in ranking being identified and analysed. This gives a real-time estimate of how the bank is behaving in the market in terms of their focus in facilitating deals that are undesirable.

4. Method for Deforestation risk

We calculate syndication fees for deals with those issuers in our RDCP universe. As the population is small, we group data over the past three years, and calculate the ratio compared to total fees. This rolling ratio can be updated on a quarterly basis to identify trends.

$$RDCP/Total\ fee\ ratio\ for\ bank_i = \frac{\sum_{r=1}^{n} RDCP\ fees_r}{\sum_{r=1}^{p} Total\ fees_r}$$

where *n, p* are the total number of relevant deals for bank in the specified rolling window.

The resulting table identifies key targets for engagement. It is important to note that the banks with the highest fee revenues are not necessarily major contributors to deforestation, but rather that they are facilitating capital market access for companies that have a recorded potential impact on deforestation.

5. Forest 500

For the banks in question, we have also considered an external data source, the Forest 500 score, to understand their respective commitments to deforestation.

The Forest 500 ranking offers a comprehensive overview of financial institutions' policies and actions related to critical commodities associated with deforestation.[22] Those ranked are assessed on their efforts in addressing deforestation risks within their portfolios and the degree of transparency and accountability they bring to this task.

[21] For example, renewable energy structurally has larger funding needs in a build-out compared to oil and gas companies that may be almost self-financing through cash flows in already established activities.
[22] For further details, see Forest 500 Ranking Institutions, Forest 500, accessed 12 Apr 2024.

The score ranges between 0-100%. The higher the score, the stronger the commitment to combating deforestation. Among banks the current highest score is 58.5%, whereas the top corporates stand at 72.5%.

Appendix 2 – "The Box" implementation

We propose the following implementation procedure for 'The Box':

1) Generate a league table of banks' syndication activities, with a preference for climate-aligned activities.
2) Communicate to the bottom-ranked banks that they are 'at risk' from fee-generating activity exclusion, either bilaterally or publicly. A bilateral discussion is likely to be better at driving direct alignment with the individual counterparty, as there is less stigma attached to it, whereas a public announcement is likely to cause friction among all counterparties. The pre-exclusion discussion is also important to verify the underlying data for the process, as fee data can have certain imprecisions.
3) Execute and communicate a de-selection for the poorest performing bank(s) in terms of business flows. For example:
    a. Asset owners/managers: De-list the institutions from the eligible counterparty list for new trades for a certain set of products such as cash bonds, credit derivatives, IR swaps and futures, and FX transactions. On primary market transactions, communicate such preferences to the syndicate.
    b. Bond issuers: De-list the institution from syndicating bond deals or executing other financing transactions over the boxed period.
4) After a pre-set period, say 3-6 months, repeat the process starting at step 1. An advantage of this process is that the feedback, positive or negative, can be relatively quick and contained within single compensation cycles, thus driving short-term behaviour more efficiently than an annual cycle.

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