

Special climate change resolution at Barclays Plc for consideration at 2020 AGM

Resolution wording

To promote the long-term success of the Company, given the risks and opportunities associated with climate change, we as shareholders direct the Company to set and disclose targets to phase out the provision of financial services, including but not limited to project finance, corporate finance, and underwriting, to the energy sector (as defined by the Global Industry Classification Standard⁽¹⁾) and electric and gas utility companies that are not aligned with Articles 2.1(a)⁽²⁾ and 4.1⁽³⁾ of the Paris Agreement ('the Paris goals'). The timelines for phase out must be aligned with the Paris goals. The company should report on progress on an annual basis, starting from 2021 onwards. Disclosure and reporting should be done at reasonable cost and omit proprietary information.

Footnotes

1. The Global Industry Classification Standard defines the energy sector as the energy equipment and services industry, namely oil and gas drilling and oil and gas equipment services companies, and the oil and gas and consumable fuels industry, namely integrated oil and gas, oil and gas exploration and production, oil and gas refining and marketing, oil and gas storage and transportation, and coal and consumable fuels companies.
2. Article 2.1(a) of The Paris Agreement states the goal of "Holding the increase in the global average temperature to well below 2°C above pre-industrial levels and pursuing efforts to limit the temperature increase to 1.5°C above pre-industrial levels, recognizing that this would significantly reduce the risks and impacts of climate change."
3. Article 4.1 of The Paris Agreement: In order to achieve the long-term temperature goal set out in Article 2, Parties aim to reach global peaking of greenhouse gas emissions as soon as possible, recognizing that peaking will take longer for developing country Parties, and to undertake rapid reductions thereafter in accordance with best available science, so as to achieve a balance between anthropogenic emissions by sources and removals by sinks of greenhouse gases in the second half of this century, on the basis of equity, and in the context of sustainable development and efforts to eradicate poverty.

Supporting statement

Many investors will recognise the Company's progress on climate change in a number of important areas. This includes being a founding member of the Principles for Responsible Banking,¹ and ending project finance for greenfield thermal coal mines and coal-fired power stations.² Nonetheless, investors remain concerned that the Company has not yet demonstrated that its provision of financial services to the energy sector and electric and gas utilities is aligned with the Paris goals. Barclays' policies allow the bank to continue financing highly carbon-intensive fossil fuels, such as tar sands and arctic oil and gas, as well as companies highly dependent on coal. A recent study identified Barclays as the largest European financier of fossil fuels and the sixth largest globally, with total financing amounting to USD 85.179 billion between 2015 and 2018.³

¹ <https://www.unepfi.org/banking/bankingprinciples/>

² https://home.barclays/content/dam/home-barclays/documents/citizenship/our-reporting-and-policy-positions/policy-positions/BAR_9916358.pdf

³ https://www.ran.org/wp-content/uploads/2019/03/Banking_on_Climate_Change_2019_vFINAL1.pdf

In accordance with investors' fiduciary duties, and to promote the long-term success of the Company, this resolution asks Barclays to set and disclose targets to phase out the provision of financial services to the energy sector and electric and gas utility companies misaligned with the Paris goals.

Investor expectations of the banking sector

Investors' expectations have evolved following the ratification of the Paris Agreement in 2016, the publication of the guidelines of the Task Force on Climate-related Financial Disclosures (TCFD) in 2017⁴ and the report from the UN Intergovernmental Panel on Climate Change on the impacts of global warming to 1.5°C.⁵ The latter showed how the difference between a 1.5°C and 2°C rise in global average temperature would result in additional global economic damages of USD 8.1 - 11.6 trillion before 2050. Citigroup also highlights that failure to limit temperature rises to 1.5°C and continuation of a business-as-usual pathway may cost the global economy an extra USD 50 trillion in damages and lost productivity by 2060.⁶

The Bank of England, in its supervisory statement issued in April 2019, recognises that failure to meet the Paris goals could result in the most severe financial risks crystallising in the banking sector, and that banks, as lenders to the whole economy, will inevitably feel the consequences of events caused by >1.5°C scenarios.⁷ These events include physical risks, such as flooding, which can impact the value of assets held by banks and increase credit risks.

As systemically important actors, large global banks can influence whether or not the Paris goals are met. The sector is therefore expected to ensure that its financing activities are aligned with the Paris goals. This requires a significant shift of capital away from carbon-related assets and towards low-carbon sectors.

Investor expectations of the Company

As a systemically important global bank, the financing and underwriting activities of Barclays will influence whether or not the Paris goals are met. To better appraise the long-term investment proposition, investors need to understand the steps the Company is taking to align its provision of financial services to the energy sector and high-carbon electric and gas utility companies with the Paris goals.

The Company's European peers have already started taking more ambitious steps to align their energy financing with the Paris goals:

- HSBC committed not to provide project financing or general purpose lending where the majority of such financing is used for new offshore oil and gas in the Arctic, and new greenfield oil sands projects, amongst other things.⁸
- Standard Chartered committed⁹ not to provide new financial services to new projects or developments that involve the extraction and construction of associated export facilities from tar sands, the exploration or production of oil and gas in the Amazon basin, and the exploration or production of oil and gas in the Arctic region.¹⁰

⁴ <https://www.fsb-tcf.org/>

⁵ <https://www.ipcc.ch/sr15/>

⁶ <https://ir.citi.com/hsg32Jl1m4alZicMqH8sBkPnbsqfnwy4Jgb1J2kIPYWlw5eM8yD3FY9VbGpK%2Baax>

⁷ <https://www.bankofengland.co.uk/-/media/boe/files/prudential-regulation/supervisory-statement/2019/ss319.pdf?la=en&hash=7BA9824BAC5FB313F42C00889D4E3A6104881C44>

⁸ <https://www.hsbc.com/news-and-insight/2018/hsbc-strengthens-energy-policy>

⁹ <https://www.sc.com/en/sustainability/position-statements/power-generation/>

¹⁰ <https://www.sc.com/en/sustainability/position-statements/extractive-industries/>

- ING committed to reducing its exposure to coal power generation to close to zero by 2025.¹¹
- Crédit Agricole committed to align exposure of its portfolios to the coal industry with a full-fledged coal phase-out by 2030 for EU and OECD countries; 2040 for China; 2050 for the rest of the world.¹²
- BNP Paribas committed not to provide financial products or services to exploration and production companies that own or operate pipelines or LNG export terminals supplied with a significant volume of unconventional oil and gas, and diversified companies for which unconventional oil and gas exploration and production represent a significant share of total revenues.

Investors encourage the Company to use climate scenarios that do not rely excessively on Negative Emissions Technologies when developing phase-out targets. Investors are concerned that these technologies may not be available in time and at the scale required to avert the worst consequences of climate change. The IPCC special report on 1.5°C¹³ states that “Carbon cycle and climate system understanding is still limited about the effectiveness of net negative emissions to reduce temperatures after they peak,” adding that carbon dioxide removal “deployed at scale is unproven and reliance on such technology is a major risk in the ability to limit warming to 1.5°C.”

In this context, it is also relevant for investors to understand the bank’s current exposure to assets linked to the energy sector and high-carbon electric and gas utility companies. Disclosing the amount and percentage of carbon-related assets relative to total assets is also one of the recommendations of the TCFD.¹⁴ Nevertheless, this information is currently not available in Barclays’ TCFD disclosures.

Finally, investors encourage the bank to consider the just transition when developing phase-out targets. Tackling climate change will require the transformation of sectors and economies, with important implications for the global workforce. The Paris Agreement is clear about the need to “[take] into account the imperatives of a just transition of the workforce and the creation of decent work and quality jobs in accordance with nationally defined development priorities”.¹⁵ Investors representing more than US \$5 trillion have expressed support for the just transition.¹⁶

Progress reporting

Investors expect that the Company report on progress on an annual basis from 2021 onwards. This information should be contained in the Strategic report, supported by other reporting as appropriate.

¹¹ <https://www.ing.com/Newsroom/News/ING-further-sharpens-coal-policy-to-support-transition-to-low-carbon-economy.htm>

¹² <https://www.credit-agricole.com/en/responsible-and-committed/our-csr-strategy-partnering-a-sustainable-economy/climate-finance>

¹³ <https://www.ipcc.ch/sr15/>

¹⁴ <https://www.fsb-tcfd.org/wp-content/uploads/2017/06/FINAL-TCFD-Annex-062817.pdf>

¹⁵ https://unfccc.int/sites/default/files/english_paris_agreement.pdf

¹⁶ <http://www.lse.ac.uk/GranthamInstitute/news/new-report-shows-it-is-vital-for-investors-to-support-a-just-transition-for-workers-institutions-with-us5-trillion-in-assets-back-efforts-to-link-climate-action-to-social-inclusion/>