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Why investors should vote against Barclays' 2022 Say on Climate proposal

ShareAction»

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About ShareAction

ShareAction is a NGO working globally to define the highest standards for responsible investment and drive change until these standards are adopted worldwide. We mobilise investors to take action to improve labour standards, tackle climate change and address pressing global health issues. Over 15 years, ShareAction has used its powerful toolkit of research, corporate campaigns, policy advocacy and public mobilisation to drive responsibility into the heart of mainstream investment. Our vision is a world where the financial system serves our planet and its people.

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Executive Summary

1

Executive Summary

Barclays is giving shareholders a Say on Climate vote at its 2022 AGM, scheduled on 4 May, through Resolution 26 – Climate Strategy, Targets, and Progress. The proposal is summarised in the AGM notice and developed in more detail in a separate note intended to serve as a basis for the vote.

Voting recommendation

ShareAction recommends shareholders to vote against Resolution 26 (Climate Strategy, Targets, and Progress) for the reasons outlined below.

ShareAction has a long history of engagement with Barclays (see page 8). We recognise progress on certain areas of its climate strategy in recent years and welcome additional commitments published with this strategy update. However, we are of the view that this plan is not aligned with a net-zero ambition and presents important gaps that the bank needs to address before shareholders can endorse it. This is because:

- **Barclays' strategy for fossil fuels is missing a critical part: credible sectoral policies.** The bank's new 2030 energy target is an improvement in ambition, as it incorporates methane emissions and uses the IEA Net-Zero Emissions scenario (IEA NZE) as a baseline. However, targets are insufficient in isolation. Even the most transparent methodologies will not give investors a view of what is really happening in the portfolio and how risks are managed. Despite some improvements, Barclays' thermal coal policy seems to be tailored to clients, not climate. And Barclays, one of the world's largest fossil fuel financiers, has not updated its inadequate oil & gas policy despite repeated requests from investors since at least 2019. Investors are thus asked to vote on one of the weakest oil and gas policies amongst European banks. Regrettably, the bank ignores the conclusions of the scenario it uses to set targets for its energy portfolio – there is no room for new oil & gas fields in this net-zero pathway.

- **Barclays's new 2030 targets gives the bank room not to align with net-zero.** As opposed to NatWest - also offering a Say on Climate vote to shareholders - Barclays has not set a high-level interim target to halve its financed emissions by 2030. This would be aligned with climate science and the best way for investors to ensure that the bank is on track to deliver net-zero by 2050. In addition, three out of four of the newly announced sectoral targets (Power, Cement, Steel) only consider 1.5°C as the upper end of a target range, with the lower end being loosely defined by "an estimated emissions reduction trajectory based on [Barclays'] current view of sector and client pathways and commitments". Barclays also continues to underplay the true extent of its financing to carbon-intensive sectors as

it allocates only a third of capital markets activities to its portfolio. Once leading practice, Barclays' methodology could rapidly become sub-standard: other banks, including in the U.S., have started to cover the full amount of their capital market activities in their targets and financed emissions disclosures.

- **Barclays asks shareholders to vote on an incomplete climate strategy.** One of the three pillars of Barclays's climate strategy is 'financing the transition'. Yet the bank will only provide an update on its green financing strategy later in 2022, once investors have already cast their vote. Furthermore, the bank continues not to disclose financed emissions for most of its portfolio. Its proposal to speed up the process with a modelled estimate of its balance sheet emissions has no deadline - it will "progress in 2022". And after a strong start on energy and power portfolios, Barclays' strategy to set targets for other parts of its portfolio lacks urgency and detail. The bank announced that it will introduce targets for additional sectors in 2023 and 2024, though this timeline lacks details compared to peers like HSBC and Standard Chartered who have provided an implementation timeline by sector.

Next steps for investors

Voting in favour of Barclays' Say on Climate would be equivalent to giving the bank a mandate to adopt and pursue an inadequate plan, making any follow-up engagement on climate much harder for investors. It is also important to note that Resolution 26 does not specify how long a mandate shareholders would be giving the bank. This could range from one to three years. Therefore, we recommend investors to:

- Vote against Barclays's climate plan and let the bank know of their voting intention.
- Consider pre-declaring voting intention ahead of Barclays' AGM on 4 May.
- Engage with the bank on its targets, disclosures, fossil fuel policies, and green finance commitments using the engagement questions for investors listed in Appendix I.

History of engagement

2

History of engagement

ShareAction has been engaging with Barclays on climate-related issues since 2016. In 2017, ShareAction published the first iteration of its 'Banking on a Low Carbon Future' survey, which ranked how Europe's 15 largest banks were responding to climate-related risks. Barclays scored just 36 per cent of available points. Follow-up meetings were organised with various teams within the bank and have continued until today. ShareAction has also been asking climate-related questions at Barclays' AGMs every year since.

In late 2018, ShareAction supported investors to engage with Barclays on its Energy and Climate Change Statement, which was under review. In January 2019, the bank published an updated energy policy. The new policy restricted project finance for the expansion of thermal coal mines and the construction or material expansion of coal-fired power stations[i]. However, the policy failed to restrict financing for unconventional fossil fuels such as oil sands, or corporate financing for companies highly exposed to coal.

In May 2019, investors representing £750 billion, including Folksam, Hermes EOS and Brunel Pension Partnership and coordinated by ShareAction, sent a letter to Barclays[ii]. The letter asked the bank to adopt robust restrictions on the provision of financial services to oil sands and coal-related projects and companies, as well as a clear, time-bound plan to phase out existing exposures. The bank never responded to the letter.

In January 2020, ShareAction and 11 institutional investors representing over £130bn including Brunel Pension Partnership, LGPS Central, and Sarasin & Partners, filed a shareholder resolution on climate change ahead of the bank's 2020 AGM[iii]. The resolution asked Barclays to publish a plan to gradually stop the provision of financial services (including project finance, corporate finance, and underwriting) to companies in the energy sector, and to gas and electric utilities that are not aligned with the goals of the Paris climate agreement. Several investors including the Church of England Pensions Board, Jupiter Asset Management, and M&G Investments pre-declared their support for the shareholder resolution in advance of the bank's AGM.

In response to the shareholder resolution, Barclays became the first mainstream bank to commit to net-zero and set targets covering both lending and capital markets activities. It made these commitments in the form of a special resolution, which passed with 99.3 per cent of support at its AGM[iv]. 24 per cent voted for the shareholder-led resolution, with a further 10 per cent abstaining – meaning that a third of Barclays's shareholder base voted against management. It sent a strong signal to Barclays that shareholders expected it to take further measures to restrict financing to fossil fuels. The investors that filed the shareholder resolution published an open statement on the day which called on Barclays to "make the phasing out of non-Paris aligned fossil fuel activities an integral part of its strategy to meet its net zero by 2050 ambition", highlighting coal, fracking, and oil sands as priority areas[v].

In November 2020, Barclays published its 2025 targets for the energy and power sectors, and joined the Partnership for Carbon Accounting Financials (PCAF)[vi]. ShareAction and investors had several meetings with the bank to discuss its target-setting methodology – and reiterate asks for the bank to further tighten its energy policy.

In April 2021, ShareAction and 17 investors representing US$4.3 trillion in assets and including Amundi, Man Group, and Nest, called on the bank to introduce financing restrictions for coal and oil sands projects and companies, and to commit to a phase out of existing exposures, ahead of its AGM[vii].

A few months later, the bank was one of 68 global banks to receive a letter setting expectations on climate change and biodiversity ahead of COP26 backed by 115 investors with US$4.2 trillion in assets[viii].

In January 2022, ShareAction and investors met with Barclays's new CEO CS Venkatakrishnan to discuss his priorities for the bank and its forthcoming Say on Climate plan. A separate meeting was also held with the bank's sustainability team to discuss the plan.

Net-zero targets

3

Net-zero targets: Barclays does not fully commit to a 1.5°C future

To sufficiently account for the impact of its financing on the climate, manage transition risks, and meet its own commitments under the UN-Convened Net-Zero Banking Alliance (NZBA), Barclays' plan should have included targets that are aligned with a 1.5°C future using credible pathways and covering the full scope of its activities.

Previous commitments	Commitments included in Say on Climate Plan
Energy: absolute CO_2 emissions will reduce by 15 per cent by 2025 and continue to track the IEA Sustainable Development Scenario (SDS) benchmark reduction on an ongoing basis. **Power:** CO_2 emissions intensity will reduce by 30 per cent by 2025, compared to a 2020 baseline, on the way to alignment with the IEA SDS benchmark by 2035.	On top of its existing targets, Barclays published new 2030 targets for four sectors and committed to phase-out thermal coal financing under specific timelines. **Energy:** absolute CO_2e emissions (including methane) will decrease by 40 per cent by 2030 compared to a 2020 baseline. This covers scope 1, 2 and 3 emissions. **Power:** CO_2 emissions intensity will reduce by 50-69 per cent by 2030 compared to a 2020 baseline. This covers scope 1 emissions and CO2 only. **Cement:** CO_2e emissions intensity will reduce by 20-26 per cent compared to a 2021 baseline. This includes all GHGs and covers scope 1 and 2 emissions. **Steel:** CO_2e emissions intensity will reduce by 20-40 per cent compared to a 2021 baseline. This includes all GHGs and covers scope 1 and 2 emissions.

In addition, Barclays targets a phase out of its financing to clients engaged in thermal coal mining and power by 2030 in some countries and by 2035 globally. This commitment is further discussed in the fossil fuel policy section.

Barclays has not set a high-level interim target to halve its financed emissions by 2030 as opposed to some of its peers

An overarching target to halve financed emissions by 2030 ensures that banks are on track to meet their net-zero by 2050 commitment – IPCC pathways consistent with 1.5°C find that emissions must reduce by 50 per cent by 2030 to be on track for the temperature goal.[ix] If institutions delay the bulk of emissions reductions to past 2030, the likelihood of temperature overshoot above the Paris goals increases dramatically.[x] As global institutions, this commitment is the most direct translation of a net-zero by 2050 commitment into near-term action. NatWest – also holding a 'Say on Climate' vote on its climate strategy for shareholders this season[xi] – has committed to at least halve the climate impact of its financing activity by 2030.[xii]

The bank's 2030 energy target is an improvement in ambition

Barclays' new energy target for 2030 – a 40 per cent reduction in absolute CO_2e emissions by 2030 compared to a 2020 baseline – uses the IEA's Net Zero Emissions by 2050 Scenario (IEA NZE) as a baseline. This is an improvement from its previous use of the IEA's Sustainable Development Scenario (IEA SDS), which was misaligned with Barclays' long-term net-zero commitment. Barclays has also for the first time included methane in the scope of its energy target. Cutting methane emissions is a vital tool to keep a 1.5°C future within reach and it is positive to see Barclays acknowledge this. As with its 2025 energy target, Barclays uses an absolute emissions metric for its energy portfolio and captures the scope 1, 2 and 3 emissions of its clients, which is leading practice. However, Barclays' failure to update its oil and gas policies could cast doubt over the delivery of this target, as discussed in the fossil fuel policies section below.

Barclays' other sectoral targets leave scope for much lower ambition

In his letter to shareholders, the bank's Chair of the Board claims that "Barclays is now committing to use the International Energy Agency's (IEA) 1.5°C-aligned scenario as its baseline for new targets". This is not quite the case. **Only one of Barclays' newly announced 2030 targets actually aligns with the IEA NZE and 1.5°C** - its Energy target, as outlined above. The rest – Power, Cement and Steel – **only integrate this level ambition as the upper end of a target range,** leaving significant scope for lower emissions reductions in these climate critical sectors.

The lower emissions reductions of Barclays' proposed target ranges for Power, Cement and Steel reflect "an estimated emissions reduction trajectory based on [Barclays'] current view of sector and client pathways and commitments". This is not disclosed to be in line with any peer-reviewed scenario or one developed by a reputable external provider such as the IEA. It is also not in line with the scientific approach required by the NZBA[xiii], which commits signatories to use "science-based decarbonisation scenarios that reach net zero by mid-century or sooner, with a maximum temperature rise of 1.5°C above pre-industrial levels by 2100".

Barclays' rationale for this ambition gap is that "there are additional dependencies and variables outside our control that will determine the pace of the transition and therefore how quickly we are able to reduce our financed emissions intensity in these sectors". We don't think this is an adequate explanation. Global systematically important banks such as Barclays must play an active role in driving the transition. They should also use a transparent and evidence based approach to set targets. HSBC – a direct peer of Barclays – has set an emissions intensity reduction target of 75 per cent by 2030 for its power sector, integrating the IEA NZE.[xiv] Whilst this target only covers the bank's lending activities, HSBC has committed to updating it to include capital markets activities by Q4 2022 following engagement with ShareAction and investors.[xv] HSBC was able to set a much more ambitious target than Barclays despite a much heavier exposure to Asia, where the majority of today's coal-fired power generation is found.[xvi]

We have highlighted in separate analyses that banks should take a precautionary approach to aligning with climate scenarios.[xvii] This entails going beyond what the climate scenario suggests and allowing for an additional buffer in targets given inherent uncertainties about tipping points and other climate phenomena; the inaccuracies in portfolio modelling; and the low probability of success in most climate scenarios. For example, the IEA NZE carries only a 50% chance of achieving a 1.5°C outcome. Several European banks – BNP Paribas, Societe Generale, and most recently, UBS[xviii] - have gone beyond the benchmark scenario used to set targets for several sectors.[xix] Instead, Barclays sets the IEA NZE as its maximum level of ambition.

Setting targets for cement and steel is a good start but Barclays seems to lack urgency to cover other climate hotspots in its portfolio

Barclays was among the first banks to set sectoral emissions reduction targets in 2020, in response to a shareholder resolution filed by ShareAction, individuals, and investors earlier in the year.[xx] Expanding its target setting approach to two further high-emitting sectors, Cement and Steel, is an important step for Barclays. As noted in the IEA NZE report, for heavy industry (Steel, Cement, Chemicals), the year 2050 is just one investment cycle away. Within the next decade, 30 per cent of existing assets will have reached the end of a 25-year investment

cycle and thus face an investment decision. All banks must start setting targets for these sectors to reflect, in the words of the IEA, this “critical window of opportunity from now to 2030” to reduce emissions from heavy industry.[xxi]

After a strong start, however, Barclays’ strategy to cover other parts of its portfolio now lacks urgency and detail. The bank announced that it will introduce targets for additional sectors in 2023 and 2024, beginning with Automotive and Real Estate, though this timeline lacks details compared to HSBC and Standard Chartered, who have provided an implementation timeline by high-carbon sector.[xxii] We recognise that setting targets is methodologically challenging. However, considering the level of Barclays’ credit exposure at elevated risk of climate change that is not covered by any climate targets (see Figure 1), the bank should transparently communicate a strategy to cover other sectors on an accelerated timeline.

Figure 1: Barclays' credit exposure to carbon-related assets classified as 'elevated risk sectors', sensitive to the impacts from climate change

Sectors at elevated risk from the impacts of climate change	2021 credit exposure (GBP£m)
Real Estate*	21,493
Oil & gas	12,869
Power Utilities	12,732
Automotive	5,568
Agriculture	5,043
Chemicals	4,308
Aviation	2,049
Mining (incl. diversified miners)	1,408
Road Haulage	1,026
Shipping	927
Cement	324
Steel	236
Coal mining and coal terminals	45

Source: Barclays PLC Climate-related Financial Disclosures Report 2021. Green highlight indicates the sector is covered by an interim target, yellow indicates the Barclays has committed to set a target for the sector. Credit exposure includes on- and off-balance sheet lending (capital markets financing does not map to the same sectors) I.e., total loans & advances and total loan commitments. The credit exposure to the sector does not necessarily indicate relative carbon intensity.

*Barclays considers Real Estate a carbon-related asset but not necessarily an 'elevated risk sector'. It has been included here as Barclays will set targets for Real Estate in the coming year.

Barclays' still underplays the true extent of its financing activities

Important volumes of financing are channelled towards high-carbon sectors via capital markets. Earlier this year, ShareAction found that over 70 per cent of Barclays' financing to top oil and gas expanders over the past six years was in the form of capital markets financing.[xxiii] Its new targets, as with its previous targets set in 2020 following pressure from investors, cover capital markets underwriting – still rare amongst banks. ShareAction highlighted the financial indicators in Barclays' 2025 interim targets as an example of leading practice in the lead up to COP26.

However, Barclays' current methodology underplays the bank's underwriting activities and the transition risks to its business. Its methodology only allocates 33 per cent of pro-rated capital

markets financing to Barclays, "with the remaining portion allocated to investors". ShareAction has repeatedly recommended that Barclays increase the share of pro-rated capital markets financing allocated to the bank to better reflect its risks and impacts.[xxiv] JPMorgan – a significantly larger bank than Barclays - covers its full share of capital markets financing in its own methodology.[xxv] Disappointingly, Barclays has not used its 'Say on Climate' plan to announce any improvements to its methodology and address the full scope of its impacts.

Net-zero targets: Follow-up questions for investors

- Will Barclays commit to use a benchmark scenario aligned with net-zero by 2050 for all its sectoral targets as a minimum level of ambition?
- Will Barclays commit to halving its overall financed emissions by 2030, in line with what is required by credible 1.5°C pathways?
- Will Barclays disclose an accelerated timeline to set interim targets for other carbon-related or climate-sensitive sectors?
- Will Barclays update its methodology to reflect the full extent of its capital markets activities?

High-carbon disclosures

4

High-carbon disclosures: the bank still does not disclose financed emissions

Measuring and disclosing the GHG emissions associated with banks' lending and underwriting activities is necessary to assess whether banks' activities are in line with their decarbonisation commitments and with the goals of the Paris Agreement.

<table>
<tr><th>Previous commitments/disclosures</th><th>New commitments/disclosures in Say on Climate plan</th></tr>
<tr><td>Credit exposure to carbon-related assets, including elevated risk sectors, including total loans & advances and loan commitments.

Disclosure of total capital raised for clients across all sectors, including carbon-related energy and extractive sector with a breakdown by business type across oil and gas and utilities and energy.</td><td>Updated disclosures on credit exposure and capital markets financing for high-carbon activities (2021 TCFD Report).

Financed emissions trend disclosed for Energy and Power portfolios, compared to 2025 targets:

• Energy: 22 per cent absolute reduction in CO_2 emissions against a 2020 baseline.
• Power: 8 per cent reduction in CO_2 emission intensity against a 2020 baseline.

Commitment to disclose:

• A high-level, modelled assessment of overall balance sheet emissions, which will 'progress in 2022'.
• The absolute financed emissions from each sector where targets have been set from Full Year 2022 (Power, Cement, Steel, Automotive, and Real Estate).</td></tr>
</table>

Barclays still fails to disclose financed emissions for most of its portfolio

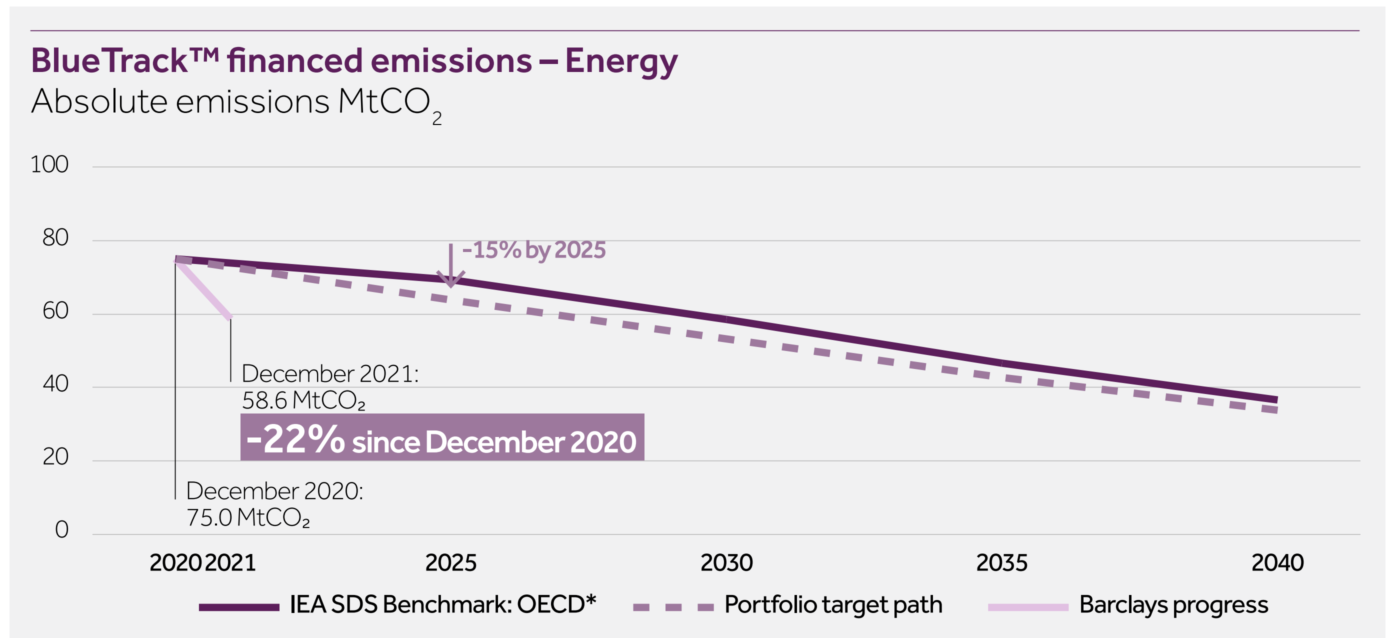
Barclays currently only measures and targets absolute emissions in its Energy portfolio. Given that the rest of its targets are intensity-based, absolute emissions disclosures for these sectors are essential to provide full transparency on whether intensity targets reflect overall decreases in absolute emissions. NatWest, by comparison, demonstrates leading practice by covering twelve high-carbon emitting sectors as of 2021 and reporting financed emissions for scope 1, 2, and 3 emissions.[xxvi]

Barclays has committed to report financed emissions for each sector where targets have been set from Full Year 2022 (Power, Cement, Steel, Automotive, and Real Estate – if targets are set in time for the latter two sectors). However, it is curious that Barclays seems unable to disclose absolute emissions for Power, Cement and Steel given that it was able to calculate a baseline and targets in intensity terms. Barclays' proposal to speed up the process with a modelled estimate of its balance sheet emissions has no deadline - it will "progress in 2022".

Barclays 2020-21 drop in financed emissions for its Energy portfolio should be interpreted with care

In its Say on Climate plan, Barclays reports a year-on-year decrease of 22 per cent in financed emissions for its Energy portfolio. Its 2021 TCFD Report confirms that this trend corresponds to substantial drops in absolute financing volumes (both lending and capital markets) for Oil and Gas, though Coal and Power & Utilities financing rose.

Figure 2: Barclays' current estimate of its clients' activities and financed emissions for the Energy sector



Source: Barclays' Climate Strategy, Targets and Progress 2022

There are several aspects that invite caution when interpreting this change. **The baseline year, 2020, was a tumultuous one for global energy markets** - driven by the pandemic - and was marked in some cases by higher financing activity. ShareAction found that Barclays increased its financing to top oil and gas expanders by close to 70 per cent in 2020 compared to 2019.[xxvii] Indeed, Barclays' notes in its 2021 TCFD Report that a portion of its financed emissions reduction reflects 'year-on-year reductions in borrowing and capital markets volumes across the market to more normalised levels'. Additionally, since Barclays' reports progress on a point-in-time basis rather than cumulatively, the figure will be volatile year-on-year – a reduction in 2021 does not prevent a rebound in 2022. Barclays itself has recognised that there might be some volatility in its metrics in the short-term. **Investors and stakeholders should be aware of these considerations before overinterpreting this figure as long-term progress.**

High-carbon disclosures: Follow-up questions for investors

- When will Barclays disclose absolute financed emissions for its portfolio?

Fossil fuel policies

5

Fossil fuel policies: Barclays' commitments are not aligned with its long-term ambition

Becasue of the various limitations and assumptions of both climate and portfolio modelling, sectoral targets tend to be opaque, volatile, and subject to modifications. Even the most transparent methodologies will not give investors a view of what is really happening in the portfolio and how risks are managed. On the other hand, sectoral policies reflect the risk appetite of the bank for certain activities and transparently convey how the bank is managing the associated risks.

Despite several updates, Barclays' fossil fuel policies are not aligned with its long-term ambition. Its new thermal coal commitments are a step in the right direction but are not insufficient in 2022 for one of the largest bankers of thermal coal, a sector that faces huge transition risk. And Barclays is putting its climate strategy to a vote without updating its position on oil & gas, now one of the weakest among European peers.

Thermal Coal: too little, too late

Barclays was the 16th largest banker of thermal coal worldwide and 1st among European banks between 2019-2021, having channelled US$33 billion in lending and capital markets underwriting to companies on the Global Coal Exist List.[xxviii]

Credible net-zero emissions scenarios tell us that thermal coal should not expand and be phased-out by 2030 in OECD countries and 2040 globally at the latest. Though other factors should be considered, these are the two main criteria investors should assess the credibility of Barclays' thermal coal policy against. While Barclays has announced a few updates to address these issues, the policy seems to be tailored to clients, not climate. Overall, Barclays' position still lags European leading practice and in some places is now even lagging US leading practice.

Financing thermal coal expansion

Previous commitments	Commitments included in Say on Climate plan
No project finance to enable the construction or material expansion of coal-fired power stations, and the development of greenfield thermal coal mines. No general corporate purpose financing specified as being for new or expanded coal mining or power.	No project finance to enable the construction or material expansion of coal-fired power stations, and the greenfield development *or material expansion* of thermal coal mines. No general corporate purpose financing specified as being for new or material expansion of thermal coal mining or power. *By 2023, no financing to clients with entities engaged in developing new thermal coal mines / power plants or material expansion of existing thermal coal mines / power plants, unless an undertaking is received from the borrower or Barclays is otherwise satisfied that the proceeds will not be made available to entities engaged in these activities.*

New commitments are italicised and highlighted in red

Barclays' project finance exclusion now covers material expansions on top of new projects. Financing to corporate clients developing new coal assets and expanding existing ones will also be restricted by 2023. These long overdue commitments are a significant step to bring the policy closer to what net-zero scenarios require. However, Barclays' position present important weaknesses. This includes:

- **Loose definition of 'material expansion'.** This is defined as increases in annual tonnage from existing thermal coal mines, or power capacity of existing thermal coal plants, by more than 20 per cent compared to a 3-year high. The definition seems loose and arbitrary, especially as it applies to a pool of assets. Some other banks also consider materiality thresholds to define expansion, but their approach is more targeted. For example, Crédit Agricole's policy applies to power projects with a capacity greater than 300MW. In addition, Barclays' policy does not cover expansion through mergers or acquisitions. This would not

apply to companies like Glencore, who acquired one the largest coal mines in the world in 2021[xxix], and other clients in Barclays' portfolio that are contemplating acquisitions, like India's Power Finance Corp.[xxx] This exception is not necessarily incompatible with a net-zero commitment but needs to be complemented by clear redlines. For example, Crédit Agricole considers acquisition of thermal coal assets
as expansion unless the company commits to cease operating the assets within a reasonable period.

- **Restrictions applying only at borrower level.** Restrictions targeting thermal coal expansion apply to borrowers but not necessarily their groups. This means that Barclays could maintain a relationship with a group owning an entity developing coal but not receiving financing from Barclays. We welcome Barclays' commitment to seek an undertaking from the borrower that the proceeds will not be made available to entities engaged in these activities. However, it would be technically impossible for the bank to determine whether it is indirectly supporting thermal coal expansion. Money is fungible and proceeds can be indirectly on-lent via intra-company loans. They can also free up liquidity elsewhere within the group. This should be of particular concern for investors as developments are rarely undertaken by the parent company. Barclays and others were heavily criticised in July 2021 for arranging a USD300m Sustainability-Linked Bond to Adani Electricity Mumbai, part of the group behind the highly controversial Carmichael Coal mine.[xxxi] Examples of leading practice include Crédit Agricole who assesses expansion at the level of each company or group.

- **Overdue commitment delayed for another year.** Restricting financing for companies expanding thermal coal will be implemented by 2023. Banks need time to implement new commitments both internally and with clients. However, Barclays' commitment comes rather late, and the bank is giving itself another year to implement it. The IEA NZE, the scenario used by Barclays for its energy portfolio, states that no new coal mines or mine extensions are needed after 2021. New assets indirectly financed by Barclays during this extra year will continue producing well after it has enforced the policy. This is a concern as out of the 40 thermal coal groups Barclays has a relationship with, 12 have development plans. In December 2021, HSBC committed to withdraw financing to clients who expand or commit to expand thermal coal capacity, with retroactive application of the clause from January 2021.

Financing companies involved in thermal coal

Previous commitments	Commitments included in Say on Climate plan
No financing to clients that generate more than 50 per cent of revenue from thermal coal mining or coal-fired power generation. By 2025, no financing to clients that generate more than 30 per cent of revenue from thermal coal mining or coal-fired power generation. By 2030, we will no longer provide any financing to clients that generate more than 10 per cent of revenue from thermal coal activities.	No financing to clients that generate more than 50 per cent of revenue from thermal coal mining or coal-fired power generation. *By 2023, no financing to new clients engaged in thermal coal mining and existing clients that generate more than 30 per cent from thermal coal mining.* By 2025, no financing to clients that generate more than 30 per cent of revenue from coal-fired power generation. *By 2030, coal mining phase-out in the OECD and coal power phase-out in UK/EU. No financing to clients that generate 10 per cent of revenue from thermal coal in other regions.* *By 2035, phase out financing globally for clients engaged in thermal coal mining or power.*

New commitments are italicised and highlighted in red

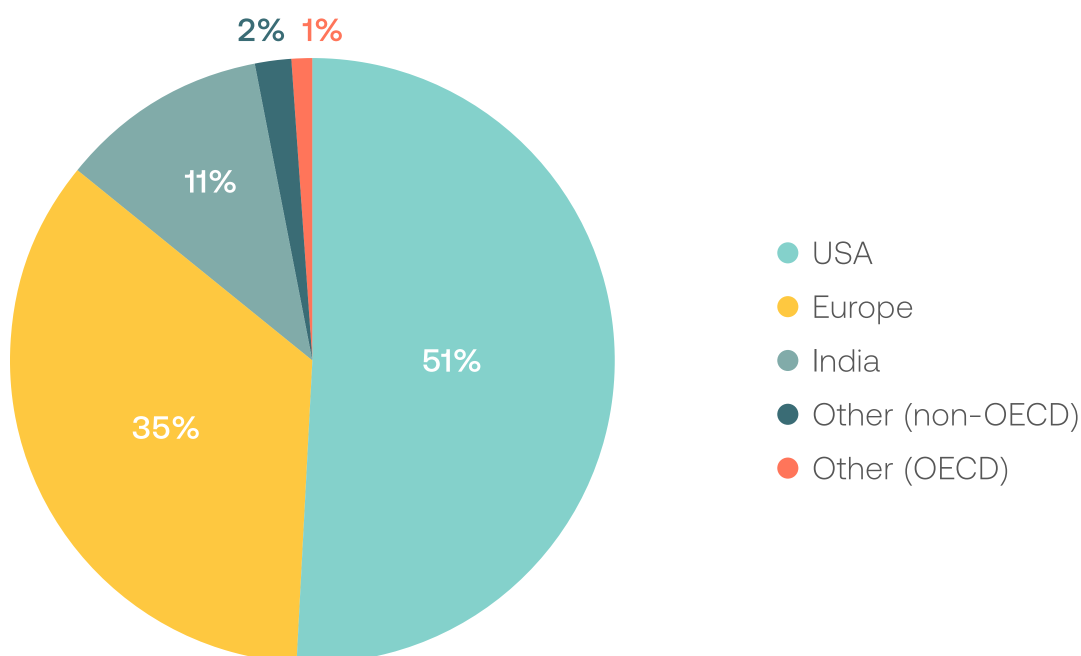
Barclays has updated the ratchet mechanism it uses to progressively filter out companies involved in thermal coal. Scheduled reductions in the threshold now lead to a 'phase-out', defined here as residual exposure to clients deriving no more than 5 per cent revenue from thermal coal. These commitments are improvements upon the previous policy, but the wording once again suggests that Barclays is inclined to follow what the market is doing rather than demonstrate climate leadership. This is because:

- **Corporate thresholds seem adapted to clients rather than climate.** A ratchet mechanism could be a useful tool to indicate that clients not transitioning on time might face increased costs of capital in the future. However, Barclays' threshold – 50 per cent of revenue until 2023 for mining and 2025 for power – lacks ambition relative to the markets where the bank operates. While a revenue metric is not strictly comparable to a share of production,

the percentage of coal in the energy mix of countries in which Barclays' exposure is concentrated, Europe and the US (see Figure 3), are already below 30 per cent.[xxxii] Barclays' thresholds will remain above thresholds implemented by many European peers for a significant period of time. There is also no clear justification as to why Barclays has brought forward the threshold for mining companies by two years but has left the threshold for power companies unchanged.

- **Ambitious global phase-out date but relatively late exit in the US.** Barclays has committed to a thermal coal phase-out by 2035, which is five years ahead of many peers' exit date for non-OECD countries. On the other hand, Barclays intends to phase-out financing to thermal coal power companies in some OECD countries (UK and EU countries) but not others in 2035 instead of 2030, a widely acknowledged target date for developed countries to align with a 1.5°C scenario. The list of OECD countries that are exempt includes the US where most of Barclays' financing to companies involved in thermal coal power occurs. Barclays' position might be explained by the fact that the US didn't sign the pledge to end coal use at COP26, or that some state-owned thermal coal plants would be required to run after 2030. While Barclays' policy sees the revenue threshold falling to 10 per cent in this country in 2030, the delayed phase-out commitment illustrates that Barclays is more comfortable following the market and tailoring policies to clients rather than driving the transition, in our view. This is a concern as the US coal power fleet is very old (41 years vs 13 years in China on average) and therefore less efficient. The bank's position now lags European leading practice but also the US as Citi has committed to a phase-out of thermal coal power in OECD countries by 2030.

Figure 3: Barclays' financing to groups involved in thermal coal mining and power by country of headquarters



Source: Global Coal Exit List, Urgewald

- **An incomplete phase-out date.** While Barclays is not the only bank to consider retaining a residual exposure to the coal sector after it has phased out financing, the relative threshold to be implemented by Barclays in 2035 (5 per cent revenues) could potentially lead to a material exposure if it's not complemented by an absolute threshold. The economics of coal are likely to be very different in 2035 and Barclays should at least commit to set an absolute threshold to mitigate climate-related impact and risks. For example, BNP Paribas and Societe Generale have implemented a 10 Mtpa threshold for mining and Crédit Mutuel uses a capacity threshold of 5GW for power.

- **No requirements for clients to publish phase-out plans.** Banks can have a material influence on clients' transition plans by setting out clear, timebound, and science-based decarbonisation expectations early to complement any 'red line' financing restrictions. By strengthening its timebound decreasing revenue thresholds for both thermal coal power and mining, Barclays is indicating its wider direction of travel to clients – and the conditions that will need to be met to continue receive financing in 2025 and 2030. However, the bank could have strengthened this commitment by requesting clients to adopt coal phase out plans in line with its own phase out dates by a specific date. This would have helped minimise the risks of exiting the sector without having had much influence on its clients' transition plans. In 2019, Crédit Agricole announced that it required clients to adopt by 2021 a detailed plan to close and not sell their coal assets by these deadlines. BNP Paribas also requires its clients to publish coal phase out plans in line with its own phase out dates by 2021, a move which could affect up to 50 per cent of its power clients.

- **Material exceptions potentially allowing for business as usual.** Two of the several exceptions considered by Barclays could be material. The bank will waive its requirements to provide transition finance for companies reducing their thermal coal portfolio. However, Barclays doesn't define transition finance or what transition pathway companies should be aiming for. Barclays will also waive its phase-out date for coal-fired power plants if they are required to remain open by operation of law, regulation, or contract. We understand that policies can have legal ramifications, but in our view this supports this idea that Barclays' climate ambition is secondary to other practical considerations. As Power Purchase Agreements tend to be very long in nature (between 10-25 years on average),[xxxiii] and considering the other exceptions in Barclays' policy, the bank could retain exposure to the sector well after its official exit date.

Financing thermal coal across the value chain

Barclays' policy only applies to thermal coal mining and power production. Restricting thermal coal activities throughout the value chain is crucial to ensure that ancillary activities are not driving expansion of upstream operations. For example, BNP Paribas's policy covers infrastructure projects that are dedicated to thermal coal such as harbours or terminals of existing harbours, transportation of thermal coal by rail or road, storage of coal (warehouses). In addition, the bank has decided not to support any more companies involved in thermal coal extraction and trading with no exit strategy.

Thermal coal: follow-up questions for investors

- Will Barclays commit to exclude financing for companies expanding or planning to expand thermal coal mining or power capacity from 2022?
- Will Barclays reinforce its policy to prevent any indirect financial support from the bank to new thermal coal assets developed elsewhere in the corporate structure?
- Will Barclays commit to a coal phase-out by 2030 in all OECD countries?
- Will Barclays request coal clients to publish a phase-out plan by a specific date?
- Will Barclays implement financing restrictions for thermal coal across the value chain?

Oil & gas: Barclays fails to update its policy despite investor pressure

Barclays, one of the world's largest fossil fuel financiers, has not updated its inadequate oil and gas policy for its Say on Climate vote despite this topic being a key priority for investors (see 'History of Engagement' section). Investors are thus asked to vote on one of the weakest oil & gas policy among European banks.

The following analysis looks at restrictions for oil & gas expansion – an undertaking that seriously undermines any net-zero ambition – and 'unconventional' oil & gas (including oil sands, fracking, Arctic oil & gas, and ultra-deepwater oil & gas). These segments carry significant environmental and social risks and can be more costly to develop than conventional types of oil. This translates into higher stranded asset risk even in the least ambitious Paris-aligned scenarios.[xxxiv] A credible transition strategy should therefore restrict these activities in priority before they are phased out.

Figure 4: Comparison of the oil and gas policies of Europe's largest 25 banks

Bank	UNCONVENTIONAL OIL & GAS (oil sands (O), fracking (F), Arctic (A), Ultra-deepwater (D)							OIL & GAS EXPANSION (all sources)						
	Asset finance		Corporate finance			Phase-out	Arctic Definition	Asset Finance		Corporate Finance		Phase-out	Client transition plan	
	Upstream	Midstream	Relative threshold		Transport	Bank		Upstream	Midstream	Upstream	Midstream		Required	By
Barclays	(F**,A)	N	(F**,A)	50% revenues[1]	N	N	Y**	N	N	N	N	N	N	-
BBVA	(O,A)	(O,A)	(O*)	10% production	(O)	N	N	N	N	N	N	N	N	-
BNP Paribas	(O,F,A)	(O,F,A)*	(O,F,A)	30% prod, vol, res, rev[2]	(O,F,A)*	N	Y**	N	N	N	N	N	N	-
BPCE	(O,F,A)	(O*)	(O,F)	25% activity	(O*)	N	Y*	N	N	N	N	N	N	-
CaixaBank	(O,F,A)	(O*)	(O*)	10% revenues	N	N	N	N	N	N	N	N	N	-
Commerzbank	(O,F,A,D)**	N	N[5]	-	N	N	N	Y**	N	Y**	N	N	N	-
Crédit Agricole	(O*,F,A)	(O,A)*	(O*,F)	30% activity	N	N	Y*	N	N	N	N	N	N	-
Crédit Mutuel	(O,F,A,D)	(O,F,A,D)*	(O,F)[3]	30% activity[3]	N	N	Y*	Y	Y	N[3]	N	N	N	-
Credit Suisse	(A)	(A)	N	-	N	N[4]	Y*	N	N	N	N	N	N	-
Danske Bank	(O,F,A,D)	N	(O,F,A,D)**	5% revenues	N	N	Y*	Y	N	N	N	N	Y**	2023
Deutsche Bank	(O*,F**,A*)	(O)	N	-	N	N	Y*	N	N	N	N	N	N	-
DZ Bank	(O,F)**	N	(O,F)**	5% revenues	-	N	N	N	N	N	N	N	N	-
HSBC	(O,A)**	(O*)	N	-	N	N	Y**	N	N	N	N	N	N	-
ING	(O**,F**,A)	(O*)	(O,F,A)**	30% reliance	(O*)	N	Y**	Y	N	N	N	N	N	-
Intesa SanPaolo	(O,F,A**)	(O,F,A)*	(O,F,A)**	30% revenues[2]	(O,F,A)**	(O,F,A)*	Y*	N	N	N	N	N	N	-
La Banque Postale	(O,F,A,D)	(O,F,A,D)	N/A	No tolerance	(O,F,A,D)	(O,F,A,D)	Y	Y	Y	Y*	Y*	Y*	Y	2021[6]
Lloyds Banking Group	(O,F,A)	(O,A)	N (6)	-	N	N	Y**	Y** ?	N	Y**	N	N	Y	2023
NatWest	(O,F,A)	N	(O,F**)	No tolerance	N	N	N	Y**	N	N	N	N	Y*	2021
Nordea	(O,F)**	(O,F)	(O,F,A)**	5% revenues	(O,F)*	(O,F,A)**	Y**	N	N	N	N	N	N	-
Rabobank	(O,F,A)	(O,F,A)*	N	-	N	N	Y**	N	N	N	N	N	N	-
Santander	(O,F,A)	N	(O,F,A)	30% activity	N	N	Y*	N	N	N	N	N	N	-
Societe Generale	(O,F,A**)	(O,A)*	(O,F,A**)	30% prod or revenue	N	N	Y*	N	N	N	N	N	N	-
Standard Chartered	(O,A)	N	N	N	N	N	N	N	N	N	N	N	N	-
UBS	(O*,A**)	N	(O,A**)	20% res or prod	N	N	Y**	N	N	N	N	N	N	-
UniCredit	(O,F,A,D)	(O,F,A,D)*	(O,F,A,D)**	25-50% revenues	(O,F,A,D)**	N	Y*	Y	Y*	N	N	N	N	-

Midstream activities focus on transportation (e.g. pipelines) and do not cover other types of infrastructure (e.g. LNG terminals). *indicate exceptions; ** indicates material exceptions; ()* and ()** indicate exceptions or material exceptions that apply to all segments in brackets. For the definition of the Arctic region specifically, Y indicates a definition aligned with the AMAP, Y* indicates a narrower definition including onshore and offshore activities, ** indicates a narrower definition with limited coverage of offshore and/or onshore activities. Examples of material exceptions: restrictions applying only to a certain category of clients (e.g. new clients), to a certain region or country, or to a specific activity (e.g. oil but not gas).

1 Barclays' threshold (primarily engaged) are assumed to be equivalent to 50 per cent or more for the purpose of this analysis. Barclays also requires oil sands clients to "have projects to reduce materially their overall emissions intensity, and a plan for the company as a whole to have lower emissions intensity than the level of the median global oil producer by the end of the decade."
2 BNP Paribas' threshold ("significant" production, volume, reserves or revenue) and Intesa SanPaolo's threshold ("significant revenues") are assumed to be equivalent to 30 per cent or less for the purpose of this analysis.
3 Credit Mutuel has committed to restrict corporate financing for clients who undertake explorations of new oil and gas fields and for clients deriving a significant portion of revenues from unconventional activities, pending thresholds to be defined by Urgewald, but is yet to spell out this restriction in its policy. In parallel, the bank committed not to provide financing to companies whose activity was reliant to oil sands and shale oil and gas for 30 per cent or more.
4 Credit Suisse has developed a Client Energy Transition Framework that can eventually exclude clients under certain conditions. Not enough details are available in the public domain to confirm if the restrictions meet the requirements of this analysis.
5 Commerzbank has committed not to establish new relationships with companies with expansion plans in the oil and gas sector.
6 Lloyds Banking Group will not support Financing to companies involved in the exploration or development of oil sands, outside of fields already approved for development as of 2021.

Oil & gas expansion: Barclays ignores the conclusions of the scenario it uses to set targets for its energy portfolio – there is no room for new oil & gas fields in this net-zero pathway

Barclays is Europe's second largest provider of financing to top oil and gas expanders.[xxxv] The bank provided US$13 billion in financing to the top 50 upstream oil & gas expanders since committing to net-zero by 2050 in March 2020. Barclays is in the core relationship group of companies like ExxonMobil (around US$10 billion financing provided since 2016), and Shell (around US$7 billion financing provided since 2016), respectively the companies with the 4th and 9th largest upstream expansion plans worldwide. And as several banks start to implement restrictions to restrain oil & gas expansion, Barclays' position seeks to preserve the status quo.

The bank has chosen to use the IEA NZE to set its targets but avoids one of its most important conclusions – that new oil and gas fields are incompatible with this net-zero pathway. As this guidance is based on a scenario that gives just a 50 per cent chance of keeping warming to 1.5°C, it is far from certain that it would be sufficient to achieve net-zero by 2050. The fact that Barclays has not acted on it almost one year after the IEA published these conclusions cast doubts on its commitments to achieve net-zero. On this front, La Banque Postale is leading by example as it has already asked its oil & gas clients to publish transition plans by a specific date, clarifying that there should be no room for oil & gas expansion in those plans.

Barclays dismisses the conclusions of the IEA NZE on the basis that banks should take a considered approach to the IEA's assessment of future oil and gas requirements, and take various factors into account – energy security and affordability among others – when assessing the implications of the IEA's assessment. The IEA was created for the specific purpose of ensuring secure and affordable energy supplies,[xxxvi] and since publishing the NZE, it has issued a series of plans and recommendations to navigate the tensions in energy markets. However, Barclays would rather participate in "industry working groups alongside peers over the coming months, some of which will look at credible and consistent approaches to transition pathways".

In effect, Barclays has no strategy beyond portfolio targets for oil & gas. The bank states that while many companies engaged in oil & gas "are not yet on a 1.5°C-aligned pathway, they are developing strategies to ensure their continued relevance in and contribution to a low-carbon economy". The bank adds that these companies "finance their exploration activities from cash flows rather than from project finance" and therefore "it would be impracticable for Barclays to try to impose restrictions on financing specific activities." However, Barclays has not committed to exclude direct financing for new oil & gas fields either, a move some other banks have been making in recent months, most recently ING. This raises serious questions about the credibility of Barclays' plan to engage with its oil and gas clients – if the bank is not even willing to take that first step, despite it being a small portion of financing going into the sector.[xxxvii]

Barclays says that its priority is to "engage with these clients rather than simply exit them" But this engagement-only approach is unlikely to be effective unless it comes with clear redlines for clients.

Oil sands: Barclays' policy fails to address the challenges faced by this sector

Barclays ranks 7th globally and 1st in Europe on oil sands financing between 2016-2021 (US$4.3 billion).[xxxviii] The bank is historically the largest non-Canadian banker of oil sands after JPMorgan, although we note that its financing to the sector decreased in 2021. Considering the unusual financing activity in the oil & gas sector in 2020 and 2021, volumes should continue to be monitored to confirm this trend.

Despite investors repeatedly asking Barclays to introduce financing restrictions and phase-out its exposure to oil sands, the bank has decided to take a different approach. Barclays' policy, published in April 2020, requires clients to "have projects to reduce materially their overall emissions intensity, and a plan for the company as a whole to have lower emissions intensity than the level of the median global oil producer by the end of the decade." This commitment could technically filter out some companies but fails to address the challenges faced by this sector because:

- **Oil sands are one of the most carbon intensive sources of oil.** The industry has already achieved the easiest reductions in carbon intensity and whether they can reduce emission intensity much further would mainly depend on whether they can deploy Carbon Capture and Storage (CCS) at scale. This approach, one of the key pillars of the "Oil Sands Pathways to Net Zero Alliance",[xxxix] lacks credibility considering the poor track record and economics of this technology to date.[xl]

- **Oil sands are one of the most uncompetitive supply segments.** Even if the sector managed to bring its carbon intensity at par with other sources, it will only make costly operations even more expensive. Assets would therefore be much more exposed to stranded asset risk as the world decarbonises. Intensity metrics don't capture the basic fact that oil production is set to decrease during the low carbon transition.

- **Risks associated with oil sands operations are not limited to carbon intensity and high cost.** The sector faces other environmental issues like biodiversity loss and has triggered important and reputationally damaging controversies as some oil sands operations are opposed by Indigenous peoples.

Most European banks have implemented thresholds to exclude financing for clients overexposed to this sector and two (Intesa Sanpaolo and Nordea) have committed to a phase-out. Together with Credit Suisse, Barclays is now the only mainstream European bank that has not committed to exclude financing for oil sands projects. Barclays is also among the very few European banks that continue to finance pure play oil sands companies still expanding production despite high environmental and financial risks. For example, according to Eikon, the bank acted as Joint Bookrunner for a US$600 million bond issued by by MEG Energy in January 2021. Barclays has also put its name on several bonds and loans to Enbridge, the company behind the controversial Line 3 pipeline project.[xli]

Fracking: Barclays' policy seems designed not to impact its client base

Barclays ranks 5th globally and 1st in Europe on fracked oil & gas financing between 2016-2021 (US$29 billion).[xlii] It has provided almost twice as much financing to the sector than the 2nd largest European banker for fracking, Credit Suisse.

While many European Banks have started to distance themselves from US fracking, Barclays' policy seems designed not to impact its client base. Barclays' restrictions focus on projects and companies involved in fracking in the UK and Europe, whereas its exposure to the sector is concentrated in the US. Our data shows that many of Barclays' top oil & gas clients have a large exposure to the US fracking sector (e.g. Occidental Petroleum Corporation) and its client base also includes fracking pure plays like EQT Corporation, Diamondback Energy, and Pioneer Natural Resources.

This should raise alarm bells for investors. Carbon Tracker has shown that shale companies are most at risk from the energy transition. Most of them see production fall by over 80 per cent by the 2030s in the IEA NZE, with Pioneer Natural Resources and Diamondback being among those most at risk - this scenario implies that their average production in the 2030s production is barely equivalent to be around 12-14 per cent of their 2021 levels.[xliii] This analysis also shows that asset stranded risk is severe even in a less ambitious "well below 2C" scenario (IEA's SDS). Carbon Tracker has also looked at the implications of an alternative scenario that sees a delayed but more abrupt transition (Inevitable Policy Response commissioned by the PRI).[xliv] While this scenario could initially allow shale companies to continue investing, many of these companies would still face significant stranded asset risk depending on where they are on the cost curve.

Arctic oil & gas: narrow scope and inadequate thresholds make the policy largely ineffective

Barclays ranks 6th globally and 4th in Europe on Arctic oil & gas financing between 2016-2021 (US$2 billion).[xlv] Other studies also found that Barclays was among the largest bankers of companies expanding production in the Arctic.[xlvi]

Barclays currently excludes direct financing for projects located in the Arctic. The bank has also committed not to provide financing to companies "primarily" engaged in oil & gas exploration and production operations or plan in the Arctic. While these are steps in the right direction, Barclays' policy remains weak compared to peers and presents significant weaknesses, including:

- **Most companies active in the Arctic fall below the corporate threshold set by Barclays (deemed to be 50 per cent revenue or more).** For example, the share of production in the Arctic in of Equinor and ConocoPhillips, two important clients of Barclays, was barely 20 per cent in 2020. If Barclays doesn't commit to reducing the threshold overtime, it will retain exposure to the sector on an open-ended basis.

- **Barclays' definition of the Arctic is narrow and fails to capture many oil & gas projects in the region.** It is limited to the area within the Arctic Circle which is subject to sea ice but also covers the Arctic National Wildlife Refuge and the Coastal Plains. This definition is too narrow as it would not necessarily cover dozens of assets located in the Arctic region as defined by the competent authority in that field: the Arctic Monitoring and Assessment Programme (AMAP). Several banks have already adopted this definition, including Crédit Agricole. Investors have recently called on HSBC, one of Barclays's direct peers, to adopt the AMAP definition and phase out from oil and gas and unconventional oil and gas, including Arctic oil and gas.[xlvii]

Oil & gas - Follow-up questions for investors

- Will Barclays commit to exclude dedicated financing for new oil & gas fields?
- Will Barclays request oil & gas clients to publish credible transition plans leaving no room for the development of new oil & gas fields?
- Will Barclays implement project and corporate finance restrictions for the oil sands sector?
- Will Barclays implement project and corporate finance restrictions for fracking outside the EU and the UK?
- Will Barclays update its definition of the Arctic region in line with the Arctic Monitoring and Assessment Programme (AMAP)?
- Will Barclays commit to reduce corporate thresholds overtime and phase out financing to clients involved in unconventional oil & gas (oil sands, fracking, Arctic oil & gas, ultra-deepwater oil & gas)?

Green finance commitments

6

Green finance commitments: no new updates in time for the vote, despite the strategic importance placed on financing the transition

Previous commitments	New commitments in Say on Climate plan
Facilitate £100bn green financing between 2018 and 2030. Invest up to £175m by 2025 of Barclays' own capital in environmentally focused early-stage companies. Grow Barclays' green bond portfolio to £4bn over time.	No further announcements to finance the transition. An expectation to provide a further update later this year including new and more granular green finance targets.

Barclays has neglected to update its green financing targets in time for the shareholder vote, despite this being a strategic pillar upon which Barclays rests its transition

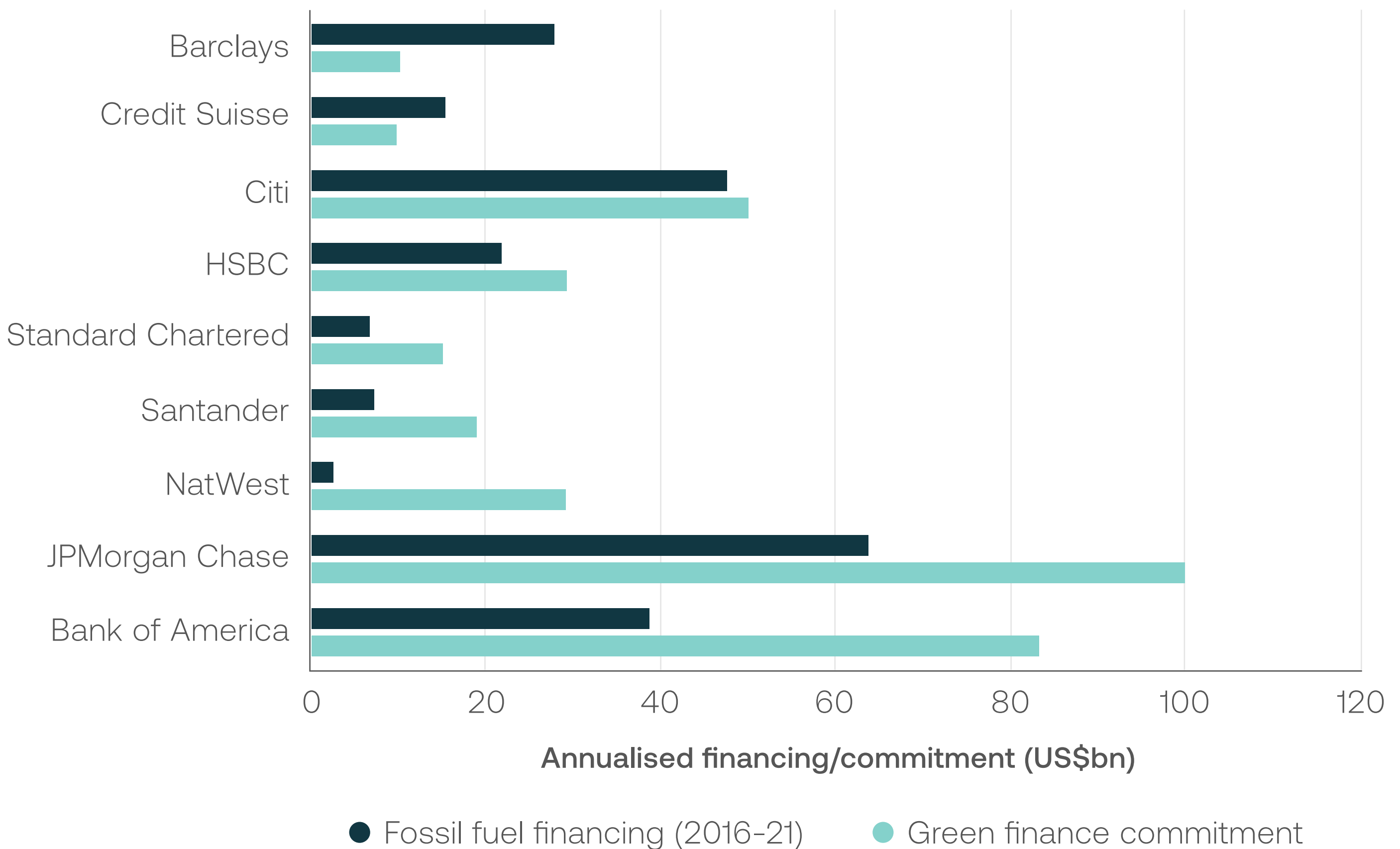
In its Say on Climate plan, Barclays states "We are reviewing our sustainable financing strategy and all green financing frameworks and targets. We expect to provide a further update later this year, including new and more granular green financing targets". Financing the transition is one of three strategic pillars[1] across which investors are being asked to assess Barclays' approach to becoming a net zero bank by 2050 and its readiness to take advantage of the opportunities of the climate transition.

Whilst it is clearly welcome to see Barclays report a 69 per cent uptick in its green financing volumes in 2021, which would bring Barclays' green financing commitment in line with its annualised fossil fuel financing, investors cannot assume Barclays will overperform in this way every year. As shown in Figure 5, Barclays is now one of few major banks where fossil fuel financing outweighs its existing green financing commitment (though investors should note that green financing cannot offset high-carbon financing). Until Barclays reformulates

1 Barclays strategic pillars are: (1) Achieving net zero operations; (2) Reducing our financed emissions; and (3) Financing the transition

its green financing commitment, investors should question why the bank is asking them to vote for an approach where one strategic pillar hasn't been formulated in time for the AGM deadline.

Figure 5: Average annual green commitment vs average fossil fuel financing (US$bn)



Sources: Fossil fuel financing - Rainforest Action Network, Banking on Climate Change 2022. Green finance commitment – company websites, press releases. 'Sustainable' commitments are divided by 3 (to account for spread across green, social and sustainability) except where details have been provided by the bank. Annualised volumes include the start and end year. Exchange rates used as of 22.03.2022: EUR/USD 1.10; GBP/USD - 1.31; CHF/USD- 1.07. Example: HSBC aims to facilitate between $750bn and $1tn of sustainable finance and investment by 2030 (announced 2020). Median value used ($875bn); divided by three across social, sustainable and green; divided by 10 years. Annualised green financing is US$29.2bn/yr.

Green finance targets: Follow-up questions for investors

- When will Barclays update its green finance commitment?
- Will Barclays specify which types of economic activities it will support through 'green finance'?
- Will Barclays clearly define which areas of its business and which types of financial services are covered under its upcoming green finance commitment?

Conclusion

Conclusion

Overall, Barclays has ultimately – despite its progress - requested shareholders to vote through a climate approach that is incomplete and does not align with the bank's long-term, binding commitment to net-zero by 2050. It has not updated key elements of its strategy – its oil and gas policies and green finance commitments – leaving these as some of the weakest in the European banking sector. Barclays still does not disclose financed emissions or account for the full extent of its financing. And important loopholes remain in the targets and fossil fuel policies that the bank has announced in time for the vote.

We recommend investors to:

- Vote against Barclays's climate plan and let the bank know of their voting intention.
- Consider pre-declaring voting intention ahead of Barclays's AGM on 4 May.
- Engage with the bank on its targets, disclosures, green finance commitments, and fossil fuel policies using the engagement questions for investors listed in Appendix I.

Appendix

8

Appendix

Engagement questions for investors

Net-zero targets

- Will Barclays commit to use a benchmark scenario aligned with net-zero by 2050 for all its sectoral targets as a minimum level of ambition?
- Will Barclays commit to halving its overall financed emissions by 2030, in line with what is required by credible 1.5°C pathways?
- Will Barclays disclose an accelerated timeline to set interim targets for other carbon-related or climate-sensitive sectors?
- Will Barclays update its methodology to reflect the full extent of its capital markets activities?

High-carbon disclosures

- When will Barclays disclose absolute financed emissions for its portfolio?

Thermal coal

- Will Barclays commit to exclude financing for companies expanding or planning to expand thermal coal mining or power capacity from 2022?
- Will Barclays reinforce its policy to prevent any indirect financial support from the bank to new thermal coal assets developed elsewhere in the corporate structure?
- Will Barclays commit to a coal phase-out by 2030 in all OECD countries?
- Will Barclays request coal clients to publish a phase-out plan by a specific date?
- Will Barclays implement financing restrictions for thermal coal across the value chain?

Oil & gas

- Will Barclays commit to exclude dedicated financing for new oil & gas fields?
- Will Barclays request oil & gas clients to publish credible transition plans leaving no room for the development of new oil & gas fields?
- Will Barclays implement project and corporate finance restrictions for the oil sands sector?
- Will Barclays implement project and corporate finance restrictions for fracking outside the EU and the UK?

- Will Barclays update its definition of the Arctic region in line with the Arctic Monitoring and Assessment Programme (AMAP)?
- Will Barclays commit to reduce corporate thresholds overtime and phase-out financing to clients involved in unconventional oil & gas (oil sands, fracking, Arctic oil & gas, ultra-deepwater oil & gas)?

Green finance commitments

- When will Barclays update its green finance commitment?
- Will Barclays specify which types of economic activities it will support through ‘green finance’?
- Will Barclays clearly define which areas of its business and which types of financial services are covered under its upcoming green finance commitment?

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ShareAction is a NGO working globally to define the highest standards for responsible investment and drive change until these standards are adopted worldwide. We mobilise investors to take action to improve labour standards, tackle climate change and address pressing global health issues. Over 15 years, ShareAction has used its powerful toolkit of research, corporate campaigns, policy advocacy and public mobilisation to drive responsibility into the heart of mainstream investment. Our vision is a world where the financial system serves our planet and its people.

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