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Dear Mr. Venkatakrishnan,

I am writing to you following the launch of ShareAction's latest report on banks' target-setting '**Mind the strategy gap: how disjointed climate targets are setting banks up to miss net-zero. An assessment of the decarbonisation and sustainable finance targets set by Europe's largest banks**'. We are extremely grateful for your sustainability team's contribution to our report and for all the positive engagement we have had with Barclays this year, notably the first of three meetings with you and the bank's investors in October this year.

We are approaching 2025, the five-year countdown to 2030 – a key milestone banks are working towards in their net-zero trajectories. Climate disaster continues to worsen at an alarming rate. Scientists from the World Weather Attribution (WWA) report that 2024 saw the deadliest swathe of extreme heat waves ever recorded, including in Europe, where in July alone there were at least 23 fatalities due to intolerable temperatures across Portugal, Spain, France, Italy and Morocco. Recent severe flooding in Valencia, Spain, has affected 74,400 people, resulting in an estimated death toll of over 200 people.

Banks play a critical role in averting unliveable climates by reducing their finance to fossil fuels and increasing finance to sustainable alternatives. There has never been a more important time for banks to ensure their net-zero strategies are underpinned by scientifically robust and complementary decarbonisation and sustainable finance targets, designed to have a real-world impact on the green transition of the global economy.

Our report shows that banks have made progress on setting an array of targets to reach net-zero by 2050. Positively, Europe's 20 largest publicly listed banks have all committed to net-zero by 2050, and most banks now report progress against their sectoral decarbonisation targets annually in relative and absolute terms. However, our report finds that banks' sustainable finance and decarbonisation targets are disconnected from each other, employing inconsistent designs, diverging accounting practices, and different timeframes. It is particularly concerning that so few sustainable finance targets are grounded in climate scenarios or the investment needs of specific sectors to transition. They lack both the scientific foundations and granularity that banks need to navigate complex transitions, overcome barriers to progress, and cultivate new opportunities for their services.

The incentive to artificially inflate targets rather than engage in the hard work of growing sustainable finance means the current generation of targets are unlikely to shift the necessary capital to meet their own net-zero goals, increasing the risk of a disorderly transition.

Our analysis showed that whilst all 20 banks have set at least one sector-specific decarbonisation target, only nine banks have set sector sustainable finance targets. This makes it difficult for investors to know how the bank is planning to decarbonise specific sectors, and whether it plans to allocate any of its sustainable financing to specific clients and/or activities to ensure it meets its decarbonisation intentions and achieve real world impact. For example, the absence of targets specific to the power sector makes it hard for stakeholders to understand how the banks' sustainable finance strategy supports their commitments to decarbonise their power portfolios and align with investment needs. Meanwhile, many sustainable finance frameworks fail to include enabling infrastructure such as grids and storage, which could undermine the banks' strategy to decarbonise power portfolios and ramp-up financing for renewable energy.

Positively, Barclays' overarching sustainable finance target is more ambitious relative to its total assets than many of its peers. Its high-level sustainable finance target of $1 trillion by 2030 represents about 3.2% of the bank's total assets (whereas the median in our sample is 2.4%). That said, ING has made a similar commitment in absolute terms, which represents 5.9% of its assets, demonstrating that Barclays could go further still. Barclays' sustainable financing ambitions seem to fall short of the ambition the IEA says is needed to stay within 1.5C. Barclays is not on track to meet the $10 to every $1 ratio of clean energy to fossil fuel investment that the International Energy Agency says is needed by 2030. We predict that in 2030 the bank will have reached a ratio of 4.6:1 rather than 10:1 – the third lowest ratio in our sample.

Furthermore, our report finds that there is a gulf between how banks report on their financed emissions and the quantities of fossil fuels they are providing finance for. For example, Barclays reports a decline in its financed emissions of 44 per cent for its oil and gas portfolio between 2020 and 2023, yet Banking on Climate Chaos data shows their fossil fuel financing fell just 1 per cent in that period.

We are calling on banks to set targets which are ambitious, transparent and coherent. We are making five asks of Barclays:

1. **Ground its sustainable finance targets in a clear robust methodology**, disclosing how sustainable finance targets are quantified relative to the bank's decarbonisation commitments or credible scenarios, whilst also acknowledging Barclays' historical responsibility as Europe's largest fossil fuel financier;

2. **Set sectoral targets to underpin high-level sustainable finance targets, starting with renewable energy**, and outline a strategy for increasing finance for enabling infrastructure and early-stage technologies – Barclays has done well to set a sustainable target for the real estate sector, but does not currently complement its energy decarbonisation target with an interim target for renewable energy (as ShareAction called for in one of its questions at the bank's 2024 AGM);

3. **Ensure its decarbonisation and sustainable finance targets are consistent and comparable**. Whilst we commend Barclays for including the same products and services across its targets, and setting these across comparable timelines, **Barclays should now apply the same accounting principles to its targets.** Barclays is guilty of double standards by applying a 100% weighting for the sustainable finance it facilitates through capital markets, compared to only 33% for high-carbon transactions. This is especially problematic when we consider that Barclays supported at least one of the five largest fossil fuel bonds of 2023.

4. **Demonstrate how these targets – now coherent and consistent – are leading to real-world impact** by disclosing:

    a. **How Barclays' emissions reductions are driven by clients' performance and changes in exposure, and how changes in exposure are driven by its sustainable finance** – Barclays does well to report its overall absolute financed emissions reductions annually, but does not currently disclose how its sustainable finance is furthering its trajectory to net-zero (such as progress against its sustainable real estate sector target);

b. **The real-world impact of the bank's sustainable financing, starting with energy** – Barclays discloses the EPC profile of the housing it finances, but does not currently provide an impact metric for energy.

5. **Complement these targets with robust sector policies which consider human rights and environmental impacts** (such as financing exclusions for companies expanding oil and gas). We acknowledge that Barclays already has an Enhanced Due Diligence (EDD) process in place. However, it is unclear how Barclays' EDD works in practice and the impact it is having on the bank's financing decisions. For example, Barclays' largest fracking pureplay client, EQT Corporation, has been taken to court by New Freeport community members for causing them environmental and social harm due to its fracking activities. We would expect this to trigger red flags internally and lead the bank to take decisive action.

Banks should be doing a lot more than they are currently doing to finance the transition to a green and just economy. But, as our report recognises, the success of banks' targets also relies on external factors. Banks should transparently highlight which parts of their strategy critically depend on the actions of others and use their influence to ensure capital flows to sustainable activities at the scale and pace needed to avert the climate crisis. We encourage Barclays to set sector targets even in sectors facing regulatory challenges or other obstacles, and for the bank's leaders to highlight where and how these structural barriers could be alleviated in aid of more impactful sustainable financing. Importantly, target-setting is not a substitute for setting and adhering to robust sector policies, such as ending project and corporate finance for oil and gas companies with expansion plans.

We are committed to engaging with and supporting Barclays in the development of its policies and targets, and hope that our constructive dialogue will continue throughout 2025. As a next step, we expect you to take material action on your sustainable finance strategies by the end of 2025 by adhering to the asks above, or ShareAction and investors may consider taking escalatory action in 2026.

I ask that you respond to bankingteam@shareaction.org in writing by the **15th February 2025**. I truly wish you and your team a wonderful Christmas break and look forward to building on our valuable relationship in the new year.

Warm regards,

Jeanne Martin

Head of Banking Programme

ShareAction