

2021 Barclays Resolution



Shareholder Resolution

To promote the long-term success of the company, given the risks and opportunities associated with climate change, the company and the Directors be authorised and directed by the shareholders to:

1. Set, disclose and implement a strategy, with further and improved short-, medium-, and long-term targets, to phase out its provision of financial services (1) to fossil fuel (coal, oil and gas) projects and companies (2) in timeframes consistent with Articles 2.1(a) and 4.1 of the Paris Agreement (3) .
2. Report annually on progress under that strategy, starting from 2022, including a summary of the framework, methodology, timescales and core assumptions used, omitting commercially confidential or competitively sensitive information, and at reasonable cost.

Footnotes:

1. Particularly its financing activities, including project finance, corporate finance and underwriting
2. Including companies within the Global Industry Classification Standard-defined energy sector, gas utility companies, and electric utility companies that engage in generation and distribution of electricity using fossil fuel sources
3. http://unfccc.int/files/essential_background/convention/application/pdf/english_paris_agreement.pdf

Supporting Statement

Despite several announcements on climate change issues being made subsequent to last year's Annual General Meeting, our company has not demonstrated that its provision of financial services - particularly in regard to the coal, oil and gas sectors - is aligned with the Paris Agreement.

According to the Banking on Climate Change report, in the four years following the signing of the Paris Agreement, Barclays financed US \$118.11 billion to the coal, oil and gas sectors, making it Europe's largest fossil fuel financier and the world's seventh-largest. Between January and September 2020, our company financed another US \$24.58 billion to fossil fuels, an increase on the equivalent time period the previous year.

Without improved and additional targets and restrictions on the provision of financial services to high-carbon sectors such as fossil fuels, our company will continue to expose itself and its shareholders to unnecessary and unacceptable financial, reputational, policy and legal risks, identified by the G20 Financial Stability Board's Task Force on Climate-related Financial Disclosures.

Having declared a Net Zero ambition, Barclays must set and publish clear targets to phase out financial services and exposures to these sectors in line with the Paris goals.

Need for Improvement on Current Policies

The Intergovernmental Panel on Climate Change's (IPCC) special report on 1.5°C makes clear that - in the absence of unproven and speculative 'negative emissions technologies' - between 2010 and 2030, global energy from coal must decline 78%, oil 37% and gas 25% (P1 pathway). According to research from Climate Analytics, for a global coal phase out consistent with Paris, global coal-fired electricity use must fall by 80% from 2010 levels by 2030.

Barclays set a target in 2020 to reduce the absolute emissions of its energy sector portfolio by 15% by 2025. However, it has yet to set a target for 2030 in line with the emissions reduction trajectory required by the IPCC P1 pathway. Such a target is necessary to allow investors to determine if Barclays is transitioning its business to align with the Paris Agreement.

Given the above, continuing to finance the coal sector in the way our company plans is unavoidably inconsistent with the Paris goals. The principle of phasing out financial services for coal over time is correct, but Barclays has deferred restricting financial services for companies that derive more than 30% of revenue from thermal coal until 2025, delayed lowering the restriction threshold to 10% until 2030, and has no final coal phase-out date. The reliance on revenue also creates a loophole whereby highly diversified companies with significant coal mining and coal power operations can continue to receive financial services.

By comparison:

- a. Natwest pledged to stop lending to and underwriting companies with more than 15% of their activities related to coal by the end of 2021, unless their clients have a transition plan in line with the Paris Agreement.
- b. ING has committed to no longer finance clients in the utilities sector that are over 5% reliant on coal-fired power in their energy mix.
- c. Crédit Mutuel (20%) and Natixis (25%) already apply coal revenue exclusion thresholds, along with restrictions on highly diversified companies with significant coal businesses.

In addition, Barclays' restrictions on Arctic oil and gas drilling are unlikely to end its involvement in this practice, as many companies we are exposed to (such as ExxonMobil and Conocophillips) have diversified oil and gas portfolios predominantly outside the region.

Our peers have moved further, placing general restrictions on the oil and gas sectors. Natwest has pledged to progressively withdraw support from non-net zero aligned activity in the oil and gas sectors, if they do not have credible transition plans in line with the Paris Agreement in place by the end of 2021. Our company risks being left behind as others in the sector apply more stringent restrictions.

Our company's policies should reflect the stranded asset and systemic financial risks arising from any continued financing of fossil fuel expansion via either direct project or general corporate finance. Research using data from the International Energy Agency, the IPCC and energy analysts Rystad shows that the reserves in already-operating oil and gas fields, if burnt, would take the world beyond the 1.5°C Paris target. No financial

institution prepared to finance the expansion of the fossil fuel industry can credibly claim to be Paris-aligned.

Investor Expectations

As climate change concern continues to rise, investor expectations of financial institutions are evolving rapidly, particularly given the emergence of a new administration in the United States that will accelerate public, investor and regulatory pressure on financial institutions to act.

Investors are becoming impatient with companies that fail to manage climate risk. Proxy advisors ISS are recommending shareholders consider voting against directors who fail to manage that risk.

In July 2020, the Prudential Regulatory Authority wrote to CEOs of UK financial institutions, outlining their expectations that “firms should have fully embedded their approaches to managing climate-related financial risks by the end of 2021”.

Support for shareholder proposals requiring climate risk management has escalated dramatically in recent years, from single-digit votes of support to levels approaching the 50% threshold. Shareholders seeking disclosure from JP Morgan Chase last year about how it would align its lending with the Paris climate goals achieved 49.6% of the vote.

Investor Support Required

Barclays is a systemically important bank, and bears significant financial risk at its peril, along with its shareholders and the wider economy in which it operates. Despite its stated support for the Paris Agreement, our company remains an active financier of an expanding fossil fuel sector, further exposing shareholders to financial risks associated with the economic transition required to meet the Paris climate goals, as well as reputational risk ahead of this year’s UN COP26 climate summit in Glasgow.

We urge shareholders to vote in favour of this resolution.

Further Information

1. [Climate Analytics, ‘Coal phase-out,’](https://climateanalytics.org/briefings/coal-phase-out/) <https://climateanalytics.org/briefings/coal-phase-out/>
2. [Oil Change International, ‘Big Oil Reality Check,’](http://priceofoil.org/content/uploads/2020/09/OCI-Big-Oil-Reality-Check-vF.pdf) <http://priceofoil.org/content/uploads/2020/09/OCI-Big-Oil-Reality-Check-vF.pdf>, Pg4
3. <https://www.bankofengland.co.uk/-/media/boe/files/prudential-regulation/letter/2020/managing-the-financial-risks-from-climate-change.pdf>
4. <https://www.bloomberg.com/news/articles/2021-02-26/barclays-to-face-climate-resolution-for-second-year-in-a-row>

Investor Briefing

Executive summary

In 2020, Barclays announced changes to its climate change policy at and subsequent to its AGM.

Since the beginning of 2020, Barclays has:

- Financed coal, oil and gas globally in 2020 to the tune of US\$27 billion, according to the recently-released [Banking on Climate Chaos report](#), with the bank retaining its place as the heaviest financier of fossil fuels in Europe since the Paris Agreement was signed;
- Financed companies pursuing new and expanded coal mining and power, and oil and gas extraction assets;
- Increased funding for 'extreme' oil and gas projects (fracking, tar sands and Arctic oil and gas) by 32% in 2020 compared to 2019;
- Participated in financing syndicates worth nearly US\$100 billion to oil and gas companies, several of which have business strategies aligned with the failure of the Paris Agreement; and
- Fallen behind its peers in key policy areas related to climate change.

These are not the actions of a financial institution committed to aligning its financing with the Paris Agreement's goals.

The world's "carbon budget" of greenhouse gas emissions is now so limited that [the latest science points to the need to reach net-zero emissions by 2040](#) if we are to limit global warming to anything near 1.5°C. However, Barclays has an ambition of net-zero by 2050, using a scenario that [aims for net zero by 2070](#) as the basis for its targets.

While Barclays has set short-term targets (to 2025) in the power and energy sectors, it has so far failed to set medium- and long-term targets for these sectors. Its choice to use an emissions intensity reduction target in the power sector without a complementary target for absolute emissions makes it unclear whether and to what extent the company's total emissions exposure in the power sector will decline.

Barclays' appetite to finance companies in the thermal coal business remains far greater than its peers. Its commitment to exclude financing companies with more than 50% of revenue from thermal coal from 2020, decreasing to 30% revenue by 2025 and 10% by 2030 is already less ambitious than several competitors.

Examples include:

- [Natwest](#), which will not lend to or underwrite companies with more than 15% of their activities related to coal by the end of 2021, unless clients have a Paris-aligned transition plan.
- [ING](#) has committed to no longer finance clients in the utilities sector that are over 5% reliant on coal-fired power in their energy mix.
- [Crédit Mutuel](#) (20%) and [Natixis](#) (25%) apply coal revenue exclusion thresholds, along with restrictions on highly diversified companies with significant coal businesses.

Barclays' oil and gas commitments are clearly inadequate given that funding for fracking, tar sands oil and Arctic oil and gas increased 32% in 2020 compared to 2019, according to data from the [Banking on Climate Chaos](#) report.

Given this, Barclays is in no position to claim it is a leader on climate action.

Market Forces has engaged with Barclays for several years and with increasing frequency in the context of this resolution being developed. While conversations have been constructive, we have so far been unable to shift the position of the company and we now seek support in the form of a mandate from investors for Barclays to go further.

Market Forces has made clear to Barclays that we would be prepared to withdraw the resolution at any point up to the annual general meeting in the event that action is taken to address the clearest and most concerning gaps between the company's stated ambition and its ongoing financing. These are:

- commit to, as soon as possible, publish new short-, medium- and long-term targets to reduce absolute financed emissions in or financing exposure to its most carbon-intensive sectors in line with scenarios that provide the best chance of meeting the Paris Agreement's goals, and
- require entities seeking financing to **not** have plans to expand the scale of the fossil fuel industry, and to not base their business plans on scenarios known to be aligned with the failure of the Paris Agreement.

While neither of these constitutes a complete plan to orient the bank's financing activities to the goals of the Paris Agreement, either would sufficiently alleviate the concerns we have regarding Barclays' current action to warrant the withdrawal of the resolution and a return to engagement over the months ahead.

We recommend investors:

- engage with Barclays on the points raised in this briefing;
- recommend the company undertake the activities described in the dot-points above;
- vote FOR the resolution; and
- signal an intention to vote FOR the resolution in advance of the May annual general meeting.

Policy changes fail to prevent heavy fossil fuel financing

Despite announcing several climate change policy updates subsequent to last year's annual general meeting (AGM), Barclays remains one of the world's heaviest financiers of fossil fuels. We are concerned about both the quantum of financing as well as the recipients, many of which are pursuing business strategies demonstrably consistent with the failure of the Paris Agreement.

The [Banking on Climate Chaos report](#), released in March 2021, finds that in the five years following the signing of the Paris Agreement, Barclays financed US\$145 billion to the coal, oil and gas sectors, making it Europe's largest fossil fuel financier and the world's seventh-largest. The report also finds that Barclays provided US\$17.2 billion in 2020 to 'top fossil fuel expanders' – 100 key companies with the most concerning plans to expand the fossil fuel industry – the most of any year since Paris and an increase of 47% since 2019.

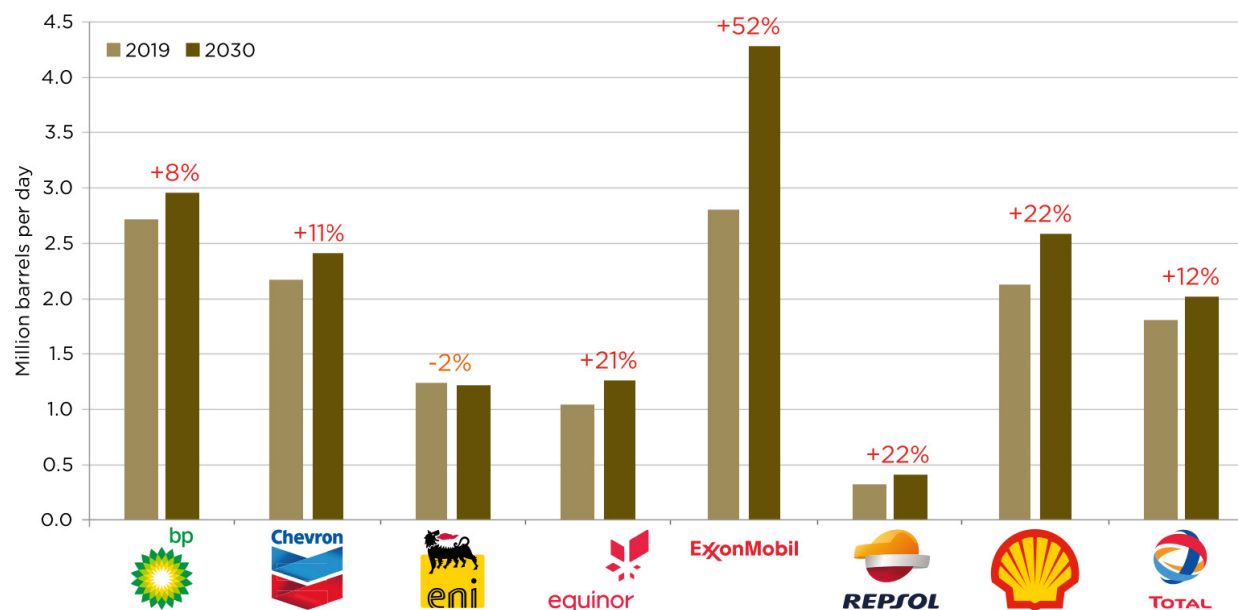
Oil and gas financing

Since January 2020, Market Forces has found Barclays participated in financing syndicates totalling US\$97.6 billion across 22 loan and bond deals for eight of the world’s largest integrated oil & gas companies; BP, Chevron, Eni, Equinor, ExxonMobil, Repsol, Shell, and Total. Apportioning Barclays’ role among other financiers in these syndicates, we estimate Barclays to have arranged approximately US\$12.2 billion of the total US\$97.6 billion.

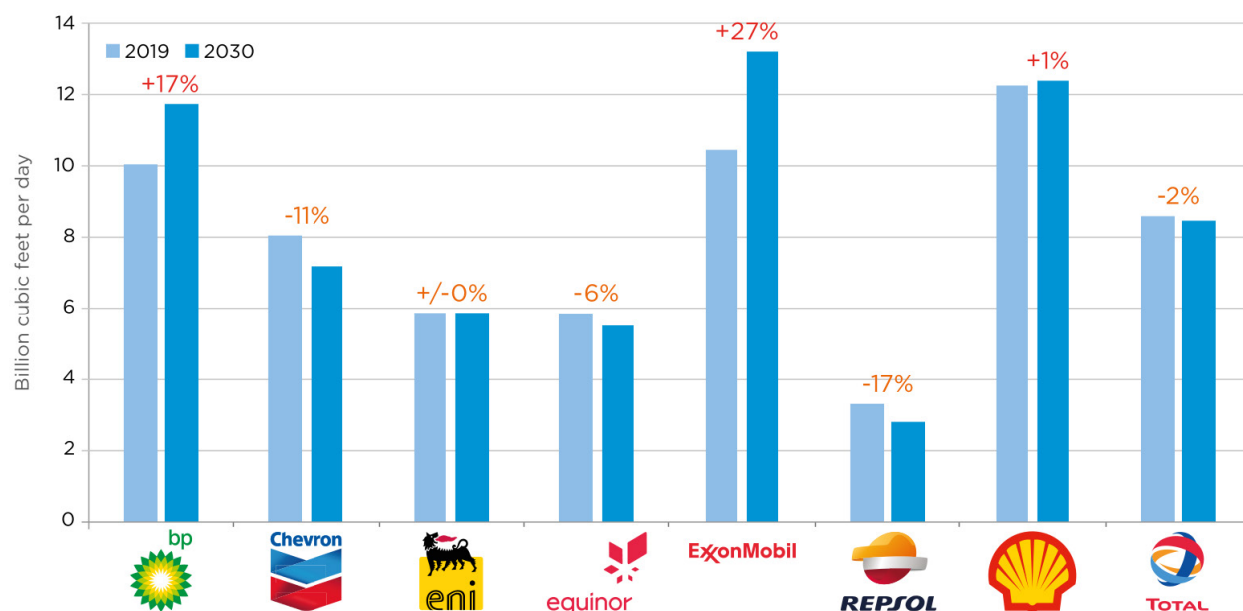
Globally, Barclays is the fourth-largest financier of Arctic oil since the Paris Agreement was signed and is a funder of Enbridge, the company behind the controversial Line 3 pipeline expansion in Minnesota, which would transport [760,000 barrels of tar sands oil per day](#) and facilitate another [193 million tonnes of CO2](#) released into the atmosphere every year. The East African Crude Oil Pipeline (EACOP) is another project that exemplifies the gap in Barclays’ climate strategy. On 18 March 2021, Barclays [ruled out](#) supporting EACOP directly, but remains a financier of Total, which is not only pursuing EACOP, but many other expansionary fossil fuel projects.

Despite the [Production Gap report](#) finding global oil and gas production must decline by 4% and 3% per annum (respectively) by 2030 in a Paris-aligned pathway, [Oil Change International](#) found the aforementioned oil majors were on track to collectively increase oil and gas production by 19% and 3% (respectively) by 2030. By the time this study was released in August 2020, Barclays had participated in 18 oil major deals in 2020 worth US\$86 billion.

Figure 1: Projected change in oil production to 2030 by company



Projected change in gas production to 2030 by company



Source: Rystad Energy UCube, based on company assets and projected investments as of August 2020, as cited by [Oil Change International, September 2020](#)

Since then, several of these companies have announced changes to their strategies that reduce production. However, others remain intent on expanding oil and gas production, basing these plans on scenarios demonstrably consistent with the failure of the Paris Agreement.

Both Chevron and ExxonMobil justify their future business prospects by relying on the IEA's STEPS scenario, which [the IEA states is aligned with a 2.7°C warming outcome](#).

Carbon overreach by oil majors

"Companies that continue to sanction higher-cost projects which do not fit with a lower demand scenario risk destroying significant shareholder value through the creation of stranded assets, as well as contributing to the failure to achieve climate goals."

– [Carbon Tracker, November 2019](#)

According to [Carbon Tracker](#), there is significant potential for value destruction among the oil majors, as their capex plans would breach the Paris Agreement's goals. As shown in Table 1, a significant proportion of the oil majors' potential capex (the level of capex modelled as going ahead under the IEA's central Stated Policies Scenario - STEPS) falls outside the available carbon budget within the IEA's Sustainable Development

Scenario (SDS), Barclays' preferred (albeit inadequate, as explained on Page 13 of this briefing) scenario for developing its climate strategy.

Table 1: Oil majors' 2020-2030 potential capex outside SDS budget – unsanctioned, all oil & gas projects

Company	% of STEPS capex outside SDS budget (% band) – unsanctioned projects	% of STEPS capex outside SDS budget (% band) – all projects
BP	40% – 50%	20% – 30%
Chevron	20% – 30%	10% – 20%
Eni	20% – 30%	10% – 20%
Equinor	70% – 80%	40% – 50%
ExxonMobil	40% – 50%	20% – 30%
Repsol	30% – 40%	20% – 30%
Shell	50% – 60%	30% – 40%
Total	50% – 60%	20% – 30%

Source: Adapted from [Carbon Tracker Initiative](#), October 2020. "STEPS capex" is the level of capex modelled as going ahead under the IEA's central Stated Policies Scenario.

The largest projects involving the oil majors due for sanction in 2020-2022 that fall outside the SDS carbon budget, according to Carbon Tracker, are listed in Table 2 below, with Barclays' known clients highlighted in bold.

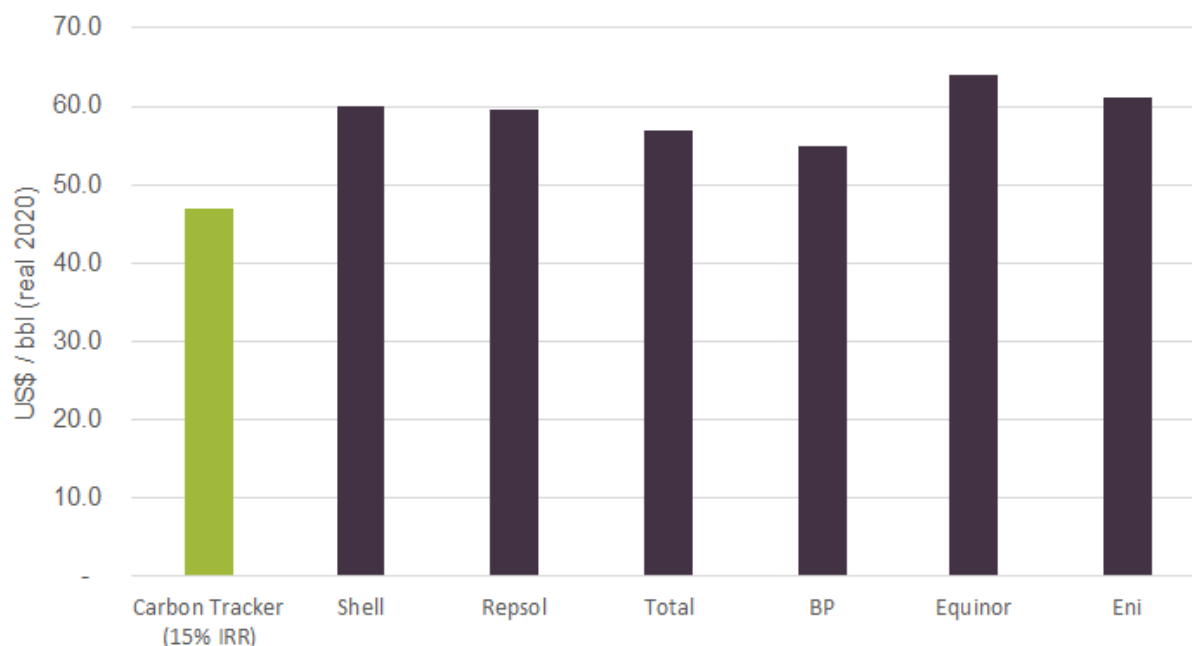
Table 2: 5 largest (by 2020-2030 capex) oil major oil & gas projects due for sanction in 2020-2022 outside SDS budget

Project - Asset(s)	Country	2020-2030 Capex (US\$bn)	Resource Theme	Partners (* denotes operator, oil majors supported by Barclays highlighted)
Greater Liza (Payara) – Prosperity	Guyana	5.6	Conventional – Ultra deep-water (1500+ meter)	CNOOC, ExxonMobil* , Hess
NW Shelf LNG – Torosa (Browse)	Australia	5.6	Conventional – Shelf (to 125 meter)	BHP, BP, Chevron , CNOOC, Mitsubishi Corp, Mitsui, Shell , Woodside*
Absheron – Phase 1	Azerbaijan	4.0	Conventional – Deep water (125-1500 meter)	Total* , Socar, Engie E&P
Mero (Libra NW) – Mero 4	Brazil	3.7	Conventional – Ultra deep-water (1500+ meter)	Petrobras*, Shell, Total , CNOOC, CNPC (parent)
Neptun – Domino & Pelican South	Romania	2.8	Conventional – Deep water (125-1500 meter)	ExxonMobil* , OMV, Petrom (Romania)

Source: Adapted from [Carbon Tracker Initiative, October 2020](#)

Six of the oil majors have adopted long term oil price assumptions above [Carbon Tracker’s SDS-aligned oil price beyond 2026](#) (see Figure 2). This serves to underscore the concern that each of these companies are preparing for a world where the oil market and demand is significantly larger than what a stable climate can tolerate. According to [WorldOil](#), ExxonMobil and Chevron do not disclose their long-term oil price assumptions.

Figure 2: Long-term oil price assumptions (Carbon Tracker, oil majors)



Source: [Carbon Tracker](#), [Shell](#), [Repsol](#), [Total](#), [BP](#), [Equinor](#), [Eni](#)

An example in the financial sector of an asset manager requiring Paris alignment from companies is Nordea. Nordea Asset Management’s Head of Responsible Investments, Eric Pedersen, said in March 2021 that “energy companies must have a strategy for complying with the Paris Agreement and limiting emissions from fossil fuels – and they must have started the hard work of changing their business model.”

He clarified that “no oil and gas producers and of course coal miners live up to these requirements at present”. This would include oil majors such as Shell, BP and ExxonMobil, all of which Barclays has arranged finance for since January 2020.

Coal financing

Barclays remains a major funder of the coal industry, despite its current coal policies (critiqued in detail on Page 14). Barclays has provided more finance for coal mining and coal power than any other UK bank since the Paris Agreement was signed - even more than Asia-focused HSBC or Standard Chartered. According to the [Banking on Climate Chaos report](#), Barclays has provided US\$4.5 billion for coal mining and coal power since Paris. Moreover, the bank’s financing for these sectors has increased since the signing of the Paris Agreement.

[According to research using the Global Coal Exit List](#), between October 2018 and October 2020 Barclays was the 5th-largest lender to the coal industry globally (US\$13.4 billion), and the 18th-largest underwriter. Barclays is funding companies expanding the coal industry, which runs against the spirit of its pledge of “no

project finance to enable the construction or material expansion of coal-fired power stations anywhere in the world”.

Barclays participated in a [US\\$9.975 billion](#) revolving credit facility for Glencore in March 2020, and an [€850 million](#) bond for Glencore in September 2020. Glencore [continues to pursue](#) the expansion and extension of its Glendell thermal coal mine in New South Wales, Australia, which would [grant it access](#) to another 135 million tonnes of coal reserves. This would also extend operations at Glendell until 2044, well past 2030, when [OECD countries must exit thermal coal to be consistent with the Paris Agreement](#).

Barclays has also arranged finance in the last year for other companies on the [Global Coal Exit List](#), including [Shanghai Electric Group](#) and Anglo Pacific Group.

Shanghai Electric Group is [developing](#) the 1,320 MW Thar Block-1 coal-fired power station in Pakistan, and is a significant supplier of coal-fired power station equipment globally, [stating](#) in September 2020 that it “further advanced the going global strategy and obtained more orders in overseas [coal] market, partially offsetting the impact of the declining demand in domestic coal-fired power market”. In the first half of 2020, the company won bids and secured orders for the supply of equipment for coal power projects in China, Mongolia, Indonesia and Bangladesh.

[Lawyers last month challenged Barclays](#) over its co-arrangement of a £250 million bond for the Japan Bank for International Cooperation (JBIC) which could be used to fund Vung Ang 2, a new coal-fired power station in Vietnam.

Barclays cannot claim its financing is aligned with the Paris Agreement while continuing to finance companies pursuing strategies that would lead to its failure, or lead to the creation of stranded assets which carry enormous financial risks. This is a serious failure of the company’s current climate policy that requires urgent attention.

Defining Paris-aligned policy and action

“To avoid exceeding the remaining carbon budget, we need to stop emitting CO2 altogether. A budget of 440 billion tonnes from 2020 means that global CO2 emissions need to decrease to net-zero by about 2040.”

– [Prof. Damon Matthew, Dr. Kasia Tokarska, January 2021](#)

The world has reached a point of intense and acute urgency in terms of our ability to prevent global warming spiralling out of control and its worst impacts manifesting. While the complexity of managing carbon out of the economy remains, some stark conclusions have crystallised in recent years. Notably:

- there is no room to expand the scale of the fossil fuel industry, and
- we need to reach net-zero emissions far sooner than previously thought, given the pace at which we are exhausting the carbon budget.

This section briefly elaborates on these points before testing Barclays' policies in reference to them.

No new fossil fuels

The Executive Director of the International Energy Agency [stated](#) in 2018 that to limit temperature rise to 2°C, let alone 1.5°C, “We have no room to build anything that emits CO2 emissions”. [Peer-reviewed research](#) published in Nature also concludes that achievement of the Paris Agreement means “little or no additional CO2-emitting infrastructure can be commissioned”.

In August 2019, Emeritus Professor Will Steffen from Australian National University [told a joint symposium](#) of the Australian Academy of Science and Australian Academy of Law: “No new fossil fuel developments, be it coal, gas, unconventional gas, or oil are permissible if you're serious about the Paris target”

In other words, leading scientists and energy economists have known for years that meeting the Paris Agreement's goals requires us to stop expanding the scale of the fossil fuel industry.

UN Secretary-General António Guterres echoed these concerns in March 2021 as he told [representatives](#) from governments, local authorities and the private sector to cancel all coal projects in the pipeline.

Blowing the budget

There is mounting concern among scientists at the rate which we are burning through our carbon budget to hold global warming to 1.5°C or even 2°C. [Findings published in January 2021](#) indicating we are set to exhaust our carbon budget for a 50% chance of holding global warming below 1.5°C in 10 years. For a 66% chance of keeping global warming from passing this critical mark, we are currently on track to exhaust our carbon budget in 5 years. They concluded that we need to be aiming for net zero emissions by 2040 and possibly even 2030.

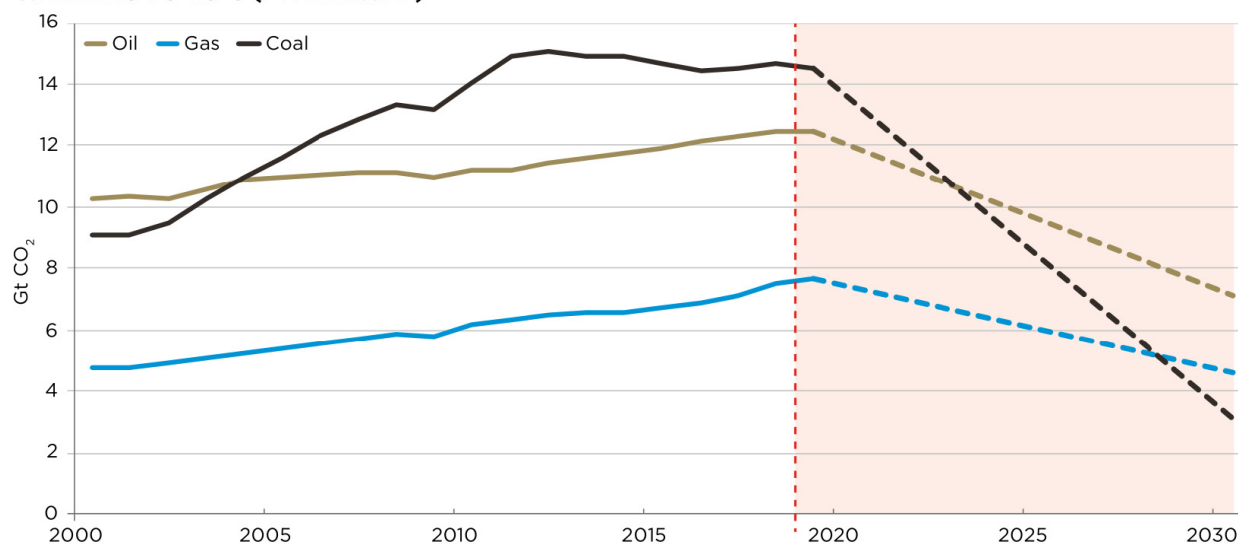
Similarly, Emeritus Professor Steffen says an ‘optimistic’ budget for a 66% chance of achieving 1.5°C “[would imply a 50% reduction \[of greenhouse gas emissions\] by 2028 and net zero by 2036](#)”.

How far do emissions need to fall?

The [IPCC's Special Report on Global Warming of 1.5°C](#) demonstrates that, without relying on assumptions that carbon capture and storage technology will play a significant future role (in its “P1 pathway”), the role of gas for primary energy must decline globally (from a 2010 baseline) by 25% by 2030 and 74% by 2050, with oil's share of primary energy falling 37% and 87% over the same time frames. The declines in emissions under the P1 pathway are illustrated in Figure 3.

Figure 3: Projected decline of oil, gas and coal emissions this decade to limit warming to 1.5°C (P1 pathway)

FIGURE 2: PROJECTED DECLINE OF OIL, GAS, AND COAL EMISSIONS THIS DECADE TO LIMIT WARMING TO 1.5°C (P1 PATHWAY)



Sources: Carbon Brief analysis of data from IPCC SR15 and Global Carbon Project[®]

Source: [Carbon Brief analysis](#) of data from IPCC SR15 and Global Carbon Project, as cited by [Oil Change International](#)

[Analysis](#) of the IPCC’s modelling has found “over the next decade any production from new oil and gas fields, beyond those already in production or development, is incompatible with limiting warming to 1.5°C”. Existing coal power capacity [must be phased out](#) completely by 2030 in OECD countries, and by 2040 globally.

Barclays’ strategy falls well short

Ambition

Barclays’ policies and strategy are based around the ambition of net-zero by 2050. We now know this to be inadequate given the rapidly-diminishing carbon budget. However, another concern emerges regarding the framing of Barclays’ actions.

By using the IEA’s Sustainable Development Scenario (SDS), **Barclays is setting its climate agenda based on a scenario that admits to [aiming for net-zero by 2070](#), three decades later than what the latest science prescribes as necessary.**

Targets

Barclays has set a target to reduce the absolute emissions of its energy sector portfolio by 15% by 2025. We are concerned Barclays is not clarifying its medium- and long-term intentions for reducing financed emissions from this sector. The TCFD and investor initiatives such as Climate Action 100+ have mainstreamed expectations regarding companies setting metrics and targets over the short-, medium and long-term.

Further, the 2025 energy sector target appears in [Barclays' own reporting](#) as broadly in line with the long-term trajectory set by the IEA's SDS which, as explained, is aligned to net-zero by 2070.

For the power sector, Barclays has not set an absolute emissions target, instead publishing an emissions intensity reduction target of 30% by 2025, measured as kg CO₂ / MWh. This means it is not possible to determine what Barclays' total power sector emissions will be in 2025 without knowing the scale of the bank's financing. A major increase to the bank's power sector financing could result in an increase in total emissions, which is what counts most in terms of climate impacts.

Additionally, our concerns relating to Barclays' energy sector target aligning with the IEA SDS and no medium- or long-term targets being set also apply to its power sector target.

Coal policy

Barclays' coal sector policy is that no financing will be provided to clients that generate more than 50% of revenue from thermal coal activities. This threshold drops to 30% from 2025-30, and 10% from 2030 onwards. This reflects a lack of ambition, especially when compared to Barclays' competitors.

Until 2025, Barclays' policy allows it to fund companies that generate up to 50% of their revenues from coal, including many companies intent on expanding the scale of the coal industry. According to [data analysed by Shareaction](#), 30 companies with a coal share of revenue below 50% operate 180 gigawatts (GW) of coal power capacity. These companies are still eligible for finance from Barclays. [According to Reclaim Finance](#), 200 coal companies derive less than 50% of their income from coal, but together plan to build six times more coal power capacity than the entire installed capacity of Germany. Barclays' current policy does not exclude companies that earn between 30%-50% of their revenue from coal until 2025, and these companies will be eligible for financing until 2030.

Several of Barclays' competitors have gone further on restricting coal financing, including:

- [Natwest](#), which will not lend to or underwrite companies with more than 15% of their activities related to coal by the end of 2021, unless clients have a Paris-aligned transition plan.
- [ING](#) has committed to no longer finance clients in the utilities sector that are over 5% reliant on coal-fired power in their energy mix.
- [Crédit Mutuel](#) (20%) and [Natixis](#) (25%) apply coal revenue exclusion thresholds, along with restrictions on highly diversified companies with significant coal businesses.

Barclays has not ruled out financing the expansion of the coal industry across all its financing activities. By comparison, Crédit Agricole, the world's [10th largest](#) bank by total assets, [committed](#) in June 2019 to no longer provide financial services, from 2021 onwards, to existing clients developing new thermal coal projects and those who fail to develop and communicate a Paris-aligned thermal coal exit plan.

BNP Paribas, the world's [9th largest](#) bank by total assets, [committed in July 2020](#) to exclude finance for new and existing clients with thermal coal expansion plans and those that fail to adopt a Paris-aligned thermal coal exit plan.

Given Barclays' exposure to and significance in US markets, it is also worth comparing the position of Citi, which in March 2021 became the first US bank to [commit to](#) "not onboard any new clients that have plans to expand coal-fired power generation" after 2021. While this is not an especially material development given it only impacts new clients of which we expect there to be few, it nonetheless is a stronger commitment than we have seen from Barclays.

In addition, Barclays' policy includes no final end date for financial services to the coal industry. The company must demonstrate clearly when this support will end. BNP Paribas, for example, plan to have "[zero exposure to thermal coal power capacities by 2030 in the European Union and OECD, and by 2040 in the rest of the world,](#)" with a mandatory requirement for coal companies to have an exit plan by the end of 2021, leading to an exclusion of companies developing new coal plants. In Australia, Commonwealth Bank, ANZ and Westpac have all committed to have no exposure to thermal coal by 2030. HSBC [recently committed](#) to phase out financing of coal power in the OECD by 2030 and the rest of the world by 2040.

There are other useful examples of more strident action beyond the banking sector. AIA, the largest independent publicly listed pan-Asian life insurance group, "[will divest and / or run off](#) [its] entire directly managed equity and fixed income exposure to coal mining and coal-fired power businesses by end of 2021 for equity and 2028 for fixed income". Unlike Barclays' approach to thermal coal divestment, AIA's approach will apply to all coal mining and coal-fired power companies "regardless of revenue and coal capacity". QBE, Suncorp and IAG, Australia's three main insurers have also committed to eliminate thermal coal exposure in their underwriting and investment portfolios by 2030, 2025 and 2023 respectively.

Oil and gas sub-sector policies

Barclays has produced several oil and gas sub-sector policies for 'extreme' fossil fuels. The inadequacy of these are easy to demonstrate. According to [Banking On Climate Chaos](#), Barclays' funding for fracking, tar sands oil and Arctic oil increased by 32% in 2020 compared to 2019.

Barclays' policy of prohibiting financing for fracking projects in the UK and Europe, when the overwhelming majority of its fracking business is in the United States, is clearly a policy based more on public relations than climate change mitigation. The policy has not affected the bank's position as the biggest non-US financier of fracking.

We have already detailed above how Barclays' financing of coal, oil and gas companies is enabling the expansion of the fossil fuel industry, itself an act that is not compatible with the Paris climate goals. So we will not reiterate this here.

In summary, Barclays is:

- basing its appetite and strategy on a scenario that aims for achieving net-zero emissions three decades or more later than is required to meet the Paris Agreement's goals,
- setting targets in line with this inadequate agenda and those targets fail to clarify the company's medium- and long-term plans, and
- is in the short term helping companies to lock-in decades' more greenhouse gas emissions through the expansion of coal, oil and gas.

Expectations grow among investors, regulators, customers

Investor support for climate risk management

On 11 March 2021, [HSBC announced it will propose](#) its own special resolution on climate change at its AGM on 28 May 2021. This was in response to shareholder pressure, escalating to the point of a shareholder proposal lodged by ShareAction on behalf of institutional investors.

ISS announced in February this year that it has [updated its proxy voting policy](#) to allow it to recommend votes against company directors over “material failures ... including, demonstrably poor risk oversight of environmental and social issues, including climate change”. This will influence voting recommendations across the 44,000 company reports produced by ISS each year.

In late 2020, investors voted on shareholder resolutions lodged by Market Forces with Australian banks ANZ and NAB calling for “strategies and targets to reduce exposure to fossil fuel (oil, gas, coal) assets in line with the climate goals of the Paris Agreement”.

The votes recorded were double that of the near-identical resolutions lodged with the banks in 2019, reaching [28.74% \(ANZ\)](#) and [26.43% \(NAB\)](#). These unprecedented levels of support came after ANZ, just several months ahead of its AGM, unveiled an update to its energy policy including a commitment to exit project finance for thermal coal by 2030. The results are a stark reminder of the increasing willingness of investors to support banks aligning their portfolios with the Paris Agreement.

Regulatory expectations

In July 2020, the Prudential Regulation Authority [wrote to CEOs of UK financial institutions](#), outlining their expectations that “firms should have fully embedded their approaches to managing climate-related financial risks by the end of 2021”.

In addition, the election of a new administration in the United States means increased regulatory attention on climate change. The Securities & Exchange Commission recently announced its intention to [‘enhance \[its\] focus on climate-related disclosure in public company filings.’](#) In March 2021, the [SEC forced ConocoPhillips and Occidental to hold shareholder votes on emissions targets](#). This more interventionist approach by the US authorities is likely to be only the beginning of increased regulation on publicly-listed companies that contribute to climate change.

Customer expectations and reputational risks

The November 2021 UN Climate Change Conference in Glasgow (COP26) places expectations on governments and the private sector to ratchet up climate ambition to achieve the Paris Agreement’s climate goals. Scrutiny will be especially intense for governments, companies and financial institutions from the host nation. Barclays, like all UK-based firms, can expect increased climate-related reputational risk and would be well-advised to align its strategy and actions to the Paris Agreement in the first half of the year.

With public concern on climate change escalating, Barclays faces increased reputational risks as long as it remains the largest fossil fuel funder in the UK and Europe. Climate change [protests](#) are gathering pace and [disquiet](#) regarding banks funding of fossil fuels will increase.

[A poll conducted by ICM Unlimited](#) for Market Forces published in January 2021 shows that 79% of Barclays customers were unaware that the bank funds fossil fuels (only around 1 in 5 customers were aware). Two-thirds believe that the bank should be expected to avoid investing in fossil fuels. Presented with the information that Barclays is a major fossil fuel funder, a third say they would consider changing banks, with 1 in 10 reporting they would be 'very likely' to switch, which translates to around 2 million Barclays customers in the UK. This demonstrates that the bank carries an underlying risk to its customer base as public knowledge of its role as the biggest fossil fuel funder in Europe increases.

These factors place the bank's reputation in danger and highlight the clear expectations customers and broader society have of the bank.

Market Forces' engagement with Barclays

Market Forces has engaged with Barclays for several years and with increasing frequency in the context of this resolution being developed. While conversations have been constructive, they have so far been unable to shift the position of the company and we now seek support in the form of a mandate from investors for Barclays to go further.

Market Forces has made clear to Barclays that we would be prepared to withdraw the resolution in the event that action is taken to address the clearest and most concerning gaps between the company's stated ambition and its ongoing financing. These are:

- commit to, as soon as possible, publish new short-, medium- and long-term targets to reduce absolute financed emissions in or financing exposure to its most carbon-intensive sectors in line with scenarios that provide the best chance of meeting the Paris Agreement's goals, and
- require entities seeking financing to **not** have plans to expand the scale of the fossil fuel industry, and to not base their business plans on scenarios known to be aligned with the failure of the Paris Agreement.

Investor support required

Despite its stated support for the Paris Agreement, Barclays has failed to set out an ambition, strategy or targets that clearly match its goals. Moreover, it is currently financing companies and activities that are locking in decades more greenhouse gas emissions when the latest climate science tells us we need to reach net zero emissions by 2040 or sooner. This is exposing the company and its investors to both financial and non-financial climate risks.

Investor support for the Shareaction-coordinated resolution at last year's annual general meeting helped push Barclays to improve its policies and accordingly, voting for this resolution will help improve Barclays' policies further.

Market Forces is ready to engage with investors, proxy advisors and Barclays ahead of the May AGM to secure the best possible outcome for all parties.

We recommend investors:

- engage with Barclays on the points raised in this briefing,
- recommend the company undertake the activities described in the dot-points above,
- vote FOR the resolution, and
- signal an intention to vote FOR the resolution in advance of the May annual general meeting.

Appendix One: Bloomberg Article

Barclays to Face Climate Resolution for Second Year in a Row

By Alastair Marsh

February 25, 2021, 11:00 PM PST Updated on February 26, 2021, 3:32 AM PST

For the second consecutive year, Barclays Plc shareholders will vote on whether the bank should wind down its lending to the fossil-fuel sector.

A group of individual investors, coordinated by Market Forces, an Australian non-governmental organization, filed a resolution calling on the British bank to bring its financing for coal, oil and gas companies in line with the goals of the Paris climate agreement. The group also demands that the bank introduce short-, medium- and long-term targets to phase out financing to the industries and report on its progress.

As Europe's biggest fossil-fuel banker, Barclays has been criticized for its role in bankrolling some of the largest emitters of greenhouse gases. Banks are major contributors to global warming via their financing and lending activities, providing the world's leading polluters with funding for extraction and drilling.

"Barclays still represents a clear and present climate risk, and is overheating investors' portfolios through its massive financing of global emissions," said Adam McGibbon, an Edinburgh-based campaigner at Market Forces, in an interview. "There's no sensible Paris-alignment plan that doesn't involve rapidly phasing out fossil-fuel finance."

McGibbon said shareholders are calling on Barclays to reduce its lending in line with the time frames that scientists have specified as necessary to limit warming to 1.5 degrees Celsius above pre-industrial levels, the more ambitious goal under the Paris Agreement.

Coal and Oil

Climate scientists have said to have a chance of reaching the target, global energy use from coal must decline by 78% from 2010 levels by 2030, while oil use should fall 37% and gas 25%. As such, Market Forces is calling for a commensurate reduction in financing to those sectors.

Barclays's current plans make it "a significant funder of the coal industry until at least 2030" and it has not set any targets to reduce oil and gas exposure over time, the NGO said.

Last year, Barclays became Europe's first bank to face a climate change resolution when a group of investors led by ShareAction, another NGO, requested that it phase out financing to energy firms that don't align with the Paris Agreement's climate goals.

The bank responded by announcing its own plan to cut its net greenhouse-gas emissions to zero over the next three decades and said it planned to adjust its lending and capital-markets activities to be compatible with the goals of the Paris accord. It added further details at the end of last year, saying it had joined an industrywide group that measures emissions from lending and underwriting, and developed its own methodology for calculating funded emissions.

A Barclays spokesperson said the bank will continue to discuss its climate ambitions and progress with its investors, while not offering comment on the specifics of Market Forces' request.

Only 24%

ShareAction's 2020 resolution received just 24% of the vote as several large investors threw their weight behind Barclays's net-zero proposal. McGibbon said he expects this year's resolution to attract broader support, though whether it's backed by sufficient numbers to be adopted may depend on how the bank responds.

Since the Paris climate agreement was signed in December 2015, Barclays has helped arrange \$93.9 billion of bonds and loans for energy companies, excluding solar, wind and other renewable producers, more than any bank in Europe, according to data compiled by Bloomberg.

JPMorgan Chase & Co., Wells Fargo & Co. and Citigroup Inc. have been the biggest lenders to corporate emitters, while HSBC Holdings Plc and BNP Paribas SA are among Europe's largest financiers, Bloomberg data show. Barclays has said the company's fossil-fuels business is commensurate with the scale of its overall investment-banking franchise and it hasn't financed clients its peers turned down.

Shareholders will vote on the resolution at Barclays's annual meeting in May.

Appendix Two: City AM Article

Barclays faces fresh shareholder showdown over fossil fuels ahead of COP26

By Michiel Willems

Tuesday 2 March 2021 10:00 am

Barclays faces a second consecutive year of shareholder pressure on its position as Europe's largest fossil fuel financier, after a shareholder resolution has been filed for the bank's upcoming AGM on 5 May.

The resolution calls for financing and exposure to coal, oil and gas to fall in line with the Paris Agreement's climate goals.

Despite several alterations to policy related to climate change made after last year's annual general meeting, Barclays "still has not demonstrated that its provision of financial services – particularly in regard to the coal, oil and gas sectors – is aligned with the Paris Agreement," according to environmental lobby group Market Forces, which has initiated the motion.

COP26 later this year

Following a similar resolution targeting HSBC, scrutiny on UK financial institutions is increasing ahead of the United Nations COP26 Climate Summit in Glasgow later this year.

Barclays remains Europe's biggest financier of fossil fuels and the seventh largest in the world, financing just over \$118bn to the coal, oil and gas sectors in the four years since the Paris Agreement.

Between January and September 2020, Barclays financed another \$24bn to fossil fuels, an increase on the equivalent time period the previous year.

"If you want to see how effective Barclays' climate policies are, you only need to look at its financing. After all the noise the bank has made over the last year, Barclays remains the biggest fossil fuel financier in Europe and the fifth biggest coal lender in the world. That's not how a Paris-aligned bank behaves," commented Adam McGibbon, a UK campaigner with Market Forces.

He told City A.M. that "investors are increasingly astute at seeing through the greenwash and we expect them to take responsibility for supporting Barclays to genuinely curb its exposure to all fossil fuels."

Coal

Last week, a new report found Barclays to be the fifth largest lender in the world to the coal industry over the past two years.

In particular, Barclays is on course to remain a significant funder of the coal industry until at least 2030, expanding the scale of the industry. Compared to competitors such as Natwest, ING, Crédit Mutuel and Natixis, Barclays' plans to reduce coal exposure are slower.

Market Forces pointed out that, unlike competitors such as Natwest, Barclays has not set targets to reduce oil and gas exposure over time.

The resolution's supporting statement notes how, without further targets and restrictions on fossil fuel investment, Barclays will "continue to expose itself and its shareholders to unnecessary and unacceptable financial, reputational, policy and legal risks, identified by the G20 Financial Stability Board's Task Force on Climate-related Financial Disclosures."

If passed, the resolution will require the company to set further and improved short-, medium-, and long-term targets, to phase out its provision of financial services to fossil fuels, in timelines consistent with the Paris Agreement.

When approached by City A.M. this morning, no one at Barclays in London was available to discuss the upcoming motion.