WORD COUNT: 962 / 1000

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 1.5ºC 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.[1]

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.

[1] Climate Analytics, 'Coal phase-out,' https://climateanalytics.org/briefings/coal-phase-out/

By comparison:

- 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.
- 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%) 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 1.5ºC Paris target. No financial institution prepared to finance the expansion of the fossil fuel industry can credibly claim to be Paris-aligned.[2]

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".[3]

[2] Oil Change International, 'Big Oil Reality Check,' 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

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.