INVESTOR BRIEFING

marketforces.org.uk

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Barclays (LSE:BARC)

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Shareholder resolution: Paris-aligned finance

Investors are urged to vote in favour of the following resolution, which Market Forces has worked with shareholders to propose at the upcoming annual general meeting of Barclays plc:

> "*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*"

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.

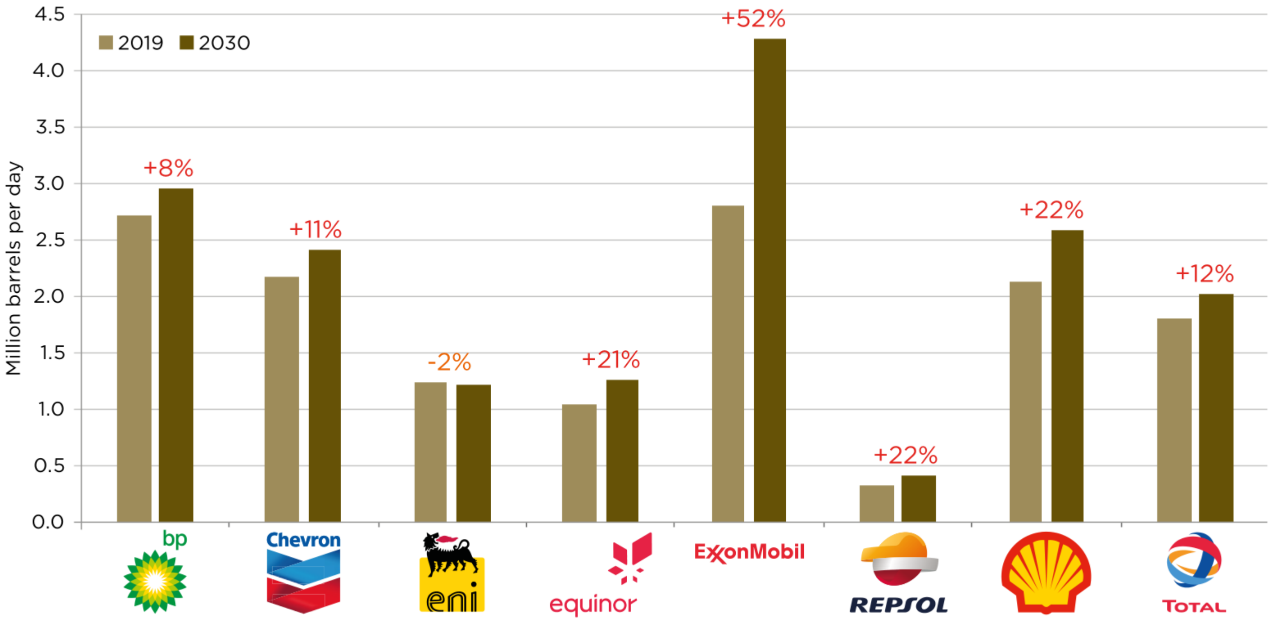
Oil and gas financing

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.

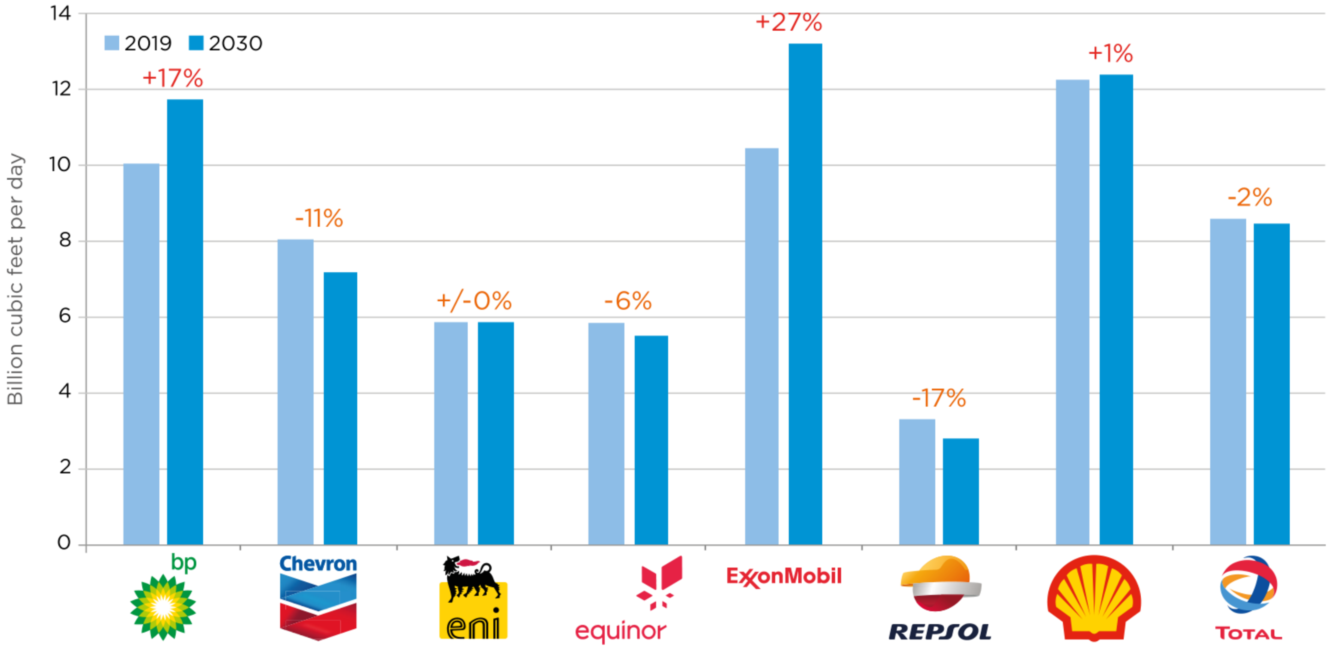
Globally, Barclays is the fourth-largest financier of Arctic oil since the Paris Agreement was signed and is a funder of Enbridge, the company behind the controversial Line 3 pipeline expansion in Minnesota, which would transport 760,000 barrels of tar sands oil per day and facilitate another 193 million tonnes of CO_2 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.

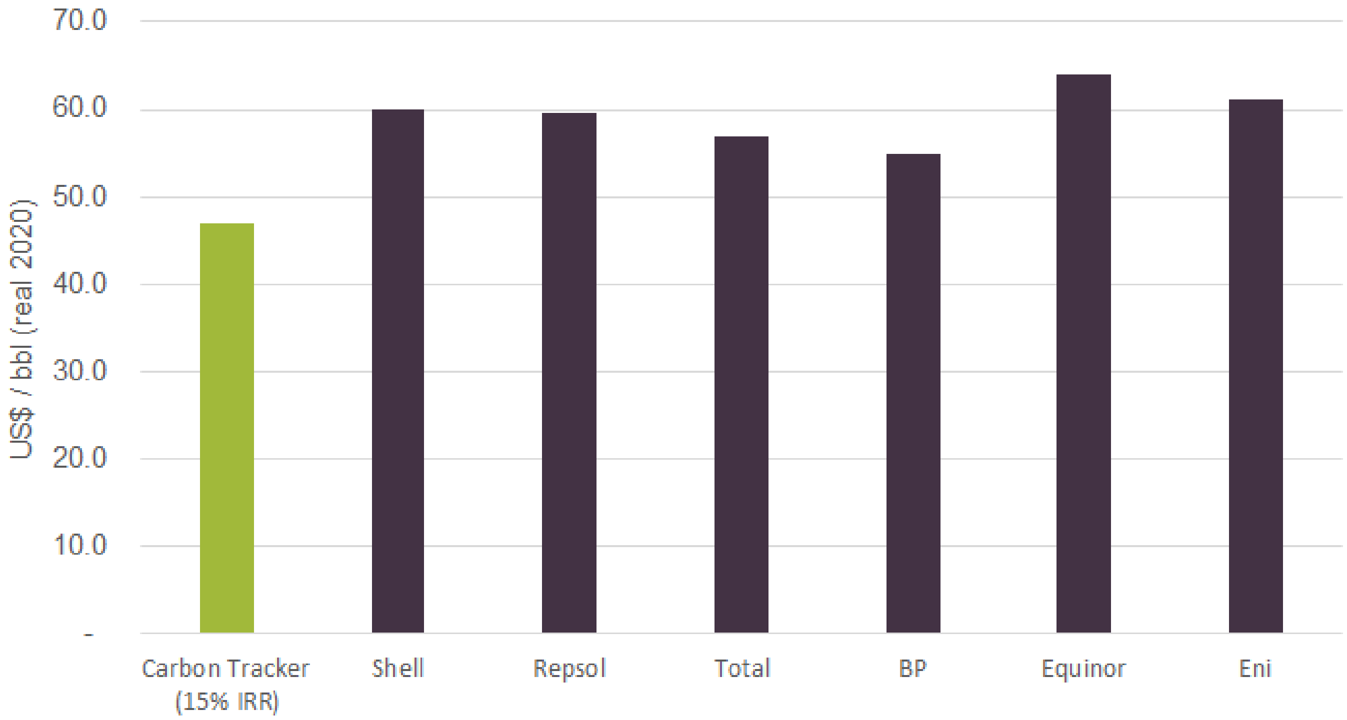
Table 2: 5 largest (by 2020-2030 capex) oil major oil & gas projects due for sanction in 2020-2022 outside SDS budget

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 CO_2 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 crystalised 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 CO_2 emissions". Peer-reviewed research published in *Nature* also concludes that achievement of the Paris Agreement means "little or no additional CO_2-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

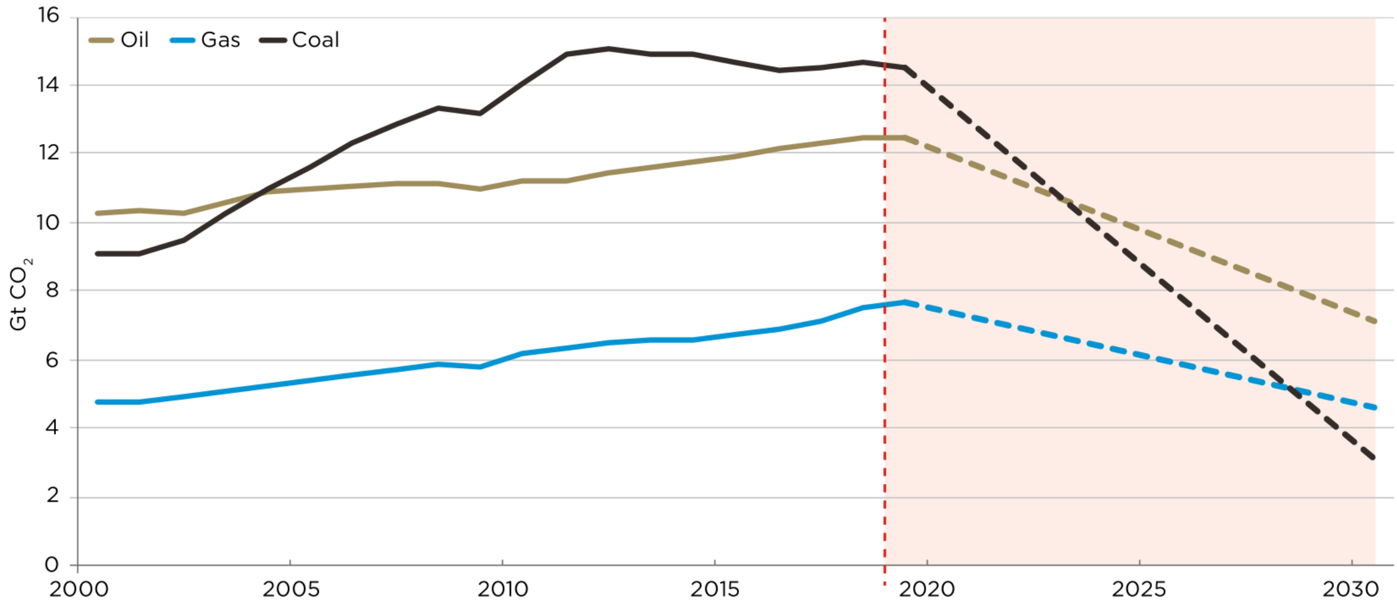
There is mounting concern among scientists at the rate which we are burning through our carbon budget to hold global warming to 1.5°C or even 2°C. Findings published in January 2021 indicating we are set to exhaust our carbon budget for a 50% chance of holding global warming below 1.5°C in 10 years. 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)



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 CO_2 / 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,
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